

# How managers decide how to segment their markets?

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## Case study of the Danish and Estonian dairy industry

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This dissertation provides an analysis and discussions on manager's approaches to market segmentation in Danish and Estonian dairy sectors. Majority of the companies in the sample were not involved in segmenting their market, it was seen as not necessary mainly due to either the smallness of the company or the small size of the overall market. There were also many other possible factors identified as affecting the extent the companies implemented segmentation. Since the concept of intuitive segmentation process was discovered as a new approach used by managers and not covered in the literature, this was also explored further.

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The author asserts her right to be identified as the author of this thesis whenever the thesis is reproduced in full or in part.

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## **Executive summary**

This dissertation provides an analysis and discussions on manager's approaches to market segmentation in Danish and Estonian dairy sectors.

The purpose of this study is to firstly, look into the approaches and methods applied, next, identify the barriers and benefits to segmentation as perceived by the managers, and lastly, try to understand the decision-making process underlying the segmentation process.

The literature is reviewed and several types of methods and approaches are outlined along with possible barriers companies face through the course of the segmentation process. Also the managerial decision making process as seen from the literature is described in more detail.

This study is approached through an interpretive perspective and qualitative research methods are used to analyse the empirical data. The empirical data was collected through 19 telephone interviews or electronic mail correspondences with companies of which 14 were Danish and 5 Estonian. Majority of the companies in the sample were not involved in segmenting their market, it was seen as not necessary mainly due to either the smallness of the company or the small size of the overall market. There were also many other possible factors identified as affecting the extent the companies implemented segmentation. The companies approached segmentation in different levels, where the last level was deciding between implementing an intuitive or a structured approach to segmentation. This was impacted by the available resources of the company, managers' ability to sense the market, and the size of the market being served. Since the concept of intuitive segmentation process was recognized as a new approach used by managers and not covered in the literature, this was explored a bit further.

This dissertation offers a comprehensive look into the topic of market segmentation through the managers' perspective and what they consider important and how they approach this topic. Therefore, it helps companies to understand the competitors in the dairy sector or offers a valuable insight for new companies trying to enter the dairy sector and better understand the industry.

The study has some theoretical limitations, such as the limitations of the methodological approach and the chosen research methods. There are also some overall limitations because of the chosen countries and industry for this study. This research excluded the discussions about management style of the managers and the consumer perspective of the issue which are good recommendations for further studies.

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## 1. Introduction

The importance of market segmentation as a strategy was first acknowledged in 1956 (Smith, 1956). Since then market segmentation has got an increasing amount of attention as an important managerial marketing tool and also as part of the Segmentation, targeting, and positioning (S-T-P) strategy as the business environment changed and marketing became more strategic in the turbulent times of the 1970s and the 1980s (Kotler, et al., 2010, p. 27). As the role of marketing has changed from tactical to more strategic also the definition of segmentation has evolved in time.

Segmentation can be seen as an

“ongoing and iterative process of examining and grouping potential and actual buyers with similar product needs into subgroups that can then be targeted with an appropriate marketing mix in such a way as to facilitate the objective of both parties” (Mitchell & Wilson, 1998, p. 431).

As seen from history the role of marketing gained importance in difficult economic conditions as people evaluated more carefully what they spent their money on. It stands to argue that, as the world is just coming out of a global crisis period, the public may be more cautious with their discretionary income. Many new marketing techniques are emerging but the basic strategy of S-T-P still remains at the core. An essential part of that strategy is market segmentation.

### 1.1. Background of the study

“Analyzing data in aggregate is a crime.” (Kaushik, 2008)

This strongly opinionated quote emphasizes the fact that aggregate data will hardly ever give meaningful insights. Even more importantly, general analytics makes it harder to identifying actionable agenda in order to better reach target customers as the data just is not specific enough – but at the same time every company has a variety of different customers to supply to who respond to different stimuli. Of course, in reality analysing data in aggregate will not be punishable by law, but doing so will definitely not allow a company to unveil its full potential due to reasons mentioned earlier. One can look at segmentation models as having a helping role for the companies, because they simplify the complex customer market into groups which are similar within the groups but different between them (Montinaro & Sciascia, 2011, pp. 655-656).

Online data analytics programs, such as Google Analytics, Yahoo! Web Analytics and others, are offering tools to ease segmentation of web site users for companies and help them better know their visitors and customers. Companies seem to be interested in these opportunities, but the question is – why use segmentation?

From the correspondence with the companies from the dairy sector, the researcher has learned that managers do not always understand what is meant by market segmentation. Some even felt that it must be some kind of a “fancy” business technique they have no use for, they continue to do their business how they have always done it. As with any action within business, this too is dependent on the resources and knowledge of the company. Although using segmentation may not always be reasonable for a company due to, as previously mentioned, resource or knowledge constraints, it still possesses many benefits. Textbooks offer lists of benefits to using segmentation including having a better understanding of a market; the ability to predict consumer behaviour; an increased likelihood of detecting and exploiting new market opportunities by matching consumer needs and preferences, and facing fewer competitors (Kotler, et al., 1999, pp. 381-384). Studies have shown that companies that use segmentation have more satisfied and loyal customers (Epetimehin, 2011, p. 62; Montinaro & Sciascia, 2011, p. 660; Athanassopoulos, 2000, p. 191).

These studies have researched segmentation empirically, but managers understandably cannot always find reasoning to do segmentation without having concrete and definite proof that it will work for them.

It can be difficult to prove logically that segmentation approach is producing economical benefits for the company (Wright & Esslemont, 1994). Segmentation may not be that useful to small companies with limited client base. Hoek et al. (1996) have pointed out that often segmentation requires assumptions and arbitrary decisions. Another criticism involves the robustness and stability of the segments. The preferences of consumers are ever-changing and therefore the segments can lose meaning over time.

The controversy behind segmentation approach intrigues this researcher to look closer and ask companies how, to what extent, and why they implement segmentation. The applicability and existence in the everyday business environment will help to understand how widespread segmentation really is.

### *Selection of the research sample/topic*

Dairy products are everyday food products for most of the people living in Denmark. Dairy products can be seen as low-involvement products which mean that consumers don't involve a lot of cognitive processing while buying such groceries. Although for many consumers buying dairy products might be a routine action, the price levels for competing products are very similar which means that consumers can be easily influenced to switch between products. This is where segmentation and targeting comes in. One of the conditions of doing segmentation assumes its implementation. As the S-T-P framework suggests, segmentation leads to targeting which guides how the product is positioned. The positioning of the certain product or company will ideally attract the target customer group to buy the product. It is crucial to get segmentation as the starting point for the whole process right.

Segmentation and its implementation has been one of the Marketing Science Institute's (MSI, 2012) research priorities for several years which also gives indication of its importance felt by the companies.

In addition to the dairy products being low-involvement, the dairy sector is also interesting due to the extreme differences between countries. Within Scandinavia, usually the dairy market is highly dominated by one company, such as Arla Foods in Denmark and then there are many smaller players. This market structure makes it even more interesting industry to research.

The comparison of the same issues in segmentation to the Estonian market will allow getting more insights into the industry and how the segmentation and decisions made about it differs depending on the nationality of the customer base.

The dairy industry has a long history. Dairy products have been always a part of the Scandinavians' daily diet. Historically, many families kept animals and produced dairy products primarily for their own use. The industry has had an opportunity to change and grow when many people have moved from rural areas to urban areas. Regardless, dairy sector keeps this rustic feeling of hard work and traditional production even though nowadays production process has modern technology incorporated. Interest in the dairy industry also comes from the researcher's lifelong love for dairy products and respect for the history of the trade.



## 1.2. Problem statement formulation

The topic under investigation in this report looks more closely at market segmentation and its extent of incorporation into the Danish dairy sector. Furthermore, an in-depth investigation will be undertaken among the companies and a comparison to the Estonian dairy market will be provided. The main research question, along with the help of three sub-questions, to be answered is the following:

### *How managers decide how to segment their markets?*

*Sub-question 1:* To what extent is customer segmentation applied?

E.g. Is segmentation implemented and if yes, then how?

*Sub-question 2:* What are the reasons behind the current segmentation approach?

E.g. Why the current segmentation reality is how it is? Why segmentation is done how it is? Or why isn't it done? What are the barriers to segmentation?

*Sub-question 3:* What decision-making process underlies the segmentation decisions?

E.g. How companies come to the decision if and how much to apply segmentation within the company?

## 1.3. Research objectives

The research will provide an overview of the process of decision-making concerning the market segmentation issue. This process will be mapped out and relevant stages identified to assist managers making segmentation decisions in the future. Also differences, if identified, will be pointed out between the Danish and Estonian markets. The comprehensive decision-making process will also lead into the implementation part of segmentation and potential problems in that stage faced by the managers. This discussion will provide a valuable input to companies rethinking or developing their current marketing strategies and preparing to become more market-oriented through effective segmentation.

## 1.4. Key definitions

- ❖ Segmentation – “the subdividing of a market into distinct subsets of customers, where any subset may conceivably be selected as a target market to be reached with a distinct marketing mix” (Kotler, 1980; Kotler, et al., 1999, p. 379)

- ❖ Segment marketing – “adapting a company's offerings so they more closely match the needs of one or more segments” (Kotler, et al., 1999, p. 380)
- ❖ Mass marketing – “using almost the same product, promotion and distribution for all consumers” (Kotler, et al., 1999, p. 380)
- ❖ Target marketing – “directing a company's marketing effort towards serving one or more groups of customers sharing common needs or characteristics” (Kotler, et al., 2008, p. 410)
- ❖ Targeting – “the process of evaluating each market segment's attractiveness and selecting one or more segments to enter” (Kotler, et al., 2008, p. 410)
- ❖ Positioning – “arranging for a product to occupy a clear, distinctive and desirable place relative to competing products in the minds of target consumers” (Kotler, et al., 2008, p. 410)
- ❖ A priori segmentation – “a grouping task for which [...] the type and number of segments are determined in advance by the researcher” (Wedel & Kamakura, 2000, p. 17)
- ❖ Post-hoc segmentation - “a grouping task for which [...] the type and number of segments are determined on the basis of the results of data analyses” (Wedel & Kamakura, 2000, p. 17)
- ❖ Benefit segmentation – “an approach to market segmentation whereby it is possible to identify market segments by causal factors rather than descriptive factors [...] the benefits which people are seeking in consuming a given product are the basic reasons for the existence of true market segments” (Haley, 1968, p. 31)
- ❖ Decision – “a moment in an ongoing process of evaluating alternatives for meeting an objective, at which expectations about a particular course of action impel the decision maker to select that course of action most likely to result in attaining the objective” (Harrison, 1999, p. 5)
- ❖ Contingency theory – “the organisation becomes shaped by the contingencies, because it needs to fit them to avoid loss of performance [...] This results in organisations moving into fit with their contingencies, so that there is an alignment. [...] contingency theories of organisational structure involve the three contingencies of environment, organizational size and strategy” (Donaldson, 2001, p. 2)
- ❖ Market sensing – “depends upon open-minded inquiry rather than looking for information to confirm pre-existing beliefs about the market” (Day, 1999, Ch. 5)

## 1.5. Structure of the study

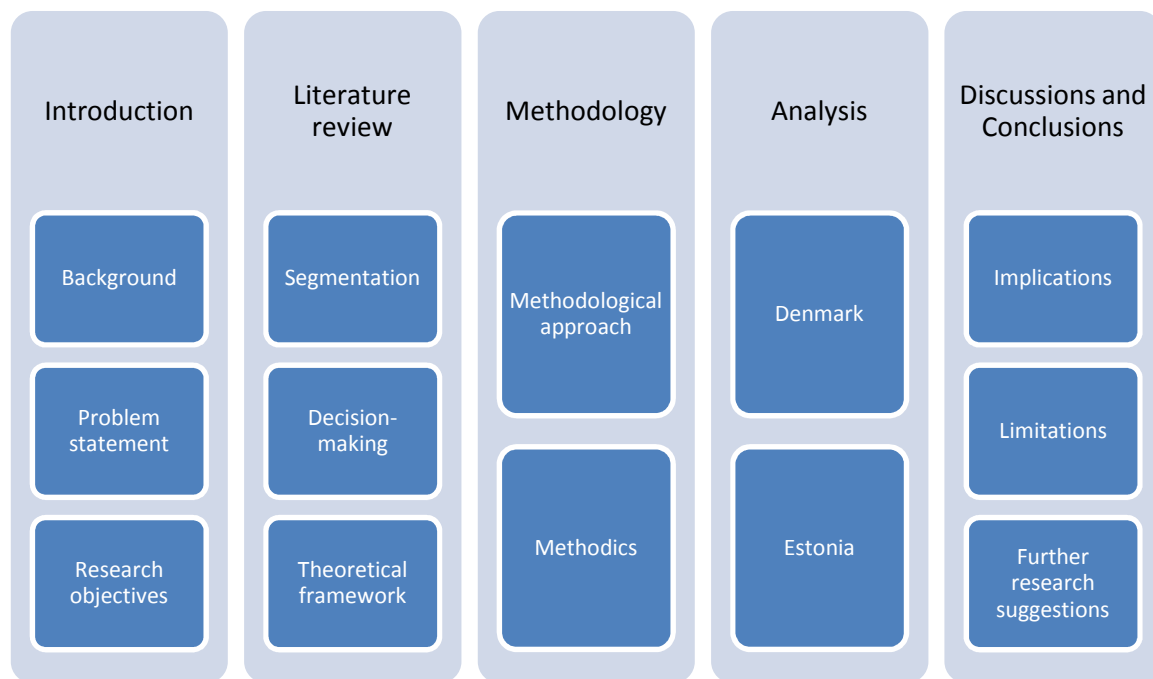


Figure 1 Structure of the thesis study (Source: own creation)

The structure of this study is illustrated by Figure 1. The body of the dissertation consists of three major parts which are the literature review, methodology chapter and the analysis part. Firstly, however, the researcher introduces the grounds for the study and the research objectives which have already been discussed in the preceding chapter. The literature review familiarizes the reader with the segmentation topic and what different approaches exist. Also several aspects of managerial decision-making are covered in the literature review and a theoretical framework for the thesis is proposed. The methodology chapter describes different possible methodological approaches and chooses an approach for this research along with the appropriate research methods or methodics. After that, the researcher is ready to move onto the analysis chapter of this dissertation. The analysis of the segmentation in the dairy markets in Denmark and Estonia is looked at separately. The relevant data gathered is presented in a structure following the literature review to ease the understanding and analysis of the information. Lastly, the discussions part further elaborates on the analysis and connects theory to the empirical data. The discussions part also provides grounds to develop and present some new discoveries from this research. Limitations for this paper are discussed thereafter. The dissertation ends with conclusions and some suggestions for further research.

Next, this paper will move onto to review the relevant literature to be able to address the research questions and fulfil the research objectives.

## 2. Literature review

In this section, more information will be given about segmentation methods and approaches mentioned in the literature. Discussion on managerial decision/making will follow to help understand how managers make decision also about segmentation. Additionally, a theoretical base will be proposed to give a conceptual frame to the discussion and analysis following in the next sections of this thesis.

### 2.1. Segmentation in marketing

Segmentation is a relatively established marketing concept, but the use of segmentation techniques can be a challenging task for managers. For various reasons, a portion of companies choose to steer clear of “complicated” marketing concepts. However, sometimes companies do segmentation unknowingly, only by the specifics of their products which already determine a very narrow focus on the market. Many businesses are familiar with the idea of segmentation and a part of those companies also apply the approach formally in the belief that it will help boost the economic indicators of the company.

#### *Segmentation methods and approaches*

“A marketer can divide up his market in as many ways as he can describe his prospects” (Haley, 1968). This quote illustrates what is already obvious from literature – there are endless ways to segment one’s market and a multitude of variables to base it on. Different types of segmentation include, for example, single-variable, multi-variable segmentation, a priori, post-hoc segmentation (Wind, 1978; Quinn, 2009; Speed & Smith, 1992), multi-domestic segmentation (Steenkamp & Hofstede, 2002), customization (segment-of-one), multistage segmentation, benefit segmentation (Haley, 1968; Webster, 1995, p. 100) and even astrological segmentation (Mitchell, 1995). Besides that there is an array of different variables that marketer can take as a basis for the segmentation, such as geographic, demographic, psychographic, or behaviouristic variables (Kotler, et al., 1999, pp. 385-396). These variables can be used separately or in different combinations to reach the segments which give more insight to the marketer about its target customers.

#### *Variables for segmentation*

The major groups of segmentation variables according to Kotler et al. (1999) are:

- geographic variables
- demographic variables
- psychographic variables

- behaviouristic variables

Geographic segmentation, which refers to segmentation variable used and not the specific method or process of segmentation, utilises different possible geographical units, including variables such as nations, states, regions, cities, neighbourhoods. For a marketer when it comes to geographic segmentation, it is important to also keep in mind language areas or climate differences, which have a big impact on the customer either directly or indirectly.

Demographic variables are the most commonly used variables in segmentation. This is because, firstly, demographic data is easy to obtain and, secondly, consumer needs and wants often correlate and vary with the demographic variables. Some examples of demographic variables include age, life-cycle stage, gender, income, family size, occupation, education, religion, race, nationality etc.

Psychographic variables refer to the customers' lifestyles and consider potential influences on buying behaviour. Variables under this type include social class, consumer lifestyle (healthy, active, adventurous, mainstream, student etc.), and personality (opinions, interests and hobbies).

Behaviouristic segmentation uses knowledge of the buyers, attitudes, product use or responses to a product as a basis for segmentation. Occasions, benefits sought, user status (regular, first-time, potential, non-users, ex-users), usage rate, loyalty status, buyer-readiness stage, attitude towards the product are all possible variables used here.

The type of variables the marketer decides to use is only a symptom of which data is seen as necessary and relevant for the specific company and product. All variables provide the user with different output to work with and different insights about their customers. Different kinds of variables are often combined and used through multi-variable segmentation or other methods to help reach the target customer more efficiently.

### ***Segmentation methods***

Some examples of different methods were already mentioned earlier in the discussion, such as single-variable, or multi-variable segmentation, where the name refers to the number of variables used to make segments. Another option is to divide your market according to countries - multi-domestic segmentation. Benefit segmentation refers to a segmentation method where behaviouristic variables (benefits sought) are used and although it refers mostly to the variables used, in marketing literature it is still referred to as a segmentation method.

Multistage segmentation approaches segmentation in several different stages, where, first, one

method and variables are used and then the market is further segmented based on another method(s) and/or variables(s). A peculiar example about segmentation is astrological segmentation, which uses astrological star signs to group people. This is based on the assumption that people who identify with their astrological star sign will also exhibit similar behavioural or personality characteristics among themselves. In the following discussion even more segmentation methods will be presented, but first some classification guidelines will be discussed to help make more sense of all the segmentation methods available.

Some structure can be given through classifying all these methods along the dimension of a priori and post-hoc (also referred to as cluster-based) segmentation methods. In the case of a priori segmentation the researcher chooses variables to allocate customers or cases into segments, so here the process starts out with the total market and then segments are imposed with the help of demographic, geographic, psychographic, behaviouristic or other variables and techniques. Post-hoc segmentation is more focused on what the data will reveal, so the data will guide the search for segments and the characteristics that will describe those segments. This approach starts from the case or customer level and then the goal is to find similarities between customers which allow grouping them into a segment. (Rao & Wang, 1995, p. 59) The nested or hybrid segmentation approach is a combination of these two – in the two-step segmentation first a priori method and later post-hoc (clustering) is used to develop a more targeted segmentation strategy (Kazbare, et al., 2010, p. 23).

Another dimension to consider is which statistical methods – descriptive or predictive – are being used. Descriptive methods make no differentiation between dependent and independent variables, whereas predictive methods use independent variables to explain the dependent variables in order to make better sense of the customer data. (Wedel & Kamakura, 2000, p. 17) Following table plots these two dimensions and some examples of related segmentation methods in a matrix:

**Table 1 Classification of methods used for segmentation (Source: Wedel & Kamakura, 2000, p. 17 adapted)**

	A priori	Post hoc
Descriptive	Contingency tables, Log-linear models	Clustering methods
Predictive	Cross tabulation, Regression, logit and Discriminant analysis	Clusterwise regression, Automatic interaction detection, Classification and regression trees

Which type of segmentation method is likely to be most productive? It's highly up to the manager and dependent on the particular business. As previous discussion reveals, segmentation is a complex concept with a variety of possibilities for companies to approach it. Every approach most likely has its advantages and disadvantages, and the choice to do segmentation versus not or which method to use is very much dependent on the particular situation and particular company and its environment.

There are endless ways to form segments and it would not be feasible to try to discuss the benefits and challenges with each one, so instead the discussion will be limited to a priori versus post hoc and descriptive versus predictive methods.

A priori segmentation is regarded as the simplest and easiest, but probably the least effective method. It is, however, effective if used in hybrid segmentation approach or in combination with post-hoc methods. When doing a priori segmentation the number of segments is determined beforehand based on some chosen variable(s), which can limit the marketers' view of the market and places it within these predetermined boundaries. Post-hoc segmentation is more about sensing the market and letting the customers lead the grouping process. An explanatory analogy can be drawn from the medical world. A priori method will give the doctor a fixed number of conditions or diseases he can diagnose the patient with. Then it is the doctor's job to pick one. But post-hoc method is more about listening to the patient and getting to know its symptoms and then use those symptoms to determine what the cause problem is. Both methods might give the same result, but a priori can be a quicker way to handle the situation if time is of the essence, whereas the post-hoc method will take more effort and resources but one is more likely to come to some relevant insights during the process. Post-hoc segmentation methods are used frequently and are extremely powerful in finding clusters with similar preferences. There are a variety of statistical clustering methods available, which makes it difficult for managers actually implement this approach. While cluster analysis gives nice insights into the data, it is often lacking theoretical considerations in the application of the approach in research. (Wedel & Kamakura, 2000)

Descriptive methods, like the name suggests, will only provide the marketer with descriptive information about its customers. The analysis might reveal correlations among variables, but it will not provide any proof of causation or interrelatedness. Predictive methods address this issue through helping to identify independent variables affecting a dependent variable and through this helping to address the root cause of a phenomenon for the marketer. Again descriptive methods are more straight forward and easy to understand for the marketer as it

involves frequencies and correlations and other relatively simple statistics and seeing trends in the data. But on the other hand, much of the data analysis interpretation is subjective which can lead to misconceptions about the trends in the data e.g. seeing something in the data that is not really there. Predictive methods are often more technical and complex, but will give more assurance about these kinds of matters. The complexity of some predictive methods can, however, be a confusing territory for many marketers which can also lead to mistreating of the data.

### *Sectors or segments?*

There is some confusion in the business community what exactly segmentation entails. Segmentation is concerned with the consumer needs and preferences; it is all about the consumer. Consumer-oriented and market-oriented companies can use segmentation of their customers as a powerful tool underlying marketing activities. Companies which divide their business areas into sectors (not segments) are primarily using the product characteristics to do so. The issue arises especially within the industrial companies (B2B) – do the companies actually segment their market or do they sector it based on product criteria? The difference has been highlighted by Dibb and Simkin (1994) as a problem where companies believe to be segmenting their market, whereas in reality they are just creating market sectors based on the product characteristics. The argument they bring, is that segmentation focus should be on the customer and not on the product. The distinction can be hard to see in some cases as the approach might start with the product offering, but later on the focus turns onto the particular customer and their needs and finding ways to further the cooperation by learning more about their needs. For the purpose of this research, segmentation is seen as a customer-focused activity and later on in the analysis part the distinction between segments and sectors will be exemplified.

### *Factors affecting the segmentation approach*

The benefits and barriers to market segmentation have been widely discussed in the business literature. Effectively conducted and implemented segmentation brings about many benefits to the company such as improving customer satisfaction (Epetimehin, 2011, p. 62), increasing profitability and reducing competition confronted (Speed & Smith, 1992, p. 368), improving allocation of resources, and better understanding of its customers (Kotler, et al., 1999, pp. 381-384).



On the other hand, also many barriers to implementing segmentation have been identified. Dibb (2005) in her article addressed the barriers companies face internally. These barriers can be divided into harder 'resource-based' issues and softer 'culture/structural' issues and include, for example, lack of general marketing expertise, no suitable software capacity, inadequate budget for undertaking required data collection and analysis, insufficient time allowed to roll-out the segmentation solution, company inflexible and reluctant to new ideas, resistance to modifying organisational culture/structure/distribution, lack of customer focus, weak leadership, and the list goes on (Dibb, 2005, pp. 16-17). "While many of the harder issues respond to early treatment, the softer issues are more difficult to handle in this way" (Dibb, 2005, p. 13). The extent of different barriers facing the companies combined with lack of academic research about implementation of segmentation approaches is bringing down the belief in market segmentation. Marketers see the barriers facing them, but are unaware of the benefits they can gain.

Marketers are known to choose segmentation strategies according to their appropriateness and ease of implementation (Dibb & Simkin, 2001, p. 613). Once the approach is seen as having many obstacles and barriers, it will most likely not be undertaken by the company. A useful way of going about the classification of different kinds of possible barriers is to look at the segmentation process. Firstly, there are the barriers that prevent the segmentation process to even start, then, there are process issues which relate to the steps already involved in segmentation, lastly, implementation barriers are the barriers that will impede the segmentation approach to be operationalized. Each of these barrier groups has examples of specific barriers in those stages, which are, among others, the following:

1. Infrastructure barriers, for example:
  - Specifics in the company culture, structure, or resources
  - People issues (skills, experience)
  - Lack of reliable information and data
  - Inadequate commitment from senior management
  - Poor managerial understanding of segmentation principles
2. Segmentation process issues, for example:
  - Issues concerning data analysis and communication
  - Insufficient marketing personnel (analytical skills, budget)
  - Poor understanding of the basic segmentation process
  - Poor appreciation of fit with corporate strategic planning
3. Implementation barriers, for example:
  - Infrastructure issues (characteristics of the existing distribution system)
  - Industry structure (accepted norms etc.)

- Insufficient time allowed to roll-out segment solution
- Poor fit between tactical marketing programs and segment solution (Dibb & Simkin, 2001)

Dibb and Simkin (2001) address these barriers in the three stages mentioned earlier and diagnose the problems typically faced by companies which are introducing new or revised segmentation strategies. Whether the barrier exists or not is very dependent on the individual company and its culture, structure, and the resources it has at that point in time. If a company does not have people with marketing skills, it is difficult to implement a segmentation strategy as there are no people who would know how to do it. If a company has a long history and little change in its operations over that time, it is highly likely that the people working there are reluctant to change and accept a new approach because they are fixed in their current way of doing things. If managers do not understand what segmentation can mean for their company and what it entails, they would have a hard time committing to introducing this approach. The initial state of the company will determine what barriers it faces when it decides to implement a segmentation strategy. As ease of implementation is something managers think about, the segmentation approach might never be considered seriously if a high number of potential barriers are on the horizon. Nevermind, that a segmentation strategy would, in fact, be appropriate and useful for the business.

Some barriers are easier to overcome than others. All starts with having the necessary people with necessary skills and motivation (managers and employees), but this is also the hardest barrier to tackle and overcome. Managers reluctant to change or with poor understanding of the process will either never start the process or will hinder the process of segmentation in the other two stages. If this barrier has been overcome, the next hard challenge will be to face the necessary structural changes and changing the culture (if it is not customer-focused) and making the employees better understand the process and the importance of it. Financial and available human resources might impose a barrier in the short run, but in the long run it can be dealt with - if there is a will there is a way, as the old saying goes. All these barriers can be overcome if the company is determined to implement segmentation strategy and become more customer-focused. Some might be a little more complicated to deal with and some might take more time and effort, but this will depend on the initial position of the company and the determination to address those issues.

The barriers discussed in the previous sections are concerned with the internal situation of the company. There can also be external barriers (situational factors) to segmentation. These

barriers come from the external environment and hence are much harder for the company to address and treat. When internal issues can be diagnosed and fixed, then the external environment is harder to change. Consequently, if a company is faced with external barriers to segmentation and unable to somehow overcome them, segmentation will most likely not be implemented before the situational factors change. External factors such as the competitive factors (nature of competition, competitive differentiation) and market factors (size, characteristics of the segments) will also be reflected in the company's size and number of customers. The company's reality of its current market will affect its choices and along with the managements ambitions will reflect through the future goals. Since for this research, the researcher did not inquire about the companies' future plans, but rather the current situation in the firm, only the current circumstances will be analysed. These external factors can be also compared with market attractiveness factors in general. An unattractive market (including all smaller aspects that can affect that) is seen as an external barrier which is hard to overcome which leads to the failure of the segmentation approach being implemented. An attractive market is also attractive for the marketer to find target segments to take advantage of in that market.

A plethora of possible barriers exist and continue to hinder the implementation of segmentation in the business landscape. Certainly, the potential benefits from a well-integrated segmentation strategy needs to be weighed against the costs and barriers incurred to create and implement the strategy. Hence, there will be companies who will choose not to approach their market with well-reasoned data-based customer analysis but rather use the trial-and-error method or no segmentation method at all, because the cost is too high for them.

Nevertheless, there is also general criticism of segmentation. Wright (1996) has brought forth two big concerns with segmentation. Firstly, he claims that there is no proof that segments are connected with set of preferences. Secondly, according to Wright there is no proof that targeting and segmentation leads to higher returns than other approaches. Selecting a target market will allow the company to direct its effort towards those customers, but ultimately it is extremely hard to prove empirically that the segmentation approach will give higher returns than mass marketing. He also mentions the "activity effect" as a possible explanation, where the fact that the company has developed a marketing initiative and supports it appropriately already generates positive results by itself. (Wright, 1996, p. 23)

Segments are often unstable and targeting can be ineffective (Hoek, et al., 1996; Wright, 1996). The fact that the obtained segments are highly sensitive to the method used and to the

numerous decisions managers have to make during the segmentation process, does not help the case for segmentation (Hoek, et al., 1996, p. 29). If the segments were verified through using several different analysis methods and obtaining same or similar results, it would give more credibility to the segmentation approach, but this is rarely done (Hoek, et al., 1996, p. 29).

Although many decisions regarding segmentation may be based on the intuition of the managers or be arbitrary to some extent there are some criteria needed for variables used for segmentation: 1. Variable should be measurable; 2. Variable should reflect heterogeneity of a relatively substantial group of customers; 3. Variable should have operational relevance for the marketing strategy (Webster, 1995, p. 99).

Additionally to picking the right variables for the segmentation, also a criterion to assess the proposed market segments exists. Arguably, for segmentation to be effective the segments must be measurable, substantial, accessible, differentiable, and actionable (Kotler, et al., 2009, p. 357). This criterion is supposed to help managers evaluate their segments. However, to get to the point of actually having the segments, many steps and barriers need to be addressed. The process does not end with the creation of segments; managers need to follow through with a longer decision-making process to ensure the strategy is successful over time.

## **2.2. Decision-making process of managers**

Before going into more specifics about the decision-making process, the researcher would like to remind the reader about what constitutes a decision – “a moment in an ongoing process of evaluating alternatives for meeting an objective, at which expectations about a particular course of action impel the decision maker to select that course of action most likely to result in attaining the objective” (Harrison, 1999, p. 5). Managers face situations where they need to make decisions daily while fulfilling their responsibilities. There are different kinds of decisions and the decision-making process in general comprises of many steps and is often complex. There is an abundance of research on the decision-making process of consumers. Decisions faced by managers can, however, differ extensively due to the specific external and internal environment of the company, and all other specific details managers need to consider constantly.

Why is managerial decision-making important? Everything in business revolves around making decisions. Making decisions better and faster can be what separates a small player from the market leader. Harrison & Pelletier (2000) argue that making decisions is what

distinguishes managers from other occupations and that making decisions is the single most important activity of managers. A manager who makes good decisions is a successful manager.

In management decision-making there are four complimenting elements to keep in mind. These are, first, the managerial decision maker, second, the organization, third, the external environment, and lastly the outcome or the decision itself (Harrison & Pelletier, 2000, pp. 463-464). When focusing on the decision-maker itself, one would look at the values and behaviour the person has. If they are more risk averse or risk avoiding and what psychological forces might guide their preferences for a particular solution or course of action. The organization is what creates the need for decision-making in the first place. The goals and objectives set for the organization instigates the decision-making process and guides its course. The organization represents the internal environment of the company with all its aspects. External environment consists of all the external players who are affected by the outcome of the decision. Often the stimuli for re-evaluating old or introducing new objectives can come from the external environment. The external environment is also an important element when assessing the success of the decision. Finally, there is the outcome – managers always have certain expectations regarding the outcome of their decision. These expectations will be the push or the impelling force for the decision itself. The outcome is the primary focus for the manager when going through the decision-making process. (Harrison & Pelletier, 2000, pp. 463-464)

In this research discussion of the latter three areas – the organization, the external environment, and the outcome – is covered. Personality analysis of the managers would be entering the field of personality psychology and is not seen as relevant for this marketing research paper. The omission of the psychological aspect is a limitation of this paper.

According to Harrison & Pelletier (2000, p. 463) the managerial decision-making process consists of six stages (see figure below):

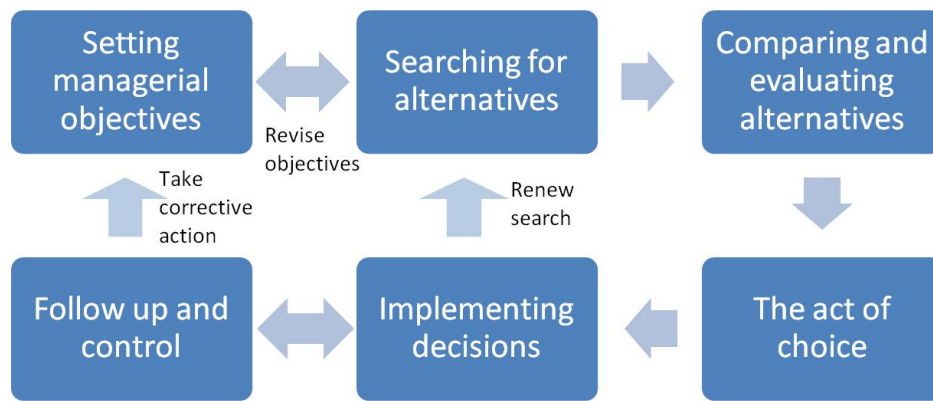


Figure 2 The managerial decision/making process (Source: Harrison & Pelletier, 2000, p. 463)

This process reflects the steps in an average managerial decision, but is still helpful to understand the general underlying process. The choice of managerial decision-making models is, for some reason, quite limited. Some more detailed decision-making models like the Howard-Sheth model or Nicosia model (Markin, 1974, pp. 90-95) offer insight into the decision-making process from the consumer perspective. These models are very detailed and focus on the cognitive side of the decision-making. The researcher feels that for managerial decision-making such level of detail is not necessary and also managers deal with different concerns than consumers do when making decisions. The model by Harrison and Pelletier has been revised and improved, which is why the researcher believes it reflects the reality quite well. Also, intuitively it matches the steps a manager would need to take to reach certain objectives. The model assumes that in the business environment, the manager will first set objectives or goals for the operations which seems realistic. The model connects together and creates a continuous cycle through learning, which is also common in consumer decision making models.

The model starts with *setting managerial objectives* (Stage 1). In this stage the decision-making process is initiated through a stimulus in the organizations internal or external environment which leads to the need of new or revised objectives for the company. For segmentation, this means that the company sets an objective to introduce new or revised segmentation strategy or an objective where introducing a segmentation strategy would be included in the possible alternatives to reaching the objective. This objective may be initiated from the internal need to become more customer-focused or external pressure from threatening competitors who satisfy their customers' needs better. In order to continue to the next stage, the objectives must be clear and achievable. The reasoning behind the objectives must be well argued and agreed upon within the company.

The next stage – *searching for alternatives* – involves “scanning the internal and external environment for relevant information from which to fashion a set of alternatives likely to fulfil the objective” (Harrison & Pelletier, 2000, p. 466). For segmentation, this can either be different types of segmentation to be implemented or whether to introduce a segmentation strategy at all or skip it. Once possible alternatives are found out, the manager moves on to *comparing and evaluating* those *alternatives* (Stage 3). This is done through appropriate methods and suitability to the original objective. Different aspects of different alternatives will be evaluated and estimated how well they can achieve the objective. For segmentation, this will most likely entail market research and analysis of costs against benefits of each alternative. Here, also the barriers to segmentation come in as the existing or possible barriers will drive up the potential costs of the segmentation approach and can inhibit manager to choose that alternative as a viable option to reaching the objective. If, however, there are a manageable amount of barriers and the estimated benefits outweigh them, it is highly likely that segmentation will be considered as a possible option. When evaluating different types of segmentation approaches, with their advantages and disadvantages, a similar cost-benefit analysis will be most likely undertaken for each type.

Once the alternatives have been evaluated and compared, a *choice* will be made (Stage 4). A course of action will be selected which is believed to reach the objective in the best way. This is the culmination of the alternative analysis and beginning of the process of implementation. *Implementing the decision* (Stage 5) is often considered the most challenging part. The implementation process often reveals new aspects about the selected alternative which were unknown before. The implementation barriers to segmentation were discussed above under Factors affecting the segmentation approach. Finally, in Stage 6 the manager needs to do *follow-up and control*. This stage is again linked to the objective set in the beginning. Manager’s responsibility is to ensure that the alternative choice and the following implementation align up with the objective. Managers are not always successful in their decision-making and sometimes the chosen and implemented alternative will not give the outcome desired. Take corrective action, revise objectives, renew search – these corrective actions can be pursued if, for example, the outcome does not match the original objective, the objectives were not achievable or realistic for the company, or not enough relevant research was done. For segmentation, follow-up and control means to make sure that the segmentation strategy is integrated throughout the company and working well.

This process might not apply to all the decisions managers make on daily basis, because for a routine, frequent or low-risk decision the manager will probably rely more on his or her previous experience and knowledge and, therefore, not set explicit objectives or do extensive research.

Addressing the various decisions that must be made specifically during a segmentation analysis Hoek et al. (1996, p. 29) have brought forward the following considerations that also are relevant to managers' decision-making process: 1. the basis to be used for segmentation; 2. the variables to be used to measure and express this basis; 3. the analysis method to be used to identify the segment solutions; 4. the number and composition of the segments they choose to have. In the decision-making process these considerations will emerge in the alternative evaluation stage (Stage 2).



Figure 3 Manager's decisions about segmentation (Source: Hoek, et al., 1996, p. 29 adapted)

The figure above illustrates more specifically the decisions needed for the segmentation process. How managers went about the decision-making about segmentation within the research sample companies is looked upon and discussed in more detail later on in the dissertation.

Market segmentation is not only about creating the market segments; it involves the whole segmentation strategy development and also planning of resources and monitoring and control of the segmentation approach (Dibb, 2005, p. 27). All these issues need to be addressed by the managers to assure the success of the segmentation strategy.

### 2.3. Theoretical framework

Every company is unique and different which is also why companies deal with the segmentation issue differently. In organisational behaviour there can never be one way of doing it right, all is dependent or contingent of the situational factors and the environment.

The *contingency theory* is adapted as a theoretical framework to help understand how and why companies approach the segmentation topics differently.

Contingency theory is similar to the situational theory in a way that they both assume that there is not one and only “right” way to do things. However, the contingency theory takes a



broader view including external situational factors and not just behaviours of the actors, which is why it could also be relevant for segmentation decisions within the companies under research in this research. Also, several authors have adapted the contingency theory to different situations to create new theories such as Contingency theory of leadership (Fiedler, 1967), Contingency theory of decision-making (Vroom & Yetton, 1973), and Contingency rules theory (Smith, 1984). The contingency theory holds true five underlying assumptions, which are according to Morgan (2006, p. 42) the following:

- “Organizations are open systems that need careful management to satisfy and balance internal needs and to adapt to environmental circumstances.”
- “There is no one best way of organizing. The appropriate form depends on the kind of task or environment with which one is dealing.”
- “Managements must be concerned [...] with achieving alignments and good fits.”
- “Different approaches to management may be necessary to perform different tasks within the same organization.”
- “Different types [...] of organizations are needed in different types of environments.”

Building on these ideas the researcher can derive that the management style, task at hand, the environment, and making all aforementioned fit is what is important to consider.

However, as this is an organizational theory not all assumptions can also be applied to the segmentation approach within the theory. For this research only the dairy industry will be looked upon which offers consistency with regards to some external factors faced by the companies within that industry. The research, however, is expanded to include not only Denmark but also Estonia, which should give opportunities to see differences in the external environments and, hence, the approaches companies are applying. The characteristics of the companies (such as the product portfolio, size of the company, number of customers etc) illustrate the internal environment. These will be covered to help understand the behaviour of the company in its external environment. The management style will not be explicitly analysed within this research, although the researcher still expects to get some thoughts about it through talking with the representatives from the companies. The task at hand, in this case, is the segmentation strategy and its implementation. The issues concerning the segmentation task are specified by the research questions and the interview questions asked from company representatives. Burns & Stalker (1961) emphasized that the fit between the organisation and the environment depends on the ability of the top management to address the environmental factors and come up with the appropriate course of action. To do this, more research into the

management is required than undertaken with this research. Instead, the competency of the management is largely assumed by the researcher and only some observations about the management style will be presented. Again, looking back at the five underlying assumptions behind the contingency theory and connecting them to segmentation and the topic of this study, the researcher proposes the following statements to be true:

- There is not one optimal segmentation approach. The best approach will be determined by the goal and task at hand at the time.
- The internal needs and external environmental circumstances of a company will affect the choice of a segmentation approach.
- Managers, through their decision making, should find the fitting segmentation approach for the company taking into consideration the internal and external factors.
- Managements must be flexible and aware of different approaches to the same problem and adapt (this refers to the management style and not covered in detail within this study).
- The different approaches to segmentation are needed in different companies and different environments (this brings together the first three statements).

Although there are five statements, only the three first ones are truly relevant for this study, as the fourth statements refers to the management style which is not the focus of this study and the final statement repeats what is already said before.

It is almost common sense that each company is different internally and also differs by which external factors affect them. The individuality of a firm is what drives each decision within the company. This will also become clearer when analysing the interviews with managers. Going through the decision making process, each small decision will create the path to reaching the final segmentation approach. Having made one decision differently the final approach could be different. As discussed earlier this is also one criticism of segmentation. But in reality different approaches may have different benefits and disadvantages and it is the manager's job to consider the factors and make the decision in a way he or she feels it fits with the company's objectives and goals. Through talking with the managers their considerations and reasoning on the topic of segmentation will be explored further in the analysis part of this report.

There does, however, exist some criticism about the contingency theory. Contingency theory is said to be static and obsolete (Burton, et al., 2006, p. 19). Management is constantly

looking for the fit and as an equilibrium theory the contingency theory could remain static once the fit is found. Since, however, external factors are not in controlled by the company the change in the external environment will force the management to search for equilibrium again. Although the company needs to sense the market continually, it is not unreasonable to assume that the segmentation approach itself can remain static while details about it are changing depending on the changing market situations. Even though, after contingency theory has been published, many new organizational theories have been proposed, the researcher believes that it is still relevant and helpful in explaining the task at hand.

Other theories, such as more economical Rational Action Theory, and Prospect Theory/Options Theory were also considered as a framework, but due to its flexibility and good applicability to the segmentation issue the contingency theory was decided for instead.

### **3. Methodology**

The methodology chapter will describe the underlying thinking process of the researcher as the necessary data is being collected and analysed. As a scientific project, the researcher's assumptions and presumptions need to be clear and defined through methodological discussions to the reader to better the understanding of the premise of the research and the analysis. Hence, the purpose of this chapter is to look more closely into how the knowledge creation process will be managed and to explain how the research will be carried out. Following section will cover the key concepts in the business research methodology and how those principles apply to this research study based on the objectives of this research.

#### **3.1. Understanding of social science paradigms**

All scientific research encompasses different sets of assumptions which guide the way of analysis and the research design to a great extent. Researchers may acknowledge the fact and knowingly let their assumptions guide their research or it can also occur implicitly, without conscious declaration. This philosophy of science has been elaborated by numerous authors offering the researchers many conceptual ways to express their methodological approach and classify the process of knowledge creation. Most prominent viewpoints are the ones of Arbnor & Bjerke (hereafter referred to as A&B) and Burrell & Morgan (hereafter referred to as B&M). These authors have two different conceptualizations of the social science and will be explained and compared more to provide a clear and consistent basis for this research.

### 3.1.1. Ultimate presumptions

An important concept to understand when talking about the creation of knowledge or methodology is *paradigm*. A paradigm is used to “describe basic philosophical conceptions that are of importance to practical research [...]” (Arbnor & Bjerke, 1997, p. 14). The interaction of ultimate presumptions of the researcher with the practical use of methodological approaches is expressed by the concept of *paradigm*. This is also referred to as the “language” of the theorists of science. Going further, discussion about understanding the relationship between methodological approaches and the actual area of study can be expressed through the concept of *operative paradigm*. These relationships are illustrated in the figure below.

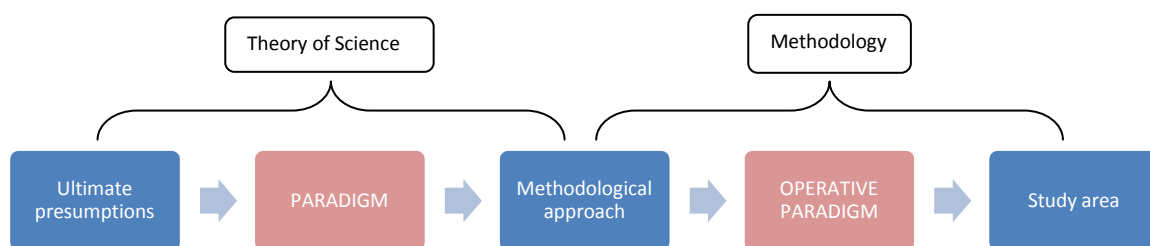


Figure 4 Methodological approach (Source: Arbnor & Bjerke, 1997, p. 15 adapted)

As can be seen from the figure, methodological approach takes in the ultimate presumptions and at the same time offers basis for the development of the operative paradigm, which is already more directly connected to the concrete problem at hand. It is also relevant to mention that methodological approach can be inspired by more than one paradigms, and also operating under a single paradigm does not exclude the existence of different methodological approaches within that paradigm. (Arbnor & Bjerke, 1997, pp. 14-15)

The *operative paradigm* consists of methodical procedures and methodics, while the concept of *paradigm* deals with the conception of reality, science, scientific ideals and ethics, which are also the ultimate philosophical assumptions. This means that an operative paradigm can be altered and changed repeatedly depending on the procedures and methodics applied to the problem area, whereas the paradigm is more constant and cannot be so easily changed. (Arbnor & Bjerke, 1997, pp. 14-15)

Burrell & Morgan (1979, p. 1) note that there are four sets of underlying assumptions when it comes to social sciences: *ontological*, *epistemological*, *human nature*, and *methodological assumptions*. However, according to A&B (1997, p. 14) these “ultimate presumptions that control the process of knowledge creation” are *the conception of reality* (view of the world),

*the conception of science, scientific ideals, and ethical/aesthetical aspects.* Although, named differently these presumptions cover the same issues and are similar in nature.

The researcher will discuss the concepts proposed by B&M in a little more detail:

- ❖ Ontology – concerned with what the researcher considers to be the “reality” – is it real and external or do individuals create their own realities?
- ❖ Epistemology – concerned with the creation and nature of knowledge – how is knowledge obtained and what is true? Is knowledge something tangible to be acquired or must it be experienced?
- ❖ Human nature – concerned with the relationships between individuals and their environment – is man the product of its environment or the creator of it?
- ❖ Methodology – the plan how to tackle the problem and create knowledge – what methodical procedures and methodics will be used in the research? Methodology involves the concept of the operative paradigm (see also Figure 4 Methodological approach (Source: Arbnor & Bjerke, 1997, p. 15 adapted). (Kuada, 2010, p. 36)

Before moving on to the methodological approaches, a better understanding of the philosophical assumptions of A&B in connection with B&M’s should be established.

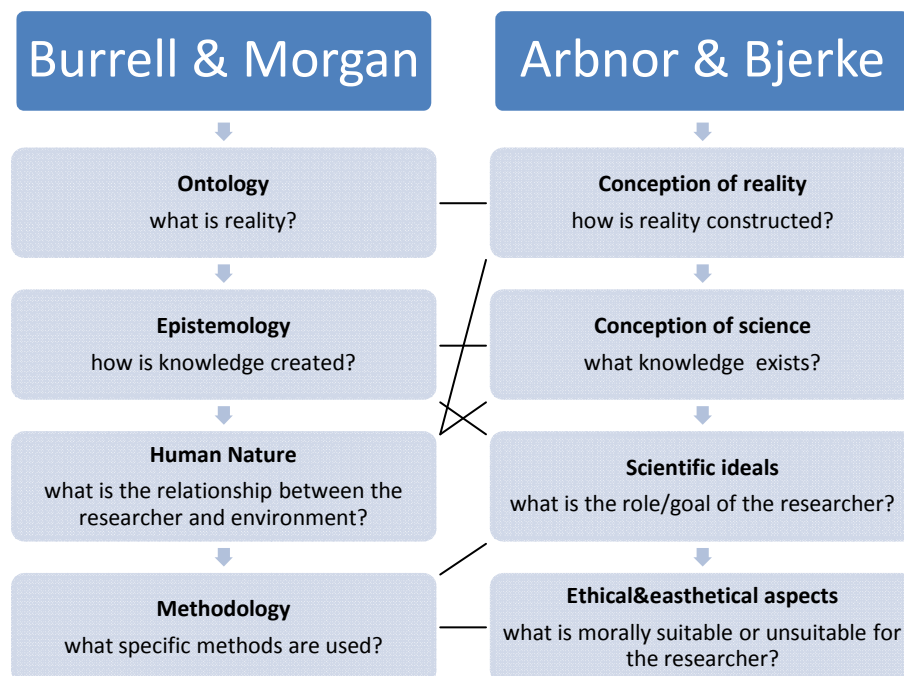


Figure 5 Comparison of contents of research terminologies (Source: based on Burrell & Morgan, 1979, pp. 1-6 and Arbnor & Bjerke, 1997, p. 15)

The figure above helps to see the similarities between the two classifications of philosophical assumptions. The connecting lines bring forth the connections among the different levels of

understanding where they cover same or similar issues. B&M concept of *human nature* is not explicitly covered in A&B presumptions, but it is implied within the conception of reality and science as A&B see individuals as an element in the construction of reality and also the ones who have been involved in the creation of the previous knowledge.

### 3.1.2. Methodological approaches

Each of these philosophical assumptions has two contrasting extremes which can be described through the dimension of subjectivity/objectivity. Contrasting schools of thought have emerged connected to these philosophical assumptions which guide the knowledge creation over the different levels of understanding in scientific research.

**Table 2** The objectivist-subjectivist dispositions in social science (Source: based on Kuada, 2010, p. 37 and Burrell & Morgan, 1979, pp. 1-7 adapted)

Dimensions	The Objectivist Approach	The Subjectivist Approach
<b>Ontology</b>	<b>Realism</b> <i>social world is real and external to the individual cognition</i>	<b>Nominalism</b> <i>reality is constructed by individuals in interaction with each other</i>
<b>Epistemology</b>	<b>Positivism</b> <i>researcher can be objective and conduct his investigations as an external observer</i>	<b>Anti-positivism (interpretivism)</b> <i>need to research the standpoint of individuals directly involved in the social activities under investigation</i>
<b>Human Nature</b>	<b>Determinism</b> <i>Man's actions depend on what is happening around him</i>	<b>Voluntarism</b> <i>man is independent and has free will</i>
<b>Methodology</b>	<b>Nomothetic</b> <i>encourages studies that are based on systematic protocol and techniques such as survey methods</i>	<b>Idiographic</b> <i>the researcher "gets inside" the situation, encourages use of such techniques as diaries, biographies and participant-observations</i>

A&B have a similar dimension they use to express the opposite views of the world, but they call it *explanatics* and *hermeneutics* instead of *objectivism* and *subjectivism*. A&B also bring out the difference between those extremes as the difference between explaining versus understanding knowledge. Explanaticists believe that the same methods can be used both in natural and social sciences, whereas the hermeneuticists disagree. Hermeneuticists believe that knowledge is subjective and emphasise the importance of interpretation. Illustration of the methodological approaches proposed by A&B along with the paradigmatic categories can be seen in the figure below.

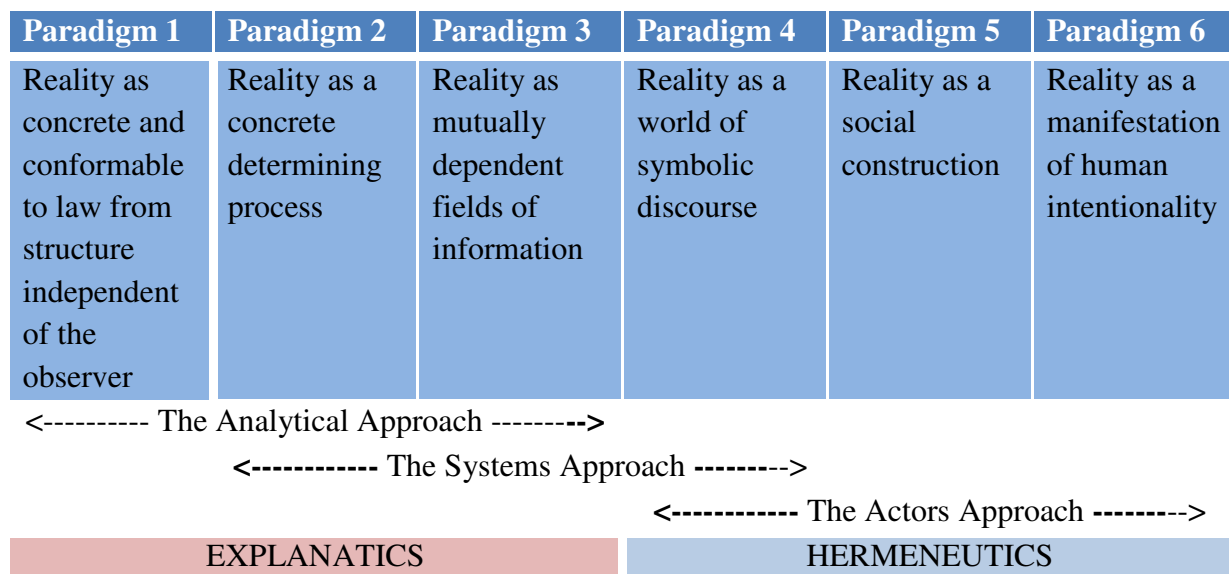


Figure 6 Arbnor & Bjerke's paradigms and methodological approaches (Source: based on Arbnor & Bjerke, 1997, pp. 45-46 and Kuada, 2010, pp. 47-50)

The classification of A&B's methodological approaches is a bit more complex as they have proposed three separate approaches: The Analytical, Systems, and Actors Approach, which all have distinct implications about the philosophical thinking behind the research. However, the extremes of Analytical and Actors Approaches are quite similar to the Objectivist and Subjectivist Approach by underlying assumptions. In this research the researcher will focus on the philosophical classifications discussed by B&M, meaning further methodological discussion will be guided through ontology, epistemology, and methodology on the subjectivism versus objectivism perspective.

### 3.2. Ontological considerations

The business reality is complex and constantly under change – new concepts and methods are constantly emerging and the companies are changing to keep up with the innovations and growing number of challenges. Within the organizations, managers and executives are the ones making those decisions to keep the business running successfully and chase future business opportunities. Managerial decision-making rarely is a one-man operation – there are many actors within the organization working together to support each other and to reach the most beneficial decisions for the company. This entails interaction between these individuals who will through carrying out their job tasks create and communicate their perception of the reality around them to their co-workers. Hence, the reality of their business environment is socially constructed through data interpretation and continuous feedback within the organization. (Bryman & Bell, 2007, p. 23)

In a business environment some players often see situations differently than others. This might be the reason why teamwork is seen as such an effective way of working – combining different opinions or “realities” will help to create the collective social reality.

For this research, this approach seemed most appropriate as segmentation often incorporates many different aspects from different players who see the reality differently, but in a company they need to come together to form a common approach toward segmentation and this can only happen through creating a reality that enables this to happen. The researcher personally also believes that in general there is no concrete and independent reality, but rather each unit of existence creates its own realities by social interaction with the beings surrounding it. This makes it easier to align the researcher’s personal views with the views towards this research approach and the topic in question.

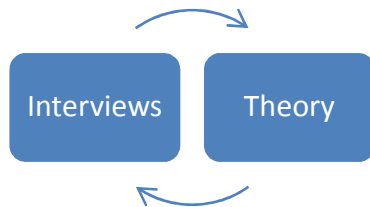
### **3.3. Epistemological considerations**

All actors possess individual traits and in decision-making those inclinations can largely affect the decision-making approach taken and hence, the outcomes. Even though managers are expected to make decisions based in detailed subjective data, the interpretation of that data may vary also depending on the personal understandings and/or previous experiences. The aim of this study is to understand how and why managers make the decisions they do about market segmentation issues. The generation of this understanding will require interpretation of complex and multifaceted decision-making problems by the researcher. Being able to recognize patterns and to make sense of the information collected requires the researcher’s analysis and portrayal of the situations presented during data collection. (Bryman & Bell, 2007, p. 17)

Also, this interpretation process will inevitably be influenced by the researcher previous professional and personal experiences and knowledge, and feedback received while consultations with supervisor. Additionally, the creation of a single positivistic reality through the proposed research is nearly impossible due to the differences in the perceptions of the employees of the different companies and how they express their thoughts to the researcher for the purpose of the research. Thus, the knowledge creation is seen mainly through an interpretive perspective. The researcher’s process of interpretation of the empirical data will include a continuous circle of interpretation between what was said during the interviews and the theory. The researcher will listen to the statements of the interviewees and constantly compare those statements with the theoretical stance on that particular issue. As part of the



interpretation process, the research will also try to indentify gaps or something that the theory does not explain entirely. The interpretation process will help the researcher to understand better what the respondents are exactly saying and give meaning to those statements. The circle of understanding is illustrated by the figure below.



**Figure 7** The process of interpretation (Source: own creation)

This process will help to come to a balanced view between the theories considered and each interview conducted as the interviews will be re-listened and interpreted with the help of theory. Each interview will offer some new insights and this process helps to bring together all the knowledge gained and results in a comprehensive understanding of the topic based on the sample.

### **3.4. Methodological considerations and methodics**

#### **3.4.1. Research design**

Following from the discussion of ontological and epistemological considerations it seems obvious that the logical structure of the research inquiry should be qualitative research strategy. But in fact, the perception of reality and knowledge creation does not dictate the research approach, but rather helps to guide it. The phenomenon of segmentation in Danish dairy companies will be described and the decision-making process depicted through a conceptual framework proposed by the author. The descriptive analysis of the situation in the dairy sector in Denmark will provide good basis for exploratory research in the future. The author will in a limited manner expand the research to try to find the reasons for the behaviour discovered earlier. Hopefully the research process and data interpretation will uncover some new findings with regards to the approach to segmentation in the dairy sector and managers' attitude towards it.

Different research design types that could be used for the research include experiment, case study, longitudinal design, and cross-sectional design, and comparative design (Bryman & Bell, 2007, p. 44). The research problem is examined through the case study method. Gerring (2007, p. 20) defines a case study as “the intensive study of a single case where the purpose of that study is [...] to shed light on a larger class of cases (a population). Case study research

may incorporate several cases [...]”. The researcher looks at the dairy industry in two countries and from both countries several cases will be taken to answer the problem questions, hence, this is a cross-case study (or multiple-case study). As this research will be done at a specific point in time and involve the observations of the dairy companies from Denmark and from Estonia it can be classified also as a cross-sectional design study.

### 3.4.2. Theory testing versus theory building

The process of knowledge creation will not be strictly considered as deductive or inductive as it will be an iterative process moving back and forth between theory and data (see also Figure 7). The researcher will acquire knowledge about previous studies and theories, which will help to structure the data collection. The data analysis and interpretation will give opportunity for new theories and patterns to emerge and hence create or alter existing theories. This process can also be seen as grounded theory approach to research.

### 3.4.3. Data collection methods

Within the case study method a variety of data collection methods could be used. There are two broad categories of data collection methods: qualitative and quantitative. Most common qualitative methods include observations, in-depth interviews, and focus groups. Most common quantitative methods include surveys/questionnaires, experiments, other methods which allow for statistical data analysis. (Shiu, et al., 2009)

**Table 3 Differences between qualitative and quantitative research methods (Source: Shiu, et al., 2009, p. 171)**

Factors/characteristics	Qualitative research	Quantitative research
Research goals/objectives	Discovery and identification of new ideas, thoughts, feelings; preliminary insights on and understanding of ideas and objects	Validation of facts, estimates, relationships, predictions
Type of research	Normally exploratory designs	Descriptive and causal designs
Type of questions	Open-ended, semi structured, unstructured, deep probing	Mostly structured
Representativeness	Small samples, limited to the sampled respondents	Large samples, normally good representation of the target populations
Type of analyses	Debriefing, subjective, content, interpretive, semiotic analyses	Statistical, descriptive, causal predictions and relationships
Generalizability of results	Very limited; only preliminary insights and understanding	Usually very good; inferences about facts, estimates of relationships

The table above gives an overview of the overall differences between qualitative and quantitative methods. The methods can be characterized by alternative goals and types of analyses applied. The selection of a specific research method is determined by the research problem at hand and how the researcher wants to approach it and what are the objectives of the research. On one hand, the problem context and situation will help to choose the appropriate method, but, on the other hand, the method will limit the kind of information that can be collected within the problem area and used to answer the research question. These broad categories include many specific data collection methods. Next, discussion of some of these methods and their advantages and disadvantages and usefulness in specific situations will follow. Qualitative methods such as observations, in-depth interviews, and focus groups, and quantitative methods such as surveys will be covered (see table below).

**Table 4 Overview of different data collection methods (Source: based on Mahoney, 1997 and Shiu, et al., 2009, p. 227)**

	Advantages	Critique/Disadvantages
<b>(In-depth) interviews</b>	<ul style="list-style-type: none"> <li>- Usually yield richest data, details, new insights</li> <li>- Opportunity to explore topics in depth</li> <li>- Able to experience the affective as well as cognitive aspects of responses</li> <li>- Allow interviewer to explain or help clarify questions</li> <li>- Allow interviewer to adapt to particular individuals or circumstances</li> </ul>	<ul style="list-style-type: none"> <li>- Expensive and time-consuming</li> <li>- Interviewee may distort information through recall error, selective perceptions, desire to please interviewer</li> <li>- Flexibility can result in inconsistencies across interviews</li> <li>- Volume of information too large; may be difficult to transcribe and reduce data</li> </ul>
<b>Observations</b>	<ul style="list-style-type: none"> <li>- Provide direct information about behaviour of individuals and groups</li> <li>- Permit evaluator to enter into and understand situation/context</li> <li>- Provide good opportunities for identifying unanticipated outcomes</li> <li>- Exist in natural, unstructured, and flexible setting</li> </ul>	<ul style="list-style-type: none"> <li>- Expensive and time consuming</li> <li>- Need well-qualified, highly trained observers</li> <li>- May affect behaviour of participants</li> <li>- Selective perception of observer may distort data</li> <li>- Investigator has little control over situation</li> </ul>
<b>Focus groups</b> <i>(combine elements from interviews and observations)</i>	<ul style="list-style-type: none"> <li>- Interaction may stimulate a richer response or new and valuable thought</li> <li>- Permit face-to-face contact</li> <li>- Allow interviewer to explain or help clarify questions</li> </ul>	<ul style="list-style-type: none"> <li>- May be influenced by one or two dominant people thus making output biased</li> <li>- Not good for sensitive topics</li> <li>- Requires good facilitation skills</li> </ul>
<b>Surveys</b>	<ul style="list-style-type: none"> <li>- Can accommodate large samples and generalize the results</li> <li>- Can distinguish small differences</li> <li>- Ability to use advanced statistical methods</li> <li>- Factors and relationships not directly observable can be studied</li> </ul>	<ul style="list-style-type: none"> <li>- Limit to the in-depth detail of data</li> <li>- Potentially low response rate</li> <li>- Respondents may not be truthful</li> <li>- Inappropriate use of statistical techniques and misinterpretation of data</li> <li>- Potential difficulty in developing appropriate survey design</li> </ul>

Each method has its advantages and disadvantages, but the problem at hand and available resources is what determines the selection of the data collection method.

The methods to conduct this study will be mostly qualitative - interviews, questionnaires (basis for interviews), observation, and documentary analysis to a lesser extent. In-depth face-to-face personal interviews with company representatives from the dairy sector are preferred, but depending on the company also phone interviews or written answers to questions will be accepted as long as follow-up queries are possible. Observation can be conducted on the supermarkets as segmentation efforts can usually be noticed through marketing campaigns or packaging. Documentation such as advertising and displays along with the company web-site and product descriptions will also be included in the total knowledge creation for the researcher about the segmentation and its implementation in the marketplace.

#### **3.4.4. Interview theory**

The data collection process is executed through mostly telephone interviews, which is why some more attention needs to be given to how these interviews will be analysed. There are many kinds of professional interviews, for example, legal interrogation, job interview, a therapeutic interview, or a research interview. Each serves a different purpose and is conducted in different settings. (Kvale, 1996)

For the purpose of this research the research interview is used. Knowledge is extracted from the interviewee through a conversation on the topic of segmentation. Research interview can be used to obtain new knowledge, or to test, confirm or refute theories or hypothesis.

Research interview can be done objectively or subjectively depending on which way is the best to acquire the desired knowledge. An objective interview might be good in situations where technical answers are sought for and person's feelings and attitudes are irrelevant. In the subjective research interview also the emotional response and perceptions of the interviewee is considered important. This is good in situations where the researcher seeks for insight into a certain type of behaviour etc. The research interview is used by the researcher to collect for empirical data for this study. The researcher will also take into consideration the respondents attitudes and perceptions and tries to comprehend their way of thinking through the interpretivist approach.

The research interview must always be guided by the interviewer in order not to lose focus from the topic area and the research insights desired. Steinar Kvale (1996, pp. 87-88) proposed seven stages to build interview research:

- |                 |   |
|-----------------|---|
| 1. Thematizing  | Determine topic of interest and purpose of investigation.     |
| 2. Designing    | Plan the design of study and develop the necessary questions. |
| 3. Interviewing | Conduct the interview with focus on the topic.                |
| 4. Transcribing | Writing down content from the interview.                      |
| 5. Analyzing    | Determining which methods of analysis is appropriate.         |
| 6. Verifying    | Make sure the findings are reliable, and valid.               |
| 7. Reporting    | Communicate findings to make sense of the project topic.      |

Thematizing – the topic of interest is expressed through the main research question and sub-questions. The purpose of the investigation is to develop a theoretical and conceptual understanding of the phenomena and factors to be examined to provide a basis for new knowledge.

Designing – the design of the interview study needs to be guided by the purpose and objectives of the research. Additionally to the specific questions, in this stage the researcher also needs to establish who will be interviewed and how many respondents are required for the research. In the next section these issues are explained in more detail and the questions prepared for the interview is included in the Appendix. There existed some boundaries to the interview design, as due to money and time constraints, telephone interviews (followed-up by e-mails with questions if necessary) instead of personal interviews were conducted.

Interviewing – the questions were structured, but the researcher used an exploratory approach where the goal was to understand the segmentation process in the target company. The representative of the company was interviewed to gather new information and understand the respondents' views first and foremost.

Transcribing – all telephone interviews were digitally recorded, responses by e-mail are already preserved in a written format. The recorded interviews are replayed and relevant information transcribed into written format. All audio files and written files from the correspondence with the companies are attached and handed in with this thesis as an attachment (Compact Disk).

Analyzing – in the analysis stage it must be determined how the responses relate to each research question. All replies and quotes must be reviewed and their functionality and relevance is determined taking into consideration the literature review.

Verifying – source criticism is important, but in this case all the respondents were only asked to comment on their businesses and how they approach the segmentation topic in their company. During the interviews the researcher ensured that it was understood what was being discussed by asking confirmation questions and asking to confirm the understanding.

Deliberate misleading by the respondents seems unlikely as they could at any point in time decline participating in the research and no incentives were offered by the researcher to participate. Permission was asked from the respondents for any follow-up questions if necessary.

Reporting – the results from the interview can now be reported assuming that the previous stages have been considered and addressed. The results are reported with the help of selected answers and quotes from the respondents giving insight into the topic areas.

### *Interviews with the companies*

The interviews with the company representatives provide the researcher with the core empirical data necessary for the analysis. The interviews allow enhancing the understanding about managers' attitudes towards segmentation and how managers make decisions with regards to segmentation. The companies were contacted via e-mail and then a phone interview was arranged if possible. The number of companies interviewed is determined by the willingness of companies to cooperate, but all the individual companies on the list of dairy companies (which contacts could be obtained) from The Danish Veterinary and Food Administration Web Site and from the Danish Dairy Board (Mejeriforeningen) member list were contacted to ask for an interview. Similar process was performed with the Estonian dairy companies (information on companies from The Estonian Veterinary and Food Board and the Estonian Dairy Association).

The interview questions as seen in the Appendix I were inspired by the research questions and research objectives. The interviews were conducted in a form of a semi-structured interview where the researcher helped the respondent to understand the questions and sometimes also to clarify the concepts. These questions were used as they were seen as the most efficient way to extract the necessary data and gain understandings about the topic.

Firstly, the researcher contacted the respondent by electronic mail or telephone if the e-mail address was not known. This was used to open communication and to start establishing a rapport with the interviewees, as the next step was to either arrange a time for the interview or continue the discussion more into the segmentation topic. Normally, the prepared questions for the interview were sent to the respondents so they were able to prepare for the interview. If a company was being unresponsive, follow-up e-mails were sent with the specific questions, so that the company had an opportunity to answer them in an e-mail if an interview was not feasible. Still remaining unresponsive the companies were then contacted by

telephone. Due to cost considerations this was only done for Danish companies. Majority of the data was collected through telephone interviews as the companies were based in different locations all over Denmark and Estonia. This also made it possible to easily record the conversations for later use. Some companies did not have time for an interview and preferred to answer the questions through an e-mail on their time of convenience. The research did not regard these answers as less valid because often these interactions were followed up by more e-mails providing the opportunities for clarifying questions regarding the topic.

During the interview the researcher was able to guide the interview directly or through the questions prepared, as some respondents were keen on following the questions they were prepared to answer. Still the researcher was able to come with clarifying questions to help better understand the companies' approach as well as to help explain the issues to the representative. These clarifying statements were used for the purpose of better understanding; however, they could for some cases be seen as prompting the interviewee. The interviews were semi-structured and focused on the topic, but the interviewees were also allowed to freely express their opinions and views without being cut off. For some interviews more help and guidance was required from the interviewer than others, which can affect the research bias through excessive interviewer involvement, but this was the case only when the respondents were to some extent unfamiliar with the segmentation concept and needed clarification on the topic of the interview.

The telephone interviews with the Danish companies and all the correspondence were conducted in English and the telephone interviews with Estonian companies as well as the e-mail correspondence was conducted in Estonian. All the interview questions were translated from English to Estonian and then back-translated to assure that the meaning matches the intention of the question. The partial transcripts of the interviews can be seen in the Appendix III, full interviews are attached to this dissertation in digital form.

The data obtained from the interviews was summarized and categorized to better identify the emerging patterns. The respondents were the company representatives who have been involved in the segmentation and/or other marketing decisions within the company such as the marketing or executive managers. See Appendix I for the questionnaire.

### **3.5. Research criteria**

Qualitative and quantitative research is seen as different enough to be evaluated by slightly different research criteria. Lincoln & Guba (1985, p. 189) have proposed trustworthiness as a

measure appropriate to evaluate qualitative research. This trustworthiness measure consists of four criteria which are easily matched to the quantitative research criteria of external validity, internal validity, reliability, and objectivity – these are credibility, transferability, dependability, and confirmability.

#### **3.5.1. Credibility**

Credibility is concerned with the believability of the results. Since the purpose of the study is to describe and understand the research problem from the participants' perspective, are they the ones who can judge the credibility of the results. (Trochim, 2006)

The researcher used direct quotes from the participants to exemplify the argumentation in the analysis part. Also, an open line of communication will be held with the participants to be able to follow up with any additional questions raised about the research problem later in the analysis. If interested, all the participants can obtain the final version of the analysis and the thesis, which will enable them to judge the credibility for themselves.

#### **3.5.2. Transferability**

This criterion evaluates if the results can be transferred to other contexts or settings. The evaluation responsibility lies mainly on the person who is generalizing. (Trochim, 2006)

To be able to ensure transferability if relevant, the researcher clearly states the assumptions behind the research and the research context and premises. This will give a good foundation for the reader to allow them to make their own judgements about transferability of this research to a different situation that it is being set against.

#### **3.5.3. Dependability**

Dependability concept in qualitative research is more connected with the ever-changing settings and context of the problem under investigation. Traditional view of this concept is more concerned with replicability and repeatability of the research, but the dependability concept requires the researcher to acknowledge and describe the possible changes and how these might have affected the research approach. (Trochim, 2006)

The results from this study are highly dependable on which companies were willing to participate and hence the picture of the dairy industries will differ based on the sample obtained. The concept of segmentation is undeniably always changing in general and also in the ways companies apply it. It is influenced by the experience of the particular company with segmentation, but also the attitude and knowledge of the different aspects of segmentation in the business communities. This study offers a snapshot of segmentation at one point in time



across one industry. The researcher is not able to provide data of the changes in the segmentation approaches over time, but the marketing area is under constant development and change is inevitable. The changing environment forces marketers and businesses overall to adapt and change their approach towards segmentation as a means of survival.

#### **3.5.4. Confirmability**

Qualitative research often implies the inclusion of the researcher's unique perspective to the research problem, so the concept of confirmability addresses the extent to which other researchers will be able to confirm or corroborate the research under consideration. (Trochim, 2006)

To make it possible for other researchers to corroborate the results of this research, all interviews were transcribed and recordings attached. Throughout the research the analysis procedures were described. Additionally, criticism of the theories used and discussion of alternative methodological and data collection approaches eases the corroboration process through enhanced understanding of how and why this research was conducted how it was.

### **3.6. Methodological limitations**

The methodological approach taken for a research strongly affects the obtained results. For this study a qualitative approach was chosen as this was seen as more fitting to the objectives and nature of the topic. This, however, proposes some limitations as to the characteristics of the results and hence conclusions drawn from this study.

Firstly, the representativeness of the target population is hard to predict and most likely not very high. Even though the study is limited only to one sector – the dairy sector, still the results and outcomes from Denmark and Estonia are limited to the sample. For a qualitative study to be completely representative of the target population, the researcher needs to involve all the companies from that industry in the study, but this is nearly impossible to do. If a different sample would have been used for this study the results might have been quite different, so these results are sensitive to the sample of the study.

Secondly, generalizability of results is normally very limited for qualitative studies. Due to this fact the researcher cannot make absolute declarations as to the results of the analysis, but rather offer possible explanations to the observed phenomena based on the empirical data.

This research only offers a look into the topic at a specific point in time. Lack of information over time excludes the possibility to understand the development side of market segmentation approaches. This limitation was addressed slightly by asking the companies about changes in

their segmentation approaches, but this did not assure a complete understanding as the data was incomplete at times and hindsight is less reliable than current description. The reasons for segmentation approaches changing over time could be a suggestion for further research purposes. The interpretative and more subjective approach does have limitations compared to more objective methods, but for this particular study the approach was chosen to primarily get more insights into the topic. A different objective might result in a different approach and then give another perspective into the topic.

There were also some limitations concerning the interview questions. Later in the research it was discovered that several questions included were not relevant for the research questions. Although still offering interesting insights, the answers to these questions were not included in the analysis part. Another limitation was concerning the language barrier as Danish companies were interviewed in English and this might have impeded the understanding and interpretation of the communication slightly. The bias, however, is believed to be minimal.

## **4. Results of empirical investigation**

Having covered the theoretical considerations for the research and details of how the empirical research will be undertaken, it is time to analyse the data obtained. In the following section the researcher will describe in more detail the research sample and what was found out concerning segmentation in Denmark and in Estonia.

### **4.1. Sample description**

The sample consists of, as previously mentioned, respondents from Danish and Estonian dairy sector. The interview was conducted with the person who was familiar with the topic and/or proficient to discuss the matter. In the following table, the researcher will introduce the companies and present some characteristics about each company to familiarize the reader with them. There were 14 Danish and 5 Estonian companies from the respective dairy sectors willing to participate in the research. For the reasons of confidentiality the explicit names of the representatives or companies will not be disclosed.

Table 5 Descriptive information of the sample (Source: own creation)

Company reference	Country	Approach according to the company	Representative's position	Activities/Products	Other info
DK-S1	Denmark	Segment	Sales and Marketing Director	Cheese powder (mostly export)	Operations in DK, UK, Russia, China, Japan, and Uruguay; est. 1951
DK-S2	Denmark	Segment	Customer Marketing Consultant	Besides variety of milk products also sauces, soups, snacks (processes over 90 % of the Danish milk pool)	Production in 13 countries, more than 17,000 employees; est. 1970
DK-S3	Denmark	Segment	Managing Director/Shareholder	Cheese, butter; trading company	3 people, around 40 or 45 customers
DK-S4	Denmark	Segment	Managing Director	Different types of cheese and beer	4 employees, also run a shop selling their products
DK-NS1	Denmark	Do not segment	Managing Director	Different types of cheese	7 employees, est. 1890
DK-NS2	Denmark	Do not segment	Assistant	Cream cheese	5 employees, est. 1897; 20% sold in DK, rest is exported to Japan, the Far and Middle East.
DK-NS3	Denmark	Do not segment	Managing Director	Powdered milk, milk proteins, whey products, industrial cheese etc.; trading company	18 employees (4 doing selling), founded 1998
DK-NS4	Denmark	Do not segment	Managing Director	Cheese; trading company	12 people, est. 1989; besides DK, sales to Germany and Ireland also
DK-NS5	Denmark	Do not segment	Managing Director	Sale of milk	4 people, 9 main customers
DK-NS6	Denmark	Do not segment	Managing Director	Cheese, butter and ice-cream	2 people working in the company; less than 10 customers, own a farm shop

Company reference	Country	Approach according to the company	Representative's position	Activities/Products	Other info
DK-NS7	Denmark	Do not segment	Managing Director	Different types of cheese	Small family business, own a farm shop
DK-NS8	Denmark	Do not segment	Sales Director	Packaging and shredding cheese	25 people; est. 1949, mainly working in foodservice business, customers are distributors,
DK-NS9	Denmark	Do not segment	Would not disclose	Cheese, organic cheeses: feta, smoked cheese, blue cheese, yoghurt from sheep's milk	Founded 1969, besides cheese also sells wine and delicates food snacks
DK-NS10	Denmark	Do not segment	Managing Director	Ice cream, cheese, butter	Founded 1888; Production only for domestic market
EE-NS1	Estonia	Do not segment	Marketing Director	Variety of milk products such as milk, cream, yoghurt, curds, cheese, butter, ice cream etc.	Produces and bottles, est. 1850, based on Estonians oldest dairy production company
EE-NS2	Estonia	Do not segment	Managing Director	Curds, curd cream, yoghurt, cheese, sour cream	Est. 1988, family business, 5 people
EE-NS3	Estonia	Do not segment	Managing Director	Curds, cheese, yoghurt	Cultivates and promotes organic farming, 20 people, est. 1992
EE-NS4	Estonia	Do not segment	Managing Director	Cheese and butter	70% of sales to domestic market, rest exported
EE-NS5	Estonia	Do not segment	Sales and Marketing Director	Different types of cheese, butter and curds to lesser extent	75% of production to domestic market, rest exported, production and packaging, est. 1992, 45 employees

## **4.2. Data reliability**

Most of the data was collected through telephone interviews. The information from the representatives was concerning the companies they were working at and allegedly they were aware of the topic they were talking about.

All the participants had the opportunity to decline cooperation which many did, but the companies which were willing to offer information for the purposes of this study did so from their own free will. The data would not be reliable if the researcher has a good reason to assume that the respondents were not truthful or unintentionally represented their companies in a misleading manner during the interview. Admittedly there were language barriers with few respondents, but those companies were followed-up on to clarify their statements or confirming questions were asked during the interview to ensure that the right meaning was being understood. The researcher is unable to identify any motivation from the companies to intentionally mislead the researcher. In fact, most of the respondents were very friendly and also interested in the researcher opinions and future plans, for example, which was a good indication of the established rapport.

Another factor leading to data being unreliable is if the questions asked do not really ask what they are meant to ask. In other words, the answers do not represent the data needed to answer the research questions. Although, the data was not always as rich as the researcher would like it to have been, the analysis is still only based on the answers the representatives did give. The researcher had an opportunity to clarify the questions and did that when necessary in order to make sure that the questions were understood. This made the answers reliable enough to be able to include them in the analysis and provide valuable insights into the topic.

## **4.3. Findings**

The empirical data from the interviews is analysed qualitatively. The structure of the analysis follows the literature reviewed earlier and parallels between the literature and the data obtained will be drawn. Firstly, the different methods and approaches taken by companies will be discussed. Secondly, the benefits identified by the company representatives along with the variety of barriers preventing or making it difficult for companies to do segmentation will be covered. Thirdly, the decision-making process of managers will be examined to find out how they find the fit between the needs of their company and the external and internal environments.

#### 4.3.1. Segmentation in Denmark

##### Methods and approaches

Under this section, the researcher will not only address the information collected regarding segmentation methods and approaches, but also strive to answer the question: To what extent is customer segmentation applied? The first research sub-question links also with the point in the contingency theory about *the best approach being determined by the goal and task at hand at the time*. Each company has their own circumstances, but with the help of theory the researcher will try to make sense of their attitude to segmentation. Later on, also the internal and external circumstances will be covered more as translated into barriers for the company.

Segmentation is sometimes confused with sectors, especially in B2B market. The line is, however, blurred when in addition to product characteristics (like type of application) the company also uses other customer focused characteristics to create what they consider to be segments, for example:

“We certainly have also applied [...] a segmentation strategy because we have so many different areas that we use our products, we’ve had to segment our customers, also customers according to size, value, and of course the use of the cheese product.” (DK-S1)

He goes on explaining:

“So we had to implement one segmentation strategy, which was which application, meaning the type of product, are you using the cheese powder in. So there we have a number of different areas, we call them application areas, so one could be bakery, one could be fine foods, which is sauces and soups and dressing, one could be processed cheese, one could be confectionary like chocolate, and depending on which area the customer is in we can then start selecting the products and define which customers are within each of those segments.” (DK-S1)

“Then the next thing could be areas like taste, do you want strong taste, mild taste, it could be the size of the customer, is it a multinational like Unilever or is it just a local player, do they have a strategic value to us, then we can also segment due to strategic value of the customer” (DK-S1)

If dealing with sectors the goal of the company is to clarify the structure within the company based on factors originating from inside the business. Segmentation should, on the other hand, be completely about the customer’s needs and preferences. Then segmentation cannot start from within the company, it has to originate from outside, from the customer. Type of application for this particular company is a very technical term and determined by the characteristics of the particular cheese powder, so it cannot be strictly called segmentation. One can also see that the type of application refers to the ways how and where the customer

uses the product, and then it becomes more customer focused variable. The line however is sometimes blurred. A clear-cut example of creating sectors in the company, and not segments as the manager himself believes, comes from this firm:

“We have different customers, so we have many different products, so we split them what, what you say, the products they buy, we have beers, we have cheese, we have our customers in this direct store and yea.. so it’s this way that we select them and then we also have what cheese they buy and such things [...]Not the amount, but the product type we use, mostly.” (DK-S4)

A different illustration of the difficulty distinguishing between a sector and a segment comes from another respondent.

“Amongst our customers there are also various segments, because we have customers who are processes cheese factories, we have customers who are cheese powder manufacturers, we have customers who are ready meal factories and we have customers who are sort of shredding and grating [...] so that is actually sort of the kind of segmentation that we work with and the segment groups in the market place that we are servicing mostly.” (DK-S3)

Here seems like the company is dividing their customer according to what is their main business activity. In this case, again, it is a B2B company, more specifically a trading company who operates all over Europe, but only has 3 employees in the company. The second quote also gives indication that this grouping is, in fact, also based on the characteristics of the customers and not the products:

“Mostly you see some distinguishing and differences in the product types sort of quality wise, where you find that the, for example, the ready meal segment is using first class products whereas cheese powder and processed cheese factories they can use product which are not necessarily first class, they are mostly second grade products.” (DK-S3)

“So there the segmentation is sort of based upon the type of products you [the customers] have.” (DK-S3)

Based on the interview, the researcher learned about the company’s knowledge about the different types of customers, however, this information was not further used throughout the company as still most of the business strategy was based on personal relationships and history rather than segmentation strategy and no marketing was really done:

“That is then something... it is quite sort of personal contact where you know very well the supplier and you also know very well the customer so it’s very much based on personal relationships and experience, who can use what and so on and so forth.” (DK-S3)

So here it stands to argue, whether this segmentation really can be called segmentation if it only gives structure to the discussion about different kind of customers and is not further used

within the company. In fact, the interviewee was even unsure what the topic was about in the beginning:

“As it is business to business and customers and supplier do know each other very well we are aware of this segmentation, but when you say segmentation what exactly do you then mean?” (DK-S3)

Towards the end of our talk the discussion steered a bit away from segmentation as such and in the direction of more general issues in the everyday business not even concerned with segmentation at all, but rather diversification of customers:

“The fact that we do have different segments amongst our customers makes it that when we go out to our supplier base and find the products, that we quite often are able to find a home for the product. If we only had one segment, then quite often we would have to disappoint our supplier base by saying, well sorry we cannot sell this product cuz we don’t have a customer for it, but now that we have a relatively diversified customer base in various segments we are able to find a home for the products that our suppliers do offer us.” (DK-S3)

Many other companies also expressed confusion about the topic and were not familiar with what segmentation means exactly or felt it was unnecessary:

“I don’t know what you mean by that... [after explaining the concept] ...not really, we are 100% business to business, so we can say that we supply the food industry. We will target, you can say, just the big groups and only run after customer as a key account, so we are not really looking at a broad spectrum of customers” (DK-NS3)

Are you familiar with segmentation in general? Do you know about it? [this concept had been explained earlier in the discussion] “No, no.” (DK-NS8)

“We don’t think about it because we produce and sell the products and we are happy and our customers are happy, everybody’s happy, we don’t use any energy considering this.” (DK-NS9)

How much do you use segmentation in your everyday business? “I don’t know, can’t remember that.” (DK-S4)

This gives a good indication of the extent segmentation is implemented within the dairy sector in Denmark. So many companies are not familiar with the term, and others feel it is not something relevant for them, and the examples of companies which feel like they do segmentation, are either really only sectoring their business or do not follow through with implementing segmentation results throughout the company strategy – all points to that the segmentation techniques are not widely applied within the Danish dairy sector. Possible reasons for this will be covered in the next section of the analysis of barriers.

As a counterweight to the prevailing attitude toward segmentation, the leading company in the Danish dairy sector had a very strong persuasion towards the proper use of segmentation.



Customer focused approach means in-depth research about the customer, which is exemplified by this company:

“Basically what segmentation is though is just a way of separating a huge group into those several entities that make sense, that have common similarities in them.” (DK-S2)

“The way you should look at segmentation when we talk about shopper segmentation, which then also becomes product segmentation, is the way you... if you stand in front of the shelf in the stores, that should reflect your segmentation.” (DK-S2)

“Previously it was, like I said, blocked cheese, sliced cheese, so now it’s different cause now it’s occasion based, so now you have something for families, every day and stuff like that.” (DK-S2)

Internally the company operates in several product categories, for example:

“White milk, yoghurts, soups and sauces, and we have cream, fermented cream...” (DK-S2)

In each of the main product categories extensive research is undertaken to keep the segmentation up-to-date:

“We have segmentation in all of these [categories], but circumstances change, the environment changes, people... the way they purchase changes, what they’re looking for, what they want to find in the stores and that’s why every so many years you have to look at segmentation again to see does it make sense still in today’s society. ” (DK-S2)

“We have a whole category called fats [...] it’s basically butter, spreads and margarine [...] we are doing the same work on that at the moment [as was done on the cheese category] and we are doing it on yoghurts and all the crème fraiche and soups and sauces and that sort of thing, we are doing it around each one of our categories at some point, but it’s very time consuming to do this whole process, so we’re kinda like taking one at a time.” (DK-S2)

This implies that the process of segmentation requires resources and this company is committed to follow through with the necessary research. Much more emphasis on the company strategy was put during this interview than any others and segmentation was seen as part of the overall global growth strategy. For this particular example, the company has been highly invested in the cause and committed to apply the segmentation approach to the full extent possible and applicable for them. The method of segmentation in this example seems to be a-priori, where segments are determined beforehand:

“What we do is we collect all this information, obviously we have an idea cause this is... these meetings are only for the people who knows about cheese cause they work with it, like myself, or just in a position where they have opinions about it, it might be political [...], so we have a pretty good basis for assuming and then we back it up by research.” (DK-S2)

Majority of the companies under investigation did not apply segmentation in their everyday business. Some B2B companies, who believed they were doing segmentation, were actually more involved in creating sectors within their business to have a better overview, with the exception of some also involving customer characteristics. The one company that did do segmentation was also the market leader and the biggest dairy company in Denmark. They did extensive research and updated their info constantly to be up-to-date and allocated a lot of resources to make the segmentation strategies in each product category happen and implemented throughout the business. This approach, however, felt more like an exception than the industry trend in the Danish dairy sector.

### Benefits and barriers

Knowing what companies do with regards to segmentation is not very helpful if the reasons behind those actions are not explored. In this section, more analysis will investigate the reasoning why companies feel segmentation is beneficial or not worth doing at all.

The researcher will attempt to shed light on the second research question: What are the reasons behind the current segmentation approach? As the reasons are most likely connected with the internal and external conditions of the company this part also links into the second point brought forth in the contingency theory, which refers to how *the internal needs and external environmental circumstances of a company will affect the choice of a segmentation approach*.

The companies who do segmentation see it as much more beneficial than the ones that do not, although some still see the general argument for segmentation, but just feel it's not relevant for their company. The main argument implied by the companies was about their size or tradition as a barrier to segmentation:

"If you take this dairy and think it about 100 year back, it's probably what they do, have been doing until now." (DK-NS2)

"I don't think I can help you, I think it will be good for you to contact Arla Foods [...] we are the smallest company in Europe I think so we haven't resources for such things." (DK-NS1)

"We are a small plant and do not think much about the topics in question." (DK-NS7)

"Vi er en gammel virksomhed fra 1888, og vi har altid levet af at producere håndværks mejeriprodukt." (Translation: We are an old company from 1888 and we have always made a living of producing hand-crafted dairy products) (DK-NS10)

“This company here is an old company and we have make business with the same customer maybe 25 years so we know exactly [...] we are working very close together, so it can be one company” (DK-NS4)

The abovementioned quotes mention key-words such as *smallest* and *small*, *old*, *always*, *same customer* and referring to how many *years* it has been the same way of doing things. Always or for many years doing the same thing refers to tradition and implies a fixed mind-set which is not very open to change and innovation. The size of the company is seen as a barrier most probably connecting to the resources they have in terms of people and money. Close personal relationships with the customers was also an argument behind the lack of segmentation. Often companies did have a small enough number of customers so that they were able to keep personal relationships, which eliminates the need for any segmentation in their minds. The last quote also referred to the connection between tradition and keeping the same customers over the years, which then creates long-lasting ties between people. More examples of the personal relationships argument from companies:

“The main reason [barrier] is that our company is very much based on personal relationships, that means that, you can say, we are 4 people here that is doing selling and we have known the buyers and the technicians in the companies we are dealing with for a long time. So everything is based more on personal relationships.” (DK-NS3)

“We have been making business for several years, I know them [customers] personally, all of them.” (DK-NS1)

“Some of the data of course is data we have from history, if it’s a customer that we have dealt with many many years, were in close contact with them, we know what we sold in the past, we work with them as they’re launching a new product they will give us typically indication of what they expect.” (DK-S1)

These refer to internal barriers, as in the managers’ mind the size acts as a constraint to not having enough money for research, people to do it, or time to get it done. And the established business relationships are an asset for the company which they think highly of. Since these relationships exist, they don’t see the need to try to force some kind of marketing concept onto the business which they do not see a use for. The close relationship will also inhibit the company to go all the way with segmentation and it is perhaps only implemented to some extent.

Moving on to the companies which were a little more aware of the segmentation concept, the researcher identified barriers and benefits recognized by the companies that differed slightly from the aforementioned ones.

Firstly, the challenges with the segmentation approach were considered concerning the clarity in the business activities and keeping the focus. It seemed important to maintain certain simplicity in the structure of the business activities and also with regard to segmentation. This was seen as a possible challenge, but also a benefit if done well:

“One of the challenges is not to have too many segmentation keys, because then you won’t... I mean, it becomes too complicated, basically we always use the segmentation key of application area meaning the type of product which is being used.” (DK-S1)

“[The challenge is] That you lose the focus and it’s tangled in too many details that’s why we try to keep it simple and not have too many selection keys in terms of defining our customers.” (DK-S1)

“What we’ve tried to do within the last few years is try to come back to what we’re very good at which is cheese powder, but certainly segmentation has been used in the past but perhaps not as strategically as it is being used now where we try to get back to the main focus area of manufacturing cheese powder. In the past it was more of a fact-finding exercise where we were developing very exciting products but not necessarily using a whole lot of segmentation. We just basically tried to develop new products and find customers for them whereas now we try to find customers for what we are very good at which is developing just cheese powder [...] this also help us to keep the focus on what we are very good at.” (DK-S1)

Another possible barrier was mentioned, which links directly into Dibb & Simkin’s (2001) infrastructure barrier regarding management commitment, resources and people issues:

“I’m assuming that even when you talk with other dairy companies [...] you’ll probably hear the saying that they do all the work and then nothing happens cause a lot of commitment is needed for it to be driven through everything, so if you don’t have the proper management sign-off then nothing happens... then it’s just another research, so management commitment is really important” (DK-S2)

“It’s quite expensive to do a new segmentation and it takes up a lot of resources both people and money-wise and time, so that’s kinda can be a barrier within a company.” (DK-S2)

It was acknowledged that, in general, implementation of segmentation is the biggest issue to overcome:

“We do all this work and then we look each other in the eyes and then we sign off and then we start implementing, which is the big... the big issue with all this strategy work... actually getting it implemented, that’s the key and that happens in the local organizations, meaning for instance Denmark” (DK-S2)

On the other hand, these companies were highly aware of the benefits segmentation offers their company. Understanding the market and how the company fits with the current situation in the market reflects a more customer-oriented approach which is elementary for a company committed to do segmentation:

“In the initial phase where you want to assess your customer base it is very helpful, it is very instrumental in understanding our customers, where the growth is, where the new potential is and then comparing to history where we came from, do we see a development in the existing categories or are there certain categories which are growing and should we develop more products for those categories than others” (DK-S1)

The segmentation approach is fundamentally connected to the strategic approach of the company, at least it should be. This method of looking at the market and the business through segmentation will be enforced if it is embedded within the company’s strategic outlook. Managers also recognized this and mentioned it as one of the benefits segmentation brings clarity and focus to resource allocation and strategic issues in the business environment, for example:

“[Segmentation is a] Very helpful tool in both managing our business on a daily bases but also looking from a strategic point of view of developing new products, where should we allocate our resources commercially and technically.” (DK-S1)

Segmentation helps managers to give more structure to their customer base and through that obtain relevant information for their specific business activities. As it was mentioned in the very beginning of the thesis, analysing data in aggregate is a “crime”, which also resonates with these quotes from the respondents:

“Just putting everything in one box [...] you will then also lose some of the vital information, important information that enables you to find the best solution.” (DK-S1)

“It offers us an opportunity to look at the market differently and it also, cuz it’s so fragmented otherwise and it wouldn’t... you wouldn’t know what to look at really, cuz there could be so many factors influencing the numbers [...] so it’s fundamental that you have a sort of common language being the segmentation that makes sense and you can talk to your customers about it, customers I mean retailers. So it’s fundamental that you have a proper segmentation.” (DK-S2)

“For you to get that knowledge you have to re-cut the data to suit the new segmentation and then you can start talking the new language, so a lot of work goes into it before you can see the use on a daily basis.” (DK-S2)

The retailers through which companies realize their business are an important link to the customers and great importance is put on the relationships with the retailers or your business partners in general. Before, the companies focused more on sustaining good personal relationships, but here DK-S2 also uses segmentation as an element to connect with its retailers. As can be read from the two last quotes, segmentation not only helps to bring clarity for the company itself, but also for the retailer as they speak the same common language and therefore understand each-others objectives and intentions more clearly. Furthermore,

thorough and effective research and segmentation was seen as a pre-requirement to signal the retailers that the company is competent, professional and knows the business:

“Once you’ve done the segmentation, then it needs to be implemented not only just in the company but also with the retailers and if that doesn’t happen then it’s just gonna be another research sitting in the drawer” (DK-S2)

“The retailers in Denmark are quite advanced, they see through if you haven’t done the work properly [...] and then it’s just not gonna happen. So if you show them that it’s serious and the work that’s been put to this and they believe you when you say this and it makes sense to them, then you’re all clear, but that’s a huge hurdle” (DK-S2)

As the introduction of segmentation or a more market-oriented approach in general is seen as an extensive undertaking requiring a lot of resources from the company, the management commitment is also essential when conducting the necessary research for the approach. Good research will give stronger basis for your propositions and strategy suggestions, especially when dealing with the retailers. The importance of research is exemplified, for example, by these quotes:

“You have to have the proper argumentation for you to sell it... sell the idea to everybody else.” (DK-S2)

“We’ve done a lot of research; we have so much already in house so there really not a lot that we need to research.” (DK-S2)

What kind of research do you do? “Every bit of research that we can find in the book [laughter], no... We have as I said we have done so much research over the years and continue to do so today, so we have a lot of that background information readily available, but during the process it’s quite common that we found out that, oh, we really don’t know this and then we start off... we get somebody to do that research for us, like an outside agency.” (DK-S2)

In sum, the companies who do segmentation have a different view about what it can offer the company or which challenges the company needs to overcome compared to the companies who do not segment their customers. The companies who do not segment are mainly stuck at the infrastructure barriers identified by Dibb & Simkin (2001) like seeing limited resources as an obstacle and not completely understanding the concept of segmentation. Whereas, if segmentation is done, then also the segmentation process and implementation barriers come into the picture, such as fit with corporate strategy and relationships with business partners within the industry. Also, the quality and extent of the research necessary is acknowledged as a key determinant for a good segmentation strategy.

### Decision-making or finding the fit

In this section the researcher will look more into the companies who claimed to implement segmentation and see how their approach interacts with the company's environment. This part connects to the third research question: What decision-making process underlies the segmentation decisions? Furthermore, when looking back at the contingency theory, the point about how *managers, through their decision making, should find the fitting segmentation approach for the company taking into consideration the internal and external factors* also aligns with this section as now the thinking process of managers will try to be understood more in depth.

Decision-making process often is done by managers unconsciously. Interestingly, the companies who believed they were doing segmentation often did not have a big thought process behind their approach, but it was more an intuitive process.

Example of a manager going along this intuitive path is, for example:

"It's my decision, I think it was better this way, so it's my decision [...] only my decision, it was better, you have a better overview you can say." (DK-S4)

Here, not much explanation of the decision-making process can be gotten as the manager just does not think about it. Furthermore, the questions about decision-making prompted the managers more to talk about the people involved in the process rather than the actual thought process, as this was more understandable and tangible to see for them:

"This is something that is selected both in combination with our R&D department because they provide the technical service to the customers whereas sales provide, let's say, the commercial service to the customer, so it's a selection process that R&D and sales do in cooperation" (DK-S1)

Experience was another concept that helped the managers to decide and know who their segments are. The decisions regarding segmentation were also based on the accumulated experience the manager had gained over the years:

"This is based on many years experience in the industry and it is kind of a specialization where you sort of focus on the overall segment where you say product or further processing and then you can subdivide that into other segments" (DK-S3)

Unfortunately due to the managers' lack of ability to describe the detailed steps in the decision-making process, the researcher can only assume that unconsciously this decision-making process, which was discussed in the literature review, does take place, at least in some cases. However, as many managers were quite unaware of the segmentation approach

generally then this might not even enter their thoughts as an objective of the decision-making process or as an alternative to choose from to reach another objective they might be striving for, for example, growth.

An example of a more advanced top-down decision-making chain comes from the company DK-S2. As a big international corporation the top management runs the whole business under one common global strategy which trickles down to the country level:

“When we do like a category strategy... [...] we actually have our headquarters, which we in daily terms call global, and global are the ones actually making all the decisions in each one of the markets, Denmark being one of them, and when we make this category strategy then they are initiating it, meaning that they bring in people from the different markets and come up with proper strategy including segmentation.” (DK-S2)

“We make it [the segmentation strategy], but they [the top management] sign off on it.” (DK-S2)

The process on the country level often involves common decision-making which is considered as a characteristic element for businesses in Denmark:

“We sort of toss all these questions in the room and then if nobody answers or if everybody agrees that, this is the way it is, then we go ahead.” (DK-S2)

“Sometimes it’s just combination of the knowledge that is in this group of people doing the segmentation and it’s a common decision.” (DK-S2)

Besides having a lengthy and complex decision-making process it is always backed up by the relevant data and market research. Together with the knowledge from all the people participating in the process and vast amount of research done, the segmentation strategy will be formed and revised to nearly perfection:

“It’s a whole process, all this segmentation, and it involves a lot of brainstorming sessions, a lot of people and then with time, ok, we come up with headlines for the segmentation, the new segments, and then we try and group all the products underneath all of these and if we have products that doesn’t really fit in any of these segments then we’re not done yet cuz then still we need to make it fit or we need another segment.” (DK-S2)

This company is much bigger in Denmark in every sense comparing to other companies involved in this thesis and therefore there are more layers in the structure of the company and also more management layers to go through when developing a segmentation strategy. But overall the data obtained about its decision-making is still describing only the outer outlook of the process – who develops the concept, who approves it and so on.

Overall, with one exception, the researcher was unable to identify that segmentation is in fact strongly applied in the Danish dairy sector. There are very many reasons brought forth by the



managers why segmentation was not seen as relevant and necessary for them. These barriers seemed to be mainly internal barriers connected to the *Infrastructure barriers* or the *Segmentation process issues* as identified by Dibb & Simkin (2001). The implementation issues were not represented that much because many companies never got to that stage of the segmentation process. On the other hand, the main benefits associated with segmentation were about improved management and better strategic focus of the company. Many of the decisions involving segmentation were based on the experience and knowledge of people who are familiar with the business and the market. This made it hard for the researcher to extract more information with regards to decision-making as many managers based their decision on what they felt was the right thing to do based on what they knew about the customer base and the market from personal experience. Hence, the decision-makers cannot really give very much insight as the decision-making process is inherently internal to them.

#### 4.3.2. Segmentation in Estonia

The discussion about Estonian companies will follow the same structure as observed before in the analysis about Danish companies. Firstly, the information gained about methods and approaches will be presented, then the researcher will move onto benefits and barriers and finally, the decision-making will be discussed. Similarly, to the discussion on Denmark, these sections will address each of the research sub-questions and connect with the assumptions proposed from the contingency theory.

##### Methods and approaches

None of the Estonian dairy companies participating in this research claimed to practise segmentation in their everyday business. When asked about segmentation some companies were able to answer and give reasons why they don't do it, others were not familiar enough with the concept to reply directly, but rather explained how they see business and how they operate daily. Several respondents were unsure about the concept of segmentation in the beginning and expressed their concerns in the following ways:

„Ma ütlen teile ausalt, ega ma ei.. ma kujutan ette ma ilmselt olen niimoodi põgusalt seda kuulnud, aga seletage mulle kolme sõnaga lahti, siis ma ütlen kas olen, ega ma ei tea täpselt.“  
(Translation: I'll be honest with you, I don't... I can imagine that I have heard about it, but explain it to me in three words, then I will tell you if I have, I cannot say for sure now.) (EE-NS4)

“Ei tea sellest teemast. [...] Ei ole segmenteerimist igapäeva sõnastuses kasutamagi õppinud. Arvan, et tegelikult toimib meilgi, nagu Taanis juhul kui nähtused sedamoodi järjestada.”  
(Translation: Don't know about this topic [...] I haven't even learned how to use the word

‘segmentation’ in everyday business language. I do think that in reality it happens also for us just like in Denmark if you think about events like that.) (EE-NS3)

Another respondent went on explaining how they do business daily and how they are trying to keep the business running without any unnecessary considerations, such as segmentation, and concentrate on the production as their core activity:

“Ma ei saa täpselt aru millist infot teil vaja oleks. Talu toodab kohupiima, juustu ja jogurtit, Kogused on väga väikesed ja enamus poodides meie toodangut ei ole. [...] Mingit erilist segmenteerimist siin ei käi. Keegi helistab, tellib ja võimalusel viib meie väike kaubik kliendile tooted kohale. Vaatab milline maitse sobib ja meie ütleme kui kiiresti kauba saaks.”

(Translation: I don’t understand exactly what kind of information you need. The farm produces curds, cheese, and yoghurt, the amounts are very small and most shops don’t have our production. [...] We don’t do any kind of special segmentation. Somebody calls, orders and if possible the van will deliver the products to the customer. He sees which flavour he likes and we say how fast he can get the merchandise.) (EE-NS2)

“Keegi mingit analüüsi ei tee. Kõik kes soovivad ja ei ole võlgu saavad kaupa tellida.”

(Translation: Nobody does no analysis. Everybody who wants and don’t owe us money can order the products.) (EE-NS2)

In the business of dairy production, the smaller companies see the production part of the business as its main part. This fits the historical view of what a business should do – with production in the centre; all other activities should support the production of products. Even if nowadays, some newer ways of thinking have been proposed, one can still observe this production-centred approach, especially among smaller companies.

The companies did, however, recognize that they treat some business customers differently than others, but the approach seemed to be more individual to each particular customer:

“Segmenteerimise strateegiat ei ole. Mõnel eriti suurel kliendil on parem hind mis moodustub läbirääkimistel. Hinnad kujundab üks inimene ja tema otsustab.” (Translation: We don’t have a segmentation strategy. Few especially big clients have better price which is determined by negotiations. Determination of prices is done by one person and he decides. ) (EE-NS2)

The concept of segmentation seemed quite unfamiliar to the company EE-NS3, but still it was not seen as something highly complex, but more as an alternative way of approaching the business if needed. The importance of the general feel for the market and business (market sensing) is also illustrated with the quotes below:

“Minu arusaamist mööda on segmenteerimine lihtsalt teoreetiline meetod, kuis kaubandust vaadelda. Selle kõrval on palju teisi, sh. intuiitiivne. [...] Põhilise õppuse oleme saanud vaatluse teel. Tunde järele toiminud.” (Translation: As I understand segmentation is just a theoretical method to look at commerce. Besides that there are many others such as

intuitive. [...] Mostly we have learned through observations, acted according to our gut feeling. ) (EE-NS3)

“Kindlasti toimub meil ka “segmenteerimist”, kuid “pimeda muusiku” kombel, kes noote ei näe ja ometi laulab. Valime äripartneri “näo järele”. (Translation: I am certain we also “segment” but in the way of the blind musician who cannot see the notes yet still sings. We select our business partners according to their “face”.) (EE-NS3)

Although, here is referred to the intuitive segmentation approach, then effectively it only refers to the business approach and has nothing to do with segmentation in this specific case. EE-NS3 did not do much analysis concerning its customers except looking at past sales numbers and their developments. Sales number does not tell the company much about the customer at all, apart from how much product they sold in the last period to that customer. Again, the researcher sees characteristics of a production- or product-oriented approach rather than a customer-oriented approach.

Another respondent (EE-NS5) claimed that no formalised segmentation approach is applied, but during the discussion several characteristics of segmentation, targeting and positioning techniques were observed to be in place within the company. The answer about segmentation strategy was following:

„Otseselt mingit kirjapandud strateegiat küll ei ole, et noh turul on sellised sellised tarbijagrupid ja meie tooted on suunatud sinna ja sinna. Üksikute brändide lõikes on üldsõnaliselt selgeks räägitud meie turundustiimis või siis minu peas on kirja pandud.“ (Translation: There is no specific strategy written down about having such and such customer groups and our product are targeted there and there. For specific brands these issues have been generally covered and discussed within the marketing team or inside my head.) (EE-NS5)

Seemed like the issues are current and relevant and managers do discuss about segmentation, targeting, and positioning matters, but on the informal level and nothing much is written down. Presumably this is done because it will save time and paperwork for the small company who needs to be efficient in their operations to succeed in the market. Even for some cases segmentation was intuitively applied, but the company did not see it as something one could call “real” segmentation:

„On üksikud tooterühmad mille osas me täpsemalt tegutseme nagu näiteks meie puhul on see [examples of products], mis on täpsemalt suunatud lastele. Ehk siis kolm toodet ma võin meilt öelda millel on suhteliselt ikka selged segmendid.“ (Translation: There are some product groups which we operate more accurately, for example [examples of products] which are targeted to kids. So there are three product which I can point out from us which do have relatively clear target segments.) (EE-NS5)

„Midagi ma siiski tean, aga samas see on väike... päris segmenteerimiseks seda nimetada ikkagi ei saa. See on ikkagi nagu vale.“ (Translation: Some things I do know, but it's to a small... you cannot really call it real segmentation. That would be wrong.) (EE-NS5)

After clearly stating that they have clear segments for several products, the company still believes that they don't do segmentation. This observation gives an interesting insight into the perceptions of managers about the concept of segmentation and how complex they think it needs to be until it can actually be called segmentation.

A common thread throughout the discussions about barriers to segmentation related to the size of the market and the size of the companies. One of the reasons why no segmentation was done was the small size of the Estonian market:

“Me ei segmendi ei oma tarbijaid, ega ka kliente, kuna Eesti turg on selleks liiga väike.” (Translation: We do not segment our customers or clients because the Estonian market is too small for that.) (EE-NS1)

In a small market like Estonia, market sensing of managers seems to be quite advanced, which is also why generally an intuitive approach is taken and managers are reluctant to invest into research if they can put that money into advertising which they can see and measure the effects:

„Puhtalt intuiitiivne. Eks ta mingitel isiklikul kogemusel põhineb, piirid ja mingi tunnetus ikkagi on. Naljaga pooleks ma ütlen, et kui ma palkaks 10 inimest kes seisavad poes, teeks kindlatel aegadel vaatlust ja paneks oma vaatluse tulemused kirja siis see oleks nagu empiiriline katse. Et kui ma ise seisan seal [...] siis ta on nagu mitteformaalne, aga tulemused võivad olla üsna sarnased. See on mu isiklik seisukoht.“ (Translation: Purely intuitive. It is based on some personal experience; one gets a feeling for the market. Half jokingly I can say that if I hire 10 people to observe the shoppers and report the result, it would be an empirical test. But if I stand there myself and observe them, then it is informal, but the results can be very similar. That's my personal opinion.) (EE-NS5)

„Me ei ole tellinud ühtegi uuringut nagu juustuturu kohta näiteks. Küll aga on meil praegu üks koostööprojekt ühe bakalaureusetöö tegijaga, kelle bakalaureusetöö üks osa on ricotta turu kaardistamine, kes läbi küsitluste ja asjade üritabki järeltulele jõuda. Sellist, meie mõistes, tasuta lähenemist me kasutame.“ (Translation: We have not ordered any research about the cheese market for example. But we are working with a bachelor student currently who is mapping the market for ricotta as part of his thesis. [...] Such cost-free research approach we do use.) (EE-NS5)

„Raha suunatakse pigem nagu otsestesse tegevustesse mis on paremini mõõdetavad, pigem ostetakse reklaami kui ostetakse mingit uuringut.“ (Translation: Money is directed into the direct activities which can be measured. The company will rather buy advertising than a market research.) (EE-NS5)

So good knowledge of the market combined with lack of available resources will create a barrier to do segmentation and invest into market research, which then creates a situation which one respondent illustrated expressively:

„Ma tean et see kõlabki naljakalt kui ma ennast ise kõrvalt kuulen siis see ongi nagu ajuvaba, et põhimõtteliselt ilma luureta sõda pidada teistes terminites. Aga nii see pigem käib ausalt öeldes.“ (Translation: I know it sounds funny, as I am listening to myself talking it does sound ridiculous, so basically we are in a war but don't have any intelligence/spies in different terms. But that is honestly how it is.) (EE-NS5)

More about barriers and benefits observed in the Estonian dairy sector will be discussed and analysed in the following section. For this section it is important to note that managers rather are adopting an intuitive approach to segmentation.

All Estonian companies in this research admitted they don't think they do segmentation, however, after some discussion some interesting facts started to emerge. For example, they did in fact know about several different groups of customers and their shopping habits, mainly through personal observation and general market intuition. Managers from EE-NS4 and EE-NS5 both described a situation in the supermarket where they would observe how their customers interacted with their products effectively conducting personal empirical research. After some discussion some different groups of customers were identified, but the managers themselves did not feel this was real segmentation as no formalised approach was in place:

„Meil on siis kliendid kahte sorti. Üks sort kliente otsab hinda, ehk kollast silti, kampaanihinda poes ja teine grupp on see kes ostab toodet, kes ostab toote kvaliteeti, kes ostab paremat toodet ja ei vaata hinda. Need ongi kaks rühma. Täna kahjuks see esimene rühm on suurem ja väga suur osa müüb ainult hinda.“ (Translation: We have two types of customers. One type of customers buys the price, the yellow tag, campaign price and the other type of customers buys the product, the quality, the better product and does not look at the price. These are our two segments. Today unfortunately the first group is bigger and a very big part buys only the price.) (EE-NS4)

Another company (EE-NS5) separated their customers according to nationality with different products for Estonians and Russians and also using different advertising channels. Yet still, they were convinced that they are not doing segmentation as it was not a formalized approach for them, but only intuitive.

In sum, companies say they don't do any segmentation, but when they say that they refer to the formalized segmentation approach. Segmentation is seen as a big endeavour and requiring large amounts of research and hence resources, to undertake. As already pointed out in the analysis part about the Danish market, managers always have some intuition, but then they

need to do market research to back-up their hunches with the actual data to get a proper segmentation in place (DK-S2). For the Estonian market, it seems like the hunch or the gut feeling is enough for the manager, especially since they feel they can sense the market and are reluctant to allocate any resources for market research. Some of the other representatives interviewed rather saw the market in a simplistic way and segmentation would only complicate their view, it seemed. Segmentation was not a consideration within the companies' marketing objectives and not seen as worth the effort to examine and possibly implement. This implies a lack of market-orientation in the Estonian dairy market and more emphasis on the product rather than the customer. Next, the researcher will try to find out in more detail why this is so.

### Benefits and barriers

It is interesting to learn now, what are the reasons behind the reluctance of Estonian dairy companies to implement segmentation. This directly leads the discussion into the barriers faced by the companies, which restrain the segmentation approach being considered as a viable option to reach business targets. The barriers obviously are seen as too high or costly so that it does not make sense financially to pursue a segmentation strategy. On the other hand, perhaps the possible benefits are not identified and acknowledged. As already mentioned before, the companies are concerned with the size of the Estonian market which directly affects the size of sales:

“Paraku on Eesti turg nii väike, et kliente klassikaliste parameetrite järgi segmentida pole võimalik. Kõik inimesed, kellel on sissetulek ja kes taluvad piimatooteid, peaksid meie tooteid piisava müügikoguse saamiseks tarbima.” (Translation: The Estonian market is so small, that it is not possible to segment customers according to the classical parameters. Everybody who has an income and can tolerate milk products should consume our products to reach the sufficient amount of sales.) (EE-NS1)

Besides the small market, the companies also felt that they are small players in general and are restricted in their activities by their limited resources. Their own resources seem to limit business activities to the point where the company itself needs to be the priority in daily considerations and not the customer:

“Oleme väike ettevõtte, jälgime kuis asjad turul jooksevad. Lihtsalt jälgime vaatame, mida on meie võimuses soodsamas suunas nihutada. Graafiliselt näeme seaduspärasusi ja sellest erinevaid arenguid. Kõigega tegelda ei jõua, tegeleme sellega, mis meie arvates tulemust võib anda.” (Translation: We are a small company, we keep an eye on the market. Just monitor to see what is in our power to do to benefit the company. We observe trends visually on the sales graph and other developments. We focus on things that we believe will bring results.) (EE-NS3)

“Üks pere ajab oma rida ja tasapisi ,et ära elada.” (Translation: We are one family doing our thing and without haste, just to make a living) (EE-NS2)

„Oleme suhteliselt väikeettevõtte, et tasub seda silmas pidada, et me sellises tegevuses oleme üsnagi efektiivsed. Kogu turundusosakond on põhimõtteliselt poolteist inimest.”

(Translation: We are relatively small company, so it is worth to keep in mind that we have to be pretty effective in our operations. The marketing department consists of 1,5 people.) (EE-NS5)

An underlying topic relating to these issues was also to current economic situation and problems with the low purchasing power of the customers. Many companies were struggling to make sales and the retailers were not making it any easier for the producers.

In a small market as Estonia, the dairy companies are less in control and because of big international **retailer chain-stores** the producers are forced to give up a lot of power to even be able to survive in the tough business environment. The majority of the Estonian companies interviewed brought it up as an external problem for them. An example of this reality is illustrated by these comments:

“Loomulikult on mõned meie klientidest suurema (ostumahuga), kui teised, aga selle taga pole mingit analüüsi, sest tingimused seab ostja (jaekett) mitte müüja (meie).” (Translation: Of course some customers have bigger purchasing capacity than others, but there is no analysis behind that because the retailer sets the conditions and not the seller (us).) (EE-NS1)

„Samas Eesti turg on selles mõttes natuke nukker et siin ei otsusta niivõrd tarbijad kuivõrd kliendid – ketid otsustavad mida nad müüvad. Sul võivad olla kõik asjad täpselt läbi mõeldud, aga kui sa ei suuda seda ideed maha müüa siis ta tarbijani ei jõuagi.” (Translation: The Estonian market is quite sad in a way because here not the customers are deciding, but more the retailers – the chain-stores decide what they sell. You can think through all the aspects, but if you are unable to sell it to the retailers then it will never reach the customer.) (EE-NS5)

„Kui viie suurema keti käes on 85% turust ütleme, siis seal on see võti.” (Translation: If we have a market where five biggest chain-stores have about 85% of the market, then that’s where the key lies.) (EE-NS5)

„Täna müüakse 80% Eesti toidust, sealhulgas piimatoodetest müüakse kettide kaudu 80% ja mis meil üle jääb. Mõjuvõim, ülemvõim on selline et ok, kui ei taha meile seda protsenti anda siis me kustutame teie tooted oma valikust. Ükski tootja seda ei taha.” (Translation: Today 80% of all food products including dairy products are sold through chain stores and what other choice do we have then. The power, ultimate power is such that if you will not give us this percentage then we will erase your product from our selection. No producer wants that to happen to them.) (EE-NS4)

„Jah, ketil on nii suur võim et kett käsib, poob ja laseb, sellest kas ta dikteerib ette hinnad, dikteerib ette igasugused allahindlused, dikteerib ette tagantjärgi maksmised, dikteerib ette maksetähtajad, see on karm maailm.” (Translation: Yes, the power of the chain-stores is so

big that they “tell you, hang you and shoot you”. They dictate the prices, dictate the discounts, dictate the after-payments, dictate the payment deadlines, it’s a tough world.) (EE-NS4)

The **power of the retailer** as a barrier is illustrated with the quotes above. The retailer sets the conditions and it is up to the seller to accept them or lose the business. As the retailer is the one directly in contact with the customer, the dairy company does not see any point in wasting its resources to do any kind of customer analysis. Additionally, the producers are too busy trying to meet the price requirements and other conditions set by the retailers that they don’t have any time or resources left for “extra-curricular” activities. On the other hand, one respondent also pointed out another issue concerning the retailer chain-stores where segmentation can be actually seen as a benefit:

„Finantstulu on erinev. Lisaks on erinev kettides püsimine, see on see et kett ei viska su toodet välja, kui ta on mingile kindlale segmendile selgelt suunatud ja toimib selles segmendis. See segment võib olla väike aga... a la kui lapsed nõuavad siis sa ei hakka seda toodet välja viskama ja see su üldisele imagole ei mõju hästi.” (Translation: The financial outcome is different [with segmentation]. It also affects being able to keep your products in the chain-stores meaning that the store will not erase your product from its selection if your product is clearly targeted to a specific segment and it is successful in that segment. That segment can be small, but... for example, if children are demanding the product then they won’t erase it because it will not help with their overall image.) (EE-NS5)

Another barrier is concerning lack of familiarization and experience with the segmentation and targeting concept. This was also already clear from the discussion in the previous section, where the concept of segmentation was proved to be unknown in some cases. Another example is connected to the notion of targeting, as the researcher suspected that this might be more understandable for the managers:

Are your products targeted to a specific audience? “Ei ole veel proovinud.” (Translation: Have not tried yet.) (EE-NS2)

Yet, still little enthusiasm was detected from the manager in relation to the targeting concept among some of the respondents. Based on the information obtained from the interviews this was due to the size of the market, size or limited resources of the company or possibly lack of knowledge about the benefits of segmentation in general. These were the barriers which didn’t allow the managers to even open up to the idea of using segmentation and get past the infrastructure barriers as labelled by Dibb & Simkin (2001). Then in the sample, there were the companies who did intuitively segment their market and effectively also target their products, but did not want to call it real segmentation. Among those companies another type of barrier was detected which was their possibly overconfident insight of the customer market



composition which enabled them to use this intuitive approach, but only to some limited extent. Developing the segmentation strategy further would require more data and commitment to doing market research, which these managers were not prepared to do.

In production companies managers put emphasis on cost efficiency in production. In a relatively small market like Estonia the producers are concerned with being efficient and obtaining economies of scale, which means they need to produce as much as they can. To produce more, you first need to sell more, and to sell more you need to sell to everybody. Targeting a segment was seen as cutting off some of your potential customers and no producer actually wants that to happen. The capabilities of the seller and its reach and role on the market were seen as big factors affecting the implementation of segmentation approach. Here an example was given comparing producers with trading companies (importers) and the differences in the resources of these two different types of companies:

„Siin on vahe tootjatel ja maaletoojatel. Tootja Eestis peab leidma toote mida tal on võimalik müüa ikkagi väga laiale grupile selleks et see tootmine efektiivne oleks. Maaletoojal on võimalik teha ka mingeid kitsama nišši asju.“ (Translation: Here we have a difference between producers and importers. A producer in Estonia has to find a product which they are able to sell to a very wide audience for it to be effective for production. An importer can also deal with niche products and such.) (EE-NS5)

Some more examples of the importance of effective production for these dairy companies:

„Mina siinkohal nagu rõhutaksingi seda aspekti [...] kuna tootmisest sa pead olema efektiivne ja saavutama mastaabieffekti siis sa pead tootma midagi palju, võimalikult väike arv pakendeid seda toodet, see natuke hakkab välistama meiesugusel turul segmenteerimist.“ (Translation: I would emphasise this... since in production you need to be effective and gain economies of scale then you need to produce something in large quantities, with the possible lowest amount of packaging. This starts to eliminate segmentation a little in this market that we have.) (EE-NS5)

„Noh üritame siis oma kulusid niipalju optimeerida kui saab, paljud tööstused on läinud selle peale et lihtsalt tehnoloogiat lihtsustatakse, kasutatakse lisaaineid, lisavahendeid, mis muidugi ei mõju kvaliteedile hästi. Me oleme siiaani püüdnud ikkagi oma toodete kvaliteetilippu ka kõrgel hoida, aga see muutub täna momendil valitsevas olukorras aina hullemaks, sest Eesti inimeste ostujõud kahjuks ei kasva, vaid reaalne otsujõud või reaalpalk ju sisuliselt võime öelda väheneb.“ (Translation: Well, we are trying to optimise our costs as much as we can, many producers are simplifying technologies, adding additives, which is not good for the product quality of course. We have tried to keep up our good quality so far, but it is getting harder in today's situation, because the buying power is not increasing rather the real wages are going down.) (EE-NS4)

So even though the retailers are putting pressure on the producers, the overall economic situation is making competition on the market even more ruthless. Together with these

external influencers, the producers have a hard time allocating money to do market research in general, not even talking about segmentation and the research required for that. Here are some examples from the respondents about the priorities managers have set in terms of gathering research, or to put it in different terms - “intelligence for the war”:

„Üldjuhul mingeid turuuuringuid me ei kasuta välja arvatud siis Nielsen, aga see ei käsitle ju mitte turgu tervikuna, mitte tarbijaid vaid kliente, ehk siis pigem ta käsitleb kaubanduskette ja seda poolt, mitte lõpptarbijat. [...] Taaskord kulu efektiivsuse küsimus.“ (Translation: Generally we don’t use market research studies, except Nielsen’s, but that only looks at the clients and not the customers, meaning the chain-stores and not the final consumer. [...] Again it’s a matter of cost effectiveness.) (EE-NS5)

„Ütleme, selle marketingiga mis puudutab kette ja kus seda röövellikku raha korjatakse sellega tegeleb, jah, [tütaretttevõtte]. Põhimõtteliselt siin endal kui mõne uue toote teeme siis mingisugused tutvustusseriaali teema. Me väga palju turunduse peale ei ole kulutanud ja ega toiduainete peale ei olegi mõtet kulutada, see ei ole Coca cola.“ (Translation: Let’s say, [the subsidiary] deals with the marketing concerning the chains and where this extortionate money is made. Basically when we make a new product, then we have an introductory something, but otherwise we don’t really spend money on marketing and there’s no point in doing that for food products. It’s not Coca Cola.) (EE-NS4)

Marketing expenditure is forced into the minimum amounts possible and other areas are highly prioritised in terms of where money is spent over marketing.

So far the majority of discussion has covered barriers and difficulties in the way of managers to implement segmentation. Although managers did overwhelmingly see only the obstacles, they did also identify several possible benefits originating from using segmentation. Examples include situations when introducing new products:

„Uute brändide või uute toodete lancheerimisel on loomulikult oleks nagu eksimuste arv väiksem.“ (Translation: When launching new brands or products, there would be a smaller amount of mistakes.) (EE-NS5)

Or the possible financial benefits for the company:

„Teatud kasu on, et noh kui sa suudad segmendi ikkagi ära tabada. Näiteks lastele mõeldud tooted on üldjuhul kallima keskmise müügihinnaga kui massiturutooted. Kui mingi segment mingitel turunduslikel põhjustel ostab seda siis ta on nõus selle eest ka nagu rohkem raha maksma, üsna tavaline loogika.“ (Translation: Certain benefits exist if you catch the segment, for example, products for children are normally with higher average price-level than mass products. If the segment buys your product for certain marketing reasons then they are also willing to pay more for it, quite common logic.) (EE-NS5)

Overall, the size of the market and the size of the customer base were seen as the main obstacle to segmentation. As it is an external barrier and very difficult to influence for the producers segmentation was generally excluded from the corporate strategy plan.

“Kindlasti on kasulik segmenteerida, aga ennekõike ikkagi nagu suuremal turul see sõltub ka nagu tootegrupist, mida sa toodad, mida sa müüd, meie oleme ikka nagu suhteliselt massiturul” (Translation: It is definitely useful to segment, but chiefly on a bigger market. It also depends on the product group what you are producing, selling; we are still relatively on the mass market.) (EE-NS5)

In sum, all the Estonian dairy companies involved in this research felt restricted to do segmentation mainly due to the size of the Estonian market. Another external barrier mentioned by majority of the respondents was connected with the power and mere size of the retailer chain-stores which sell their product to the final consumer. As the retailers were the ones directly connected with the customer, the producers had little connection with the people actually buying their products. A general factor influencing the business activities at the moment was the economic hardships faced by the whole Estonian economy. Lack of buying power of the customers and lack of resources in general forces companies to be increasingly efficient in their operations and optimize costs which in turn pulls the focus away from the consumer and places it on production. Since the market is relatively small, companies feel that they can get a good feel for the market and sense the market dynamics well. This makes managers confident about their knowledge of the market and, hence, little funds are allocated to do market research. Additionally, less and less money is spent on marketing expenditure as more focus is put onto production efficiency. Internally, two more commonly faced barriers were identified which were limited resources of the company (reflected also through the size of the company) and unfamiliarity with the segmentation concept. Although, some benefits were also identified the barriers were often much more evident. These barriers inhibit companies to introduce and commit to a segmentation strategy, although some companies still applied segmentation on an intuitive level.

#### Decision-making or finding the fit

The decision-making section refers to the decisions managers make with regard to the segmentation process. As this sample did not include companies who acknowledged doing segmentation, it is only possible to offer limited discussion about this matter in the context of Estonia.

Companies had limited resources which also reflected in the sizes of the marketing teams or lack thereof. The decision regarding marketing matters were often executed by very few people, in smaller companies it was only the decision of the executive manager. Here an example from a medium-size cheese production company of who are involved in decision-making about marketing:

„Meie ettevõtte kontekstis on see põhimõtteliselt 2 inimese otsustada. See on ettevõtte juhatuse esimees, tegevjuht, omanik ühes isikus ja mina ehk siis [...] tegevjuhi kt [kohatäitja], [...] müügi- ja turundusorganisatsioon ja turundusjuhina või turundusdirektorina.“

(Translation: In our company it is the decision of mainly 2 people, which are the chairman of the board, executive director and owner in one person and me e.g. executive director placeholder, sales and marketing director.) (EE-NS5)

„Nii lihtne see meil ongi. See ongi see turundustiim põhimõtteliselt ja see on üsnagi mitteformaalne. (Translation: That’s how simple we have it. We are the marketing team basically and it is pretty informal.) (EE-NS5)

In another company the analysis and decision-making were only done by the executive director. In this case it was small farm producing organic produce:

“Meil on müügiandmed graafiku kujul aastate lõikes ja selle järele otsustame kuhu ja kuidas panustada. Ise analüüsin. Järske otsuseid ei tee.” (Translation: We have the sales data throughout year plotted on a graph and according to that we decide where and how to put more emphasis. I do the analysing myself. Don’t make abrupt or sudden decisions.) (EE-NS3)

In sum, it is apparent that marketing decisions largely lay upon the shoulders of few people. From previous discussion it is known that in Estonia little resources are spent on market research and managers rely on their experience and knowledge of the market e.g. they use their intuition in decision-making. This also leads to intuitive decision-making behind segmentation issues if it is considered at all. This intuitive process has little structure and order and can be hard for managers to express. However, looking at the barriers and benefits discussed by the managers covered in the previous section, it is possible to understand what managers consider and keep in mind whilst thinking about and making decisions concerning these issues.

Next, the findings presented in the empirical analysis will be discussed more in relation to the literature and theories presented earlier to be able to deduct more insights and perhaps propose discoveries not entirely covered by the literature.

## 5. Discussions

In the beginning of this paper different variables used in segmentation were discussed. Although, as has been discovered now, the majority of the sample does not implement segmentation, still the companies which do implement segmentation only if on an intuitive level have given some indication about the variables they use for that purpose. Geographic variables were not explicitly mentioned, but several companies also had sales or operations

outside the countries under inspection, such as Great Britain, Sweden, Finland, Germany, Holland, Lithuania etc. For DK-S2 the Danish market was one with its own corporate and segmentation strategy tailored to the specifics of the market, as would also be the case for the Estonian companies who have a more intuitive approach. The Estonian companies EE-NS4 and EE-NS5 had exports up to 25-30% of their sales and it is safe to assume that the domestic market approach differs from the export approach. Next, demographic variables such as age, gender, family size, and nationality were explicitly mentioned as examples of the variables managers consider. Good descriptor value as well as relative ease of access to this data makes it the go to variable group used by managers. EE-NS5 mentioned collecting this kind of data along with some psychographic variables during their recent online campaign. DK-S2 collects this kind of data along with all other types of data about their customers through research agencies and panel studies as well as through in-house research methods. Behaviouristic variables were explored by formal research only by DK-S2, but the two Estonian companies who had an intuitive and less structured approach to segmentation collected behaviouristic information about their consumers through personal observation. A method which they believed was as effective but less costly for the company.

The method of segmentation for DK-S2 seemed to be an a-priori segmentation method as the segments are determined beforehand based on market expertise of multiple people and then later the data was analysed to prove that indeed these segments are the right segments. Although the company collected a variety of different data, using this kind of process entails that it was used mainly to give additional descriptions to the predetermined segments. The respondent also did not imply that any kind of predictive methods were used in the data analysis. An example of an extensive descriptive study done in the Danish dairy market in 2009 can be seen in Appendix II. This also illustrates the more descriptive nature applied to segmentation research researching all the different types of variables, which no doubt is very useful to companies. When moving on to the less structured segmentation approach where intuitive decision-making is involved different trends can be observed. Namely the market sensing abilities and intuition helps the marketer to identify the segments from within their customer base and not superimpose specific segments onto the market; consequently it has more of an “opportunity identification” feel to it from the manager’s perspective. Therefore, the researcher would classify it as a post hoc thinking process with both descriptive and predictive elements as in the intuitive process it is virtually impossible to distinguish whether only descriptions or also causes and underlying reasons are thought of.

The discussion about sectors versus segments turned out to be very relevant for this sample, especially for the Danish market. Three companies, DK-S1, DK-S3, DK-S4 could mainly be associated with sectoring their market rather than segmenting their customers although sometimes elements of both approaches were present.

Factors affecting the segmentation approach were diverse. These factors guided the managers' decision whether a more structured or less structured approach was used or instead sectors were applied or no segmentation was applied at all. Discussions on these factors have been plentiful in the Findings part (see above), but now the examples presented will be brought together to make sense of the segmentation issue in the dairy sector.

### Levels of segmentation

The researcher has observed from the interaction with the managers that there are different levels or states to dealing with the topic of segmentation. The first level is identifying the want or need to somehow group or categorize one's market into smaller and more manageable pieces - segmentation versus no segmentation. The second level looks at how this grouping will be conducted – will they want to have customer- or product-oriented groups or in other words having segments versus sectors. The third level addresses the extent of segmentation applied within the company, if a more structured approach versus less structured approach is seen as fitting to the company. Less structured approach is also seen as the intuitive approach to segmentation, where managers consider segments but there is no written segmentation strategy or action plans concerning their segments and little resources are allocated for market research for the purpose of segmentation.

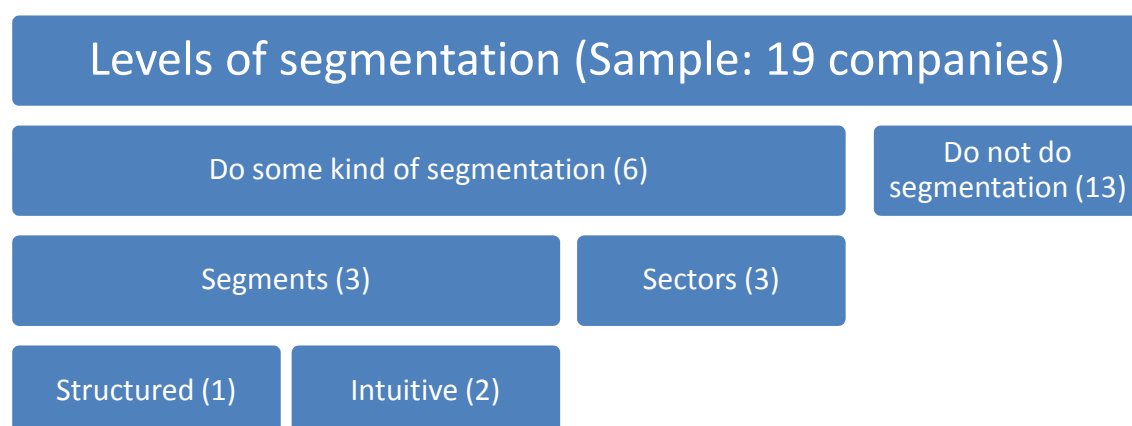


Figure 8 Levels of segmentation identified from the sample with number of companies representing different levels (Source: own creation)

Next the discussion will follow the structure of the levels trying to identify what are the reasons why some companies would choose one category instead of the other on that particular level.

The choice of not to engage in any kind of segmentation activities is very much determined by the Infrastructure barriers (Dibb & Simkin, 2001) and the external barriers. For the Danish companies the internal barriers seemed to be more influential whereas for the Estonian companies the external barriers had more control over the actions of the company with regard to segmentation. In Denmark, internal barriers, such as the size of the company, and its limited resources along with tradition or the company's reluctance to change, steered companies toward the direction of not doing segmentation. In Estonia, the main reason was connected to the size of the market and the customer base, but also the distance from the final consumer. As most of the producers did not sell directly to their final consumer, but to the retail chain-stores, they felt that it was not relevant for them to research the final customer as the retailer had the power to choose what is put on the shelves of their stores. Along with other smaller barriers influencing the decision, for over 68% of the overall cases represented in the research it was decided that it was not worth to do segmentation.

This level's decision can also be seen through a different perspective altogether – instead of the barriers faced by the company, the explanation can originate from the *type of the company* being observed. By type of company it is meant if the company is a producer or just a trading company importing dairy products, so if the main operating focus is production or only sales. One respondent suggested that this is a key issue in explaining why companies do not do segmentation – because the production companies need to focus on efficient production processes and their resources are tied up and dependent on how optimized is the production. Whereas, trading companies are able use their resources to be more specialised and perhaps focus more on the marketing activities as sales and marketing are the main focus of their business model. Based on the sample, the situation looks opposite. Among all the companies who did not produce anything explicitly, 4 out of 5 did not do segmentation at all. One company claimed to do segmentation, which later turned out to be sectoring. A possible explanation to this situation which might be intuitively hard to understand at the first glance is the **personal relationships**. These companies pointed out that there is no need to do any kind of segmentation because they have well-functioning personal relationships with their clients and this approach is working well for them currently. Personal relationships will ensure that the interaction with the company is focussed directly to the specific customer and this is a

good alternative for small number of customers. As the number of customers increases it will become harder to maintain all the relationships and satisfy the customer at the same time. So, here the number of customers also seems to be a key point to understanding why some companies do and some do not segment their customers. This again connects with the size of the company and its resources available to handle those customers. So now again the discussion has steered towards the main internal barrier which was the size of the company.

The second level from Figure 8 addresses more the method how managers approach the categorization task – from the customer perspective or the product perspective. Starting from the customer and then using the customer base to create different customer groups will ensure that the company is actually doing segmentation, whereas starting from the product will guide the company toward creating sectors to help better structure their business operations. What influences which approach is taken? Based on the data from this sample, the following proposition can be made – whether a company segments or creates sectors is dependent on the nature of the product. Here, the nature of the product refers to consumer versus industrial products. Selling to industrial companies requires the seller to know its product very well as the buyer is after specific product qualities and not some attached values or meaning for the customer. Industrial clients are specific in their demands and buy in large quantities whereas regular consumers normally can be influenced with marketing if they are not looking for a specific brand and normally buy small quantities at a time. Since the product needs to be held in such high importance it does make sense for these industrial companies to focus on the product characteristics to structure their business. Some consumer product companies can also do that, but it will not help them sell more products as there is a big variety of cheeses, yoghurts, butters and any other milk products available for the consumer on the shelves. This is also nicely exemplified by the current sample, where 2 out of 3 companies which were using sectors to structure where also dealing with industrial products. The third company had actually two different product groups which were beer and milk products, so division into the corresponding sectors would obviously make sense whomever you are selling to.

The last level compares the choice of a more structured segmentation approach versus less structured one. The question here is why some companies would choose to have a structured approach and some rather go with the intuitive approach? The researcher believes that management commitment plays a big role here, but more importantly it is the extent of the strategic orientation of the company and if the strategy is developed far enough to incorporate the whole segmentation strategy into the overall corporate strategy. If the segmentation



strategy is part of the overall strategic outlook with clear strategic goals, then the management places enough importance on it to pursue it formally. For this research, this group is represented by one Danish company, which is also incidentally a big international group. So here it might also be the case that the size and resources of the company allow them to pursue the segmentation strategy to such great lengths, but in the Danish dairy sector it would be hard to find any comparable examples to prove or disprove this point. Definitely, it helps for DK-S2 to implement the segmentation strategies in each of their product categories if they have resources allocated especially to that cause. DK-S2 also spends large amounts of money to research the market and know everything there is to know about its customers. The investment from the company's side is too large for it to go to waste, which is why they write down goals and action plans, so that later their implementation can be checked and measured. The intuitive approach requires much less investment. The companies in this group were two relatively small production companies from Estonia. They had either one marketing person or the marketing area was incorporated into the executive director's responsibilities. Especially due to the difficult economic situation hitting the food sector and the overall lowering of real wages of the consumers the companies had limited resources available. Since resources are limited managers also are cutting back on marketing expenditures including expenditures on market research. This might be due to the current situation or this can also be normal for these companies as they are reluctant to spend money on something that might not give clear visible benefits. Compared to the Danish market, the Estonian market is more than 4 times smaller based on the population number, so it is understandable why the Danish company would opt for more market research while the Estonian companies feel like they have a good sense of the market – levels of risk for the respective businesses are different. Making a mistake in a bigger market can cost the company times more in sales than doing it on a smaller scale. Here also the market share of that company is important and can be calculated into the *relative size* of the company. The researcher has also learned that in those companies implementing the intuitive approach, they are not focused too much on their corporate strategy and strategic issues connected to that, but rather feel like they can sense the market well enough and what they need to do is to focus on the efficiency of the production. The existing market knowledge in the companies helps them to use segmentation on an intuitive level, but they would be unable to do it in a more structured way without incorporating it into the corporate strategy and investing into market research. When committing to do proper market segmentation the company needs to make sure that its decisions are based on correct and reliable data.

## Making decisions

As already emphasised earlier in the literature review, the management decision is a focal point in a smoothly operating business. Making good decisions is what separates the leaders from the followers in the business world. The different approaches and methods represented in the sample for this research have already been presented along with various factors affecting those decisions, but now the researcher wishes to learn how managers arrive to those decisions? The decision-making process proposed earlier in the literature review could not be verified as the representatives interviewed did not see it as a clear step by step internal process at all, but rather a process very much influenced by external influences and previous knowledge. The researcher believes that this rational step-by-step decision-making process might apply on some level but in reality these decisions regarding segmentation are very much determined by outside influences in addition to an intuitive thinking process. So, taking a step back to see the wider picture will help to map these outside influences while also acknowledging the internal thinking process. The specific decisions about segmentation basis, variables and analysis methods could be observed to some extent and are discussed under the Methods and approaches section in the Findings part as well as here, in the Discussions part.

Based on the observed decision-making structures the researcher will propose two separate models to reflect decision-making about segmentation in a more structured way as it happened in the international Danish company DK-S2 and in the intuitive way as was illustrated by two Estonian companies EE-NS4 and EE-NS5.

Firstly, in a big international company the top management will set the strategy guidelines for the whole network and the local businesses will do their best to implement the strategy following those guidelines. Later again the work done by the local business needs to be approved by the top management. The work done on the local level is highly based on the experience and knowledge of the local and backed up by market research. The process is illustrated by the Figure 9 on the next page.



**Figure 9 Process around the segmentation decision for structured segmentation**  
(Source: own creation)

The process shown above does not give many specifics about the segmentation decision-making itself, rather it reflects the internal hierarchy within the company. Big emphasis should be put on the external influencers of the local business as these (market research, knowledge, and experience) will eventually drive the company's strategic intentions. Then, combined with the support originating from the knowledge and experience of the top management those intentions will be turned into actions.

In the intuitive process the external stimuli and influencers will guide and push the decision in a certain direction, but then the internal capabilities and resources will determine what kind of decisions will be made and to what extent the company will commit to segmentation.

Similarly to the structured model external influencers such as previous experience and knowledge will be involved, but instead of formal market research the managers do informal customer observation and pay attention to what the competitors are doing as part of market sensing. This process, however, will not be reflected in a hierarchical structure, but rather as a collection of embedded circles. These circles represent the thought levels the managers go through to get to the decision in a manner that the final decision(s) will incorporate all these aspects illustrated in Figure 10.

It can be argued that these processes of reaching decisions about segmentation are not entirely rational. In one case the instructions come from above and the local business level does not get detailed information how the top management reached these decision how segmentation should be structured. The local business is the implementer of those decisions in this case. On the local level they make decisions that reflect the strategic guidance imposed on them and search for market data to back up their decision. So overall, it is one big research project to prove to the top management that the suggestions they are sent for approval are valid.

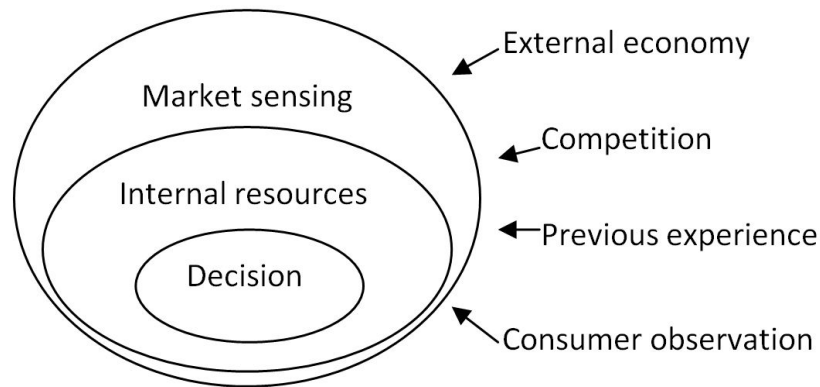


Figure 10 Process around the segmentation decision for intuitive segmentation  
(Source: own creation)

Unfortunately, for this specific case the researcher was unable to gain further insight into the decision-making process of the top management. It is adequate to assume, however, that the top management's decision-making process followed the stages proposed in the literature review and alternatives were evaluated and the best one chosen and then this choice was communicated down to the local level for implementation.

In the case of intuitive decision making the process is a combined effort of sensing the market through own experiences and competitors behaviour with the available resources of the company. The decision about the extent of segmentation applied and specific decisions about segmentation are based on how those few decision makers sense the market and then see fit to use the company's available resources. The fact that the decision is based on the personal feeling of the decision maker without requiring any or little formal market research to validate its beliefs makes this process highly subjective and possibly even irrational.

#### Going by intuition

Even if the intuitive segmentation process can be metaphorically seen as "running blind on an obstacle course", then as could be seen from the sample, managers do use it. There are numerous theories and articles about the techniques and specific methods for segmentation ranging from trivial data analysis to highly complex statistical computations, but the researcher has not come across research discussion on the issue of intuitive segmentation process. The research refers to market segmentation as something that is highly market research oriented and needs to be based on reliable data, but with this study the researcher has come across a different approach to segmentation. It is interesting to note that one of the companies identified as being involved in intuitive segmentation does not believe itself that they are doing segmentation when in fact their actions tell a different story. Perhaps the

managers' perception of segmentation is then the reason why this area has not been researched more, but this is how some managers approach this issue. The fact that it is being used in practice makes this approach valid in the eyes of this researcher and hence an issue that needs to be researched further. In developing the concept of an intuitive segmentation process, one must first understand what *intuition* and *intuitive* means. The Oxford English Dictionary defines *intuition* as "the action of mentally looking at; contemplation, consideration; perception, recognition; mental view" (OED, 2012). While *intuitive* refers to mental perception consisting of "immediate apprehension, without the intervention of any reasoning process" (OED, 2012). There are many different definitions, but these connect best with the issue at hand. Many explanations also refer to existence of knowledge and understanding which help intuition to exist.

A big part of the intuitive decision making process as exemplified by the companies in this sample was market sensing or being able to understand and feel the external environment to the extent where the manager was comfortable to make decisions based on that. Earlier in the Key definitions section, market sensing was defined as an open-minded inquiry about the external environment. Through the interviews it was identified that the companies doing intuitive segmentation did not do much formal market research, but rather were alert about what was going on around them and then trying to organize all this information. Essential part of successful market sensing is making sense of all this available external information and drawing the right conclusions from it. So these are important concerns if a company is doing or considers doing segmentation on an intuitive level. In this research, intuition refers to exactly what the definition of it refers to – mentally looking at the available information, contemplating it, and recognizing the possibilities and opportunities for segmentation. In the sample, the managers emphasised that they do not have a strategy written down for segmentation and little "paperwork" is done regarding this topic, which means that it takes place only on a mental level, sometimes in one person's head, other times in a combined collective mind. There were several factors identified as affecting the intuitive segmentation process as can be seen from Figure 10, but more important for managers is to know if this approach could be good for their company. What are some of the conditions that would make it a good alternative to a structured and costly segmentation approach? As illustrated by the sample, intuitive approach was used when:

- operating in a small market or only servicing a part of the market
- the company's resources are limited
- the manager has confidence in his market sensing skills

All these conditions combined create a setting where it will make sense for the company to take the intuitive approach instead of investing into a high-cost structured market segmentation strategy. The intuitive approach can also be a good alternative to excluding segmentation completely. Segmentation can have many benefits and with this approach the company can still take advantage of them without the high cost. It is important to mention that as the monetary cost goes down and management saves from doing market research, also the risks associated with this strategy go up. The manager who is willing to consider this approach cannot be completely risk averse, as there will be risks involved. This kind of flexibility and approach to risk is often associated with smaller companies as there is usually more to gain than to lose.

Overall, the researcher has discovered many facets of intuitive segmentation process and has tried to develop the concept of intuitive segmentation process a bit further as not much research around this topic is available currently. The researcher hopes that this thesis will be inspiration for other researchers to look into the topic of intuitive segmentation in more detail.

### **5.1. Assessment for used theories**

The decision-making process proposed in the literature review proved to be extremely difficult to offer empirical evidence for. The four elements in the decision-making process, the managerial decision maker, the organization, the external environment, and the outcome or the decision itself, however, were helpful in understanding the different aspects of decision-making and those aspects were also identified and discussed.

The contingency theory only offered a very broad theoretical framework covering three main ideas behind segmentation. The fact that there is no one optimal segmentation strategy to fit all is also clear from the many differences specific companies need to take into consideration from which type of company they are to which type of product they offer. Besides internal individualities, all companies are influenced by different external factors to different extent depending on the company's internal environment and managerial decision-making. This already leads into the second point about the internal and external environment influencing the decisions managers make every day. The possible alternative solutions to a problem should be constructed so that they fit the company's circumstances. Managers should find this fit, but as was discussed earlier, managers sometimes are not the most rational and make decisions blindly and without real data to back it up. The contingency theory was used in this research but the management style discussion was not incorporated, which resulted in an

incomplete picture of the decision-making process at times. This is also one of the limitations of this research. The research into the concept of intuitive segmentation can also greatly benefit from analysis of management style as assumably this will have a large effect on the inclination of the company to implement this approach or not.

## **6. Limitations and suggestions for further research**

This research has several limitations that the researcher is aware of and will discuss in this section. Some methodological limitations were already discussed in more detail in the Methodological limitations part. The limitations also help to identify opportunities for further research on those issues. The theoretical framework did suggest including the management style as an element in the research concerning decision-making, but this was excluded from the research due to limited resources and also this would have been venturing more into the psychological field, which was not intended to be the focus of this study.

The researcher looked at the dairy sector, without making too much of a distinction between the different types of companies operating in this industry. Further research could look at only producers or importers to keep the research more focused and this will help to find more interesting trends in the industry.

This research looked at the Danish and Estonian dairy sector and attempted to bring parallels between the two markets. The selection of those two markets was highly subjective and based on the personal relation of these countries to the researcher. While it is still interesting to see the differences between two different markets, it was challenging to compare them as they are very different in size and composition and by many other aspects. A comparison between more similar markets can again bring forth more delicate nuances of the segmentation issue and help to understand even better why in two very similar markets differences occur if they are discovered. This research also lacked a consumer perspective and how the consumers recognize segmentation in the marketplace. An investigation from the consumers' point of view would help to expand also how managers perceive segmentation.

This study is written using the interpretive approach to knowledge creation and presents qualitative data. This kind of research aims to offer more insights into the matter rather than give generalizable results. A study which looks at the issues of segmentation research through more quantitative methods and a positivist world view would give an additional perspective into the matter of segmentation.

## 7. Conclusions and implications

This thesis aimed to answer the research question: How managers decide how to segment their markets? The main research question is supported by three sub-questions about the approaches and methods, reasons for those approaches, and the decision-making process. The Analysis part of the thesis addressed all these questions based on the empirical data. The main findings included:

- The majority of the sample chose not to segment their markets and had limited knowledge about segmentation
- Some companies which believed to do segmentation were actually creating sectors based on product characteristics
- Main barriers to segmentation in Denmark were the size of the company and its resources, reluctance to change (tradition), and well-functioning personal relationships in place.
- Main barriers to segmentation in Estonia were size of the market being served, size of the company (resources), and the excessive power of the retailer.
- The segmentation strategy often included intuitive decisions from the decision makers

The researcher also discovered many characteristics of the companies which seemingly affected how they approached segmentation, such characteristics as type of product, type of market being served, company size, company type (production or trading), and distance from the consumer. In such a way that, a bigger company, with enough resources serving a relatively big market and offering a consumer product, will more likely implement segmentation than a smaller trading company offering an industrial product to industries.

Through the research process, the researcher discovered an approach how managers segment their markets, which to the researcher's knowledge had not been really examined in the literature earlier. The researcher believes that the contribution of this thesis lies within the recognition of the intuitive segmentation process. The implications for managers are extremely important, as many managers see segmentation as a resource-draining process and therefore will not even consider implementing it. Intuitive segmentation process can bring forth a different view on the segmentation concept and help managers get the benefits from segmentation without fully committing to a structured segmentation approach. Even if this approach may come with increased risk levels, this tradeoff needs to be a conscious decision of the management.



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## Appendix I - Interview questions

### *Questions prepared for the company interviews in English*

- Do you think that it would be useful to target a specific customer group? Are your products targeted to a specific audience? How do you emphasize that?
- Has your company implemented a segmentation strategy (grouping of different customers)? To what extent? What does it entail? If not, why not?
- How did the company come to the decision whether or not implement segmentation? Who were involved in the decision-making process?
  
- Decisions about how to segment the market:
  - a. What kind of data was used for the basis of segmentation?
  - b. How do you select the variables used in segmenting markets?
  - c. Who makes detailed decisions about the data analysis methods? (how the data will be analysed)
  - d. How are the segments formed? What segmentation technique is used?
  - e. How do you determine the number of segments and selection of target segments?
  
- Questions about implementation of segmentation:
  - a. How is the segmentation findings translated into marketing strategy?
  - b. To what extent is the existence of customer segments emphasised in advertising or decision making with regards to reaching the target customer?
  - c. Are the identified segments used for many different products/product groups or is the customer data analysed separately for different product groups?
  - d. Do the segments drive new product development? Or are rather new products introduced onto the market first and their primary users identified post-hoc?
  
- Questions about segmentation strategy:
  - a. What kind of benefits can segmentation offer your company?
  - b. What kind of barriers have you encountered while implementing segmentation?
  - c. Has there been a change in the segmentation strategy of the company over time? Why?
  - d. What reasons or other factors were considered when deciding on the current segmentation approach?

If formalized segmentation approach not applied:

1. Does the company have a customer database? What information does the company have about its customers? (Target customer descriptions etc.)
2. Who analyses the data about customers and how are the results used throughout the company and/or marketing?

### *Questions prepared for the company interviews in Estonian*

- Kas arvate, et on kasulik oma tooteid teatud kliendigrupile suunata? Kas teete seda? Kuidas seda rõhutate tarbijatele?
- Kas Teie ettevõttes on rakendatud segmenteerimis-strateegia (tarbijate grupeerimine)? Mil määral või kuidas? Kui ei, siis miks mitte?
- Kuidas jõuti ettevõttes otsusele tarbijate segmenteerimise osas? Kes on kaasatud selle otsuse tegemise protsessi?
- Küsimused turu (tarbijate) segmenteerimise kohta:
  - a. Milliseid andmeid kasutatakse segmenteerimise aluseks?
  - b. Kuidas valitakse andmed või muutujad mida segmenteerimiseks kasutatakse?
  - c. Kes otsustab kuidas andmeid analüüsitakse (erinevad programmid, meetodid mida kasutatakse)
  - d. Kuidas luuakse tarbijagrupid (segmentid)? Milliseid tehnikaid kasutatakse?
  - e. Kuidas määratakse loodud segmentite numbri ning sihtsegmenti (sihtgrupi)?
- Küsimused segmenteerimise rakendamise kohta:
  - a. Kuidas väljenduvad segmenteerimise otsustused ettevõtte turunduses või marketingi strateegias?
  - b. Mil määral rõhutate spetsiifiliste tarbijagruppide olemasolu turunduses/reklaamis või ettevõttesiseses otsustamisprotsessides?
  - c. Kas identifitseeritud tarbijarupid on kasutusel ettevõttes ainult kindla toote või tootegrupi jaoks või üldisemalt? Kas turuanalüüse (tarbijate kohta) tehakse eraldi erinevate tootegruppide tarbeks?
  - d. Kas uute toodete arendus on mõjutatud tarbijagruppide poolt? Või pigem tutvustatakse toode kõigepealt ning hiljem tuvastakse toode tüüptarbijaja?
- Küsimused segmenteerimise strateegia kohta:
  - a. Millist kasu/tulu/eeliseid toob segmenteerimine Teie ettevõttele? Üldiselt?
  - b. Milliseid tõkkeid/probleeme olete tuvastanud (tarbijate) segmenteerimise protsessi käigus?
  - c. Kas segmenteerimisstrateegias on olnud muutusi läbi aegade? Kui, siis miks?
  - d. Milliseid muid põhjuseid või tegureid kaalusite otsuste tegemisel segmenteerimise lähenemise/kasutamise osas?

Vastata juhul, kui formaliseeritud segmenteerimise strateegia puudub:

1. Kas ettevõtte peab kliendiandmebaasi? Millist informatsiooni tarbijate/klientide kohta omate? (tüüptarbijaja kirjeldused vms.)
2. Kes analüüsib andmeid tarbijate kohta ning kuidas on selle tulemused ettevõttes ja/või turunduses kasutusel?

## Appendix II - Customer segmentation example

/ TEMA: FORBRUG – MELLEM FØLELSER OG FAKTA



MÆLK OG MENINGER / TEMA: FORBRUG – MELLEM FØLELSER OG FAKTA 5

Figure 11 Example of segmentation from 2009 (Source: <http://www.e-pages.dk/arla/13/2>, page 5)

## Appendix III - Partial transcriptions of interviews

**Interview with DK-S1, 12 April 2012** (see the audio file for full interview)

"We certainly have also applied [...] a segmentation strategy because we have so many different areas that we use our products, we've had to segment our customers, also customers according to size, value, and of course the use of the cheese product"

"We have to implement a segmentation strategy for our products"

"About 98-99 percent of what we do is exported, so Denmark is quite a small market for us in terms of sales, most of it is exported"

"Primarily business to business customers, so it is food suppliers who are making either for retail or food service, some of them are blenders, who do blends for snacks"

"We have had to, you know, implement a segmentation strategy because there's so many different customers, also so many different areas you can use the cheese powder"

"So we had to implement one segmentation strategy, which was which application meaning the type of product are you using the cheese powder in. So there we have a number of different areas, we call them application areas, so one could be bakery, one could be fine foods, which is sauces and soups and dressing, one could be processed cheese, one could be confectionary like chocolate, and depending on which area the customer is in we can then start selecting the products and define which customers are within each of those segments."

"Then the next thing could be areas like taste, do you want strong taste, mild taste, it could be the size of the customer, is it a multinational like Unilever or is it just a local player, do they have a strategic value to us, then we can also segment due to strategic value of the customer"

"The main selection criteria is always, almost always, is the use of the product, in which kind of production is the product being used"

About decision-making: "This is something that is selected both in combination with our R&D department because they provide the technical service to the customers whereas sales provide, let's say, the commercial service to the customer, so it's a selection process that R&D and sales do in cooperation"

About target segmenting: "Certainly when you look in terms of volume then there are certain segments which are bigger, it's also from the historical point of view, because areas like biscuits which is in the bakery and also snacks were the two first areas in which cheese powder many many years ago were used, so they are still very very big."

"Each customer has their own you can say requirements, this will of course also determine whether it's a key customer or whether it's just a normal customer for us"

About segmentation techniques: "It's actually different... um differently, because basically how we run ourselves is based on projects, so each activity that we do either commercially or technically is involving some kind of a project, it could be an existing customer, it could be a new customer that we want to approach, so we have a database which is run like as big excel spreadsheet where we have all the customers, the products, the geography... the location of the customer, whether it's maintenance project meaning that we just want to develop the current sales to a customer with a new product or we want to grow the customer, each customer is then segmented according to this so we know whether it's something that will add additional business or whether it's just resources that need to be allocated to keep the current business that we have with that customer."

"Some of the data of course is data we have from history, if it's a customer that we have dealt with many many years, were in close contact with them, we know what we sold in the past, we work with them as they're launching a new product they will give us typically indication of what they expect."

"Typically its production is based on, it's new information about any new products that customers are launching that we used as a base for doing segmentation on the customers, also prioritizing the projects that we're running because we have a lot of projects."

About marketing strategy: "When we launch any new products, whether we are going out to demonstrate new products to customers or we are doing adverts or we are attending food fairs we always try to target each segment individually, so if we launch a product to bakery we will have a concept of adding cheese powder into certain biscuits with a certain taste or functionality so [...] we will try to target each product individually according to the area [...] where this product is most suited."

"Marketing messages [...] is targeted specifically towards the application areas where we believe that cheese powder will have a big success."

"So very focused, very targeted upon certain areas or industries where we believe this particular cheese powder will go very well in this kind of application area."

"One of the challenges is not to have too many segmentation keys, because then you won't... I mean, it becomes too complicated, basically we always use the segmentation key of application area meaning the type of product which is being used."

"This segmentation we also have to do because it helps us identify the best solution for the customer."

"Our task is always to ask as many question as possible to try to narrow it down and identify the best possible solution for the customer."

Segmentation over time: "What we've tried to do within the last few years is try to come back to what we're very good at which is cheese powder, but certainly segmentation has been used in the past but perhaps not a strategically as it is being used now where we try to get back to the main focus area of manufacturing cheese powder. In the past it was more of a fact-finding exercise where we were developing very exciting products but not necessarily using a whole lot of segmentation. We just basically tried to develop new products and find customers for them whereas now we try to find customers for what we are very good at which is developing just cheese powder [...] this also help us to keep the focus on what we are very good at."

Benefits: "In the initial phase where you want to assess your customer base it is very helpful, it is very instrumental in understanding our customers, where the growth is, where the new potential is and then comparing to history where we came from, do we see a development in the existing categories or are there certain categories which are growing and should we develop more products for those categories than others"

"Very helpful tool in both managing our business on a daily bases but also looking from a strategic point of view of developing new products, where should we allocate our resources commercially and technically."

Challenges: "That you lose the focus and it's tangled in too many details that's why we try to keep it simple and not have too many selection keys in terms of defining our customers."

"It can be used in a lot of different applications, that's also why we have to have more selection keys or segmentation keys by the type of application."

"Just putting everything in one box [...] you will then also lose some of the vital information, important information that enables you to find the best solution."

#### **Interview with DK-S2, 24 April 2012 (see the audio file for full interview)**

"Just recently we finished category strategy on cheese in Denmark and that's probably what I'm gonna talk to you... or give you... to your questions I'm gonna answer you from that study that we've done."

"You will learn how we have actually translated the segmentation so now you can actually see it in some of the stores in Denmark on shelf, so we've come quite far on that segmentation actually. But it's a long journey before you get to the stores."

"It's a category strategy [...] so it's all the brands that has to do with cheese"

Category strategy for cheese, same methodology applies to other categories also.

"We have a whole category called fats [...] it's basically butter, spreads and margarine [...] we are doing the same work on that at the moment and we are doing it on yoghurts and all the crème fraîche and soups and sauces and that sort of thing, we are doing it around each one of our categories at some point, but it's very time consuming to do this whole process, so we're kinda like taking one at a time."



"We have actually hired an outside agency to be the sponsor for this, [...] but they are just helping us to [word not understandable] so we go through the proper steps of... and reaching the right decisions, they're sort of just facilitating, but it's [our] people sitting in in those meetings and if there something... some research that we haven't done already or we really need the answers to be able to continue then we would ask an agency [...] and hand the assignment on and we wait for the results"

"We've done a lot of research; we have so much already in house so there really not a lot that we need to research."

"Basically when we talk segmentation, we talk consumers, shoppers"

"Basically what segmentation is though, is just a way of separating a huge group into those several entities that make sense, that have common similarities in them."

"Even though we don't call it segmentation, it's everywhere"

"When we do like a category strategy... [...] we actually have our headquarters, which we in daily terms call global, and global are the ones actually making all the decisions in each one of the markets, Denmark being one of them, and when we make this category strategy then they are initiating it, meaning that they bring in people from the different markets and come up with proper strategy including segmentation"

"So when we have commitment from global, then that's the way it goes and then nobody, sort of, questions it cause they're the ones handing out pretty much the strategies and the way to do things"

"I'm assuming that even when you talk with other dairy companies [...] you'll probably hear the saying that they do all the work and then nothing happens cause a lot of commitment is needed for it to be driven through everything, so if you don't have the proper management sign-off then nothing happens... then it's just another research, so management commitment is really important"

About the decision which strategy: "We make it [the segmentation strategy], but they [the top management] sign off on it"

"We do all this work and then we look each other in the eyes and then we sign off and then we start implementing, which is the big... the big issue with all this strategy work... actually getting it implemented, that's the key and that happens in the local organizations, meaning for instance Denmark"

"We have to make sure that we start talking the language of this new segmentation"

"We had some databases that were segmented in a different way, so we have gone in and changed the segmentation of this database. And this database is used daily for the whole marketing department and most of sales"

About categories: "Well all of our categories are just the ones with the most current work being done to or... you mean the whole product portfolio"

"White milk, yoghurts, soups and sauces, and we have cream, fermented cream."

Change over time: "We have segmentation in all of these [categories], but circumstances change, the environment changes, people... the way they purchase changes, what they're looking for, what they want to find in the stores and that's why every so many years you have to look at segmentation again to see does it make sense still in today's society. "

"The segmentation that used to be in place on cheese was very much production oriented meaning like, the shredded cheese was with the shredded cheese and the blocked cheese was with the blocked cheese just because of the way they're produced and the way they look whereas now we have changed it so it's more occasion based... so now it's the purpose of the product that tells you in what segment it should be and that's changed from when we last did it 5 year ago, I think."

"The way you should look at segmentation when we talk about shopper segmentation, which then also becomes product segmentation, is the way you... if you stand in front of the shelf in the stores, that should reflect your segmentation."

"Previously it was, like I said, blocked cheese, sliced cheese, so now it's different cause now it's occasion based, so now you have something for families, every day and stuff like that."

About data: "Every bit of research that we can find in the book [laughter], no... We have as I said we have done so much research over the years and continue to do so today, so we have a lot of that background information readily available, but during the process it's quite common that we found out that, oh, we really don't know this and then we start off... we get somebody to do that research for us, like an outside agency"

"We had to find out one way to break up the yellow cheese segment, that it used to be called, and then we had to find out if you are a family what types of cheeses would you eat... that kind of research, for instance, so very much consumer research."

"What we do is we collect all this information, obviously we have an idea cause this is... these meetings are only for the people who knows about cheese cause they work with it, like myself, or just in a position where they have opinions about it, it might be political [...], so we have a pretty good basis for assuming and then we back it up by research."

About decision-making: "We sort of toss all these questions in the room and then if nobody answers or if everybody agrees that, this is the way it is, then we go ahead"

"Sometimes it's just combination of the knowledge that is in this group of people doing the segmentation and it's a common decision"

About analysis and analysis methods: "It's not a clear-cut line and clear-cut answer, cus we actually delegated [...] in this group we have brand managers and brand managers are also category captains for, say, white cheese, meaning feta, so they will have the knowledge of not only their own brand but the whole category so for us the decide and know more about white cheese it's obvious that the brand managers should take the responsibility to find out or possibly start a research. So since it's such a diverse group of people it's just delegated to the ones that... where it makes sense. "

Apriori method (where segment decided on beforehand): "Lots of stuff we find out after we group it, then we start pulling out all sorts of information out if it [...] segmentation is the first step of a category strategy after that you start pulling together drivers and platforms and then you use information from the segmentation to go against these."

"It's a whole process, all this segmentation, and it involves a lot of brainstorming sessions, a lot of people and then with time, ok, we come up with headlines for the segmentation, the new segments, and then we try and group all the products underneath all of these and if we have products that doesn't really fit in any of these segments then we're not done yet cuz then still we need to make it fit or we need another segment."

About target customer segments/groups: "For the segmentation, no, for the drivers, yes" Drivers is the next step from segmenting, basically targeting.

"Identifying the drivers [...] meaning where can we create growth in this category using some or all of the segments [...] we're talking growth all along, and then we identify some platforms that actually are gonna help us achieve these drivers or activate the drivers"

"So the re-segmentation of our databases is really important when we start doing the driver studies cuz then we start using those data."

All marketing activities will be driven by the drivers.

"Once it's completely implemented all the way through the organization, you won't be able to do any sort of campaigns without it actually addressing a particular driver, that's how important the drivers are and that sort of should be the guidelines in the next five years how we do marketing, how we do new product launches, everything."

Driver is for example "Great start to a day", a slogan to represent the goal to get people eat proper breakfast and consume more dairy products in the mornings.

"We do the segmentation based on occasions, like we have speciality cheese occasion which you know low frequency and you pay a bit more because only once a week you eat it, that kinda cheese [...] after that we put the products in the segmentation, but it has to make sense for the shopper otherwise segmentation is no good cuz then they wouldn't understand it and it wouldn't help them"

New product development: "We don't introduce any products unless there is a gap in the market and that gap can be identified within this new segmentation and once this product has been approved and we have all

agreed that it's gonna be launched in the Danish market then obviously we gonna do campaigns, media, whatever... and to [words not understandable] of where to put these ads or whatever then we use the group... the target groups, saying , ok, this is for women age blablabla with kids or something like that."

"We don't launch a product cause we need to have something for women age 18 to 24 unless there's a hole in the market which can be identified via the segmentation"

"We look at the drivers and then we see, ok, we have identified that we need to target young people, for instance, and then we come up with new product launches that target them, yes. But only cause it's a driver."

Benefits: "It offers us an opportunity to look at the market differently and it also, cuz it's so fragmented otherwise and it wouldn't... you wouldn't know what to look at really, cuz there could be so many factors influencing the numbers [...] so it's fundamental that you have a sort of common language being the segmentation that makes sense and you can talk to your customers about it, customers I mean retailers. So it's fundamental that you have a proper segmentation."

Barriers: "It's quite expensive to do a new segmentation and it takes up a lot of resources both people and money-wise and time, so that's kinda can be a barrier within a company."

"Once you've done the segmentation, then it needs to be implemented not only just in the company but also with the retailers and if that doesn't happen then it's just gonna be another research sitting in the drawer"

"You have to have the proper argumentation for you to sell it... sell the idea to everybody else."

"The retailers in Denmark are quite advanced, they see through if you haven't done the work properly [...] and then it's just not gonna happen. So if you show them that it's serious and the work that's been put to this and they believe you when you say this and it makes sense to them, then you're all clear, but that's a huge hurdle"

"So do it properly, my advice, or don't do it!"

About other factors: "First of all, something needed to happen, because everybody kept calling it... like there was a real need for separation, [...] all the products pretty much looked the same [...] so it was really really needed to have a thorough look and this need was recognized right at the top really"

"We can all see the numbers for the category, we can all see it declining [...] and sometimes it's just that that category is a priority for this year and then you have funds available."

Segmentation is a tool for recognizing the problem areas and to see where the growth is or is not coming from.

"For you to get that knowledge you have to re-cut the data to suit the new segmentation and then you can start talking the new language, so a lot of work goes into it before you can see the use on a daily basis."

"We have data available for everything sold out of stores in all of Denmark for all our categories. [...] Basically everything that is bought through a check-out in any stores in Denmark are registered."

"We call it POS, point-of-purchase data."

We also use panel data (GfK) where the actual behaviour of the shoppers are measured.

About retailers: "We actually have our sales people grouped like the key account management team, they're grouped according to the business unit, business unit being Danish Supermarket, so all Danish Supermarket stores are within this business unit and COOP and then we have DFK which is Supergross and Reitam."

"Retailers are grouped into whatever chain they are part of"

"Just think of segmentation as what you see in the shop, that's the proper segmentation, the proper way of executing it."

#### **Interview with DK-S3, 24 April 2012** (see the audio file for full interview)

"We are not using sort of segmentation in real formalized way as such, however [...] we do it anyway in a less formalized way."

"We are a small trading company, that means we are buying and selling our products, so we actually have two needs... we have to find our product and again have to find a home for it, a customer for it"

"We maybe have around 40 or 45 customers."

"We are three people here."

"Amongst our customers there are also various segments, because we have customers who are processes cheese factories, we have customers who are cheese powder manufacturers, we have customers who are ready meal factories and we have customers who are sort of shredding and grating [...] so that is actually sort of the kind of segmentation that we work with and the segment groups in the market place that we are servicing mostly."

About targeting: "As it is business to business and customers and supplier do know each other very well we are aware of this segmentation, but when you say segmentation what exactly do you then mean?"

"Because we are in the industrial sector and a product which is... can be used by one segment may not necessarily be wanted by another segment, so one of our assets is to try to find out and to know what products are suitable for which segment."

If a customer buys several different products, they belong to several segments – yes, that might be the case.

"Mostly you see some distinguishing and differences in the product types sort of quality wise, where you find that the, for example, the ready meal segment is using first class products whereas cheese powder and processed cheese factories they can use product which are not necessarily first class, they are mostly second grade products."

"So there the segmentation is sort of based upon the type of products you have."

About decision-making: "This is based on many years experience in the industry and it is kind of a specialization where you sort of focus on the overall segment where you say product or further processing and then you can subdivide that into other segments"

"That is then something... it is quite sort of personal contact where you know very well the supplier and you also know very well the customer so it's very much based on personal relationships and experience, who can use what and so on and so forth."

About doing marketing: "No, no, not at all. We don't even have a web site. So it's very low key, it's very down-to-earth basic. It's about people knowing who is who in the market and it's also about having a telephone and a computer and then, you know, get in touch with the outside world."

"The most important marketing tool we actually have, that is our telephone and our computer."

Benefits: "The fact that we do have different segments amongst our customers makes it that when we go out to our supplier base and find the products that we quite often are able to find a home for the product. If we only had one segment, then quite often we would have to disappoint our supplier base by saying, well sorry we cannot sell this product cuz we don't have a customer for it, but now that we have a relatively diversified customer base in various segments we are able to find a home for the products that our suppliers do offer us."

Barriers: "You always have challenges and they are sort of mainly commercial challenges, that could be too much product in the market, or that could be too little product in the market, but that is sort of the same challenges that everybody has. The challenge, the barrier could be that all of a sudden people did not want to eat cheese any more."

"It is always a matter of trying to be creative and trying to always expand the business that you have with a certain customer, so you should not sort of just be locked into a fixed vision about what this and this customer can use, but always being in a very close contact with the customers and open dialogue about what the can use and what they can't use [...] so it's a matter of being open and have some ideas to suggest to the customers [...] flexibility is really a key word."

"It can go both ways [...] a customer is looking for a specific product and then we try to find it or it can be a supplier that has a specific product which he can maybe not use for its original intention and then we try to find a home for it"

Change over time: "No, we have always been working like this."

"Sometimes there can also be an element of risk control, by saying that if a certain customer is buying a lot from you, [...] we must try to spread our sales little bit so that we do not become too dependent on just one customer, [...] so that you have a more balanced spread of portfolio so that you do not get into big trouble if,

for example, that one big customer all of a sudden is not a customer any more for various reasons. That is sort of a normal risk management consideration.”

About customer database: “Yes, we do, where we list sort of some basic information about our customers, you know, name, address, phone, fax, email, home page, thing like that, sort of basic information, contact person [...] but a lot of thing, the basic knowledge is maybe not written in that database, it’s maybe more something that you do have in our heads, so we know, well this customer cannot use this product, but the other customer can use that product and so [...] it is not as formalized as it maybe could be, but again that has something to do with the size of our company”

“We have a lot of competitors both in Denmark, but in Europe as such, I couldn’t pinpoint just one specific because that would not be... relevant”

“We are trading sort of in Europe, not overseas, but in Europe. Majority is outside Denmark. Cross-border trading.”

In theory we could be operating from anywhere else, but that is something historic because the founders were Danish. This company is 25 years old. We work closely together with companies abroad, like partnerships.

#### **Interview with DK-S4, 26 April 2012** (see the audio file for full interview)

“We have different customers, so we have many different products, so we split them what, what you say, the products they buy, we have beers, we have cheese, we have our customers in this direct store and yea.. so it’s this way that we select them and then we also have what cheese they buy and such things”

“We do, we go to specific customers with specific kind of cheese”

“We are not so big, so we go to each customer every time to see what they want and they also want to have some beer with their assortment and something”

Maybe 100 customers, 4 employees.

How much do you use segmentation in your everyday business? “I don’t know, can’t remember that.”

“You can’t go sell beer to some cheese customer, so you have to segment with what the product they have in their sortiment and then sell them some more cheese if they want that. We don’t segmentate what you say ee... we have supermarkets, we have big customers, we have small customers. Not the amount, but the product type we use, mostly”

About marketing: “We do our own marketing as in papers and in Facebook and internet, we also go to *messe* and such things”

“We have different segments [within dairy products]”

About benefits: “Not so much in this amount we do here, but we can go to the customer and say that we have this and this and we know what they are interested in at the time”

Barriers: “No problems.”

Change over time: “Over the last year we have done a little bit more specific on the products”

“It’s my decision, I think it was better this way, so it’s my decision [...] only my decision, it was better, you have a better overview you can say.”

“What products they buy, also the amount, and also the... I think we have almost all the information that we need, you can say”

“We don’t do too specific, every time we get a new customer, we find a lot.. so much information we can get from them, and also outside information we have of the customers and then we see what they have.”

#### **Interview with DK-NS1, 23 April 2012** (see the audio file for full interview)

“I don’t think I can help you, I think it will be good for you to contact Arla Foods [...] we are the smallest company in Europe I think so we haven’t resources for such things.”

"We are small company and our customers... we only have customers in Denmark. We have customers in our home field, if you can say so, and then we have some big customers on Fyn, a couple of big customers on Sealand [...] definitely not supermarkets, only small employments [individuals]."

"We have been making business for several years, I know them [customers] personally, all of them."

7 people work there, 15 million in sales.

**Interview with DK-NS2, 23 April 2012** (see the audio file for full interview)

5 employees. Export to Greece, Spain, Germany, Japan.

About doing grouping or analysis of customers: "No we don't."

"Only where they live, account numbers and that."

"If you take this dairy and think it about 100 year back, it's probably what they do, have been doing until now."

**Interview with DK-NS3, 23 April 2012** (see the audio file for full interview)

"We are not sort of a straight dairy company, we are more like a trading company, buying milk proteins and selling to the food industry"

"I don't know what you mean by that... [after explaining the concept] not really, we are 100% business to business, so we can say that we supply the food industry. We will target, you can say, just the big groups and only run after customer after customer as a key account, so we are not really looking at a broad spectrum of customers"

"We are supplying huge quantities into a very small number of customers, so we don't really create segments and difference... you can say strategies to get into those areas"

"95% of our products goes to 20 customers"

Individual relationship with each key customer

"What we mostly do with them is that we go in and we build solutions together with them because, you can say, if one of them want to market a new yoghurt for instance that needs to be organic, we will then go in and work with them from the development stage and then also we will create some of the functional ingredients that they will need to use in it, so we don't really do any marketing in the magazines or on the web or anything like that"

"If we have a new product which is interesting for our customers, we will call them and set up a meeting and most of the time, you can say, they ask us more than we, you can say, target them."

"It's mainly blended dairy proteins which will have a specific functionality in their product."

"Our main competitor is probably Arla, but, on the other hand Arla is also our biggest customer, so it's in that sense a weird situation"

Barriers: "The main reason is that our company is very much based on personal relationships, that means that, you can say, we are 4 people here that is doing selling and we have known the buyers and the technicians in the companies we are dealing with for a long time. So everything is based more on personal relationships."

"The research and development is done basically more or less in the office, because we are putting together the different kinds of raw materials and then we are testing them together with our customer, so research and development is probably making it nicer than it is. We will create a number of product and then we will test it together with the customer and get the experience of the different raw materials functionality based on that. And other than that in Denmark we have a blending factory and a packing factory."

"We are international, we are part of an English group with offices also in England and in Germany, in France and we have an office in Canada".

About targeting: "No, we will always go in and look at the market and say ok, there are those four that we are interested to supply and we will never go out and target a whole segment, cuz we will then get more work than we could cope with. One thing that's very important to us is that if we take on a project with somebody, we

want to be able to do it very professionally, that's why we are only taking a few projects at a time and then we will go out and market to one segment and then getting a lot of leads that we don't have the manpower to live up to."

"We need to make sure that we can supply the quantity at the right quality. If we do too many projects at a time, we will then have a situation where we might have to go back to some of them and say, ok, we've done this project together but now we cannot supply you and we will never be interested in a situation like that"

"We will always go in and look at which customers are interesting for us and target them directly and never look at it as a segment."

18 employees, sales 280 million Danish

About data base: "Yes we do [...] we have all the persons that is responsible for which area and we also keep record on conversations and all the correspondence"

"What it's more about is if somebody take over a customer form some of the others then at least we can go back and see all the dialogue."

#### **Interview with DK-NS4, 23 April 2012** (see the audio file for full interview)

"It's a cheese business, so it's a trading company"

"It's only for industrial, powdering industry"

12 people, sales to Germany and Ireland also.

About segmentation: "We have no marketing, we are working very closely together with Arla Foods in Denmark, it's the biggest company here in Denmark, so we are not doing anything of this kind"

No marketing, definitely not, just personal communication, yes

No customer database, not who my customer is selling to, because it has nothing to do with me

"This company here is an old company and we have make business with the same customer maybe 25 years so we know exactly [...] we are working very close together, so it can be one company"

"We have cleaning facilities; it's the industrial cheese we work with, so we sort all the cheese, make it in different taste and fat content"

#### **Interview with DK-NS5, 24 April 2012** (see the audio file for full interview)

About segmentation: "No it not different, it's the same for everybody"

"I sell it [milk] to different dairies, but no [segmentation] but the price can be, it's not the same for everybody "

4 people

"What you will do with this? You will tell to another people also? We are much closed because there's is some another dairies in Denmark and they don't like us and they always want to do bad thing with us, so that's why we are not so open about all of this"

We have 9 customers, but it's not always the same, sometimes they want some milk and another times they don't want

No groups, personal relationships

Database: "This is about the price and how much it costs to drive the milk to them and how they are paying, if they are paying in time or not"

About marketing: "No, no."

"There's some another dairy in Denmark and they don't like us, so that's why don't do so much about marketing and all of this in. So I think it's better just close everything and just do what we have to do and that's all."

**Interview with DK-NS6, 25 April 2012** (see the audio file for full interview)

About segmentation: "No, no, we don't do that."

No customer database, less than 10 customers, own farmshop, sales 200 kilo cheese every week, cheese, butter and ice-cream, no marketing, no promotions.

"We have a luxury problem, we can sell all that we produce without doing quite... we don't do a lot to sell it"

**Interview with DK-NS7, 25 April 2012** (see the audio file for full interview)

"We produce and sell cheese only in Denmark, only from our own shop and also to retailers to some other cheese companies, cheese shops"

Each week maybe 200 customers in the shop

About targeting: "Yes I think so, because it's more or less the same type of people who buy"

About who are customers: "I don't know, no idea, but it's mainly middle aged couples, rarely families with children, because they don't have time to go to our shop which is situated a little bit far out. So the younger families prefer to buy the stuff in the supermarket with all other items."

About marketing: "No I don't. I do some advertising in local tourist magazines and the like, we are situated in the tourist area in the west coast."

People who live in the area, Danish tourists and especially German tourists

No database, no information about customers.

"But the other group apart from who visit the shop are the restaurants all over Denmark, through a company in Aarhus who supply it to the restaurants"

1,5 million kroner in sales, only him plus a lady working there half time.

**Interview with DK-NS8, 26 April 2012** (see the audio file for full interview)

"We have cheese, but we buy it from the dairies around the country and also from Germany, Holland, Belgium, UK, Ireland, [...] we package and shred them [the cheese] too."

"We are mainly working in the food service, kitchens, canteens so on."

"Our customer is, you know, distributors, there are 3-4 big distributors in Denmark of food stuff, for food service people."

About marketing: "They [distributors] have a catalogue every month and we are a part of it."

About targeting, do you think your products are targeted to a specific target group?: "Mhh, I'm not sure."

"We look at the big kitchens every day, so you can say we are already segmented, we work mainly in the food service industry"

Are you familiar with segmentation in general? Do you know about it? "No, no."

25 people

"We know how many people working in the factory, and how many people eating in the canteen and so on, and also regarding hospitals, you know, how big it is, how many portions they serve every day."

**Interview with DK-NS9, 26 April 2012** (see the audio file for full interview)

Claims to have high quality products.

"We don't do any marketing"

About targeting: "No, everybody eats it."



"We don't think about it because we produce and sell the products and we are happy and our customers are happy, everybody's happy, we don't use any energy considering this."

No time to talk to me. Ends the interview.

#### **Correspondence with DK-NS10**

15 April: Jeg er ikke så god til at læse og skrive engelsk, men jeg vil gerne møde dig og svare på dine spørgsmål

20 April: Vi har ikke noget formaliseret segmentering af for kunder. Vi er en gammel virksomhed fra 1888, og vi har altid levet af at producere håndværks mejeriprodukt. Vi fik AUC til at undersøge for 10 år siden hvem der købte vores produkter, og det var personer over 25 år, der kunne li det gammeldages. Det er ejeren der beslutter hvilke typer produkter der skal fremstilles, og det kommer and. På hvad kunden efterspørg. Men der bliver tit sagt NEJ Tak, da det ikke passer ind i produktionen.

#### **Correspondence with EE-NS1**

9 April: Loomulikult olen Teid valmis aitama. Paraku on Eesti turg nii väike, et kliente klassikaliste parameetrite järgi segmentida pole võimalik. Kõik inimesed, kellel on sissetulek ja kes taluvad piimatooteid, peaksid meie tooteid pisiava müügikoguse saamiseks tarbima. Kui on täpsustavaid küsimusi, siis palun saatke need meilile.

23 April: Ma tegelikult juba vastasin Sulle, ja mul pole midagi lisada. Me ei segmendi ei oma tarbijaid, ega ka kliente, kuna Eesti turg on selleks liiga väike. Loomulikult on mõned meie klientidest suurema (ostumahuga), kui teised, aga selle taga pole mingit analüüsi, sest tingimused seab ostja (jaekett) mitte müüja (meie).

26 April: Me ei oma klientide andebaasi ja seetõttu ka ei analüüsi neid.

#### **Correspondence with EE-NS2**

23 April: Ma ei saa täpselt aru millist infot teil vaja oleks. Talu toodab kohupiima, juustu ja jogurtit Kogused on väga väikesed ja enamus poodides meie toodangut ei ole. Kodukal [web page] on meie tooted kõik väljas. Mingit erilist segmenteerimist siin ei käi. Keegi helistab, tellib ja võimalusel viib meie väike kaubik kliendile tooted kohale. Vaatab milline maitse sobib ja meie ütleme kui kiiresti kauba saaks.

23 April: Kas arvate, et on kasulik oma tooteid teatud kliendigrupile suunata? Kas teete seda? Kuidas seda rõhutate tarbijatele? Ei ole veel proovinud.

Kas Teie ettevõttes on rakendatud segmenteerimis-strateegia (tarbijate grupeerimine)? Mil määral või kuidas? Kui ei, siis miks mitte? Segmenteerimise strateegiat ei ole.

Mõnel eriti suurel kliendil on parem hind mis moodustub läbirääkimistel.

Kuidas jõuti ettevõttes otsusele tarbijate segmenteerimise osas? Kes on kaasatud selle otsuse tegemise protsessi? Hinnad kujundab üks inimene ja tema otsustab.

Kas ettevõtte peab kliendiandmebaasi? Millist informatsiooni tarbijate/klientide kohta omate? (tüüptarbijaj kirjeldused vms.) Ettevõtte omab ainult arvete koostamiseks kliendi nime koos aadressiga.

Kes analüüsib andmeid tarbijate kohta ning kuidas on selle tulemused ettevõttes ja/või turunduses kasutusel? Keegi mingit analüüsi ei tee. Kõik kes soovivad ja ei ole võlgu saavad kaupa tellida.

17 May: Võite helistada küll aga vastust ma ei oska anda. Nii nagu küsitlusest ka välja tuli siis sellega meie firma eriti ei tegele. Keegi tahab siis tellib ja meie teeme. Reklaami pole kunagi teinud ja mingit kindlat sihtgruppi pole. Üks pere ajab oma rida ja tasapisi ,et ära elada. Ühesõnaga ega ma telefonitsi ka paremat juttu oska ajada. Võite kirjutada ,et ettevõtte ei saanud asjast aru ja ei osanud vastata teie küsimusele :)

#### **Correspondence with EE-NS3**

9 April: Ei tea sellest teemast . Soovitan pöörduda piimaliidu, pr. T. Saroni poole. Ei ole segmenteerimist igapäeva sõnastuses kasutamagi õppinud. Arvan, et tegelikult toimib meilgi, nagu Taanis juhul kui nähtused sedamoodi järjestada.

9 April: Oleme väike ettevõtte, jälgime kuis asjad turul jooksevad. Lihtsalt jälgime vaatame, mida on meie võimuses soodsamas suunas nihutada. Graafiliselt näeme seaduspärasusi ja sellest erinevaid arenguid. Kõigega tegelda ei jõua, tegeleme sellega, mis meie arvates tulemust võib anda. KAubandusteooriad kehtivad meile niisamuti nagu füüsika ja keemia seadused kõigis taimedes. Eriliseks teeb iga ettevõtte ELU selle sees. Füüsika seaduste alusel õun kukub puu otsast alla. Üldise inflatsiooni ja sisendite kallinemise tõttu ka tootmine ja müügitulemus on ajas langev nähtus. Elu ja looming ettevõtte sees on need "elujõud", mis ettevõtet elavdavad. Niisamuti nagu taimes mineraalained lehtedeks muundavad. Kaubandusega niisamuti. Minu arusaamist mööda on segmenteerimine lihtsalt teoreetiline meetod, kuis kaubandust vaadelda. Selle kõrval on palju teisi, sh. intuiitiivne.

Vahet pole, kas müüd piima, liha, krõbukaid. Mängureeglid pisut erinevad, ei muud. Põhilise õppuse oleme saanud vaatluse teel. Tunde järele toiminud. Siirus ja ausus on pikavinnalises äris möödapääsmatud. Kavaldamised ja trikiarsenal toidavad jällegi teisi ärisid, mis jäävad piimandusest eemale. Kindlasti toimub meil ka "segmenteerimist", kuid "pimeda muusiku" kombel, kes noote ei näe ja ometi laulab. Valime äripartneri "näo järele". Varasemad petta saamised on seejuures õpetuseks ja hoiatuseks kõrvalteedele sattumise eest. All on näide, kuis mei asju visualiseerime. Programm on oma koostatud, iga nädal täiendame. Võrrelda saame ka eelmisi aastaid. Müüginumbrid tulevad otse müügireskontolt iga nädal. Sortimendiga on nii, et teeme seda, mida tellitakse – teisi pole mõtet punnida. Teeme just nii palju, kui piima jätkub. Piima puudusel kehvemad maksjad saavad vähem või jäävad ilma. Piima uputusel lisame pisut reklaami või müüme mõnda gruppi alega.

23 April: Meil on müügiandmed graafiku kujul aastate lõikes ja selle järele otsustame kuhu ja kuidas panustada. Ise analüüsin. Järske otsuseid ei tee. Tasapisi, sujuvalt "unuatame" kehvalt maksjaid, väikesi tellijaid ja "moosime" ladusama toimega partnereid. Uusi tekib ise juurde, mõned hajuvad. Väärikamatega otsime korduskontakti. Mõned reklaamiüritused, laadad, festid kui müüki vaja võimendada. Nii lihtne see ongi!

25 April: Ei olegi enam, kui müükide tabel klientide viisi läbi aastate. See omakorda Chardina müügikõverats kujundatud. Müügikõverate järele näeme, mis sünnib. Selle järele ka otsustame, kuhu rohkem panustada. Kõiki ja kõigile nagunii ei jõua täit tähelepanu pöörata. Oleme väike ettevõtte ja analüüsijat ei jaksa pidada. Ise vaatan ca. kord nädalas. Igapävases suhtluses annan hoiakud, mida pean tulusamaks.

#### **Interview with EE-NS4, 18 May 2012 (see the audio file for full interview)**

„Meil polegi kliente niukseid keda me siin segmenteeriks, sest et me ei tegele lõppkliendiga. Me tegeleme tootmisega ja sellega meie protseduur praktiliselt lõpeb.“

„Me müüme hulgi oma tüürefirma kaudu Tallinnas ja teine pool läheb sirgelt Soome ja Venemaa maaletootjatele, niiet ei ole eriti kedagi segmenteerida.“

„Ma arvan et segmenteerimise all te peate silmas siseturгу. [...] Ma hästi ei kujuta ette... no küsige mida te tahate teada...“

„Tema [tütarettvõte] tegeleb kettide müügiga, aga ketid on jälle nagu riik riigis. Tähendab, ühe suure keti tellimus läheb suure keti kesklattu ja ise nad teevad logistika jne.“

„Me ei puutu mitte üheski sektoris kokku segmendi, kuidas iganes seda kutsuda, lõppkliendiga, see kes juustu ostab. Me ei lähe kellegile rääkima, et olge hea pange meie juustu oma leiva peale. Meil on see kauge.“

Turundustegevustest „Ütleme, selle marketingiga mis puudutab kette ja kus seda rõõvellikku raha korjatakse sellega tegeleb, jah, [tütarettvõte]. Põhimõtteliselt siin endal kui mõne uue toote teeme siis mingisugused tutvustusseriaali teema. Me väga palju turunduse peale ei ole kulutanud ja ega toiduainete peale ei olegi mõtet kulutada, see ei ole Coca cola.“

„Jah, ketil on nii suur võim et kett käsib, poob ja laseb, sellest kas ta dikteerib ette hinnad, dikteerib ette igasugused allahindlused, dikteerib ette tagantjärgi maksmised, dikteerib ette maksetähtajad, see on karm maailm.“

„See ei ole üldse piimaga, see on ka teiste toiduainetega. [...] Kogu toiduaineteturul on selline, see on täielik võimu kasutamine või ütleme mõjuvõimu kasutamine. [...] Ega ise ei müü täna keegi, ise ei tee omale tänavanurgale putkat üles, et ma hakkam juustu müüma, ise ei tee ka korralikke kette. [...] Me oleme tootjad, ja siis sul jääbki valida.“

Täna müüakse 80% Eesti toidust, sealhulgas piimatoodetest müüakse kettide kaudu 80% ja mis meil üle jääb. Mõjuvõim, ülemvõim on selline et ok, kui ei taha meile seda protsenti anda siis me kustutame teie tooted oma valikust. Ükski tootja seda ei taha.

„Ma ütlen teile ausalt, ega ma ei.. ma kujutan ette ma ilmselt olen niimoodi põgusalt seda kuulnud, aga seletage mulle kolme sõnaga lahti, siis ma ütlen kas olen, ega ma ei tea täpselt.“

7:00

„Meil on siis kliendid kahte sorti. Üks sort kliente otsab hinda, ehk kollast silti, kampaanihinda poes ja teine grupp on see kes ostab toodet, kes ostab toote kvaliteeti, kes ostab paremat toodet ja ei vaata hinda. Need ongi kaks rühma. Täna kahjuks see esimene rühm on suurem ja väga suur osa müüb ainult hinda.“

„Teate kui kaubanduses meil kampaaniad kuu jooksul ei ole siis meil müük langeb 20-30%, kui me suudame alandatud ja meie jaoks isegi alandavate hindadega sinna ketti anda seda toodet siis meil müüginumber koguselt on suur.“

„Kui hinda ei anna, kui hinda kaubandusketiga ja kampaaniasse ei saa siis täna käib ilmselt 70% tarbijaid [...] ja otsib kollaseid silte ja valib oma kauba sealt sildi tagant. Võibolla siis 20% on neid kliente kes tuleb võtab, ta teab, et talle meeldib näiteks Saaremaa üks juust ta võtab seda, või talle meeldib Valio juust, ta võtab seda. Kes võtab teadlikult seda mis maitseb, mis on tema meelest parim toode. Aga 80% ostab selle järgi mis on hind. Vaatavate sellele mis ta päritolu on, hind on see millega tarbija valib.“

„Me kõik tahaksime saada head hinda, aga me ei saa seda ja see kaup jääb sisse. Selle tõttu me oleme sunnitud alluma keti kõikidele nendele ülemõistusekäivate protsentidele ja boonustele, tagantjärgimasetele ja mitte midagi ei ole teha ja siis mis meil muud üle jääb.“

„Noh üritame siis oma kulusid niipalju optimeerida kui saab, paljud tööstused on läinud selle peale et lihtsalt tehnoloogiat lihtsustatakse, kasutatakse lisaaineid, lisavahendeid, mis muidugi ei mõju kvaliteedile hästi. Me oleme siiaani püüdnud ikkagi oma toodete kvaliteetilippu ka kõrgel hoida, aga see muutub täna momendil valitsevas olukorras aina hullemaks, sest Eesti inimeste ostujõud kahjuks ei kasva, vaid reaalne otsujõud või reaalpalk ju sisuliselt võime öelda väheneb.“

„Toiduainetel ja kuna seda lõppklienti meelitavad enda juurde kõikvõimalike, ma ütleks isegi, alatute võtetega, küll Päikesemängud, küll igasugused loosid, igasugused muud asjad, siis mida sa seal segmenteerid. See tarbija ongi lollike seal paela otsas, kes tuleb sisse, sest et rahakoti on tal piiratud võimalused, siis ta vaatabki seda ja loeb oma ostud kokku niimoodi tal nende sentide eest mis tal seal rahakotis on jätkub.“

„Kui see on korralik toode, me teeme selle ära, aga kui inimesel ei ole seda raha, ta võibolla hingest tahaks seda saada, aga ta ei saa otsa [...] kui ikka rahakotis raha pole siis pole midagi teha.“

„Me peame oma tooteid premium klassi toodeteks ja meie klientuur ongi selline premium kui natuke parema kõrgema klassi toode. Ei saa alahinnata ka kõike konkurentide tooteid, ka nendel on häid tooteid, lihtsalt kui turul on pakkumine väga suur siis meil sellest, no ok... me oleme segmenteerinud ennast sinna premium pluss klassi, aga meil ei õnnestu seal olla selle tõttu et majanduslik olukord ja rahva ostujõud eelkõige on täna selline niigu ta on. Me oleme sunnitud ennast kohandama kõikide asjade... me oleme suunanud ennast sinna segmenti, et meil oleks korralik toode, me ei kausta mittemingisuguseid lisaaineid, me ei kasuta... oleme suunanud oma toote sellesse segmenti, et saada seda premium plussi.“

„Olen jälginud näiteks, et on üks tarbija kes tuleb võibolla mingisuguse varasema kogemuse põhjal võtab meie juustu, paneb korvi, liigub seda letiäärt mööda edasi, ja näeb et kas siis konkurendil või misiganes on kollase sildiga toode, kus on harilikult tükk maad vahet, läheb viisakalt tagasi, paneb meie tüki sinna peale, ja võtab sealt. Tuleb järgmine ostja, kes on selle 20% seest, ta tuleb võtab meie juustu, esimese teise kolmanda või palju tal parajasti vaja on, paneb ostukorvi, ei vaata midagi muud mis letis on ja läheb järgmise leti juurde. Ongi kahte sorti klientid.“

„Aga meile tööstuse poole peale on see täna selles mõttes on see juhitamatu. Me peame ainult konstanteerime fakti, et jah, meie premium tooteid ei saa müüa premium hinnaga, me peame panema kampaaniasse, me peame leidma enda poolt raha et üldse turul olla, et eksisteerida ja müüa.“

„Täna on äärmiselt hinnatundlikud [kliendid]. Täna me ei müü enam toodet, me ei müü enam juustu, me müüme lihtsalt hinda.“

See on reaalsus ja ma usun, et üks mõistlik tootja, müügiinimene räägib sulle sama juustu.

**Interview with EE-NS5, 18 May 2012** (see the audio file for full interview)

„Kindlasti on kasulik segmenteerida, aga ennekõike ikkagi nagu suuremal turul see sõltub ka nagu tootegrupist, mida sa toodad, mida sa müüd, meie oleme ikka nagu suhteliselt massiturul”

„Piimatoodete puhul teatud kontekstis vast tasub ära. No ma näen siin konkurendid ... Tere siin oma Natura jogurtiga vist ikka üritab mingit segmenti püüda. Meie näiteks Eesti juustuga rõhume ennekõike eesti keelsele, eesti meelsele tarbijale turunduskanalites, venekeelsetes kanalites seda toodet ei turunda”

„[Segmenteerimine] On [kasulik], aga teatud mõõndustega. Selleks enamasti et mingit toodet edukalt müüa peab seda kõigile müüma Eestis, turg on nii väike”

Segmenteerimise strateegia: „Otseselt mingit kirja pandud strateegiat küll ei ole, et noh turul on sellised sellised tarbijagrupid ja meie tooted on suunatud sinna ja sinna. Üksikute brändide lõikes on üldiselt selgeks räägitud meie turundustöö või siis minu peas on kirja pandud.”

„Oleme suhteliselt väikeettevõtte, et tasub seda silmas pidada, et me sellises tegevuses oleme üsnagi efektiivsed. Kogu turundusosakond on põhimõtteliselt poolteist inimest. Müügi, turunduse ja üldjuhtimisega ehk siis kogu strateegia pool tuleb mult ja siis on üks tootejuht kes siis täidesaatvate asjadega tegeleb.”

„See ilmselgelt vähendab igasugust paberi- või arvutimajandust, et me nagu päevad läbi ei kirjuta strateegiat üldjuhul.”

„On üksikud tooterühmad mille osas me täpsemalt tegutseme nagu näiteks meie puhul on see Ricotta ja Eesti juust ja Hiirte juust, mis on täpsemalt suunatud lastele. Ehk siis kolm toodet ma võin meilt öelda millel on suhteliselt ikka selged segmendid.”

„Meie kontekstis selgelt mitteformaalne lähenemine.”

„Noh, samas ma võin lihtsalt kommentaariks öelda, et ma olen varasemalt alkoholiäri taustal, et seal on see segmenteerimine oluliselt täpsem.”

„Siin on vahe tootjatel ja maaletootajatel. Tootja Eestis peab leidma toote mida tal on võimalik müüa ikkagi väga laiale grupile selleks et see tootmine efektiivne oleks. Maaletootjal on võimalik teha ka mingeid kitsama nišši asju.”

Decision making: „Meie ettevõtte kontekstis on see põhimõtteliselt 2 inimese otsustada. See on ettevõtte juhatuse esimees, tegevjuht, omanik ühes isikus ja mina ehk siis Estoveri tegevjuhi kt [kohatäitja], Estover Grupi müügi- ja turundusorganisatsioon ja turundusjuhina või turundusdirektorina.”

„Nii lihtne see meil ongi. See ongi see turundustöö põhimõtteliselt ja see on üsnagi mitteformaalne. Olen kohanud elus olulisemalt formaalsemalt lähenemist. Ei tea kumb õigem on. Mõlemal omad eelised.”

„Üldjuhul mingeid turuuringuid me ei kasuta välja arvatud siis Nielsen, aga see ei käsitle ju mitte turgu tervikuna, mitte tarbijaid vaid kliente, ehk siis pigem ta käsitleb kaubanduskette ja seda poolt, mitte lõpptarbijat. Ja ta lähtub juba toimunud faktidest. Taaskord kulu efektiivsuse küsimus.”

„Me ei ole tellinud ühtegi uuringut nagu juustuturu kohta näiteks. Küll aga on meil praegu üks koostööprojekt ühe bakalaureusetöö tegijaga, kelle bakalaureusetöö üks osa on ricotta turu kaardistamine, kes läbi küsitluste ja asjade üritabki järeldustele jõuda. Sellist, meie mõistes, tasuta lähenemist me kasutame.”

„See on win-win olukord. Inimesel on vaja lõppkokkuvõttes oma lõputöö kirjutada ja me saame anda päris huvitava teema ja kasutame siis selle uuringu tulemusi. Kui seda tehtaks doktoritöö raames siis saaks seda nimetada väga peente nimedega lausa.”

„Klassikalist segmenteerimist millest te oma töös kirjutate ilmselt meil ei kasutata. Ma eeldan et te jõuate sinna järeldusele.”

„Lähtutud on sellest et teha toode lastele, mitte tehtud toode ja otsustatud, et seda võiks lastele suunata. Lähenemine on ikkagi õiget pidi olnud siin. Teeks toote lastele. Ja siis on sellest lähtuma hakatud.”

„Puhas läbi brändingu ja marketingi [lastele suunatud]. Lastele juustu iseenesest otseselt nagu olemas ei ole, et see on ikkagi puhas turunduse küsimus.”

About segmentation methods: „Puhtalt intuitiivne. Eks ta mingitel isiklikul kogemusel põhineb, piirid ja mingi tunnetus ikkagi on. Naljaga pooleks ma ütlen, et kui ma palkaks 10 inimest kes seisavad poes, teeks kindlatel aegadel vaatlust ja paneks oma vaatluse tulemused kirja siis see oleks nagu empiiriline katse. Et kui ma ise seisan seal [...] siis ta on nagu mitteformaalne, aga tulemused võivad olla üsna sarnased. See on mu isiklik seisukoht.“

„Kuna turg on nii väike siis on jube lihtne seda tunda ikkagi nagu üsnagi heal tasemel. Ma olen seda varasemates asjades ka kogenud, et kui sa Eestis küsid... et kui sa küsid eri riiki inimesed sama asja kohta arvamust ja siis peas kuidagi need arvamused kokku võtad, sa jõuad umbes sarnasele tulemusele nagu sa telliksid uuringu kus sul võetakse, ma ei tea, 100- 200 inimest ja tehakse mingid järeldused. Vahe on seal nagu kulubaasis.“ Võibolla ma olen täitsa valel teel.

„Niipalju kui mina tean siis Eestis on selline intuitiivne lähenemine on ikkagi nagu pigem levinud.“

„Jõuate kindlasti päris põnevate tulemusteni et Eestis pannakse lihtsalt lampi mõnede asjadega, ma eeldan.“

„Lastele ju mingeid tooteid tehakse, üks segment mis on piisavalt suur... ma isegi ei näe et üldse väga palju segmenteeritakse.“

„Praktiliselt piimatoodete valdkonnas puudub mingi ökoteema puhtalt tootmistehnilistel põhjustel ja lisaks on see nišš nii väike et investeeringud ja hind ei tasu ära seda sihtrühma arvestades, kuigi noh samal ajal ma vaidlen iseendale vastu, sest noh, ma ju ei tea kui suur see sihtrühm on, sest ma pole seda kunagi uurinud. Empiirika ja tagasiside kauplustest räägib küll, et see konkreetne sihtrühm on suhteliselt olematu.“

„Ega me siin erandid pole, pigem oleme paljudes asjades veel väiksemad.“

„Sõltub konkreetsest tootest [...], näiteks kui võtta meie ricotta mis on meie jaoks väga suur toode, see on ikkagi sajad tonnid kuus, et siis müüme me seda laias laastus kõigile, sisetunde pealt ütlen, et 80% inimesi ostab teda kohupiimana, aga turundame me teda ennekõike eesti keelses meedias mis on suunatud vanusele 25 kuni 40 pigem kõrgema sissetulekuga a la Oma Maitse, Eesti Ekspress, Pere ja Kodu jne. Ühelt pool me ju nagu suuname teda teatud sihtgruppide, samas see on turunduse pool, samas müügis me nii ei segmenteeri. Müügi ei saagi segmenteerida, me töötame kettidega. Eesti kaubandusketid ei ole eriti segmenteeritud. Nad üritavad nagu müügi tegeleda.“

„Meil on jaemüügi osa ülimalt väike.“

„Pigem on ta [uute toodete arendus] mõjutatud siiski tarbijagruppide poolt. Kasvõi see empiirika ja teatud tagasiside kettide poolt, a la kui ma näen ja kuulen et inimesed ostavad suures pakendis juustu siis ma nagu üritan enda jaoks selle tarbija välja mõelda, tema ootused välja mõelda ja siis sellele vastavalt tooted. Loomulikult on... ajalooliselt olnud pigem vastupidi tavaliselt. Teed toote ja siis vaatad kellele, selles mõttes on nagu professionaalsemaks läinud.“

„Teatud kasu on, et noh kui sa suudad segmendi ikkagi ära tabada. Näiteks lastele mõeldud tooted on üldjuhul kallima keskmise müügihinnaga kui massturutooted. Kui mingi segment mingitel turunduslikel põhjustel ostab seda siis ta on nõus selle eest ka nagu rohkem raha maksma, üsna tavaline loogika.“

Eelised: „Finantstulu on erinev. Lisaks on erinev kettides püsimine, see on see et kett ei viska su toodet välja, kui ta on mingile kindlale segmendile selgelt suunatud ja toimib selles segmendis. See segment võib olla väike aga... a la kui lapsed nõuavad siis sa ei hakka seda toodet välja viskama ja see su üldisele imago ei mõju hästi.“

„Teatud eeliseid on, aga noh...“

Barriers: „Mina siinkohal nagu rõhutaksingi seda aspekti [...] kuna tootmisest sa pead olema efektiivne ja saavutama mastaabieffekti siis sa pead tootma midagi palju, võimalikult väike arv pakendeid seda toodet, see natuke hakkab välistama meesugusel turul segmenteerimist“

„Muidugi sa võid võtta kõige suurema segmendi aga siis teatud kohast siis ei ole see enam segmenteerimine.“

„Kas eestlasteks ja venelasteks jagamine on segmenteerimine meie turul?“ Minu vastus, jah on.

„Meil on see õnn, et me oleme sisetur suurim juustumüüja, meil on Nielsen järgi cirka 40% tootjana turuosa kogu juustugrupist, koos impordi ja koos hallituste kõigiga võrreldes. Päris tootjana meil on 40, pluss veel maaletoojana.“

„Meil on siseturg suur, siis veel vähemalt on mingit segmenteerimist juustu osas võimalik teha, põhjust teha. Kui sa oled veel väiksem siis sel puudub nagu üldse igasugune mõte.“

Andmebaas: „Jaa, peab. Kliendibaas ja kõikide andmetega loomulikult. Mina pean kliendiks seda kellele me müüme, ehk siis institutsionaalseid kliente. Tavaline juriidiline informatsioon, lokatsioon, teatud kaupluste kettide osas on meil isegi kaupluste suurused asjad kõik kirjas, otsustajad. Mingi CRMi teema natuke ikka on olemas.“

„Seda analüüsib siis mina, müügi- ja turundusdirektor ja noo näiteks... ma toon siia ühe näite, momendil on käimas Eesti juustu traditsioonilise Eesti juustu kampaania, kus me just nagu keskendume juustu vääriskale ajaloole ja kohale Eesti inimeste teadvuses, noh, viitame ikkagi mingitele traditsioonidele ja asjadele ja see on veebipõhine kampaania, inimesed saavad sealt mingit infot, vastavad küsimustele, nad võivad ka anda tagasisidet. Tagasiside niiöelda korjan kokku mina ja töötan läbi millised need vastused on ja mida nagu esile tõstetakse. Järgnevates asjades ma saan sellega nagu arvestada, samas ta ikkagi on intuiitiivne. Ma ei kirjuta sellest mingit tarbijaprofiili kokku. Sealt on mul vähemalt olemas nagu vanusegrupid asjad [...] siis on nagu reaalne andmebaas, ma saan sealt võtta keskmise profiili.“

„Midagi ma siiski tean, aga samas see on väike... päris segmenteerimiseks seda nimetada ikkagi ei saa. See on ikkagi nagu vale.“

Benefits: „Uute brändide või uute toodete lancheerimisel on loomulikult oleks nagu eksimuste arv väiksem.“

„Samas Eesti turg on selles mõttes natuke nukker et siin ei otsusta niivõrd tarbijad kuivõrd kliendid – ketid otsustavad mida nad müüvad. Sul võivad olla kõik asjad täpselt läbi mõeldud, aga kui sa ei suuda seda ideed maha müüa siis ta tarbijani ei jõuagi.“

„Ma alati ütlen et trade marketing on Eestis palju olulisem kui tavaline marketing.“

„Kui viie suurema keti käes on 85% turust ütleme, siis seal on see võti.“

Barriers: „Ressursipuudus. Üldiselt on turundusosakonnad siiski pigem väiksed, raha suunatakse pigem nagu otsestesse tegevustesse mis on paremini mõõdetavad, pigem ostetakse reklaami kui ostetakse mingit uuringut.“

„Ma tean et see kõlabki naljakalt kui ma ennast ise kõrvalt kuulen siis see ongi nagu ajuvaba, et põhimõtteliselt ilma luureta sõda pidada teistes terminites. Aga nii see pigem käib ausalt öeldes.“

Strategy: „Missioon, visioon on olemas. Juhatuse tasandil nii formaalselt kui mitte formaalselt seda arutatakse päris sageli, samas lõppotsused langetavad üldiselt omanikud ja sageli ikkagi mingi sisetunde baasil.“

„Aasta lõpus ikka pannakse paika, et mis selle järgmise aasta eesmärk on aga need on pigem finantsilised eesmärgid ja siis teatud tegevuste investeeringute eesmärgid a la renoveerime selle osa, ehitame selle juurde, hakkame seda tootma, siseneme sinna turule.“