Viewpoint

Existentialism – a school of thought based on a conception of the absurdity of the universe

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In the current issue of the *Harvard Business Review*, Rust, Moorman and Bhalla (2010) say: 'Not long ago, companies looking to get a message out to a large population had only one real option: blanket a huge swath of customers simultaneously.'

Today, I suspect that this is still at the root of any problems the market research industry has. The author of this Viewpoint has had to spend frustratingly large proportions of his time rescuing hundreds of mega-expensive market research projects on every continent of the world because they set out to explore 'markets', even though there really is no such thing as a 'market'. This Viewpoint is put forward as a genuine contribution to improving the noble profession of market research.

The father of market segmentation is widely considered to be Wendell Smith (1956), who proposed market segmentation as an alternative to product differentiation. Yet it wasn't until Wind's (1978) review of the state of market segmentation that the topic went to the top of the agenda of researchers and practitioners. His plea was for new segmentation bases, data analysis techniques and for generally putting market segmentation at the heart of strategic decision making.

In 2009, a whole issue of the *Journal of Marketing Management* was devoted to market segmentation and, for those readers wanting an updated literature review, see Bailey *et al*. (2009) in that issue. They confirm that most of the work over the intervening years has been primarily around what segmentation bases to use, such as size of purchase, customer characteristics, product attributes, benefits sought, service quality, buying behaviour and, more recently, propensity to switch suppliers, with much of this work being biased towards fast-moving consumer goods rather than business-to-business and services.

In 2002, Coviello and a host of others, with the advent of relationship marketing and customer relationship management (CRM), proposed one-to-one as a successor to market segmentation, although Wilson *et al.* (2002) found that most CRM projects fail because of poor segmentation. Rigby *et al.* (2002) summed this up succinctly by saying that trying to implement CRM without segmentation is like 'trying to build a house without engineering measures or an architecture plan'.

Given the amount of academic scholarship and attempts at implementation in the world of practice over the 54 years since Wendell Smith first raised the consciousness of the community to the importance of market segmentation, it is surprising that so little progress has been made. In 2005, Christensen, Cook and Hall, in the

Harvard Business Review, found that of 30,000 new products launched in the US, 85% failed because of poor market segmentation. Yankelovich's paper in 2006 also reported the widespread failure of segmentation initiatives. This matches the author's own research over a 35-year period. His analysis of 3,000 marketing plans revealed that only 300 contained proper needs-based segmentation – i.e. 90% didn't.

But the greatest mistake of all is a priori market segmentation. Most books and courses incorrectly state that there are several bases for segmentation, such as socio-economic, demographic, geo-demographic and the like. At a very high level of aggregation, such bases are obviously relevant, but other than this it misses the point entirely. Boy George and the Archbishop of Canterbury are both 'As', but they don't behave in the same way. Not all women between the ages of 18 and 24 act in the same way. Nor does everyone who lives in my street.

The writer of this Viewpoint, having been marketing director of a major fast-moving consumer goods company and having worked on practical segmentation with senior teams from leading global multinationals down to SMEs for 35 years, finds much of the academic debate referred to above somewhat arrogant and inward-looking.

The justification for saying this is that anyone who says: 'We segment markets by …' is totally missing the point. Any market, once correctly defined in terms of needs rather than products, consists of 100% of what is bought and used, and why it is bought and used in these ways. The role of any supplier is to understand these actual behaviours and to discover their rationale rather than trying to impose some predetermined segmentation scheme on to the market.

It will not escape the notice of sophisticated market researchers reading this that one of the causes of ineffective market research is that the data on which they are based in the main relate to an average customer or consumer, and that no such beast exists.

An example of this can be seen in the excellent paper by Theron and Terblanch in the last edition of IJMR. They have indeed made a major contribution to the relationship-marketing debate by scientifically establishing that 'trust, commitment, satisfaction and communication are the most important dimensions in business-to-business relationships', along with 'competence, relationship benefits, bonding, customisation, attractiveness of alternatives and shared values'. But whilst this is useful at an aggregate level, any attempt to implement these for all clients would result in overserving

Table 1 Characteristics of successful marketing strategies

Excellent strategies	Weak strategies
Target needs-based segments	Target product categories
Make a specific offer to each segment	Make similar offers to all segments
Leverage their strengths and minimise their weaknesses	Have little understanding of their strengths and weaknesses
Anticipate the future	Plan using historical data

some and underserving others, because the requirements for successful and profitable client relationships would almost certainly differ substantially between segments. I am sure, however, that both of these distinguished academics are already aware of this blindingly obvious truth.

In a paper published in the UK's leading academic journal, the writer cited 50 scholarly references testifying to the fact that marketing's bright beginnings in the 1960s were not built on, that the academic community had become largely an irrelevancy and that practitioners in the main have failed to embrace the marketing concept and the proven tools and techniques of marketing (McDonald 2004).

During a 30-year period of many successful doctoral theses, a link between shareholder value creation and excellent marketing was clearly established, and this link is shown in the left-hand column of Table 1 (for one such thesis, see Smith, 2003).

It has become clear after at least 70 years of formalised marketing, that market definition and segmentation are the very core of the discipline. For example, correct market definition is crucial for:

- share measurement
- growth measurement
- specification of target customers
- recognition of relevant competitors
- formulation of market strategy.

How to measure market share has always been at the centre of controversy in discussions of failure. The same applies to market research, alas.

The point is that correct market definition and market segmentation lie at the heart of successful marketing. They also lie at the heart of successful market research, as readers of this Viewpoint well know – so apologies for preaching to the converted.

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