SEGMENTATION AND MARKET STRATEGY: QUALITATIVE INSIGHTS FROM B2B TECHNOLOGY EXECUTIVES*

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Abstract
This article examines how marketing executives employ segmentation strategy in business technology markets. This qualitative study evaluated market selection, strategic challenges and opportunities, and business performance. Fourteen marketing managers with major revenue generation responsibilities from five leading Silicon Valley companies (InfoBlox, National Semiconductor, Sun Power, Symantec, and TrendMicro) participated in this research project via in-depth, small group interviews. Particular attention is paid toward choosing target markets by examining established theoretical frameworks and strategic typologies developed by the leading B2B segmentation scholars. The work concludes with a research agenda relevant to business target marketing.

Keywords
Segmentation, market strategy, technology markets, business performance

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INTRODUCTION

According to Kotler and Keller (2010), the formula segmentation, targeting, and positioning (STP) is the starting point for value creation and the essence of strategic marketing. Kotler (2003) adds, “all markets consist of segments and niches.” Success results from the best prospects for an organization’s goods or services -- its target markets. Building on Darwinian theory, parallels between biological competition and business competition have been drawn. Just as no two species can coexist if they make their living in the identical way, firms that offer the same products, in the same territory, under the same conditions, with the same clientele cannot coexist equally. Eventually, one will dominate (Henderson, 1989).

Sound market selection can provide business marketers a strategic competitive edge. For example, Sportmed sells medical instruments and supplies to physicians who practice sports medicine -- the treatment of sports-related injuries. Two psychographic segments emerged from a research study (Cleland and Bruno, 1996). Progressives were early adopters of new technology and willing to "pay up" for the competitive edge this equipment gave them in their medical practice. Traditionalists were more cautious customers who waited to adopt new technology until it had been broadly accepted in the market; they were willing to forego possible competitive advantage in their medical practice and believe in "playing it safe.” Using a value-added analysis, four high-tech segments were found in researching the mobile professional -- specialized solutions, customized solutions, value solutions, and packaged solutions (Dunn, Hulak and White, 1999). In the context of a case study for Citrix Systems, Weinstein (2011) identified seventeen B2B segmentation variables within a nested framework which helped management introduce a new product. Hence, strong target marketing programs and go-to-market strategies relate to successful business performance.

SEGMENTATION AND CHANNEL STRATEGY

B2B segmentation and marketing channels have both spawned a rich source of research, theory, and practical business frameworks and insights. Surprisingly, there is a huge gap tying these two critical strategic decision areas together in business markets. This void is briefly addressed in this section which focuses on business and technology markets.

Blyth and Zimmerman (2005) provide a classification of B2B buyers such as government, institutions, (intermediate) users, dealers and distributors, original equipment manufacturers and after-market buyers. Each of these buyer groups would have segmentation implications, for example, government and institutions would most likely favor a more direct (key account management) approach as a channel strategy, whereas after-market firms might be served using brokers or distributors. Again, channel selection would be determined by how the market is defined (classified). A consumer market application (apparel and books) found that channel choice can be a viable market segmentation tool which is impacted by technological sophistication and benefits sought by the user. (Shim, Eastlick, and Lutz, 2004). The authors suggest that this has important implications for retailers in planning marketing strategies.

Marketing technology goods, services, and ideas present special challenges. Some of the factors associated with technological product failures are poor selection of target markets, channel and pricing problems, need for the product not seen, no perceived innovative advantage, unfulfilled customer expectations, and unique attributes not seen (Rosen at al 1998).
Lenovo’s (the Chinese company that acquired IBM’s pc business) channel strategy tracks its market segment profile, i.e.,: a "transaction" segment, consisting of smaller customers, which will predominantly go through the resellers; and a "relationship" segment, targeting larger enterprises for which Lenovo will use both resellers and direct sales. Figure 1 illustrates how many tech companies like Lenovo strategically manage their channel partners based on their market segment definitions.

According to Friedman and Furey (1999), a more complex product requires a “high touch” marketing channel. The authors developed a channel touch continuum (low to high) which consists of the internet, telemarketing, retailers, value-added partners, and the sales force. Low touch channels cost less to manage due to lower interaction with the buyer, which leads to a limited ability to provide services such as configuration, design, training, support, and guidance. High-tech industries usually deal with complex products and thus are more likely to use high touch channels, e.g., value-added resellers or system integrators. High touch channels are channels which typically provide quality service and support when desired by the end-user. Of course, “high touch” channels are more costly to service. Technology segments can be defined according to the number and sophistication of service or value-added features of the seller’s offering. Channel decisions would follow necessarily based on such segmentation schema.

Business-to-business market segments are often defined based on firm demographics (company size, industry or location); operating variables (product/brand user status, use of technology); behavioral factors (benefits sought, challenges in using product or service) and outcomes/business model—how the buyer firm makes money. The degree of channel bonding is a direct result of how markets are defined and segmented. For example, B2B customers predominantly defined by demographics would more likely be served by channel partners (i.e. resellers) whose primary interest is financial, whereas those customers segmented on the basis
of their business model would benefit more from a direct sales channel, characterized by highly interactive buyer-seller relations and strategic decision-making.

Wind and Bell (2007) propose that B2B firms utilize a “segmentation audit” which helps to align market segmentation and channel decision-making by answering the following questions:

- Do our business strategies recognize the need to prioritize target segments?
- Do our marketing plans include specific plans for each of the selected segments?
- Do we have specific product offerings for each target segment?
- Do we have a process for updating the information on our segments on an ongoing basis?
- Do we have an effective process for implementing segmentation strategies?
- Do we have detailed information about segments, including:
  - Current size of segment
  - Potential size of segment
  - Key business needs of the segment
  - Information systems needs of the segment
  - Their prioritized needs/benefits sought
  - Their prioritized preference for product and service features
  - Demographic characteristics of the segments
  - Product/system ownership and usage
  - Competition’s strength in each segment
  - Perceived positioning of each competitor by the members of the segment
- Do we possess information about the target market segments which are incorporated effectively into the following strategies:
  - Positioning
  - Product and service offerings
  - Pricing
  - Promotion
  - Advertising
  - Distribution
  - Sales force

**SEGMENTATION SUCCESS IN B2B TECHNOLOGY MARKETS**

Bill Neal, the founder of SDR Consulting (Atlanta, Georgia, USA) and former president of the American Marketing Association explains, “Business managers have relearned the benefits of target marketing. Most marketers now recognize that simplistic segmentation schemes based on demographics, geography or SIC codes are suboptimal at best – and disastrous at worse (Neal, 2002, p.37). Organizational segmentation has gained momentum as firms recognize its power in forging customer relationships.

Yet, few companies use this strategic planning tool effectively. Bossidy and Charan (2002) stated that less than 5% of the plans they have seen contained useful segmentation information. Most voluminous marketing plans devote a majority of their pages to review product features and promotional material but offer only a limited discussion of customer profiles, benefits sought, distribution strategies, and what is valued in business relationships.
According to Yankelovich and Meer (2006), 59% of large companies commissioned a major segmentation study within the past two years but only 14% of the executives said they gained real value from them.

Also alarming, is the erosion of customer segmentation as a leading business tool according to top executives. Bain & Company has conducted annual studies of the top 25 management tools for more than twenty years. Segmentation’s popularity as a strategic resource has fallen from a peak in 2006 when it was viewed as the third most important management tool to 7th in 2008 and 10th in 2010. In the 2012 study, it fell out of the top ten ranking (Bain & Company, 2013).

Although market segmentation is renowned as a core academic marketing concept and is a widely accepted industry practice, the corporate performance of segmentation initiatives are often disappointing. The good news is that the value of target marketing has now been realized by most business technology firms as they know that customers’ characteristics, needs and wants differ.

The small minority of firms that use a one size fits all (undifferentiated) strategy are least effective in target marketing – e.g., the computer software company that develops a new application that is for “everyone. While the technology-oriented culture is a breeding ground for innovation for start-up and growing companies, marketing functions typically assume a subservient position in high-tech organizations. According to Dave McClure, a renowned venture capitalist, Silicon Valley start-ups are “functionally illiterate” at marketing (Atagana, 2013). This view was supported by Chima (2013) who adds,

“there are a lot of brilliant people in the Valley, most of whom don’t know the first thing about public relations and marketing. Silicon Valley is Hollywood for Geeks, Wall Street for founders and Paris Fashion Week for user interface designers. But it’s product obsession is to its detriment. Silicon Valley is all product all the time.”

Realize that most high technology companies are primarily led and staffed by technical managers with backgrounds and educational training in engineering, production, research and development, or the sciences. These individuals are valuable for developing new technologies, products, and business applications, and relate well to technical-minded customers. In the growth and maturity stages, marketing plays an essential role in finding new opportunities and protecting established target markets. Since there are few “pure” marketers in the company, product and marketing managers generally have had limited academic training or marketing experience relevant to market segmentation. As companies grow, the marketing function must be mastered or they will fail. Or, in the words of rock legend Neil Young’s long-time producer, the late David Briggs, “be great or be gone”.

Targeting options merit further discussion. Most growing companies prefer having multiple marketing programs directed at multiple market segments. Marketers must select from the alternative market segments one or more groups to target for marketing activity. Each of the individual segments must be evaluated on its own merits and in conjunction with the capabilities and environmental situation surrounding the firm. This evaluation recognizes that the options are unique and have varying degrees of attractiveness to organizations. As Workman (1998) explains, many high-tech products are modular and flexible and can be

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configured for different applications to meet the needs of different market segments. Customization is an important value-added activity since products must often mesh with other firm’s components, software, and peripherals.

Over time, adaptations may require new approaches to segmentation (e.g., employing different segmentation bases), reducing the number of segments targeted or in some cases switching to segment-of-1 marketing. The single segment market selection option may be ideal for new or small companies or those entering a new line of business. In many cases, however, a more varied strategy to reach customers with varying desires is suggested (i.e., two or more marketing programs or customerization).

Market selection criteria has the potential to be a powerful determinant of segmentation success in business and technology markets. While this issue has received some attention in the academic marketing literature, few practitioners have embraced the benefits of employing such criteria to their segmentation analyses. McDonald and Dunbar (2004) advise that several market selection criteria be used to choose appropriate segments. This study reaffirmed support for profitability and customer satisfaction as key selection criteria. Other potentially important criteria – opportunities in the industry, sustainable differential advantage and product differentiation – reflect the need to distance one’s company from rivals in the intense competitive environment which typify today’s business technology markets. So-called traditional and well accepted selection criteria such as market size, market growth and sales volume were deemed less important by B2B technology marketers.

**RESEARCH QUESTIONS**

Research on segment-of-one marketing, niching, customer loyalty initiatives, customer relationship management (CRM) programs and web analytics advocate market segmentation by profit potential (Peppers and Rogers, 2004; Kaushik, 2007). As Wyner (2009) explains, ultimately, the value of segmentation “should be based on its likelihood of achieving improved marketing and business performance.” Hence, the purpose of this paper is to critically examine the use and success of target marketing practices from the perspective of marketing executives in established B2B technology companies.

A major objective of market segmentation analysis is to find new and under-served markets. As the preceding research indicates, it is apparent that there is an opportunity to improve in this area. Building on the brief overview of the literature, this qualitative study queries B2B marketing executives about their perceptions of how well market segmentation is used in their technology companies. Below are the three major research questions that guide this investigation:

**RQ1.** What does segmentation mean to your company? And, how important is this approach in your market entry strategy?

**RQ2.** How is segmentation being implemented in your organization? What major tools do you use in building a successful segmentation process?

**RQ3.** What are your major market segmentation challenges (e.g. infrastructure, operations, or process?)

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METHODOLOGY

An in-depth interview was used to obtain data from marketing managers in business technology markets. The four-page research instrument (topic guide) consisted of eighteen key issues in three major areas -- market definitions and marketing activities, market definition perceptions, and classification information. In-depth, small sample segmentation case studies have been found to be insightful to explain organizational psychographics (Kenney and Weinstein, 2010) and multi-stage B2B models (Weinstein, 2011).

Based on a segmented list of 23 possible companies affiliated with the Business Marketing Association (BMA) of Northern California, five organizations agreed to participate in the project – Infoblox, National Semiconductor, SunPower, Symantec, and Trend Micro. Information was collected in person with fourteen marketing executives at these leading Silicon Valley companies. These companies were in the desired B2B high-tech industry sectors (computer software and service, electronics, and energy) with annual revenues ranging from just over $200 million to $6.9 billion. Four of the five companies were headquartered in California and have been in business from 14 to 54 years. Table 1 provides corporate profiles and summarizes their market segmentation philosophies.

The researcher (one of the co-authors) and his host, a board member from BMA, co-moderated the sessions which averaged 90 minutes. Meetings were small, in-company group sessions consisting of two to four marketers with segmentation responsibilities (marketing directors, vice presidents, product managers, strategists, and researchers). The Info Blox meeting was the one exception as it was an individual depth interview with the company’s CMO.

Participants were advised that the meeting was not a sales pitch. The purpose of the sessions were educational/professional development in nature. Mutual benefit (learning by the participants and facilitators) was the focus. The sessions provided an in-depth opportunity for marketing managers to have an open dialogue with a market segmentation scholar and consultant on best practices in technology markets. Following brief introductions and clarification of the purpose of the session, the researcher presented a brief nine-slide Powerpoint on B2B segmentation concepts, issues, models, and strategies to stimulate discussion. The remaining hour was spent discussing the three research questions identified in the previous section.
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</thead>
<tbody>
<tr>
<td>Business</td>
<td>Computer network applications</td>
<td>Semiconductors</td>
<td>Solar energy</td>
<td>Computer software, security, information protection</td>
<td>Computer software/services, security, virus protection</td>
</tr>
<tr>
<td>Headquarters</td>
<td>Santa Clara</td>
<td>Santa Clara</td>
<td>Oakland</td>
<td>Cupertino</td>
<td>Tokyo</td>
</tr>
<tr>
<td>Revenues</td>
<td>$207 million</td>
<td>$1.9 billion</td>
<td>$2.4 billion</td>
<td>$6.9 billion</td>
<td>$1.2 billion</td>
</tr>
<tr>
<td>Employees</td>
<td>520</td>
<td>7,000</td>
<td>4,940</td>
<td>21,500</td>
<td>4,942</td>
</tr>
<tr>
<td>Key Facts</td>
<td>2,200 customers (100 Fortune 500 users); Chinese, German, Japanese language products</td>
<td>75% sales are global, recently acquired by Texas Instruments</td>
<td>An “us-oriented” website, emphasis on product leadership</td>
<td>70% B2B, #379 on Fortune 500 list, Norton is a major brand, 46% global sales, doing business in 48 countries</td>
<td>Product lines for small, medium, and large enterprises; has a strategic partnership with Facebook to protect digital lives</td>
</tr>
<tr>
<td>Segmentation View</td>
<td>An intensely sales-based, leads-driven approach</td>
<td>A segmentation philosophy which includes occasional major research studies augmented with regular segmentation projects/initiative</td>
<td>Sales oriented, big projects ($7 million average sale)</td>
<td>We tried this 5 years ago. We did a major study, it couldn’t be implemented/not practical so we don’t do this anymore</td>
<td>No time for building 9 month segmentation programs; execute short target marketing initiatives</td>
</tr>
<tr>
<td>Segmentation, Marketing Channel Opportunities</td>
<td>Segment sales force, channels</td>
<td>Metrics, new product development (reduce failure rates)</td>
<td>Shorten the sales cycle, identifying the decision maker, qualifying leads</td>
<td>Niches, Asia</td>
<td>Fast turning products, pragmatic solutions, grow current markets</td>
</tr>
<tr>
<td>Target Marketing, Market Entry Implications</td>
<td>Strategic networks; early adopters; cost control; and verticals – education, finance, health care, retail, services</td>
<td>Niches, power management, amplifiers</td>
<td>Germany, Japan, U.S.; state/local incentives, economically viable, 1-time multi-million dollar projects</td>
<td>“Tec-shirt segmentation” – small, medium, large, and extra large businesses</td>
<td>Product-oriented consumer, B2B markets</td>
</tr>
</tbody>
</table>
MAJOR FINDINGS

RQ1. Segmentation Sophistication and Selecting Marketing Channels

The current level of sophistication of a firm’s segmentation programs and processes should be assessed. Business marketers and managers need to understand the strategic importance of segmentation, models and frameworks that are practical and easy to use, the value of market research, the financial costs associated with target marketing, how to measure performance, and areas where organizational improvements are necessary (e.g., personnel, resources, techniques, etc.).

According to Jenkins and McDonald (1997), the market segmentation function can be evaluated based on two dimensions: customer-driven and organizational integration. This results in a 2 X 2 matrix consisting of four possible segmentation archetypes. While strategic segmentation is clearly the desired state -- i.e., a company rates highly on both dimensions -- three other segmentation structures are commonly found. Sales-based segmentation fares poorly on both customer focus and organizational integration -- generally segmentation is limited to sales territory analysis. Structural segmenters do a good job of integrating segmentation throughout the organization but are not customer-driven -- typically, they practice product level segmentation. Finally, bolt-on segmentation characterizes an organization that uses customer data effectively for promotional purposes but does little else to integrate segmentation thinking throughout the organization.

As Figure 2 illustrates, the five focal companies are found in all four quadrants with respect to segmentation sophistication. Only one company (National Semiconductor) does it by the book and practices strategic segmentation (Kotler and Keller, 2010; Weinstein, 2004). For example, they attempt to integrate segmentation thinking into all of their strategic and tactical marketing initiatives. Symantec also fares well with respect to customer orientation but rates low on organizational integration and is a bolt-on segmenter. Marketing executives reported that they undertook a major segmentation study five years ago but it wasn’t practical and couldn’t be implemented so they don’t do this anymore.

In contrast, Trend Micro, a structural segmenter is very good at organizational integration (strong product line emphasis) but is weak on customer research and focus. Finally, Info Blox and SunPower have their work cut out for them in segmentation design, processes, and implementation as they acknowledge that it is all about getting the next order. As sales-based segmenters, they were evaluated below average on both customer focus and organizational integration (see Figure 1).

RQ2. Segmentation Approaches

The use of multiple business segmentation bases (the multi-step approach) should be considered to provide the most complete view of potential market segments and target markets (Plank, 1985). There has been limited work on the multi-step segmentation tool with the exception of Bonoma and Shapiro’s (1983) nested model. The general nested approach is a practical and comprehensive means for segmenting business markets.
3. **Bolt-on-segmentation**

*High customer-driven, low organizational integration*

<table>
<thead>
<tr>
<th>Symantec</th>
<th>National Semiconductor</th>
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<tbody>
<tr>
<td></td>
<td><strong>4. Strategic Segmentation</strong></td>
</tr>
<tr>
<td></td>
<td><em>High customer-driven, high organizational integration</em></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Info Blox</th>
<th>Trend Micro</th>
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<tr>
<td></td>
<td><strong>2. Structural Segmentation</strong></td>
</tr>
<tr>
<td></td>
<td><em>Low customer-driven, high organizational integration</em></td>
</tr>
</tbody>
</table>

1. **Sales–based Segmentation**

*Low customer-driven, low organizational integration*

**Figure 2.** Segmentation Sophistication and Marketing Channels– The 5 Companies

(Framework adapted from Jenkins and McDonald (1997))

It consists of the following five nests (bases) and related segmentation variables: 1) demographics - industry, company size and customer location; 2) operating variables - technology, user status and customer capabilities; 3) purchasing approaches - purchasing function organization, power structures, buyer-seller relationships and purchase policies/criteria ; 4) situational factors - urgency of order fulfillment, product application and size of order; and 5) buyers' personal characteristics - buyer-seller similarity, attitudes toward risk and buyer motivation/perceptions (Bonomo and Shapiro, 1983).

Palmer and Millier (2004) note that the conceptual bases and variables utilized by the nested approach (e.g., industry sector, product type and buyer characteristics) can provide the data needed for effective segmentation practice in B2B markets. Although the nested approach was developed in the mid-1980s, it holds up remarkably well to the segmentation challenges of industrial technology markets; and, in fact, no new multi-step models have earned widespread attention by business marketers. Therefore, this framework was used in the qualitative analysis.

As Table 2 shows, there are many ways to segment B2B markets. National Semiconductor (the strategic segmenter) used all five bases in the nested model. In contrast, Trend Micro (the structural segmenter) only used two dimensions – demographics and situational factors. Given its ease of use and low cost, it was not surprising that demographics were used by all five companies. Buyer characteristics, however, was only used by Info Blox and National Semiconductor and operating variables by only Symantec and National Semiconductor.
<table>
<thead>
<tr>
<th></th>
<th>Demographics</th>
<th>Operating Variables</th>
<th>Purchasing Approaches</th>
<th>Situational Factors</th>
<th>Buyer Characteristics</th>
<th>Bases Used</th>
</tr>
</thead>
<tbody>
<tr>
<td>Info Blox</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>4</td>
</tr>
<tr>
<td>National Semiconductor</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>5</td>
</tr>
<tr>
<td>SunPower</td>
<td>X</td>
<td></td>
<td>X</td>
<td>X</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>Symantec</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>Trend Micro</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
<td>2</td>
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</tbody>
</table>

**RQ3. Segmentation Priorities**

Sally Dibb and Lyndon Simkin have studied industrial segmentation implementation issues for more than two decades. Their empirical, case, and conceptual research has clarified more than two dozen problem areas regarding segmentation infrastructure (e.g., no MIS in place, company resistant to new ideas, lack of customer focus), process (lack of right personnel to undertake segmentation, poor understanding of segmentation process, role of corporate strategic planning, etc.), and operations (ineffective communication, inflexibility in the distribution system, inadequate budgeting for implementation, etc.) faced by business marketers (Dibb and Simkin, 2001).

Dibb and Simkin’s (1997) three-stage now, future, and how approach is an insightful segmentation planning tool for business marketers. According to the authors, the now is the core analyses that need to be conducted regarding the existing marketing situation, the internal and external environments, general trends, customer desires and buying behavior, competitive strategy and product management. The future is the strategic thinking required about new segmentation criteria and dimensions, segment opportunities, and target market positioning. The how is the segmentation implementation mandate and assesses the 4 Ps, resources and scheduling, and ongoing requirements (i.e. product development, marketing research, training, evaluating performance, and communications).

The majority (three of five) of the companies studied acknowledged that their main segmentation priority was building infrastructure and their planning emphasis was “now”. While two companies stated that their planning emphasis was on the “how”, none of the participants took a future-oriented perspective. As one respondent noted, it would be great to do strategic planning but this is hard to do when we are always putting out daily fires. Business anecdotes relating to the various strategic priorities is provided in Table 3.
<table>
<thead>
<tr>
<th></th>
<th>Main Problem Area</th>
<th>Planning Emphasis</th>
<th>Business Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Info Blox</td>
<td>Infrastructure</td>
<td>How</td>
<td>Our best ideas are really simple. We need a segmentation tool for our salespeople. Our channel strategy is a critical success factor.</td>
</tr>
<tr>
<td>National Semiconductor</td>
<td>Process</td>
<td>How</td>
<td>Doing effective segmentation makes us “feel good.” Our people get it. We want them to take credit for designing sound strategies. We know that our new product failure rate is too high and we need to pay attention to metrics.</td>
</tr>
<tr>
<td>SunPower</td>
<td>Infrastructure</td>
<td>Now</td>
<td>We have to do a better job in qualifying leads and identifying the real decision maker.</td>
</tr>
<tr>
<td>Symantec</td>
<td>Infrastructure</td>
<td>Now</td>
<td>While we would like to invest more in virtualization, SaaS, acquisitions, and niche markets, our core products – consumer, endpoint security, and storage management and backup – drive our business.</td>
</tr>
<tr>
<td>Trend Micro</td>
<td>Operations</td>
<td>Now</td>
<td>Sure, we would like to do market research but who has the time? This is a fast changing market and it’s all about getting the sale.</td>
</tr>
</tbody>
</table>

**FURTHER RESEARCH – ACADEMIC IMPLICATIONS AND RESEARCH AGENDA**

Incorporating thoughtful processes for market selection into the B2B segmentation plan can assist marketers design winning target marketing strategies. As a starting point, the sample size must be increased. Highly targeted industry-specific mailing lists, panel data or involvement in practitioner-oriented trade conferences can be used to widen the scope of the study. This exploratory project was limited to five companies competing in global markets (four American companies and one Japanese company). Expanding the research to other industrialized markets (Canada, European Union, or Asia) is a logical next step. This will likely necessitate the use of

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research collaborators from these regions. A larger sample would permit more sophisticated data analysis techniques such as factor and cluster analyses, regression and discriminant analyses or structural equation modeling which can add great insight into how marketing managers select and target B2B technology markets.

Based on consulting work we have done in the beverage, computer software, medical device, and pharmaceutic markets, we have found that developing a strong go-to-market strategy which features a solid segmentation framework and realistic marketing channels approach is essential for effectively marketing new products and revitalizing existing ones – this assumes that the pricing philosophy and promotional plan are sound. Hence, market selection and distribution are often the two key controllables that determine the overall fate of the marketing project. Most companies treat these as separate strategic decisions (e.g., segment the markets first, then design the appropriate channels approach). In contrast, we feel these two variables are so intertwined that they should not be developed in isolation. Instead, think about treating distribution as a segmentation variable (Openview, 2012, p.34) or use segmentation strategy as a differentiator to devise a new marketing channel. This interdependence idea is worthy of future study.

In addition to market selection options (undifferentiated, differentiated, single-segment concentration or segment-of-one), target market selection criteria, marketing activities (customer relationship management, product development, price sensitivity, etc.) and other relevant variables can be built into the research program.

While strategic segmentation (a company rates high on customer focus and organizational integration) is clearly desirable, based on this qualitative study it appears that relatively few firms have mastered a segmentation orientation and supporting processes. Follow-up research can assess what are the drivers and roadblocks to achieve this level of segmentation sophistication. And, mechanisms can be introduced to move sales-based, structural, or bolt-on segmenters to more desirable quadrants and market positions.

From a segmentation dimensions perspective, clearly there is a need for new theoretical frameworks to go beyond the nested model, an approach that was developed before the Internet emerged. With sophisticated analytical tools like big data, data mining, CRM, and web analytics, progressive companies have the ability to capture and dissect segmentation information to build proprietary advantages.

Kim and Mauborgne (2005) assert that market leaders in the New Economy will succeed not by beating competitors but by offering powerful leaps in value in unchallenged market spaces. Hence, creative market definition of emerging/imagined markets will take precedence over segmenting existing markets. This argument dovetails the stream of research on market-driving behavior advocated by Jaworski et al. (2000), Kumar et al. (2000) and Weinstein (2006).

As to marketing priorities, Dibb and Simkin’s (1997; 2001) proposed response to segmentation problems in infrastructure (prior to undertaking segmentation), procedures (during the segmentation process), and operations (facilitated segmentation implementation) can be enlightening in this evaluation. While evidence of the “now” and “how” were found, what about the “future” perspective? Silicon Valley is the home of Apple, Intel, Google, and hundreds of other visionary companies. While often these trend-setters drive the market through product leadership, the co-creation of value theory implies that lead users (a niche market segment) should co-drive innovation. These ideas can be incorporated into follow-up studies on market selection in B2B technology markets.
Other new B2B segmentation and targeting challenges have risen to the forefront recently and are worthy areas of scholarly work. These include relationship segmentation (Freytag and Clarke, 2001), dynamic segmentation (Schultz, 2002), strategic segmentation (Goller et al., 2002), understanding customers’ customers (Stines, 2003), creating segments out of sectors (Simkin, 2004), B2B psychographics (Barry and Weinstein, 2009), and social media (Canhoto et al., 2013). Finally, segmentation accountability and measurement as well as model refinement should be major priority areas for research and practice.

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