Segmentation in an Emerging Market

A study into alternative segmentation variables

in South Africa

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ABSTRACT

It has been widely accepted that emerging markets will account for most of the world's economic growth in decades to come. Success in emerging markets will be a fundamental issue for most companies around the world. To remain practically relevant, marketing as a discipline has to adapt its practices to be relevant to the very different contexts found in emerging markets.

The purpose of this study was to identify whether there are more appropriate segmentation variables and methodologies for emerging markets. The study was exploratory in nature and investigated whether culture, ethnicity and ubuntu, should be used as market segmentation variables, within an emerging market context.

This was a qualitative study conducted through 13 in-depth interviews with leading marketers, researchers and strategists across diverse industries. A content analysis revealed key findings, which were captured in the form of themes.

The conclusions of this report are that marketers believe micro-culture needs to be incorporated into marketing strategies when operating in emerging markets. However, it will be some time before these variables are successfully exploited because of their ambiguous nature, assumed costs and immeasurability.

A proposed segmentation model has been developed as a guideline for multinational companies targeting the emerging market consumer.

DECLARATION

I, Vuyelwa Mahanyele, declare that this research report is my own work except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration in the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

Vuyelwa Mahanyele

Signed at …………………………………………………

On the …………………………….. day of ………………………… 2012

DEDICATION

I dedicate this work to my mother who has been by greatest supporter. To my friends and family who encouraged me throughout one of my most ambitious undertakings.

ACKNOWLEDGEMENTS

With special thanks to:

- My supervisor, Geoff Bick, for keeping me calm and focused; for his academic guidance and his enthusiasm

- All the interviewees who sacrificed their time and expertise to contribute to this research

- To my closest family and friends for their support and encouragement

- To my classmates who made this a memorable experience

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CHAPTER 1: INTRODUCTION

"The marketing philosophy centres on the principles of satisfying consumer needs and wants. To do this successfully requires the identification of target markets and the development of a marketing strategy. Consequently, the approach to market segmentation is all important to this process…."

(Sparg, 1985:2)

1.1. Purpose of the study

The purpose of this study was to identify whether there are more appropriate market segmentation methodologies and, specifically, segmentation variables for emerging markets. The research aimed to establish whether the use of traditional research/segmentation methodologies is relevant to the emerging market context.

1.2. Context of the study

Marketing research is expected to receive ongoing attention as long as competitively driven economies of the world expand (Malhotra and Peterson, 2001). The authors describe various issues and trends affecting market research (Annexure A); and one of their key observations is that different methodological issues confront the cross-cultural researcher, as well as other practical considerations.

Dawar and Chattopadhyay (2002) add that there is an inconsistency in the emerging market strategies of multinational companies (MNC's) because they seek new consumers in the emerging markets but their marketing programs are rarely adapted for these markets. The result, as the authors say, is low market penetration, low market share and poor profitability. Segmentation, as a central component in strategy, plays a critical role in remedying some of the discrepancies that occur within cross-cultural and multi country marketing.

This research paper established whether more appropriate segmentation variables could be used to define the emerging market consumer segment. A literature review on the history of market segmentation was written with the aim of discovering whether conventional segmentation variables are appropriate in the emerging market context.

1.3. Problem statement

Main problem

The main problem was to determine whether new segmentation variables needed to be developed to identify and describe market segments within emerging markets.

1.4. Significance of the study

"Periods of fundamental social and political change always highlight, and make explicit, relations and linkages which in other times are more assumed and implicit."

Nelson Mandela

(Burgess and Steenkamp, 2011:1)

The preceding quote by former South African president Nelson Mandela highlights one of the premises that this research aimed to address – misconceptions about consumers. The world is undergoing immense transformations and developing countries are on the forefront of this change. Yet many portrayals of these countries and their incumbents are assumed and misunderstood. Market research is well placed to reveal the truths about these regions so that the developed world and multinational companies can know and appreciate their truths.

This study looked to address issues that have been the cause of inadequate research being conducted in emerging markets, particularly within Africa, where there are numerous logistical and social difficulties in conducting such research (Greenland, 2009). The author continues to say that even secondary research within some emerging markets is questionable. Yet with emerging markets and the consumers they hold receiving more global attention than ever before, it has become critical for strategists, marketers and the multinational companies in general to become acquainted with this audience.

This study should drive marketers, advertisers and researchers to think differently about how they gain information and insights about their target markets, particularly with the advent of exponential growth from emerging segments like the Black Diamond. The findings of this research should also provide insight into segmentation strategies for Africa and other emerging markets in developing countries.

1.5. Delimitations of the study

- When referring to segmentation, the term is applicable only to consumer segmentation and not industrial segmentation or in terms of its biological definition.
- The focus of this study is on segmentation variables, rather than the entire segmentation process, though reference is made to positioning and target for contextual purposes.
- Segmentation within emerging markets is in reference to South Africa and some other emerging markets countries.
- The Black Diamond segment is used as a recent example of a segmentation exercise that has taken place within an emerging market – South Africa, with the focus being on the variables used to define this segment.
- The term culture is used interchangeably with some of the other constructs, namely ethnicity and ubuntu. Moreover, culture will be viewed as the overarching variable relative to the other variables.

1.6. Definition of terms

- **Market Segment:** Identifiable group of individuals, sharing one or more characteristics or needs in an otherwise homogenous market. Market segments generally respond in a predictable manner to a marketing or promotion offer (BusinessDictionary.com, 2011)
- **Emerging Market:** Burgess and Steenkamp (2006) say there are three known distinctions between emerging markets and developed countries 1) the country's income per capita has to exceed $10,000, 2) the country has to follow a stable and responsible macroeconomic policy, and 3) the market capitalization of publicly traded companies and the volume of shares traded on the stock exchange have to be "sufficient." *If one or more of these criteria is not met, the country is considered an emerging market.*
- **Black Diamond:** The term Black Diamond was coined in 2005 by the UCT Unilever Institute and TNS Research Surveys to describe SA's black middle class. The Black Diamond is regarded as the Emerging Black Middle Class; this definition is limited to and only includes black Africans (Levin, 2005).
- **Psychographics:** The segmenting factors defined by the entire constellation of a person's attitude, interests, beliefs, opinions, hopes, fears, prejudices, needs, desires and aspirations that, taken together, govern how one behaves (Khan, Chang and Horridge, 1992)
- **Ethnomarketing:** ethnomarketing's key features are based on four foundations: ethnicity, cultural dimensions of markets and marketing-oriented organisational culture (Morales, 2005)
- **Ethnoconsumerism:** is the study of consumption from the point of view of a cultural or ethnic group to which one belongs. (Morales, 2005)
- **Egalitarian:** refers to being free, equal and democratic
- **Ubuntu:** The principle of caring for each other's well-being…and a spirit of mutual support…Each individual's humanity is ideally expressed through his or her relationship with others and theirs in turn through a recognition of the individual's humanity (Louw, 2002).

- **Stokvel:** a type of credit union, or communal buying group, in which a group of people enter into an agreement to contribute a fixed amount of money to a common pool weekly, fortnightly or monthly, to be drawn in rotation according to the rules of the particular stokvel.

1.7. Assumptions

- Respondents have a solid understanding of marketing research and market segmentation in particular.
- The respondents of this study work for/with multinational organisations and understand the dynamics of an emerging market context.

CHAPTER 2: LITERATURE REVIEW

2.1. Introduction

The following literature review gives a detailed outline of emerging markets and their contribution to global (social, political and economic) development. The focus then hones in on consumers within emerging markets, as they have become an intriguing phenomenon.

The central component of the literature review explains how segmentation can be used to better understand, define and target segments in emerging markets. Special attention is given to alternative segmentation variables, which are not common place within developed high income countries (HIC); the ultimate objective was to determine if these variables are appropriate for the anomalies found within emerging markets.

2.2. Background discussion

Opportunities exist for marketers to expand their work beyond developed economies, wherein most international marketing research continues to be conducted (Burgess and Steenkamp, 2006). It is understandable that researchers would focus on the world's HIC; however, in recent years, it has become critical for research to be conducted in emerging markets, where the majority of humanity resides. According to Burgess and Steenkamp (2006) , a stronger focus on emerging markets will have important theoretical as well as practical benefits.

Many businesses can relay statistics about their target audiences, i.e. what percentage are male, affluent, and how many like pop music. The questions still remain, however, if they *really* know who these consumers are, what they want from a product or service, or what the best marketing strategy for them could be? Segmentation lends itself as an effective market research tool used to understand complex categories of customers in all environments.

“Segmentation is a central issue in a marketing strategy” (Steenkamp and Ter Hofstede, 2002:2) Yet Wedel and Kamakura (2002) explain that despite its importance, segmentation is an under-researched area. The authors add that industry practitioners have limited sources for guidance and there is a tendency for them to adopt the same research approaches suggested by developed market segmentation. Wright, Filatotchev, Hoskisson and Peng (2005) say western theories, methodologies and research instruments may not be appropriate due to the conceptual differences between developed and emerging economies.

In Greenland’s (2009) view, effective segmentation requires understanding of the whole market in order to identify homogenous groups within. The author believes that while many studies are conducted by commercial and development organisations operating in emerging markets, few conduct research that cuts across the full spectrum of society. Greenland (2009) adds that companies in emerging markets are concerned with aid and developments against acute poverty, while other businesses tend to focus on consumers with spending power, which means that biased, or incomplete perspectives of the overall make up of society are presented. It is against this backdrop that this research paper delves into segmentation in emerging markets, with the aim of identifying alternative techniques of research and specifically segmentation within these markets.

2.3. Introduction to Emerging Markets

The term ‘emerging market’ was coined in 1981 by Antoine W. Van Agtmael of the World Bank and today defines an economy with low to middle per capita income (Heakal, 2011:1). According to the author, such countries account for 80% of the global population, and 20% of the world's economies. The largest and fastest-growing of these economies are Brazil, Russia, India and China. These countries, also known as BRICs (which includes South Africa), have attracted the most investor attention in recent years.

In Heakal’s (2011) view, emerging markets are countries that are reforming their economies along market-oriented lines and offer opportunities in trade, technology transfers and foreign direct investment. These countries have made a critical transition from a developing country to an emerging market. Each emerging market is individually significant, but the combined effect of the group as a whole will change the face of global economics and politics as we know it.

The main characteristics of emerging markets include the following:

6. They are regional economic blocks with large populations, large resource bases or large markets. The economic successes of these countries bring about development in the countries around them; but the inverse also applies.
7. They are undergoing significant economic and political reforms.
8. They are the world's fastest growing economies, contributing to a great deal of the world's remarkable economic growth of trade. They will also become more significant buyers of goods and services than other industrialized countries.
9. They are critical participants in the world's major political, economic and social affairs. They are seeking a larger voice in international politics and a bigger slice of the global economic pie.

Emerging markets still face big challenges that come from fundamental problems associated with their traditional economic and political systems. A market economy requires these countries to redefine the role of the government in the development process and to reduce the government's undue intervention. Another serious problem that these countries have to confront is controlling corruption, which distorts the business environment and impedes the development process. An even more challenging task is undertaking structural reforms with their financial, legal and political systems, so as to guarantee a disciplined and stable economy that is relatively free of political disturbances and interference.

Emerging markets are the "key swing factor" in the future growth of world trade and global financial stability. With established markets becoming more saturated, MNC’s have turned their attention to emerging markets in developing countries. MNC’s are tapping into the bottom of the base economic pyramid, which represents the largest, fastest-growing segment of the world population (London and Hart, 2004). According to London and Hart (2004), reaching these four billion people presents the greatest challenges and opportunities because conventional wisdom about global capabilities and strategies may not be appropriate in emerging markets. The table below highlights some of the major differences MNC will have to be cognisant of when transiting between developed economies to emerging markets.

Table 1: Emerging market versus Developed market

	Emerging Markets	Developed Markets
Social Dynamics	Rapid social, political and economic change	Moderate social, political and economic change
Demographics	Young growing, large pool of under-educated	Older, stagnant, well-educated
	Extreme differences in household size and income, living standards, access to human development resources	Smaller differences in household size and income, living standards, access to human development resources
Cultural Subsystem	Hierarchy emphasized Embeddness emphasized	Egalitarianism emphasized Autonomy emphasized
Regulative system	Abuse of public office for private gain. Limited reliance on legal rights	Lower abuse of office, high reliance on legal rights
Stakeholder influence on Corporate Governance	Government, civil society, supply chain stakeholders influence is high	Government, civil society, supply chain stakeholders influence is moderate

(Burgess and Steenkamp, 2006)

“Future global economic growth will increasingly come from emerging markets” (Okonjo-Iweala, 2010:2). The author continues to say that Africa in particular will be an important part of this story even though it is often associated with poor governance, weak institutions, civil unrest, a lack of infrastructure, and other difficulties. With that being said, there is an emerging side to Africa that shows indications of successes often achieved below the radar screen (Okonjo-Iweala, 2010).

Heakal (2011) believes that emerging economic blocks like Africa have a huge untapped potential and are determined to undertake domestic reforms to support sustainable economic growth. In the author’s opinion, if they can maintain political stability and succeed with their structural reforms, their future is promising.

2.4. Consumers in emerging markets

Multinationals have been slow to understand consumers outside Europe, North America and western civilization in general. Organisations seeking to exploit the economic growth prospects of emerging countries have to look beyond countries *into segments* (D'Andrea, Marcotte and Morrison, 2010). Little (2008) introduces the concept of a product positioning pyramid, where the consumer pyramid in emerging markets is split into different segments. Figure 1 attempts to illustrate this.

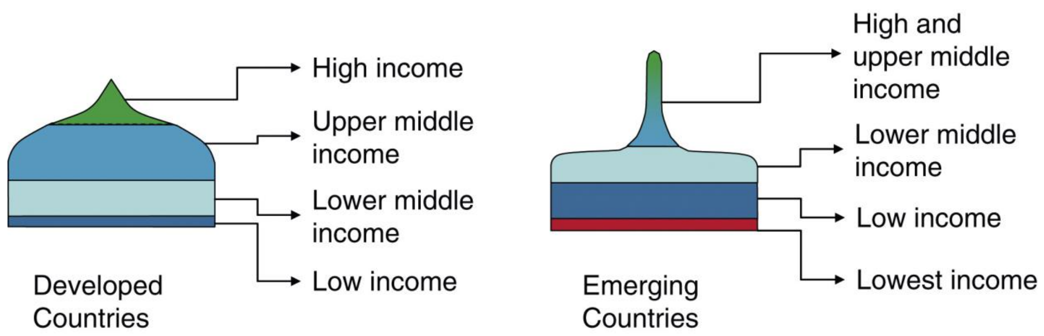


Figure 1: Conceptual view of the economic pyramid

The premium segment at the top is characterised by globally renowned brands from mature markets with high-quality products, full-service support and premium pricing. The segment at the bottom of the pyramid consists of offerings with limited functionality and service, and is dominated by local champions and low-cost products. The middle segment combines products with a good basic functionality, at a highly competitive price. A key issue is that the meaning of “middle segment” in emerging markets differs strongly from that in mature markets. While the middle segment means “value for money” in developed markets, the definition in emerging markets equates to “good enough”. Until recent years the middle segment was a relatively low priority for most MNCs, which tended to focus on the premium segment.

It is Okonjo-Iweala’s (2010) view that Africa’s most powerful offering in decades to come will be its growing population of young people, who serve as a source of competitive labour and a growing consumer market. This, coupled with the current trends towards urbanisation, will have numerous positive implications for productivity, growth and demand.

“In South Africa, the number of middle income black households is growing at more than 20 percent annually” Chase, Legoete and Wamelen (2010:2); the authors add that within the next few years black households will dominate the Living Standards Measure (LSM) 9–10 band, which accounts for about a third of South Africa’s grocery and apparel spending. Certain marketers assume that as emerging consumers enter higher income bands, their shopping preferences and habits become more like those of their more established counterparts (Chase et al., 2010). However, research has found the opposite to be true—with profound implications for consumer goods companies.

Illustrating this misconception is an incident that took place in the mid 1990s when Kellogg’s ventured into India, lured by the prospect of one billion potential consumers. Dawar and Chattopadhyay (2002) explain that three years after entering the market, sales stood at a meagre $10 million. Indian consumers were not sold on breakfast cereals. Advertising positions common in the west, such as the convenience of breakfast cereal, did not resonate with the behaviours, preferences, social and cultural nuances of the Indian consumers.

It is estimated that by 2050, almost 20 percent of the world's population will live in sub-Saharan Africa, up from 7 percent in 1950 (Ward, 2011). Emerging markets will be home not just to a larger share of the world's population but also to a younger population as the region is rapidly urbanizing (Heakal, 2011). Between 2000 and 2008, the rate of urbanization in sub-Saharan Africa was more than twice the world average - the region leads even the rest of the developing world. With the prospects of such a robust consumer market, it is paramount for MNC's to understand the complex nature of this audience. Lastly, based on the distinctive characteristics and behaviour of these consumers, perhaps novel methods should be used to define them.

2.5. Theory of Segmentation

Wedel and Kamakura (2003) state that since its conception in 1956 by Wendell Smith, segmentation has become a central concept of marketing in both theory and practice. The authors maintain that "Smith recognised the heterogeneity in demand of goods and services, based on the economic theory of imperfect competition" (Wedel and Kamakura, 2003:3). Thus it is understood that the concept of segmentation centres on the assumption that customers demonstrate heterogeneity in their product preferences and buying behaviour (Green, 1977).

Many definitions of segmentation have been proposed. According to (Market Segmentation Partners, 2010), segmentation divides a market into distinct sub segments; as such, a segment is defined as a subgroup of people sharing similar consumer characteristics, attitudes, behaviours and who generally respond the same to a given marketing strategy. Smith (1956:3) provided a more succinct definition by stating "segments are directly derived from the heterogeneity of customer wants".

"The process of market segmentation is to study, define, attract, serve and retain a segment(s) of the market which a company can most effectively and profitably address" (Market Segmentation Partners, 2010:1). This process in its simplest form is well recognised as three phases, namely segmenting, targeting and positioning (Beane and Ennis, 1993). Figure 1 below provides an overview of the basic phases involved in a segmentation exercise.

Segmentation, Targeting and Positioning (STP)

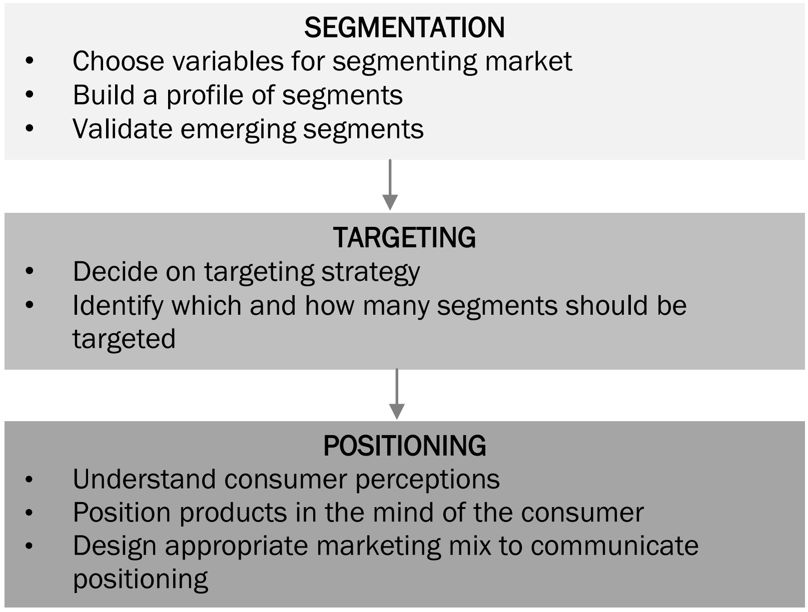


Figure 2: Segmentation Process (Beane and Ennis, 1993)

According to Cleveland, Papadopoulos et al. (2011), four of the most common variables employed in segmentation are age, gender, income and education. Segmentation as a science has deveoped gradually over the decades moving from the basic demographic variables mentioned above, to complex bases.

The segmentation model requires the selection of a basis for segmentation (the dependent variable) as well as descriptors (the independent variables) of the various segments. The variables used as bases for and descriptors of segments are multiple and assorted. These variables can be divided into two types - general customer characteristics, including demographic and socio-economic characteristics, personality and life style characteristics, attitudes and behaviour toward mass media and distribution outlets, situation-specific customer characteristics such as product usage and purchase patterns, attitudes toward the product and its consumption, benefits sought in a product category, as well as any responses to specific marketing variables such as new product concepts, advertisements, to name but a few.

Figure 2 gives a simplistic view of how segmentation variables evolved in terms of their prominence and relevance within marketing research.

Development of Segmentation Variables

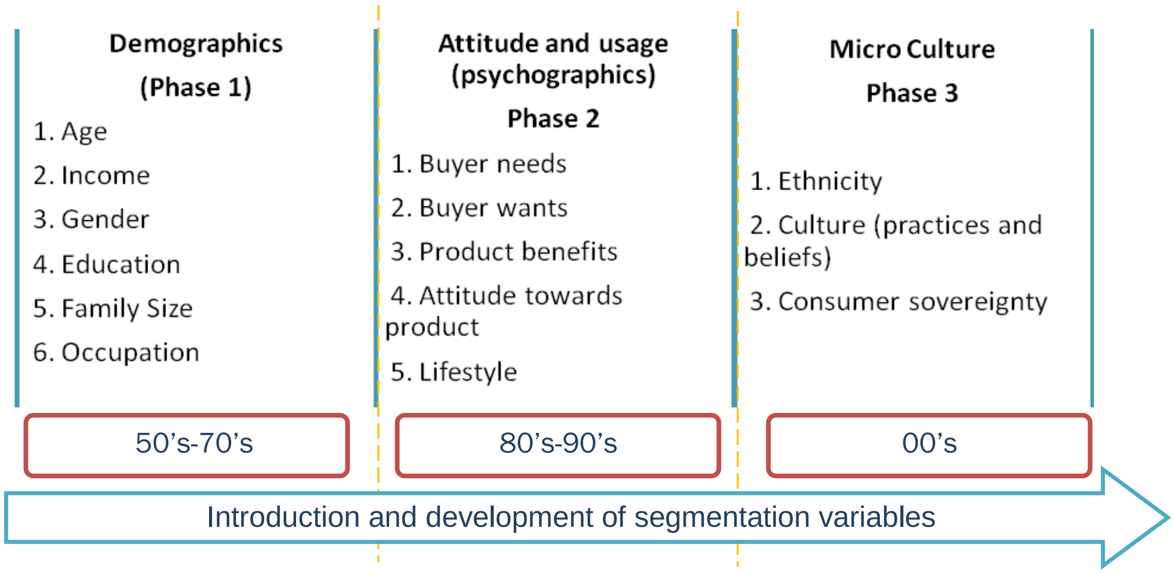


Figure 3: Phases in the development of segmentation bases (Hassan, Craft and Kortam, 2003)

2.6. Strategic Application of Segmentation

There is a vast number of possible segmentation variables. Most of the variables mentioned above have at some time been considered *the* segment descriptors. There is often a questionable link between the selected basis for segmentation and the segment descriptors. Segments with varying elasticities to marketing variables may not be identifiable in terms of demographic and other segment descriptors. Conversely, segments defined in terms of demographic and other general customer characteristics tend to be identifiable but may not have varying elasticities to marketing variables. The latter situation restricts a company's ability to pursue a segmentation strategy aimed at the given segments (and calls for examination of other possible bases for segmentation).

Besides being one of the major ways of operationalising the marketing concept, Wind (1978) believes that segmentation provides guidelines for an organisation's marketing strategy and resource allocation.

Firat and Shultz II (1997) state that marketers need to develop different concepts and approaches to segmentation and positioning if they wish to achieve their marketing objectives and furthermore, that there is a need for transformation in how they view and perceive markets. Kourdi (2009) adds that marketers may find it tempting to jump to conclusions and make assumptions about segments based on their own experiences, backgrounds or prejudices. The author adds that these views can be false and can misrepresent the respective segment(s). “A key element in successful segmentation analysis is understanding how something is, and why it is that way” (Kourdi, 2009:2).

Sethi (2011) shares his experience on how marketers and researchers can best adapt and transform their research methodology within emerging markets:

- The process of conducting research (qualitative and quantitative) assumes that the respondents themselves know the answer and that the consumer is willing to share the underlying reasons for their behaviour. In many cases, these assumptions may not be true within emerging markets.

- Emerging markets seem to be producing more than their fair share of the super-rich (Hilland, 2011:1). In many Asian cultures sticking out and attracting attention is frowned upon, and decisions are supposed to be rational rather than emotional. However, in South Africa, the opposite applies (as has been described in the Black Diamond research). This highlights how behaviours of consumers in emerging markets vary not only from country to country, but also across ethnic and cultural groups.

- Value derived from direct questioning depends on the existence of an adequate level of articulation from the consumers. Of course emerging market consumers in general are not inarticulate, but limited education and a lack of experience in giving one’s opinion, particularly on products and brands, can make consumers feel substantially challenged in articulating the reasons behind a choice (assuming they know them).

- Emerging market consumers, not having the benefit of considerable disposable income, show price sensitivity that Western consumers would be entirely indifferent to. Pricing research techniques in emerging markets, therefore, need to be more sophisticated to catch these higher sensitivities and variations – conjoint analysis and discrete choice modelling should find even wider applicability than in the West.

- Generally, the emerging market consumer's experience of and interaction with brands is relatively limited. 30 years ago, consumers in emerging markets seldom saw an advertisement. Today they are overwhelmed by them. 30 years ago they had practically no choice. Now they have an overwhelming array of product options in front of them.

- The consumption context of products is different in emerging markets. A refrigerator, for instance, may find pride of place in the living room rather than in the functionally more appropriate kitchen. Food may be consumed on the floor rather than at the dining table. These differences give rise to new attributes of relevance which we do not normally associate with the category. Neglecting these aspects will provide an incomplete picture and fail to fully explain consumer behaviour and choices

Dawar and Chattopadhyay (2002) explain that most multinationals have long resisted targeting the local consumer, preferring instead to transplant offerings that were developed for their traditional developed markets. Three reasons are often cited for the reticence to localise. First, it is argued that the mass market of any single emerging economy is not large enough to justify the effort and cost of localization. Second, multinational managers rationalise that emerging market consumers are growing more affluent by the day and are becoming more like their affluent-market counterparts in terms of preferences and purchasing power.

As a result, they argue, they are better off offering globally standardised products and waiting for the consumers to evolve towards these. Finally, it is argued that to adapt to local market conditions in every emerging economy will undermine core assumptions about standardization that are fundamental to the success of multinationals.

Within these recommendations, however, there remains a gap on methodologies and variables that are distinctively suitable for emerging market consumers. The following section outlines some of the most common segmentation variables within an emerging market context like South Africa.

2.7. SA Segmentation Methods by SAARF

2.7.1. Living Standards Measurement

According to the South African Advertising Research Foundation (2006) the (SAARF), Living Standards Measure (LSM) is the most widely used segmentation tool in South Africa. It divides the population into 10 LSM groups, 1 (lowest) to 10 (highest).

The authors believe that the SAARF LSM is a unique method of segmenting the South African consumer market and is a multivariate segmentation tool constructed from 29 individual variables. It cuts across race and other outdated techniques of categorising people and instead segments people according to their living standard using wealth and access indicators such as degree of urbanisation, ownership of cars and major appliances and access to basic services such as water and electricity. The South African Advertising Research Foundation (2006) claims that this segmentation variable is a stronger differentiator than any single demographic.

2.7.2. Lifestyles

The South African Advertising Research Foundation (2006) explains that lifestyle segmentation variables divide the consumer market into groups of people who share similar behaviours with regards to their interest and attendance at sporting and other social activities.

2.7.3. Life stages

The SAARF Life Stages variable groups people into 8 categories according to their life stage and the differing life stage needs. The population is placed into these life stages based on:

- Age
- Living with parents
- Married/living together with a significant other
- Dependent children in the household (own or other children)

2.7.4. Attitudes

SAARF Attitudes is the newest of the SAARF segmentation tools and divides people into 5 attitudinal groups. The attitude groups are based on people's attitudes to various statements ranging from topics such as advertising to crime. Attitudes are hard to define. Whilst clearly related to values they are less deep-seated and subject to change in much shorter time periods.

Attitudes are also a manifestation of behaviour and the results of SAARF Attitudes confirm this. However whether attitudes precede behaviour or the converse is not always clear cut. They certainly help to define a person's character and personality and can be extremely insightful in fleshing out a media user or target market.

Table 2: Summary of Major Segmentation Variables

Segmentation Variables	
Geographic	Region, city or metro size, density and climate Many companies are using mapping software to show geographic locations of their customers. By mapping the densest areas, a company can resort to customer cloning, assuming the best prospects live where most of their customers come from.
Demographic	Age, family, size, family life cycle, gender, income, occupation, education, race, religion, generation, nationality and social class Demographic variables are the most popular bases for distinguishing customer groups as the consumer's wants, preferences and usage rates are often associated with demographic variables
Psychographic	Lifestyle, personality, attitudes or values People within the same demographic group can exhibit very different psychographics profiles resulting in them generally pursuing different activities, as well as different products and different media
Behavioural	Occasions, benefits, user status, usage rate, loyalty status, readiness stage and attitude toward a product Buyers are divided into groups based on the knowledge of, attitude towards, usage of, or response to a product

The South African Advertising Research Foundation (2006) advises users of segmentation methodology to remember that there are many other powerful differentiators that could be used in conjunction with the LSM's, however, these differentiators or alternative segmentation variables are not highlighted in the research presented by SAARF.

2.8. The Black Diamond

"Africa's long-term economic expansion will increasingly reflect interrelated social and demographic changes creating new domestic engines of growth. Key among these will be urbanisation, an expanding labour force and the rise of the middle-class African consumer."

(Okonjo-Iweala, 2010:5)

In 2006 the UCT/Unilever Institute of Strategic Marketing and TNS Research surveys conducted a ground-breaking study called Black Diamond: On the Move (SouthAfrica.Info, 2007). The research, which was conducted on a sample of 4500 people, was based on the premise that marketers and businesses do not grasp this market segment and are missing out on the opportunities it presents (SouthAfrica.Info, 2007).

Stokes (2008) explains that the South African consumer has been key in keeping the economy strong, but adds that the contribution made by the Black Diamond outstrips the contribution of all other population segments. Over the last few years white consumption driven expenditure has been practically stagnant; while contributions from the coloured and Indian segments is comparatively small. It is the 2.6m 'Black Diamonds' who are driving consumption in South Africa as they set about attaining a middle class lifestyle (Stokes, 2008).

Radebe (2011) believes that the black emerging middle market is not an unfamiliar segment to the advertising industry that has made efforts and investments in courting this consumer through the inclusion of black talent in advertisements, the use of colloquial language and scenarios that this particular target audience can relate to. This study contends that such efforts have been very shallow and that a more intrinsic understanding of audience is called for.

According to Wilson (2006), Black Diamonds are experiencing a growing division between themselves and the communities in which they grew up. Traditional black societies tend to see the emergence of this market and its portrayal as a form of westernisation, attacking cultural beliefs and values.

2.8.1. Segmentation variables used to define the Black Diamond

According to UCT Unilever Institute of Strategic Marketing (2006), the Black Diamond is defined according to the following characteristics:

- Black South Africans only **(race)**
- Wealthy/ salaried, in ‘suitable’ occupations **(income)**
- Well educated **(education)**
- Includes youth living in middle class circumstances **(life stage)**
- Own/acquiring homes, cars, household goods **(asset/investment)**
- Aspirations, confidence in future (**psychographics)**
- Credit-worthy **(income/credit)**

From the available literature about the Black Diamond, it is apparent that there are commonalties within this segment that define them as a homogenous group; these include consumption patterns and psychographic descriptors. The intention of this research study, however, is to determine whether adding alternative segmentation variables would make this segment more apparent to marketers and researchers, thus enabling them to construct improved and more apt marketing strategies,

Social identity is composed of the values, personality traits and other observable characteristics that people use to build social groups. These identity elements are invested with meaning are and used to assess group identity and the desire for affiliation. Although age, gender and race may be primitive elements of identity that are most immediately recognisable, such identity elements are not always salient or influential in behaviour. Indian, Xhosa, Jew, environmentalist, are identities that can be better activated by situational factors, because people maintain their cultural and social identity more than their demographic classification.

2.9. New Constructs in Segmentation

The subsequent segmentation variables have been under the scrutiny of much contemporary marketing and strategy research (Morales, 2005; Pires and Stanton, 2008)

Morales (2005) suggests that by putting together these new segmentation constructs, namely culture, ethnicity and ubuntu, results in the "ethnoconsumerism construct". Ethnoconsumerism is the study of consumption from the point of view of a cultural or ethnic group to which one belongs. Morales (2005) explains that after reviewing research experiences developed by ethnic and cultural studies, ethnoconsumerism drives the researcher to think of the consumer not as an individual but rather a cultural being, with value systems, symbolic beliefs, rituals and practices – all of which presents opportunities for marketer to discover and engage with the consumer differently.

2.9.1. Ubuntu

Emerging markets offer a fertile ground to develop new constructs that have been overlooked in earlier research. For example, in South Africa it is important to understand the construct of ubuntu, a pervasive spirit of caring and community, harmony and hospitality, humility, respect and responsiveness (Burgess and Steenkamp, 2006). The term "ubuntu" is closely associated with the phrase "umuntu ungumuntu ngabantu" (a person is who they are through others) (Louw, 2002). These concepts stress collectiveness, linking reward systems to group performance, and consensus-based decision making. In the consumer context, ubuntu has relevance in the aspects of life that interest marketers, such as family decision making and reliance on word-of-mouth communication. In the organisational context, ubuntu suggests opportunities for new research into networks of information-sharing and consensus building within buying centres (Burgess and Steenkamp, 2006).

There are few better examples of the ubuntu construct being put into practice than stokvels. Stokvels are defined as group savings schemes providing for mutual financial assistance as well as social and entertainment needs (Townsend and Mosala, 2008). A 2003 study entitled ‘Stokvels: Making Social Cents’*,* conducted by the University of Cape Town (UCT) Unilever Institute of Strategic Marketing, found that black adults in South Africa invested approximately R12 billion a year in stokvels, burial societies, *mogodisano* and saving blocks. The stokvel market boasts numerous attractive opportunities for potential businesses, and yet it was only in the early 90’s that this social and cultural phenomenon began to grab the attention of corporate South Africa (Townsend and Mosala, 2008). It is conceivable that had banks begun to use micro-culture variables in defining their segments, perhaps they would have picked up on this segment (and specifically its cultural nuances) sooner.

2.9.2. Culture

Culture is recognised as an important variable where consumption behaviours are assumed and where certain products have acquired a particular symbolism (Lindridge and Dibb, 2003). As a result, the tendency in research worldwide to think about marketing in a cultural framework has emerged in the last few years (Douglas and Isherwood, 1996).

Developed economies tend to emphasize cultural autonomy and equality (Burgess and Steenkamp, 2006). Autonomy cultures view people as independent entities that are expected to cultivate and express their own preferences. Within this same context, egalitarian cultures emphasize voluntary cooperation between people and organisations; in addition, organisational structures tend to be flatter with less centralized authority structures.

In contrast, emerging markets emphasize cultural embeddness and hierarchy (Burgess and Steenkamp, 2006). Cultures that emphasize embeddness view people as entities rooted in collective groups and expect them to derive meaning in life largely from social relations, group identification and pursuit of group goals. Embedded cultures emphasize maintenance of the status quo and discourage behaviours that disrupt in-group solidarity. Cultural hierarchy emphasizes responsible behaviour by legitimizing the unequal distribution of power, roles and resources according to hierarchical systems of ascribed roles within a society.

The cultural approach to marketing research centres on the consumer and connects marketers with their audience in a meaningful way by providing a multilayered understanding that informs them about how the world is changing and how consumers are changing, which is much more intimate and relevant than trends or snapshots of consumer conversations.

Whilst more established and traditional research methods become fragmented through their focus on the individual, an analysis of culture is able to achieve a more holistic view because it has its attention on the bigger picture, understanding how attitudes and behaviours fit into the larger framework of people's lives, to determine what will make sense to them and ultimately what they buy.

2.9.3. Ethnicity

Ethnicity is a concept of individual and group identity that embraces differences identified by colour, language, religion or other attributes of common origin (Horowitz, 1985).

Morales (2005) explains that the use of ethnicity as a basis for market segmentation within a diverse economy has focused on its potential opportunities and inconclusive results; and less attention has been paid to the process of how to identify and rank ethnic groups based on their potential market attractiveness. As a theoretical construct, ethnicity has obtained a central position in marketing studies, but despite its importance, there are still questions about who defines it and what its parameters are (Morales, 2005). From a segmentation perspective, it is important to understand ethnicity as a complex social structure where the most distinct ethnic values of a group are linked to consumer behaviour.

In justifying the additional cost of an ethnic marketing activity Lindridge and Dibb (2003) explain that an organisation must be satisfied that these ethnic market segments can contribute to additional profits or increased market share.

The endorsement of culture, ethnicity and ubuntu within a society also shapes institutional arrangements, policies, laws, customs, and social norms; which are factors marketers need to be cognisant of when crafting marketing strategies.

2.10. Conclusion of Literature Review

Greenland (2009) explains that emerging societies have positive aspects that they can offer multinational organisations. It is only through acquiring a more complete understanding of developing countries that local and international companies will capitalise fully on the marketing opportunities these markets present and effectively respond to the populations' needs.

Proposition 1:

Traditional segmentation variables are necessary, but there is a need for additional variables in emerging markets.

According to (London and Hart, 2004) most research by management scholars on firm strategies in emerging economies suffers from a similar limitation: a pre-occupation with strategies that seek to overcome the lack of a Western-style business environment.

International marketers have recognised the need to consider both global efficiencies and local adaptation in segmenting consumer markets (London and Hart, 2004). Shapiro and Bonoma (1984) believe that the problem with many approaches to segmentation is the identification of segmentation variables.

Proposition 2:

Culture, ethnicity and ubuntu (micro-culture) are viable segmentation variables

Culture has been identified as a market segmentation variable in academic and commercial terms. The basis for this lies upon the assumption that differing cultural values will manifest themselves within different buyer behaviours (Lindridge and Dibb, 2003).

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Introduction

The research proposition required the determination of alternative segmentation variables when conducting marketing research and strategies in emerging markets. The following section outlines the research methodology used for this study. Literature about the methodology is discussed, and an evaluation is conducted on why this research approach is best suited for this particular study. Details about the data collection process and the analysis thereof are provided, followed by a discussion on the validity and reliability of this study.

3.2 Research Methodology

Boyatzis (1998) believes that it has been a challenge for qualitative research methods to gain acceptance in mainstream research. One of the many reasons cited has been the fact that the rich information offered by qualitative sources has intimidated researchers (Boyatzis, 1998). Qualitative research offers special value for investigating complex and sensitive issues.

Qualitative research is concerned with identifying and understanding the motivations and feelings of the research audience. It provides rich data and is particularly powerful in supplying ideas for marketing *strategy, which is fitting for the context of this study*. In a qualitative study, the researcher's curiosity, relationships with participants and framework through which data are gathered and interpreted have significant bearing on the research (Morales, 2005).

This is a pilot study using a qualitative research methodology known as a thematic analysis. Thematic analysis is a process of encoding qualitative information (Boyatzis, 1998). The author explains that the encoding requires an explicit code, which may be themes, models of themes or qualifications that are causally related. A theme is defined as a pattern found in information that defines and organises possible observations or interprets aspects of a phenomenon. Themes can be defined explicitly (directly observed in the data) or at a latent level. The themes may stem from the raw data or prior (secondary) research.

The most important step will be the convergence of opinions of the respondents being interviewed. As is the case with most research projects, a thematic analysis approach does have its shortcomings, namely the researcher's a) projection b) research sampling and c) mood and style.

Within this research context, it is also important that the respondents understand culture, ethnicity and other similar constructs in order to be able to fully express their views on the impact these concepts have on market research and marketing strategy.

3.3 Research Design

3.3.1 Qualitative Research

This was an exploratory research, which was conducted through an interpretive paradigm. Interviews were conducted with well-established marketing, strategy and research practitioners who are typically heads of their departments. The topics that were explored included:

- The importance of market research in their business
- The role of segmentation in their market research and strategy
- The organisation’s current segmentation methodologies
- Details of segmentation variables employed by the business
- Expected changes in research and segmentation for emerging markets
- Role of alternative segmentation variables in their business
- Their opinions of culture, ethnicity and other similar constructs as segmentation variables

Data collection methods included interviews, observations, field notes and documents, amongst others (Wolcott, 1994). Data was analysed through an inductive, ongoing and evolving process of identifying themes within a particular context (Miles & Huberman, 1994).

3.3.2 In-depth interviews

In-depth interviewing is a technique that involves conducting intensive individual interviews with a small number of respondents to explore their perspectives on a particular idea (Boyce and Neale, 2006).This seldom involves asking a set of predetermined questions, as would be the case in quantitative surveys. Instead, respondents are encouraged to express their views at length. One particularly useful technique is the *critical incident study*, in which subjects are asked to comment on real events rather than giving generalisations. In the case of this research, the Black Diamond segmentation exercise will be used as an example. This can potentially reveal more insights that the respondents may have about existing segmentation methodology within an emerging market like South Africa.

Woods (2006) cautions that a limitation of in-depth interviews is the fact that interviews themselves are contrived, artificial situations and that interviewees often respond in a manner that reflects this. Interviewees may respond in a manner which they think the researcher will recognise; making full play of theoretical concepts intended to impress or describe what they think they should be doing rather than what they actually do.

3.4 Population and sample

3.4.1 Population

The population comprised all who use segmentation methodology as a routine part of their line of work.

3.4.2 Sample and sampling method

A group of specialists from diverse sectors of corporate South Africa was selected using a **convenient sampling technique**. The main criteria for their selection included:

1. The respondents' level of expertise (which is based on their seniority i.e. senior or executive level) and tenure (+10 years within the marketing field);
2. The respondents' experience with diverse consumer groups within the South African landscape and possibly other emerging markets;
3. The familiarity the respondents have with the Black Diamond research as this will be used as an example throughout the study; and
4. The ease of access of these individuals will also be factored into their selection for this study

Table 3: Respondents' Company Profile

Company	Industry	Global Footprint
Nedbank	Financial Services	Africa and Middle East
South African Breweries	FMCG (Brewery)	Globally (except Australia)
FoodCorp	FMCG	South Africa only
Cadbury South Africa	FMCG	South African division
Standard Bank	Financial Services	Africa, Europe, Asia
Neilson	Research Company	Global
HKLM	Advertising Agency	Africa and Middle East
Draft FCB	Advertising Agency	Global
Discovery	Medical Health Services	South Africa and Asia

3.5 The research instrument

Research instruments are an integral component of any research study. For this particular study, the instrument was a set of questions presented through in-depth interviews.

The research instrument when conducting an in-depth interview refers to the development of an interview protocol, which includes all the rules that guide the implementation of the interviews. Appendix B is the interview protocol for this particular study. These are the instructions that were followed for each interview, to ensure consistency between interviews, and thus increase the reliability of the findings (Boyce and Neale, 2006). The authors recommend researchers to consider the issues below when structuring their interview protocol:

- What to say to interviewees when beginning the interview, including ensuring informed consent and confidentiality of the interviewee
- What to say to interviewees in concluding the interview
- What to do during the interview (take notes and audiotape)
- What to do following the interview (fill in notes, summarize key information)

3.6 Procedure for data collection

Thirteen in-depth interviews were conducted on a one-on-one basis. Having conducted two mock interviews, the assumption was made that each interview would last 30-40 minutes. To capture the essence of each interview fully, a dictaphone was utilised (with the respondent's permission) and additional notes captured the atmosphere of the interview, e.g. respondents body language, atmosphere etc. In qualitative research, data analysis often takes place alongside data collection to allow for questions to be refined and new avenues of inquiry to develop.

3.7 Data analysis and interpretation

Qualitative research produces large amounts of textual data in the form of transcripts and observational notes. According to Hollway and Todres (2003) qualitative approaches are incredibly diverse, complex and nuanced and thematic analysis is seen as a foundational method for conducting qualitative research. Through the use of a thematic analysis, this study aims to provide a rich thematic description of the entire data set, so that the reader can get a sense of the predominant or important themes. According to Braun and Clarke (2006), this approach is useful when one researches an under-researched area – as is the case with this study.

Thematic analysis is a method of identifying, analysing and reporting patterns (themes) within data (Braun and Clarke, 2006). "A theme captures something key about the data in relation to the research proposition, and represents some level of patterned response or meaning within the data set" (Braun and Clarke, 2006:82).

The importance of a theme is not dependent on a quantifiable measure, but rather on whether it captures some **relevance** in relation to the research proposition. Typically, the themes are identified through a **semantic** approach, which basically means that the themes are identified within the surface meanings of the data. However, it is the intention of this study to also incorporate **latent** themes, which is an attempt to expose the significance of the themes and their broader implications.

Braun and Clarke (2006) provide a step-by-step guide on conducting a thematic analysis:

Table 4: Summary of Thematic Analysis

1. Get familiar with the data	Transcribe data, read and re-read the data, noting down initial idea.
2. Generate initial codes	Code interesting features of the data in a systematic manner across the entire data set; collate data relevant to each code.
3. Search for themes	Collate codes into potential themes; gather all data relevant to each potential theme.
4. Review themes	Check if the themes work in relation to the coded extracts (Level 1) and the entire data set (Level 2), generate a thematic map of the analysis.
5. Define and name themes	Continue to analyse and refine the specifics of each theme and the overall story of the analysis; generate clear definitions and names for each theme.
6. Produce the report	The final opportunity for analysis. Select vivid, compelling examples. Conduct final analysis of selected extracts. Relate analysis to (research) proposition and literature and compile a report of the analysis.

(Taylor-Powell and Renner, 2003)

3.8 Limitations of the study

Potential weaknesses of this study were varied:

- The interviewees could have held limited knowledge of some of the segmentation constructs being proposed through the study
- Some of the responses could have been emotional, rather than rational, as some of the concepts that were discussed had a very emotive angle e.g. culture and ethnicity
- Focus groups may have been a more robust manner of acquiring insights from the aforementioned group of experts, however, getting the proposed group into one room would have proven difficult, if not impossible

3.9 Validity and reliability

Much contemporary dialogue has centred on the difficulty of establishing validity criteria in qualitative research. Developing validity standards in qualitative research is challenging because of the necessity to incorporate rigor and subjectivity as well as creativity into the scientific process. Trochim (2006) provides a simple and illustrative description of validity and reliability:

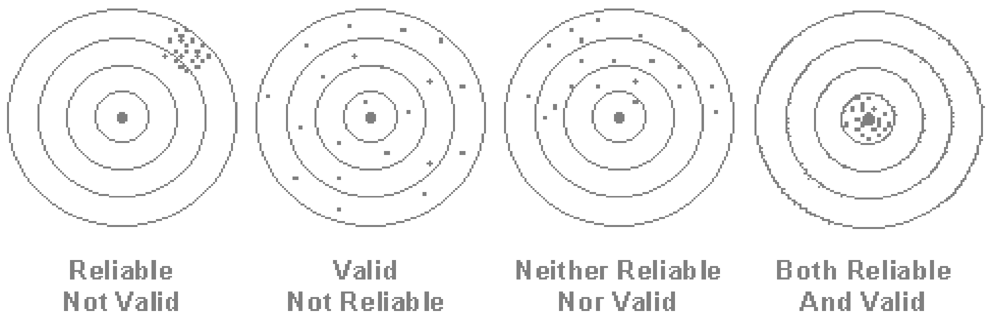


Figure 4: relationship between reliability and validity (Trochim, 2006)

"Reliability and validity are conceptualized as trustworthiness, rigor and quality in qualitative paradigm" (Golafshani, 2003:8). Achieving validity and reliability within qualitative research may be affected by the researcher's perspectives and desires to eliminate bias and increase the truthfulness of the propositions of the study using triangulation. Triangulation is defined as “a validity procedure where researchers search for convergence among multiple and different sources of information to form themes or categories in a study” (Golafshani, 2003:8).

An account is valid or true if it represents accurately those features of the phenomena that it is intended to describe, explain or theorise. Therefore, the quality of a research is related to generalizability of the result and thereby to the testing and increasing the validity or trustworthiness of the research.

3.9.1 External validity

External validity is related to generalizing (Trochim, 2006). The author says there are three major threats to external validity because there are three ways that things could be wrong - people, places or times. The major threat to this particular study is that the sampling is not random and this may limit the generalizability of the overall results.

3.9.2 Internal validity

Internal validity is the approximate truth about inferences regarding cause-effect or causal relationships. Thus, internal validity is only relevant in studies that try to establish a causal relationship (Trochim, 2006).

A limitation of internal validity is that it is only relevant to the specific study in question, and is said to have "zero generalizability" according to Trochim (2006). This could make it difficult to conclude whether observed changes in marketing practices can be attributed to the proposed segmentation variables and **<u>not</u>** to other possible causes.

Some qualitative researchers have argued that the term validity is not applicable to qualitative research and have at the same time realised the need for some kind of qualifying check or measure for their research (Winter, 2000).

As a result many researchers have championed their own theories of 'validity' and have adopted what they consider to be more appropriate terms, such as trustworthiness, relevant, plausible and credible. Another issue that concerns all claims to validity and truth, is the question for who is the research valid and in whose interest is this claim to truth being made?

3.9.3 Reliability

The term 'Reliability' is a concept used for testing or evaluating the quality of quantitative research. According to Trochim (2006), it can be affected by measurement error, which includes the following:

- Random error, which is caused by any factors that randomly affect measurement across the sample, for example a respondent's mood can inflate or deflate their participation in a study
- Systematic error is caused by any factors that systematically affect measurement of the variable across the sample, which could be various external occurrences, like background noise during the interview

Because this study focused on people, it was expected that there would be some variability. A method of managing this occurrence is **inter-rater or inter-observer reliability**, which according to Trochim (2006), assesses the degree to which different respondents give consistent estimates of the same phenomenon. The phenomena in this particular study were the proposed segmentation variables and their impact on a marketing strategy. To ensure the reliability of this study, the research instrument was piloted beforehand.

While validity and reliability may have proven useful in providing checks and balances for quantitative methods, they sit uncomfortably in research of this kind, which is better concerned by questions about influence, adequacy and efficiency, suitability and accountability (Winter, 2000).

CHAPTER 4: PRESENTATION AND ANALYSIS OF RESULTS

4.1 Introduction

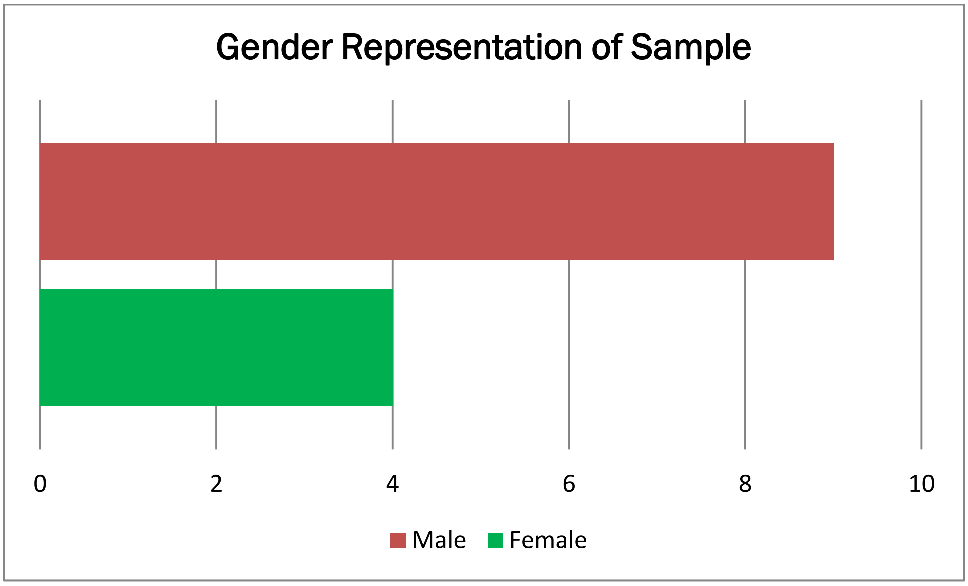
The results of this study are presented through a comprehensive discussion of the findings from the in-depth interviews. This discussion commences with a review of the demographic profile of the respondents.

4.2 Demographic profile of respondents

The intention was to interview seasoned marketers, strategists and researchers, who had a broad understanding of consumer segmentation and overall emerging market dynamics. The interviews were conducted with 13 highly established professionals whose experience and knowledge of the study surpassed initial expectations of the respondents. As such, the following section describes the sample, by detailing gender, race, professional experience, industry of the respondents; and their perspective of this topic. The data below was classified and counted and there was no particular order or preference to the categories of information presented. The list below provides an indication of the professional calibre of the respondents.

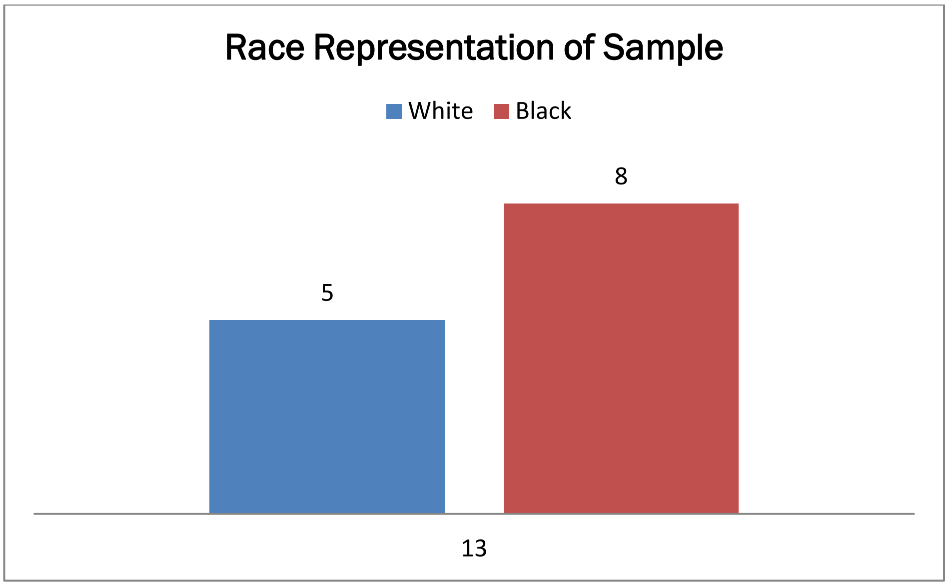
Title and organisation	
Title	Organisation
Global Head of Market Segmentation	SAB
Decision Support Manager: Trends & Development	SAB
Senior Brand Manager	SAB
Head of Consumer Insight	SAB
Innovation Manager	Brand House
Head of Marketing: Emerging Markets	Colgate Palmolive
Head: Marketing, Sales and Retention	Nedbank
Divisional Director: Integrated Marketing	Nedbank
Associate & Regional Client Director	AC Neilson
Segment Manager	Standard Bank
Managing Director: Distribution	Discovery
CEO	HKLM
Senior Strategic Planner	Draft FCB

4.2.1 Gender

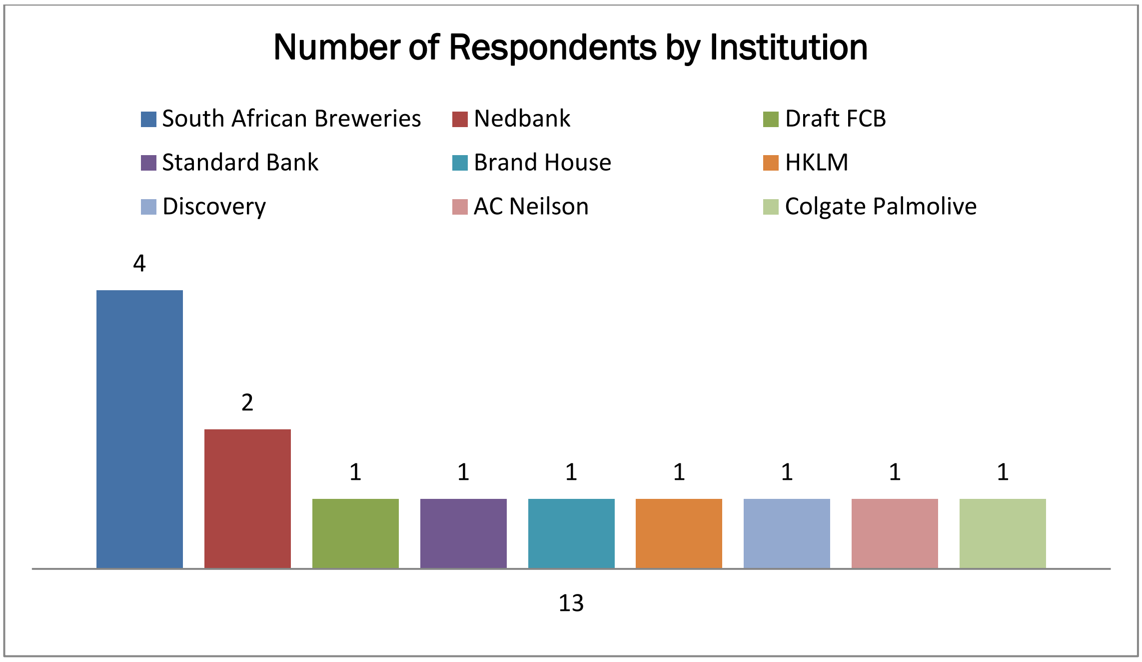


The sample comprised mostly of male respondents, which had no bearing on the nature of feedback. Marketing is often viewed as a “soft discipline”, a support function, and the expectation is always to encounter women within this field. Surprisingly a majority of the incumbents that were encountered were male, particularly the more senior respondents.

4.2.2 Race distribution



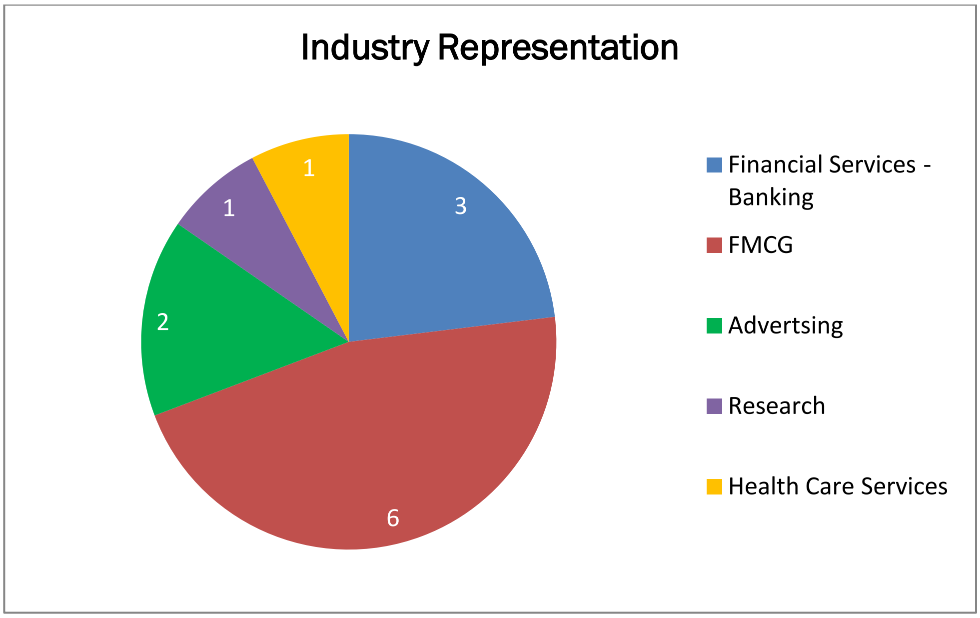
Two thirds of the respondents were black Africans. It would be reasonable to assume that this was informed by the fact that I, as the researcher, had the same demographic profile and gravitated towards like respondents. An observable issue of the race component is that the black respondents offered more ideas of the type of segmentation methodology that can be explored within emerging markets. On average, the interviews conducted with the black candidates ran longer than the interviews conducted with their white counterparts.



4.2.3 Respondents per Institution

Most of the the repondents were from SAB, which was because of ease of access and the close proximity of the company. This observable fact did not seem to slant the reponses towards an "SAB view". It was apparent that the repondents relied on their entire professional experience, instead of their current roles. This resulted in the responses being diverse and not being limited to the corporate nuances of the nine organisations represented within this study

4.2.4 Industries represented in the study



It was interesting to observe how respondents from the same sector tended to have similar views. Most of the respondents had an FMCG background and these respondents had a very methodological approach to research and segmentation in general. Respondents from the financial services sector were more system dependent and projected a significant reliance on their business models. Respondents from the advertising sector were more imaginative in their views of the subject.

It is important to highlight that even though the interview protocol was prepared for this study, as some of the interviews progressed, certain topics and questions which were not planned for, emerged. Some of which included:

Cause Marketing	Recent marketing strategies that simultaneously demonstrate a sense of social responsibility and satisfies shareholders' demands for increased profits and market share (Smith and Alcorn, 1991)
Social Media Marketing and Tribes	Electronic tribes structured around consumer interests have been growing rapidly. Marketers need to consider the strategic implications of the existence of both virtual community and community participation (Kozinets, 1999)

4.3 Presentation of findings from in-depth interviews

This section outlines the feedback presented by the respondents. Refer to full details in Annexure C. The key responses to each question from the interview protocol are presented as follows:

Question 1: To what extent is market research conducted in your organisation?

Key Response 1: Research is important/ we conduct a lot of research	- Vast quantities - We measure everything - We spend between 7-8% of advertising spend on research - More than 50% of decision making is based on research
Key Response 2: There are different reasons for conducting research	- It's an important part of our planning - To understand consumer trends - To test and/or launch products - To identify problems and answer specific questions
Key Response 3: It is not done properly	- There has been a fair amount of trial and error - Our research needs rigour - Research is done poorly, there are no new methods - Often the research just sits on the shelf

Question 1 was designed to get a broad understanding of the nature and scope of research conducted by the different organisations. More than half of the respondents explained that market research was the foundation and starting point of all marketing activities conducted by their organisations. There were mixed remarks about the rigour and correctness of methodology used to conduct research. One of the respondents explicitly stated "research is conducted poorly in South Africa and people don't know how use it, yet interpretation is the crux of the research". There was a sense amongst the respondents that their respective methods were "leading edge", but they all expressed the need for something "more" when researching and defining the South African consumer market. There was also a general desire from all the respondents to better interpret the research and derive better insight from it.

Question 1a – Do you conduct your research internally or through an agency?

Key Response 1: Research is outsourced	- We use suppliers - We use agencies
Key Response 2: Conduct our own research	- We track our own brand internally
Key Response 3: We purchase secondary research	- We get secondary data

The respondents explained that research was conducted in a variety of ways within their organisations and that there was a combination of direct (first hand research), supported by secondary research, which is purchased from research companies. Incumbents from FMCG highlighted how most of their research was conducted by agencies and third party providers and as a result, they had limited direct contact with the actual research exercise. It was interesting to observe that a critical part of the business, which informed decision making in most instances, was sometimes outsources or purchased through a service provider.

Question 2 – What role does segmentation play in your market research and the development of your marketing strategy?

Key Response 1: Segmentation is important	- Segmentation plays a strong role - Segmentation is key - Segmentation has a crucial role to play
Key Response 2: It provides a framework/outline to our research	- Segmentation gives as framework to guide objectives and investigations - It is a filter through which we conduct our research
Key Response 3: It breaks our market into smaller groups	- We recruit consumers on the basis of segmentation - It helps us be clear and specific when speaking to the consumer - It helps us understand who the target market actually is and how the different segments relate to each other
Key Response 4: Segmentation depends on the product or services being offered	- It depends on to what extent a product is an everyday category, the life cycle of the product and the extent to which a product or a service is a lifestyle brand - Depending on the category – its important

The aim of Question 2 was to understand the different interpretations and applications of segmentation by the various organisations; and also to hone in on the role of segmentation within the marketing strategy process. The respondents all had similar views about the role played by segmentation in influencing the end-to-end marketing process. Most notable was the understanding that segmentation is meant to break a market down into smaller, similar clusters. There was a broad reference to common segmentation variables, namely, demographics (income, age and race) and psychographics variables. Segmentation aided the respondents to target the strategies, create a framework and track trends of market developments.

One of the respondents revealed a distinct rationale of conducting segmentation; his approach identified three determinants for segmentation in any organisation – the first one is the extent to which a product or service is an **everyday category,** the second is the extent a product or service is a **lifestyle brand** and the third is the **product life cycle.** Overall the respondents believed that segmentation was an important aspect crafting a strategy and approaching consumer markets.

Question 3 – What segmentation variables are used by your company?

Key Response 1: Demographics and LSM	- We found demographics to be the most discriminating variables - Demographic segmentation is very common around the world - A key approach is demographics
Key Response 2: Psychographics	- We overlay psychographics - There is an awareness of psychographics - There are a number of layers including psychographics
Key Response 3: Lifestage (income and age)	- Spending models differ according to you age and income – hence lifestage - We find that lifestage influences lifestyle

Question 3 was designed to determine the most common segmentation variables being used by the respondents. The most recognised segmentation variables were demographic variables, specifically **income, age and race**. These were followed closely by psychographic variables, which most of the respondents said provided a more meaningful differentiation. Lifestage was also mentioned extensively; particularly by the banking incumbents. Some of the respondents mentioned several other segmentation variables that were unique to their organisations; these included:

- Purpose-driven segmentation: designed to isolate the growth potential and risk of a client
- Industry specific segmentation within financial services - credit rating
- AMPS – common in SA
- Product set indicators

Most of the respondents stressed that segmentation variables depended on the type of product/service and industry one operated in. Additional segmentation variables that were mentioned included usage segmentation, credit segmentation, and occasion segmentation.

Question 4 – Are you aware of any other segmentation variables? Please elaborate.

Key Response 1: Different segmentation variables and methodologies	- 5W's Haylen model and synsidium - Battery of statements - Religion - Tribes - Usage
Key Response 2: Not aware of any new segmentation variables	- We've only ever used demographics - There is no need for additional segmentation variables - I have not come across any other segmentation variables - I haven't really heard of any

Question 4 began to establish opinions pertaining to proposition 1. Most of the respondents indicated that they were not aware of any additional segmentation variables. Three of the respondents felt strongly about the need for additional segmentation variables, particularly those that uncover the "hidden truths" about their target audience. With no prompting, some of the respondents made reference to culture and religion; and how these two variables influence behaviour. What also emerged was a construct that was never discussed in the literature review, but seemed appropriately related to ubuntu and this was the concept of **tribes.**

"**Young people working and living in town have started organising themselves into small communities because of the similar lifestyles they lead. People are organising themselves into **tribes"

Question 5 – What differences do you see in marketing to emerging markets versus developed markets?

Key Response 1: There is need for a different approach	- We run segmentation differently for each market we operate in - There is a need to start looking at different approaches
Key Response 2: There is no need for different segmentation methodology in emerging market	- Most of the behaviours are shared from country to country - What matters most is insight – not the artefacts (segmentation variables) - There is a trend towards standardization

Some of the respondents (particularly those from an FMCG background) believed that the growing trend in segmentation (and marketing in general) was standardization, whereby the lowest common denominator is identified and used across intra and inter country segments. The majority, however, highlighted the importance of a localised strategy that adapted to indigenous conditions and consumer markets. When probed further, none of the respondents could offer actual strategic approaches that had worked for them.

Question 6 – Are you familiar with the black diamond study – were these variables sufficient?

Key Response 1: Yes these variables we sufficient	- These are the most discriminating variables - Systems drive everything in financial sector. Systems inform the information we have on customers. It's very hard to input other behavioural information such as culture and location into system - I think when you decide that this is the market; you have to make a number of **assumptions**
Key Response 2: Culture could have been considered	- There is a need to bring in culture when dealing with such segments - Culture adds another level to segments as it influences behaviour - I think of a country like Nigeria, which is polarised around religion – Muslim and Christian. There's a religious segmentation that prevails in the country
Key Response 3 There is a need for additional variables	- Geographic location doesn't give as much insight as people within the same geographic location behave differently
Key Response 4: It would be expensive to have additional variables	- It would be very expensive exercise to build new systems to provide additional information - These additional variables could be a source of wastage – its analysis paralysis.

The aim of Question 6 was to start a discussion about how suitable existing segmentation variables are defining an emerging market consumer segment. Several respondents immediately brought up culture and stated:

"… you may find that the purchasing decisions and patterns of this segment may be driven by culture or may impact culture; e.g. there is a difference between the middle class in KZN and EC, if you dig deeper could discover that this is due to culture or religion. Culture adds another level to segments as it influences behaviour…"

It was evident that most of the respondents could not recommend further variables as they were not aware of any, thus the Black Diamond segmentation variables seemed to be accepted on a basis of lack of knowledge.

Question 7 – Are you aware of any new developments in segmentation?

Key Response 1: Yes	- Shopper segmentation - Scanning devices at point of purchase - Culture (language and ethnicity) - Geoscoping
Key Response 2: No	- I would like to think the approach we are using is leading edge - In almost every market there are standard variables that will be used – regardless if its emerging economy or not

Question 7 was intended to reveal new segmentation methodology that the respondents had been exposed to. Some of the respondents believed that the methodology they employed were amongst the most current and innovative segmentation methodologies available. These included the following methods:

- Shopper segmentation
- Scanning devices at point of purchase
- Geoscoping
- Culture

The respondent from Brand House said "If it were proven that culture and ethnicity are greater determinants of purchasing behaviour, versus age or income, and then I definitely think that they (segmentation variables) would be a safe option to use." This comment encapsulated the overall feedback from the study, which was basically that there was an interest in the proposed segmentation methodology; however, this depended on how successfully they could be included into existing business models and more importantly what the cost of doing so would be.

One of the more telling developments was explained by a respondent who said:

*"What will change over time is that the greatest availability of data on behaviour will be available through **the till**. In SA only 40% of our market is read through scanned data, most of it is manual i.e. spaza shops etc. so we're still evolving the SA towards the future, but we're going to a place where virtually everything is scanned"*

Question 8 – How familiar are you with the idea of using culture, ethnicity and ubuntu as segmentation variables?

Key Response 1: These variables have a bearing on behaviour	- Yes, I think culture and religion have huge impacts on behaviour e.g. Muslim vs. Jewish
Key Response 2: They can be included as additional demographic or psychographic	- Things like culture and ethnicity I would add under demographics - way of thinking/mindset
Key Response 3: These variables are too difficult and expensive to consider	- Only as diagnostics, they are too difficult to target - Research on ethnicity and culture are not done in marketing sector but rather the sociological sector. Good to know about different cultures but how to direct marketing spend to one culture specifically? - You also have to consider global parity – do you put the same amount of effort into all markets? And it depends – you wouldn't go to these levels of segmentation (ethnographic study) if it isn't going to be worth your while - Maybe – in terms of knowing what type of things they like – but I'm not sure if this will translate into commercial success.

Overwhelmingly, the respondents believed that the proposed segmentation variables were not practical to measure and would be costly to incorporate into existing business models. Some of the respondents immediately identified with the use of culture within segmentation – but others argued that the new methodology being proposed were merely additional layers to psychographic segmentation. When the idea of ethnicity and ubuntu (an extension of culture) were proposed, most of the respondents had reservations. The most significant resistance came from the fact that the respondents believed these constructs were still in a conceptual phase.

There were also suggestions that the proposed segmentation variables could be categorised as demographic or psychographic variables.

Question 10 – How interested would you be in trying some of the proposed segmentation variables?

Key Response 1: We have tried different segmentation methodology and they do not work	- We tried to work with psychographic segmentation but it didn't work, not sure why. We use demographics because it works for us
Key Response 2: We would definitely consider these variables	- I think we may consider new methodology because everyone is trying to scrape out the next opportunity.
Key Response 3: It would depend on: • Costs • Our systems • The product • The consumer	- The question is - is it too costly and time consuming? You also have to consider global parity do you put the same amount of effort into all markets - Ethnicity and language will depend on the product if you're selling a type of food, then ethnicity would be important, but if you're selling small commodity items, then (I'm not sure). With a lifestyle product like whisky, it will depend on how the consumer shops the product

Question 10 revealed responses that are at the centre of this study. These addressed the question of whether different segmentation variables are required when defining the emerging market consumer. The intention was to establish how viable the new segmentation variables are and whether or not the respondents would consider incorporating them into their existing business model and research methodology. A reply that captured the general feedback of all the respondents said:

"I think they may consider new methodology because everyone is trying to scrape out the next opportunity. So if you can come in with something that's a bit more relevant, at the end of the day translates into more business for them, I'm sure they'll be willing to listen, especially if they understand the value that can be derived from them."

Question 11 – How do you see segmentation in emerging markets in future?

Key Response 1: Uncertain	- Not sure
Key Response 2: Critical to innovate	- For me it's absolutely critical that new methodology are pursued, particularly as we compete for share of heart, mind and pocket - If there's a way to marry the purchaser of that data and what we know about that purchaser with the behavioural patterns of the purchase you unlock a massively powerful tool to understand human behaviour. They way that companies are addressing this is through club cards e.g. Clicks club card and Pick n Pay card. They are modelling themselves on Tesco in the UK and some companies in the US but by slowly collecting consumer data on that card, i.e. who you are, where you live, how many kids you have and then getting down to what you think about life and your behaviours and marrying that to scanned data gives me an opportunity to target you as an individual and to group you with people that are like you and the segments that we can target very directly. I
Key Response 3: • Things will be the same	- I think income and education will start to have more of a presence than race

There was a general sentiment amongst the respondents that segmentation variables should be the same across the board regardless of whether the context is an emerging or developed market. A recommendation that came through strongly was the use of TONE and INSIGHT to position a product within a different context.

Another strong sentiment amongst the respondents was the fact that things (segmentation) could not remain the same; one of the respondents aptly summed up this point by stating:

"For me it's absolutely critical that new methodology are pursued, particularly as we compete for share of heart, mind and pocket – companies that don't look at the segmentation differently face a danger of falling behind. This is innovation of a different kind, which is built around a changing consumer landscape."

4.4 Themes

Subsequent to the literature review and the presentation of the research findings, four major themes have emerged and these capture the wide-ranging opinions expressed by the respondents. At the heart of qualitative data analysis is the task of **discovering themes**. Themes are abstract constructs, which researchers identify before, during and after data collection. They are defined as units derived from patterns such as "conversation topics, vocabulary, recurring activities and meanings" (Taylor and Bogdan, 1989,131).

The themes below also identify the points at which all the discussions of this study converge, and the ideas presented by respondents begin to have a common “voice”. The technique used to identify the themes involved an analysis of words (*word repetitions and key original terms*). From the responses identified in the previous section, the themes are as follows:

Theme 1
• Business is driven by different segment structures • (It’s) a big part of our marketing strategy • Research is central in decision making • Market research and insight are important, but getting the balance between the two is more important • Everyone says that research should be what drives business decisions. But the reality is the opposite • We conduct research extensively, we do all sorts of research • Research is very important for both strategy and segmentation.

4.4.1 Theme 1: It’s important, we do it, do we do it right?

The first theme is referred to as “*It’s important, we do it, do we do it right*”. All the respondents believed that research is a critical part of their marketing strategy process and they expressed their different methods of conducting research; either through a research agency, directly through field research, or by purchasing secondary (existing) research. There was an overwhelming sense that research is not conducted appropriately or thoroughly by their respective organisations. This supports the notion of many researchers (London and Hart, 2004; Kavak and Gumusluoglu, 2007) that very little has been done to conceive and develop marketing practices in counties with cultural diversity and inter alia, emerging markets.

This theme touches on an assertion by (Herman, 2006), where he believes the nature of the black diamond is assumed, and more specifically – misunderstood. This same notion can be translated to broader emerging market segments, whose characteristics and make up are assumed – due to lack of understanding and better still, a lack of appropriate segmentation variables to define who the emerging market audience truly is.

Theme 2
• The job of segmentation is to provide a framework • Segmentation is a tool to help categorise consumers into different groups • Segmentation really depends on your sector • There are different motivations across the different segments. We may ask the questions differently for different segments • It depends on what extent is the product or service an everyday category and what extent a product or service is a lifestyle brand • Our socioeconomic state is so broad that you can't have a one-size-fit all approach • You have to be clear and specific when speaking to your consumer

4.4.2 Theme 2: "A tool, a filter, a framework"

The second theme – a tool, a filter, a framework – captured the fundamental nature of the role played by segmentation; which all the respondents agreed was to reduce the consumer market into smaller, homogenous groups and in so doing, enable more accurate and effective communication of benefits in relation to consumer needs.

This common perspective of the respondents was correct; however it also revealed a very one-dimensional understanding of segmentation. In today's markets, diverse customer needs and increasingly sophisticated marketing techniques have led to fewer situations where a mass marketing approach is feasible, which then positions segmentation as an indispensable, multi-faceted strategy when operating in modern consumer markets, especially emerging markets. This leads one to the assumption that perhaps the limited developments in segmentation are a result of narrow exposure to and understanding of segmentation by industry incumbents.

Theme 3

• Demographic Psychographic (attitudinal) AMPS LSM
• Industry specific
  o Credit rating let's not mine where there's no gold. Because you want to minimise wastage
  o You can segment according to off premise (bottle store) and on premise (bar)
  o In financial services the key variable is lifestage
• Consumer mapping and profiling
• Demographics, lifestage (income and race, age and gender become key variables)
• Purpose driven segmentation (sophisticated and pretty complex)
• LSM, demographics and psychographics are a first and key component
• Education, geographic and location are deposited into the system (scorecard) to give us the segment
• Most cases it is income & age because we have certain benefits that accrue based on these two factors
• Culture should be considered
• Tribes are emerging
• Ethnicity
• Standardization

4.4.3 Theme 3: Old and New

There was unanimous agreement about which are the most prevalent and necessary segmentation variables, namely income, age and race. These variables can be referred to as the "crutch" of South African marketers; they are amongst the original segmentation variables (Wind, 1978); and their resilience is a result of their practicality. They are necessary and relevant; however, when reflecting on the feedback from the respondents, one has to consider if the dependency on these segmentation variables does not get in the way of marketers exploring different options.

When the respondents were probed about new and alternative segmentation variables, they proposed a few industry specific variables, which were based very much around traditional segmentation variables. This was an indication that the traditional segmentation variables are still dominant.

Theme 4
• The approach we are following is leading edge • Shopper segmentation • We're interested in getting to the common denominator • Use a factor analysis to try and get the commonalities • Where you know there are different behaviours that are driven by culture • Lifestage models, which influence behaviour and purchasing decisions • We are trying to move away from traditional methodology. • Language and tone • There is a big move towards market programme standardisation • Common language • TONE • Ethnographic study • It's primarily culture, which in this country is influenced by race, language and traditional practices

4.4.4 Theme 4: New constructs: common denominator, common language, culture

There is a growing trend within marketing around standardization. This occurs particularly in the context of "international marketing" as a result of multinationals' attempting to operate in diverse markets. This approach has been proven to make logical sense from a cost management perspective and also in maintaining a consistent brand across varying regions. However, one can observe that this approach is in direct conflict with the idea of localization and implementing the micro-culture segmentation methods proposed in this study. The concept of using culture as a segmentation variable has been met with mixed opinion. Some respondents, particularly those from the banking sector, are sceptical about its practical application within the "real world" i.e. their business models. This view evokes some irony. Equally, some of the other respondents believe these variables will be at the forefront of the new marketing reform.

CHAPTER 5: DISCUSSION OF THE RESULTS

"The researcher is the instrument of qualitative inquiry, so the quality of the research depends heavily on the qualities of that human being"

(Patton, 2001:513)

5.1. Introduction

The following chapter consists of a discussion of the results of this study, with particular reference to findings that relate to the propositions. The analysis of the results is based on the findings from the interviews and is compared to and contrasted with the findings revealed in the literature review.

5.2. Results of proposition 1:

Traditional segmentation variables are necessary, but there is a need for additional variables in emerging markets

"A large amount of emerging market research uses theory originally developed in developed economies. Often this makes perfect sense as there is no reason to assume that these constructs are not applicable to emerging market settings. However, there is quite some evidence concerning the universality of many consumer-related constructs" (Burgess and Steenkamp, 2006:340).

The concept of marketing strategy involves the identification of target markets and the development of a marketing plan; consequently, the approach to market segmentation in order to identify the relevant and significant target market is all-important in developing an effective marketing strategy. All the respondents agreed that segmentation was central to the marketing philosophy, however there was also a common observation that research (which incorporates the segmentation process), was not given its due respect. One of the respondents stated "*everyone says that research should be what drives business decisions, but the reality is the opposite*".

From such statements, one is led to make the assumption that if research (generally speaking) is not being executed in a thorough and esteemed manner, then associated activities like segmentation may be suffering a similar fate of being misinterpreted and under-developed.

The respondents were unanimous in their view that the current segmentation variables i.e. demographics and psychographics, are relevant and necessary, regardless of the context. In the same breath, however, they all conceded that more segmentation variables could be considered for emerging markets. These assertions were in line with what Dawar and Chattopadhyay (2002) proposed, that multinational firms from developed countries should adapt to the market conditions in emerging markets in order to successfully tap into these markets.

There was also support for the “universal” use of existing segmentation variables with one of the respondents saying:

“I don't see why it needs to be different… segmentation is the same no matter where you operate from. Developed economies have many immigrants and you got to sell to that market too.”

Some respondents argued that universal segmentation was the most practical and cost effective method of conducting segmentation as it gave organisations a competitive advantage, because product and communication can be standardized and transferred among countries. This gives a brand a reputation and consistency in image and positioning which can be reinforced internationally.

There were several respondents who argued the inverse, with one stating:

“In South Africa we have come up with some socially and culturally apt advertisements, which were informed by a thorough understanding of cultural nuances, companies like DStv and MTN got this right”

When MTN's clap-clap advert was aired in South Africa in 2007, it found immediate recognition among local audiences. Children playing "singing games" are a common sight throughout Africa and the advert also resonated with audiences in other MTN markets like Uganda and Nigeria. It tapped into aspects of life on the continent that many could readily identify with. The advert was special in that it was shot in a rough area of downtown Johannesburg (Hillbrow) and involved the local community in its making. It showed people coming together in celebration and communicated MTN's method of empowering individuals (Riquier and Sethi, 2011:4). In positioning itself, MTN tapped into an insight that led them to convey the traditions and ethnicity of its target audience in a fitting manner, which was a prime example of how to translate cultural nuances into implementing marketing strategies.

When questions were posed to the respondents about what specific segmentation variables should be integrated into the emerging market context few of them had a clear idea about what these could/should be. This led one to the assumption that most marketers, strategists and researchers may not be using other segmentation methodology, because they are not exposed to any. Some of the respondents referred to culture and religion in their feedback, but their views were vague, which indicated lack of understanding.

Some of the respondents believed that communication and tone were more important factors in localising a marketing strategy. Further assertions to this point included:

"There is a need for additional segmentation variables, but in banks everything is driven by systems. They inform the information we have on customers. It is hard to input other dimensions into this system"

Such comments gave the impression that even if industry incumbents were exposed to different methodology, they would be reluctant to incorporate them into their existing routines because of the disruptions these variables would cause to their routines.

There was an overwhelming agreement amongst the respondents that traditional segmentation variables are not only relevant and necessary, but have a central role in commencing any segmentation exercise. The respondents indicated a strong requirement for additional variables. Moreover, evidence has been provided on the successful incorporation of alternative segmentation variables (Lindridge and Dibb, 2003; Morales, 2005; Burgess and Steenkamp, 2006) taking all these perspectives into consideration – this **proposition is accepted.**

5.3. Results of proposition 2:

Culture, ethnicity and ubuntu (micro-culture) are viable segmentation variables

To date, research conducted on the use of culture and ethnicity as a basis for market segmentation within a culturally diverse economy has focused on its potential opportunities and inconclusive results. Less attention has been paid to the process of how to identify and rank ethnic groups based on their potential market attractiveness (Pires and Stanton, 2008). This was also the opinion of the respondents. They believed that the proposed segmentation variables were too abstract to incorporate into their existing business models and moreover, they were costly. Yet, in other emerging economies, like China, cultural constructs are common place when conducting business and marketing. Burgess and Steenkamp (2006) reveal that it is difficult, if not impossible, to understand organisational relations in China without guanxi, a concept “which carries expectations that, sometime, favours will be returned”. An interesting question is whether these and other constructs are purely indigenous constructs or can they also be effectively employed in other emerging markets. One of the respondents expressed a strong opinion about the proposed segmentation variables:

"I think it's (new segmentation variables) a red herring and I think we make too much of an issue out of it. Where it matters is the tone you use to communicate with me. The Black Diamond is represented as a very materialistically crass segment - truth is Black Diamonds are materialistic, but do they want to be told they are? So the TONE has to fit in with everything else that I am. TONE MATTERS. A Zulu man today does not necessarily want to see an advert with him in traditional clothing, but in the insight, you (as the marketer) must realise that he is saying I'm authentic, I'm an ***afropolise,*** *I live in a modern society and I value my background, my values my culture. The artefact is the fact that I'm Zulu (African) and the insight is the fact that I want to be talked to - not talked at."*

This comment in particular indicated that there is a place for micro-culture variables, but they had to be subliminal, i.e. "seen and not heard". In addition, some of the respondents proposed different variables that were not the focus of this study, but were closely associated with some of the proposed variables

Proposition: segmentation Variables	Research findings Segmentation Variables
- Culture - Ethnicity - Ubuntu	- Religion - Community Marketing - Tribes (including online tribes) - Tone

Such findings indicated that marketers have already started using the constructs of micro-culture, but may be referring to them as different terms. For this reason, the **proposition is partially accepted**.

CHAPTER 6: CONCLUSIONS AND RECOMMENDATIONS

6.1 Introduction

In this closing chapter, the major findings are summarised. This is followed by a recommended model for marketers to adopt when conducting segmentation in emerging markets. Recommendations for future research are also put forward.

The purpose of this study was twofold. It determined if different segmentation variables were required when conducting segmentation in emerging markets; and also whether the proposed segmentation variables (culture, ethnicity and ubuntu) were viable options.

6.2 Results of research propositions

Proposition 1:
Traditional segmentation variables are necessary, but there is a need for additional variables in emerging markets.

There was unanimous agreement that traditional variables should be retained for emerging markets; but there was also a strong case for the use of new segmentation variables, hence this proposition was accepted.

Proposition 2:
Culture, language, ethnicity and ubuntu (micro-culture) are viable segmentation variables

The research found that there was agreement that additional segmentation variables were needed in emerging markets, but the proposed segmentation variables were said to be too abstract and costly. Moreover, the research findings revealed additional concepts which went beyond the scope of this study, namely, community marketing, tone, tribes and cause marketing.
For these reasons, this proposition was partially accepted.

The literature reviewed and the opinions of the respondents have suggested that there is a requirement for different segmentation variables in emerging markets. The micro-culture segmentation variables were presented as an interesting option, but it appears that they will not be embraced immediately due to their indistinct nature, which makes them difficult to measure and costly to research. But as one of the respondents mentioned, whether it is the micro-culture variable or not – we can't keep up with the changing consumer landscape by using traditional models.

Simple adaptation and extension of traditional marketing practices may not be sufficient. Despite significant regional and country differences, emerging economies have enough common underlying logic to justify developing alternative business and marketing strategies to those in developed economies.

Cultural and ethnical nuances exist and cannot be ignored. In fact, diversity is a fact of life in South Africa, Africa and other emerging regions as a whole. While language and cultural similarity can provide a basis for segmentation, the business environment is arguably the most critical factor to these variables being incorporated successfully into standard marketing practice. Globalisation has given rise not only to common consumer behaviour traits, but has also created favourable conditions for leveraging marketing, and it has been revealed in this study that South Africa's emerging market counterparts are incorporating variables like culture, ethnicity and ubuntu in their business practice.

Segmentation is a versatile tool that can answer many questions marketers have about their target markets. Depending on the goals of the study, a researcher can segment a market based on a variety of variables including attitudes, needs, demographics, and social and economic variables. This study has attempted reveal a different set of variables, even though their practicality remains in question.

Morales (2005) provides a fitting conclusion to this debate when he explains that marketing is *already* an expression of culture and it must be appreciated from its anthropological context, where beliefs, values and the traditions of the participants determine the behaviour of individuals who (as cultural beings), contribute in the different marketing exchange process.

6.3 Recommendations

The participants of this study represented a broad spectrum of the marketing field. Yet, with all their diversity, there was a general consensus that emerged from the respondents which was:

"The recommended segmentation variables are too abstract, difficult to measure and would be costly to incorporate into our existing business models – but we are interested in testing them out"

For this reason, an integrated segmentation model had been proposed as a guide to assist marketers when conducting segmentation exercises in an emerging market like South Africa.

6.3.1 Integrated Consumer Segmentation Model for Emerging Markets

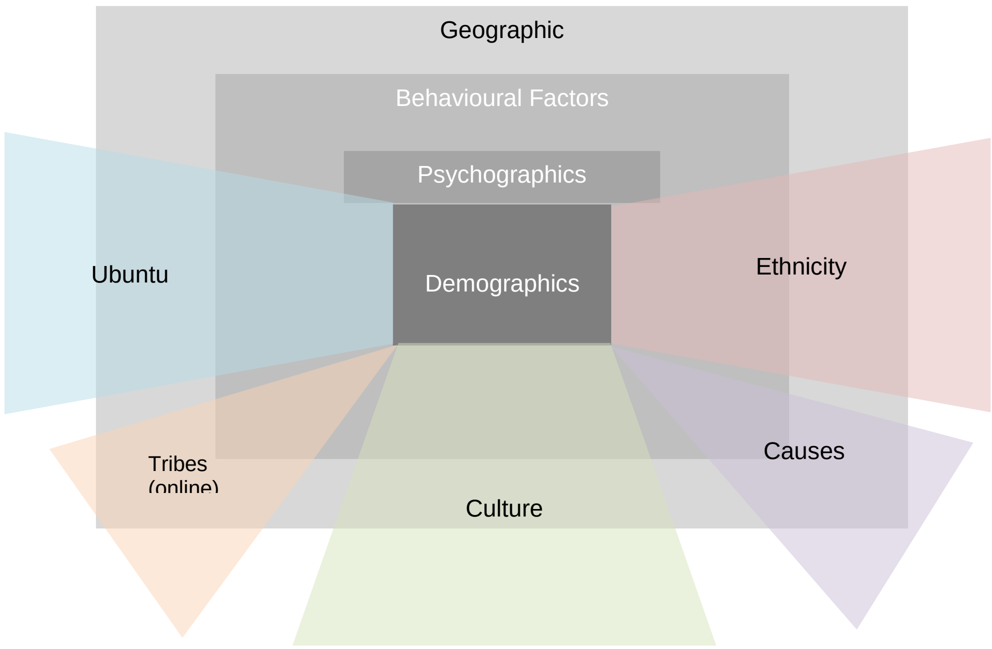


Figure 5: An integrated approach to segmentation in emerging markets. Source: derived from this research

The integrated segmentation model was created through careful consideration of the feedback provided from the respondents. It was also informed by the trends that have been revealed through study. This following section outlines all the variables that are recommended for an emerging market segmentation exercise.

This research has revealed that segmentation involves viewing and dividing a market on some decision-relevant basis. It has been stated throughout this study that there is no single favoured basis to be used for segmenting a market; thus alternative bases continue to grow. The choice may be based on many grounds, including personal judgement, industry or company tradition, available secondary data and/or primary research. The intent of segmentation, however, remains consistently strong: it is intended to give groups of consumers a more precise satisfaction of their wants; it focuses on the characteristics and behaviour of the group, not the individual. These “propositions” justify the use of micro-culture variables as potential segmentation variable but also qualify its potential usefulness.

6.3.2 Demographics, psychographics, behavioural factors and location

The findings of this study revealed that the traditional segmentation variables i.e. demographics, psychographics, behavioural factors and geography (including the Living Standards Measurement of the South African Advertising Research Foundation), will always feature within the segmentation process.

Some of the respondents felt strongly about the importance of these variables, above all - demographics:

“*We have found that the most differentiating variables are* ***demographic*** *variables .i.e. age, income, race and gender, these would be overlaid by a psychographic profile of some sort (the most discriminating). The sense is that psychographic variables do not differentiate individuals (segments) enough, it's not possible to find separate segments on that basis*.”

(Hassan et al., 2003) assert that the aforementioned variables are early segmentation efforts which were based on macro considerations. These also include politics, technological and economic bases. Recent studies have found that these predetermined bases are inadequate without full consideration for buyer response bases; hence the integrated segmentation model for emerging markets tries to incorporate the prevailing trend of micro-culture variables.

6.3.3 Culture

The relationship between cultural values manifesting themselves through consumption of products is well documented, with material goods being important to individuals due to their ability to carry and communicate cultural meaning (Lindridge and Dibb, 2003).

Knowing and interpreting consumer behaviour from an ethnomarketing perspective signifies seeing human beings as social beings and not as solitary instruments, as per the prevailing research paradigm (Morales, 2005). The author adds that products (artefacts) are marketed (exchanged) between people (who are prompted by their values and belief); and it follows that products are charged with symbolic meanings established in the culturally constituted world (Morales, 2005). Contrary to the general practice in marketing, culture suggests that transactions are not carried out by the individual alone, but within groups or by people who represent a given group.

(Lindridge and Dibb, 2003) state that consumers' perceptions of a product's attributes are based upon its abilities to satisfy cultural values; hence people from different cultures can potentially purchase the same product to reinforce completely different cultural values. And this is the type of insight marketers need to tap into.

6.3.4 Ubuntu

"We find that in the lower income groups, where there is a community leader, there is a lower rate of defaulting on loan and credit payments. The community monitors itself (ensuring that people lead quality lives), because one person

conducting themselves in a negative manner will affect everyone." (Nhlabathi, 2011:3)

The above statement from one of the respondents highlights the presence of the ubuntu construct as a new segmentation variable; even though industry incumbents may not recognise it; refer to it; or know how to incorporate it into their existing business models. Ubuntu within a South African and broader African context, has its place within the marketing concept. (Burgess and Steenkamp, 2006) explained that in Africa it is important to understand the construct of ubuntu as an essence of caring and community, harmony and hospitality, humility, respect and responsiveness. (Burgess and Steenkamp, 2006) say ubuntu has relevance in the aspects of life that interest marketers, such as family decision making and reliance on word-of-mouth communication. In the organisational context, ubuntu suggests opportunities for new research into networks of information sharing and consensus building.

Aligning organisational marketing practices to ubuntu provides significant competitive advantages related to intrinsic motivation, loyalty, and long-run effectiveness.

6.3.5 Ethnicity

Difficulties encountered in the use of ethnicity as a segmentation criterion commence from its imprecise multiple meanings. Ethnicity has been identified as part of a micro-cultural set of variables used for segmentation that is highly correlated with religion, regional identity, language and social class (Pires and Stanton, 2008). More commonly, language and religion are part of the definition of ethnicity, rather than separate variables.

Morales (2005) argues that the use of ethnicity as a segmentation criterion requires a screening process, focussing on information that will assess each ethnic group's potential market attractiveness. This requires, among other things, focussing on each group's accessibility, stability and substantiality. Caution has to be practiced to avoid any prejudice and stereotyping during such an exercise.

6.3.6 Practical Application of Model

The basic premise of this model recommends that a segmentation exercise should commence with the basic and more traditional segmentation variables; in South Africa specifically this refers to demographic variables such as income, age, race and education because these have been established as the most prominent variables within a South African context.

The model proposes that the basic principles of ethnomarketing be considered when conducting a segmentation exercise within any emerging market. Thus, it is advised that additional phases be added to the segmentation process as illustrated in the figure below:

Segmentation, Targeting and Positioning (STP)

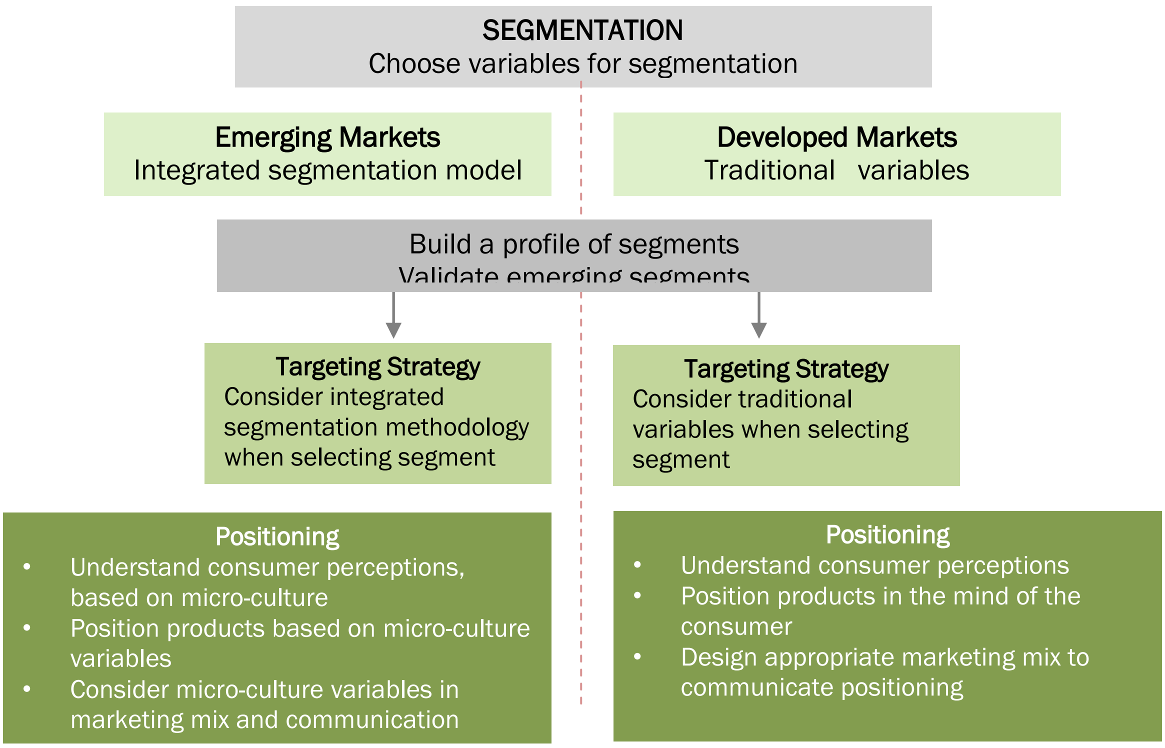


Figure 6: Adapted segmentation process (Beane and Ennis, 1993)

The integrated segmentation model aims to address one of the many gaps that have been identified within marketing research in emerging markets. The intention is to expand on the variety of segmentation variables available to marketers. As figure 8 illustrates, the integrated segmentation model is not meant to replace existing segmentation processes, but rather provide the variation required within an emerging market context.

Below are further recommended actions that marketers can undertake to overcome the ambiguities of the proposed segmentation variables:

- In order to minimise problems being able to compare one culture to another, it is important to ensure similarity between cross-cultural groups wherever possible to achieve equivalency. The need to achieve equivalency in cross-cultural research is one of the most important challenges in cultural research
- Marketers need to keep an open mind when experimenting with such variables – often this will require them to unlearn many of their traditional methods of carrying out a segmentation exercise
- Attempts to target an audience based on cultural and ethnic variables will need to cautious of the difficulties in pinpointing a particular ethnic behaviour, whilst avoiding possible accusations of racism and stereotyping

6.4 Suggestions for further research

- A thorough cost-benefit exercise needs to be conducted to determine financial implications of using the proposed segmentation variables

- Issues connected with religion and socio-economic status of ethnic and cultural groups remain relatively unexplored (Lindridge and Dibb, 2003). A study can investigate the category of each ethnic or cultural group within a specific market context

- Burgess and Steenkamp (2006) expressed an idea that will definitely yield more talk about the subject of micro-culture segmentation variables, and that is, can these variable not be translated to developed markets too?

- There are additional constructs which a related to, but go beyond the scope of this study, namely “tribes” and “cause marketing” Tribes appear to be a phenomenon of “pop culture” and are centred around popular brands and online activities, it would be interesting to see how the recommended constructs could apply to this context. Similarly with cause marketing, where people are forming groups around socially responsible issues.
- A quantitative study can be conducted to determine perceptions of existing and alternative segmentation variables.

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APPENDIX A: ISSUES AND TRENDS IN MARKET RESEARCH

Emerging issues and trends in marketing research
Marketing researchers will participate more and more in marketing decision making
Managers will participate more and more in marketing research
More and more marketing research will be undertaken as an on-going business operation
More marketing research problems will be addressed based on secondary data alone
The building of large databases that combine internal customer data with information available externally will gain momentum leading to increased use of database marketing
More marketing decisions will become automated
More interpretive research methodologies (such as ethnography, and grounded theory) will be employed
More integrated use of qualitative data with computer-driven analysis techniques will occur
Data analysis will make greater use of artificial intelligence procedures such as artificial neural networks and genetic algorithms
Marketing research has assumed a truly international character and this trend is likely to continue
Potential for global marketing programs will be assessed through multi-country marketing research
The use of secondary data in international marketing research will continue to grow
The emergence of transnational segments will lead to greater standardization of international qualitative research
Multi-country telephone surveys will be conducted from a single location given the increased availability of ethnic interviewers locally
Attitude scales will become more widely used in cross-national research
Sampling methods used in cross-national studies will increase in sophistication making greater use of probability techniques
Data analysis procedures and techniques will become increasingly standardized in international marketing research
Project management for multi-country studies will become more of a distinctive skill area for research agencies
Use of bulletin boards, Web interviewing and chat rooms will be increased in exploratory research
The importance of the Internet as a source of external secondary data will continue to grow especially in the realm of competitive intelligence
Organizations will increasingly use intranets to boost access to internal secondary data
More qualitative research will be conducted on the Internet
The Internet will be increasingly used for observation

Internet surveys posted at a Web site will increase in popularity
Interactive downloadable surveys will become more feasible and attractive with advances in technology
The Internet will become a useful vehicle for conducting causal research
Sampling potential respondents who are surfing the Internet will become more meaningful
Marketing research reports will be routinely published or posted directly to corporate intranets
Due to the partnering relationship, ethical conflicts between the client and the researcher will become less of a concern
Greater attention will be paid to the rights of the respondents
Disguising versus disclosing the true purpose of the research will become more of an issue
Ethical issues related to observing and recording the behaviour of respondents will gain in importance
The comfort level of the respondents during data collection will receive more attention
The use of overly long questionnaires and sensitive questions will become a greater concern
Privacy will emerge as a primary concern for consumers
Preserving the anonymity of respondents will be a greater concern in business-to-business research
The marketing research industry will become aggressive in positioning itself as distinct from selling
Codes of ethical conduct will receive more emphasis and significance

APPENDIX B: ACTUAL RESEARCH INSTRUMENT

Introduction Key Components: • Thank you • Your name • Purpose • Confidentiality • Duration • How interview will be conducted • Opportunity for questions • Signature of consent	I would firstly like to thank you for your time. My name is Vuyelwa Mahanyele and I would like to talk to you about your experiences in conducting marketing research within South Africa and specially the segmentation methodology used. The interview should take less than an hour. I will be taping the session because I don't want to miss any of your comments. Although I will be taking some notes during the session, I can't possibly write fast enough to get it all down. Because we're on tape, please be sure to speak up so that we don't miss your comments. All responses will be kept confidential. This means that your interview responses will only be shared with the research team members and I will ensure that any information we include in our report does not identify you as the respondent. Remember, you don't have to talk about anything you don't want to or are certain of and you may end the interview at any time. Are there any questions about what I have just explained? Are you willing to participate in this interview? ____________________ ____________ Interviewee Date
Questions • No more than 15 open-ended questions • Ask factual before opinion • Use probes as needed	1. To what extent is market research conducted within your organisation? 2. What role does segmentation play within your market research and the development of your marketing strategy? 3. What segmentation methodology do you use for your company (traditional and unconventional)? 4. Are you aware of any other segmentation methodology? 4.1. Please elaborate 5. What differences do you see in marketing to emerging markets versus developed markets? 6. Are you familiar with the Black Diamond? 6.1. This segment has four sub segments (based on income, location, education, and age). In your experience, are these variables sufficient? 7. Are you aware of any new developments in segmentation methodology? 8. How familiar are you with the idea of using culture, ethnicity and concepts like ubuntu for segmentation methodology?

	9. How will you be adapting your segmentation to cater for special requirements in emerging markets? 10. How interested would you be in trying some of the proposed segmentation methodology within your marketing research and strategy formation? 11. How do you see segmentation in emerging markets in the future?
Closing Key Components: • Additional comments • Next steps • Thank you	12. Is there anything more you would like to add on the subject in general? I'll be analyzing the information you and others gave me and submitting a draft report to the Wits Business School in one month. I'll be happy to send you a copy to review at that time, if you are interested. Thank you for your time.

APPENDIX C: LETTER TO RESEARCH PARTICIPANTS

Researcher: Vuyelwa Mahanyele: 083 326 4384
Supervisor: Geoff Bick: 082 678 9543

Good day,

I am Vuyelwa Mahanyele, an MBA student at the Wits Business School, in Johannesburg. I would like to invite you to participate in a research project titled: Segmentation in Emerging Markets - A study into alternative segmentation variables.

The purpose of this study is to identify market segmentation methodology and tools that are most appropriate for emerging markets. Through your participation, I hope to understand the significance segmentation variables have on marketing strategy and the overall commercial success of a brand.

I would like to request 1 hour in your diary to conduct this interview at a location and time of your convenience.

Your participation in this interview is completely voluntary. There are no foreseeable risks associated with this project. Your survey responses will be treated with the outmost confidentiality and the data from this research will be reported only to the research team at Wits Business School.

I look forward to your response.

Yours sincerely
Vuyelwa Mahanyele

Mobile: 0833264384
Email: vmahanyele@gmail.com

APPENDIX D: SUMMARY OF RESPONDENTS' FEEDBACK

Question 1 – To what extent is market research conducted in your organisation?

1. Do a lot of research (6 of 12)
2. Research done to make decisions and develop strategy (4 of 12)
3. Different reasons for doing research:
   a. To understand consumer and trends, especially in SA (7 of 12)
   b. To test products (3 of 12)
   c. To track brand (4 of 12)
   d. To identify problems/answer specific questions (2 of 12)
4. Research plays an important role (3 of 12)
5. Needs to be done thoroughly, properly and with rigour, (4 of 12)
6. Need to explore root issue, deeper than surface (2 of 12)
7. Interpretation is NB, not just doing research for the sake of it (2 of 12)

Response	Company
Vast quantities, consumer, tracking, trade etc.	SAB – FMCG
Huge, more than 50% decisions based on research, measure everything	SAB – FMCG
Spend about 7-8% of advertising budget on research, which is a fairly significant number, which is split into strategic research (research to understand consumer), evaluative research (developing & testing of products and ideas) and research to track progress of our brand (consumer beliefs etc).	Colgate – FMCG
Big & NB role, analytical approach, NB part of marketing strategy, planning, activity & strategy depends on it. Trends NB e.g. education trends, income trends etc.	SAB – FMCG
Look at whole market, market share that Std Bank has, get secondary data from existing research e.g. Markinor & Experian to check trends. Do specific research for specific questions. Prefer qualitative. Get insight into how people think. Only do market research when have specific questions.	Standard Bank
I think there has been a fair amount of trial and error, but there has been a lot of research – existing research was presented to us about their observations; but I would argue that to a large extent it has been a trial and error approach. For example we have a product that we sell exclusively to local government. And some of the trends we observed in our low income segments are the same as those we observe in the local government sector. If I went to Investment Solutions and I arrived there with 10 discovery caps and I gave a presentation – 99% of the people will make a decision based on needs and the extent to which Discovery meets its health care needs, but if I took 100 caps to Depos in a municipality and I told them about the features of a Discovery product that meets their needs – people in that environment make a life changing decision based on the quality of the gift I provide. And until such time that you conduct proper segmentation that addresses the needs of a client – all they will be interested in is the give away – or the trinket.	Discovery - Insurance
Lots of research, product testing to get consumer views on product, name, packaging, pay off line, how much they would pay. Other research includes e.g. rural research, spend time with consumer, follow them daily	Brand House - FMCG
Market research & insight NB but need balance, can't have reams of data. Need thorough	HKLM -

interpretation, mixed methods, to develop knowledge to inform process, need rigour & balance, good executive vision just as NB	Advertising
Companies differ with market research, stark contrast. Unilever – research central to making decisions, why are you doing things this way? Needs to be informed by research. Difference between surface & root issue – without doing research you go into marketing more to try fix problems, wastes money, react to surface, research will tell problem, and campaign may not be needed. Root issues may be completely different to surface issue. Research needs to be done properly and with rigour. There is a plethora of avenues to craft your strategies, but if you don't conduct thorough research practices – then how will you know which avenue to pursue. There is value in research; there is value in segmentation, because segmentation is a subset of research.	Nedbank - Financial
Very important, especially in SA because it's not a homogenous market. Social factor very big e.g. difference in education levels etc. Can't have one size fits all approach. Research allows you to understand different clusters in the market. E.g. Education level may be NB to one company but at SAB all people drink alcohol regardless of this. (3:14)	Mars/ SAB – FMCG
Research NB for strategy and segmentation. Research poor now, people only use demographics, no new methods. Companies do research but it sits on shelf, doesn't get used, people don't know how to use it, interpretation NB. Need to dig deep to get proper understanding. Most research only surface	Draft FCB
(Do research on behalf of other companies) Research is prioritized, vigorous, value in data is how they fare against others and identifying new opportunities	Neilson

Question 1a – Do you conduct your research internally or through an agency?

1. Use agencies and oversee research process (2 of 4)
2. Track own brand data internally (1 of 4)
3. Purchase data from agencies (2 of 4)

Response	Company
It depends, we manage the process, don't do field work, use suppliers they draft discussion guides with our input, they do analysis but we have to approve it first, add own insights about how business can use info. Over seeing role. Internally track own brand data using data base – that analysis we do ourselves	SAB
Money is split between purchasing of data from Nielsen and other companies and research we do ourselves	Colgate
Use agencies. We manage projects to make sure they deliver what we want and answer key questions we want to answer	SAB
Get secondary data from existing research e.g. Markinor & Experian. Do specific research for specific questions	Standard

Question 2 – What role does segmentation play in your market research and the development of your marketing strategy

1. Divides people into groups according to likes/preferences (6 of 11)
2. Segmentation important/plays important role (6 of 11)
3. Segmentation gives framework/outline to research (2 of 11)
4. Segmentation helps in targeting consumers (6 of 11)
5. Segmentation allows one to analyse trends (1 of 11)
6. Importance of segmentation depends on actual product i.e. Everyday vs. lifestyle (1 of 11)

7. Types/methods of segmentation:
    a. Demographic (3 of 11)
    b. Psychographic (6 of 11)

Response	Company
Segmentation gives framework to guide objectives and investigations. Segments are common language in business to refer to consumers/shoppers and discuss targeting, goals & insights	SAB
Global management of segmentation. Don't know detail. Business is segmentation driven, everything done is based on segments. Recruit consumers on basis of segmentation.	SAB
Segmentation is a tool to categorise consumers in different groups so that you can understand trends and then target opportunities more effectively. So we run segmentation tool which can be used for variety of needs, it can be used in looking at market data to understand trends in market place. We also use it as a tool when trying to understand shopper behavior i.e. Pattern by which people purchase our categories, when, where, what, also have behavioural data and you can segment shoppers, what types of shoppers shop within an account so we use segmentation for lots of different applications	
Segmentation always plays a strong role. Need to know who to research and first step is to break market down. Need to understand what target segment actually is & how it relates to other target segments. First step before any marketing or research has to be to divide up market. Types of people. Very NB filter through which you do research. Depending on how you segment market, those are your lenses you put on. Do research through these lenses.	SAB
Then want to research specific segments e.g. How does segment 3 behave in a recession otherwise you would be looking at how consumers behave in a recession but then are you talking people who earn less than R2k per month or over R30k per month etc.	
Value drivers, what people value and what drives them eg black diamond outlook where people have to show even if they are in debt. Instant gratification, happiness	Standard Bank
Segmentation is quite key and we recognise two types of segmentation: psychographic (needs state = mood, contentment, affiliation, status of drink, release, independence (wanting to stand out) but that's the international standard. In SA we use a lot of demographic segmentation, particularly age and income, and we plot people based on these variables – group people according to where they fall in this plot.	Brand House
Segmentation is important and it varies from industry to industry and market to market, but it has a critical role to play in terms of different need states, psychographic and demographic and typical consumer life cycle, regardless of the sector, it's important to get phases of consumer consumption.	
Here are the key **two determinants** of *how much, how big* to *what extent* segmentation becomes important in any organisation – the first one is to what extent is the product or service an **everyday category**. And secondly to what extent a product or service is a **lifestyle brand.** A third determinant is the life cycle of the product. The differences: Knorr Soup is a brand – an everyday product – the usage is so broad and so generic, that segmentation on the buyers hardly ever helps in such instances, because the insights behind the usage, buying behaviour are so generic that it's a waste of time. Omo is an everyday product – so the extent to which you segment the market because of **usage needs** are the same. Also bread. The more day-to-day the category brand, the less you rely on research, the more lifestyle orientated you are (as a brand), the more you rely on research. Banking for example – 10-15 years ago, it was very generic so less need to segment. Now, with all the convergence that's taking place in the world such as telecoms – banking services are now being tailor made to different consumer segments.	Nedbank
...it depends, for example, Mars did not believe in segmenting the market – they believed in targeting the category. **Unilever for examples used lifestyle, generational, behavioural and attitudinal segmentation variables**, revealed commonalities.	Mars/ SAB

Segmentation is very important, **this is because marketing is an art and a science and sometimes the art is enough.** But sometimes you need the science. I don't find any of these segmentation exercises useful	Draft FCB
Depending on each category (**it is quite important)** **you have to be clear and specific when speaking to your consumer – it's not a case of one size fits all**	

Question 3 – What segmentation variables are used by your company?

1. Demographics (8 of 9)
2. LSM/Income – affects consumer behavior and choices (7 of 9)
3. Psychographic/attitude/behavior (7 of 9)
4. Lifestyle (2 of 9
5. Life stage (1 of 9)
6. Product life cycle (2 of 9)
7. Other e.g. proximity, industry-specific, brand-specific (1 of 9)
8. Use more than one methodology/combination (8 of 9)

Response	Company
We use a purpose driven segmentation designed to isolate the growth potential and risk – it works at the consumer and occasion and need level. It's pretty sophisticated and pretty complex – but if you can use it like it should be its very powerful.	SAB
We found that the most differentiating variables are demographics so age, race, income, gender – the most discriminating. Then you would overlay psychographic profile over that but psychographic profile not differentiating enough, it's not possible to find independent little segments on that basis. Demographics used for both affluent and lower end consumers.	SAB
Using socioeconomic, demographic segmentation is very common in markets around the world, talk about LSMs we want to reach. In emerging markets the difference between rich and poor is a critical difference that impacts behavior very much and in SA have additional mix of race, which also makes it interesting so we use that all the time as a starting point. But where segmentation starts to get interesting is where you try to segment not so much on demographics but rather on attitudes and behaviours – gets more revealing as different types of people behave in different ways. One of the very powerful tools we use is shopper segmentation, look at different groups of consumers whose shopping habits similar and group them into segments, range from people who'll only shop for the best price to people who enjoy the shopping experience and spend time at the store etc. The other type of segmentation that's very useful is behavioural segmentation around our categories so can develop a strategy among categories in which you compete. Companies that really use it a lot, very powerfully is the telephone companies, like Vodacom eg.way people use their phones – can segment according to usage patterns	
Key approach is demographics and psychographics. Income (due to huge range in income in SA, not so big in UK) can have big impact in terms of spending power, behaviour and access to things. Restricts or releases behaviour. Unemployment massive in SA. Grant receiver vs unemployed and broke and unemployed and living off someone else will be very different, let alone person earning R10k. ie. Income informs purchasing behaviour. Whatever product and industry is, it's very difficult to move away from demographics. But not to say you can't overlay other variables e.g. Attitude to life (psychographics). Combine all of these, this is what we do.	SAB

Same methodology, use value drivers, one-on-one interviews. Role play by interviewer to get person emotive, drill to core of problem, ask question in different way to different segments e.g. affordable housing people need empathy while more affluent clients more guarded and to get to emotive level, questions mustn't be intrusive. Variables used: Use demographics, prestige clients have high deposits, risk indicators NB, need for size of loan, define segments according to this i.e. demographics, size of loan, deposit, risk indicators – use to build scorecards, also area wanting to buy in i.e. High income area and education. Scorecard actually gives us the segment. Moved away from model that just uses demographics to say how much you earn to a model that gives credit dimensions, behavioural dimensions (incl. risk factor, type of credit customer has e.g. clothing account, type of account they have at bank which shows spending & saving pattern, how they distribute income etc). That's how we define a segment. In Africa, it becomes very difficult for us because it is a cash society and if somebody doesn't have a credit record, it becomes difficult to measure their behavioral patterns. In the rest of Africa, the product sets offered are not as complex as the product sets we offer in SA. In SA, a high net worth client has product set indicators – they have multiple properties, offshore accounts etc. The system automatically places them into a high net worth category. In Africa it's a bit different – these same assets are not financed – they are purchased cash **13. What happens when your product is required and can be afforded by a segment that you were not trying to target?** We call this an accidental market. Capitec for example has filled gap not met by the big 4, to such an extent that middle market clients are now purchasing some of the products (their loan accounts). This is because Capitec tapped into an "insight" that the other banks missed and that is – it offers lower middle income groups discretion, which is often limited to affluent clients. At Capitec, you fill no forms and within a few hours the money is in your account – allowing people to not be seen by surrounding community members who are there for the same reason – which is their typical experience within the big banks. Discretion when borrowing money is something that is not linked to any racial, age, educational – or other demographic factor. Even the placement of the branches offers people confidentiality. Changed segmentation model to life stage model as spending habits differ for life stages e.g. 25 year old single vs. 25 year old married person, or in life stage of buying a house – things you think about are the same e.g. How to pay home loan. Move away from segmenting only on income, rather life stage e.g. Two people can earn the same but ones single, ones married so behaviours are different, spending habits differ, priorities differ	Standard
The variables sometime are not about the person, they can be around issues like: is this segment subsidized – which speaks to **affordability**. Ultimately the person has to pay the part that's not subsidized. In most cases it is **income and age** because we have certain benefits that have to appeal to certain people. Another big variable for us is lifestyle. We consider factors about where we pitch our products and we prefer to pitch them a notch high – so that our offering becomes Aspirational. Respond to peoples aspirations. There are many variables – **affordability, income lifestyle, aspiration** are common for us, because some people would rather (even if they can afford our product) go to a public hospital – this is not our target audience and hence we need to identify people in the market who have a certain mindset and lifestyle.	Discovery
There is an awareness of psychographic segmentation, and I wonder if driven by SA's past. And also because roles are still racially defined – your more established consumer markets have white people. And the market is still viewed according to those lines. Even though I mentioned that we use age and income these are referred to within the "race" bubble. Our history does influence how the different segments are viewed and marketed to. Higher income whites may be more rebellious while upper income black kids are more aware of needing to work hard and take varsity more seriously-different mindset even though they are similar in demographics.	Brand House

There are a number of layers (a combination of these are used depending on the type of product or service) - Demographic - Psychographic (attitudinal) - AMPS – big in SA contemporary - LSM - Product life cycle Combination of these depends on the product you have. Then there may be other things that are industry specific e.g. proximity to a certain type of channel and you can segment according to off premise (bottle store) and on premise (bar) – this is a factor that is critical to someone in the liquor business so it then becomes an additional layer to determining the segment. In this example channel is very NB as it's where you interface with the consumer. Another example of industry specific segmentation is within banking - credit rating – let's not mine where there's no gold. Because you want to minimise wastage.	Nedbank
For a brand like Patrone – in their **stage of development (PLC)** in ten years time, when they conduct segmentation it will be different but where they are now, they'll care less about bottle stores and more about bars and clubs because this is where the product is consumed and people can thus experience the brand. They are still in the build phase. Therefore there segmentation is about where they will find the consumer. Income falls within LSM as it looks at affordability. AMPS has to do with media. So combination of these factors is used. Segmentation can be brand-specific, category-specific, brand lifecycle specific **An organisation, in formulating their segmentation strategy, would have to understand the level of correlation to their business all the variables are.** Need to understand the correlation of these things to their business in order to find out where they should use them. From least important to consumer making a decision about your brand. Conduct a correlation study – a correlation between the variable and your business. Rank the variable from least, to most important in determining the purchase of your product or service and **use the variables that are most relevant.**	
We use consumer mapping and profiling and time to do ethnography and go into the depth of the consumer. We are currently doing a segmentation research in Mozambique, where we are trying to avoid typical classifications. We rather try and map 6 consumer types. It's variables need to be multi model.	Neilson

Question 4 – Are you aware of any other segmentation variables? Please elaborate.

1. 5W's, Haylen model and synsidium (1 of 11)
   a. Battery of statements
2. Religion (1 of11)
3. Usage (1 of 11)
4. Tribes (2 of11)
5. Not aware (or using any other segmentation methodology) (6 of 11)

Response	Company
There are many segmentation approaches – 5W's from added value, needscope, the Haylen model, synsidium etc – most cluster people into groups by common values/ attitudes/ behaviours and once the segmentation is complete you have to decide what to do with it	SAB
We've only ever used demographic because it's the most effective way to discriminate within the market. Most effective way to do segmentation seems to be to profile market on a demographic basis and then overlay psychographic and attitudinal understanding of that segment. But I think what they've found is that attitudinal can apply to different age groups ie. Different age groups have same attitude. There aren't enough distinctive little	SAB

attitudinal groups to market to them specifically, not differentiating enough and quite difficult to access people and their attitudes. How would you find people who behave in this particular way? Very hard to do.	
Haven't come across new methodology but I'm not an expert or researcher. Not the right person to answer this.	SAB
I have never heard of astrology as a segmentation method, though it is quite interesting because astrology speaks to personality, which is a driver to purchase behaviour – are Aries more impulsive than a Taurus? Aries more likely to drive a red flashy Ferrari while a Virgo may be more down to earth. This is a fascinating view to consider.	Brand House
You can address differences through communication or different reasons to believe or reasons why they should be using your product or you can develop completely new products to address this very different behaviour.	Colgate Palmolive
There is a need for additional segmentation methodology, but in banks everything is driven by systems. They inform the information we have on customers. It is hard to input other dimensions into this system. The community monitors itself (ensuring that people lead quality lives) – UBUNTU Young people working and living in town have started organising themselves into small groups because of the similar lifestyles they lead. People are organising themselves into tribes.	Standard
Up until we developed this new low cost product, we were using the same segmentation variables.	Discovery
I think of a country like Nigeria, which is polarised around religion – Muslim and Christian. There's a religious segmentation that prevails in the country. So layering is important in such markets, but this is where organisations get lazy – because they think it's too time consuming and costly to incorporate into their existing models – hence they default to apply the stand – race, income, age, geographic location	HKLM
I haven't really heard of any, but I can understand the rationale. Looking at the Black Diamond study, there are political connotations and some materialistic definitions. There is a fibre of materialisms within our culture which comes through the BD study. The South African context is still very racially charged.	Nedbank
The other segmentation variables include usage – so you'll have light and heavy users.	SAB
I have not come across anything new	Draft FCB

Question 5 – What differences do you see in marketing to emerging markets versus developed markets

1. There is a need for different methodology (3 of 5)
2. There is no need to have different segmentation methodology in emerging markets (1 of 5)
3. Demographic variables are still the most important segmentation variables (1 of 5)

Response	Company
We run segmentations specifically for each market	SAB
The basic human behaviours around the categories in which we operate are the same everywhere in the world eg brushing your teeth. So most of the behaviours are shared from country to country but you're going to have an element of behaviour or attitude that's going to be different from country to country and you can either address these differences through communication (different reasons why they should be using your product) or you can develop totally new products that directly address those behaviours. Our business model needs to mould itself to fit what the consumer needs are and if the needs are very different I have to find a way to address those needs, it could cause real disruption in the business but if I can find a cost efficient way, I'll make those changes to deliver that.	Colgate Palmolive

When you look at doing segmentation in a developing market the income band you're in can have an influence on your access. In developed markets, even the lower LSM groups have access to resources. This makes location a key factor (or variable) within an emerging market. Someone who lives in a rural area does not have the same access as someone in London who has a well-developed (transport, social, political, information) infrastructure.	SAB
Recognising homogenous and non-homogenous groups is important. Some developing markets are more homogenous than others and if that is the case then perhaps it is useful to start looking at other variables to bring out differences and to cluster consumers. SA also has a high gene coefficient. Much bigger than the rest of the world - perhaps this tells us that our consumer behaviour are driven more by their **disposable income** than by **race.**	Brand House
I don't see why it needs to be different. Even though I said it's important in emerging markets – segmentation is important no matter where you operate from, it's important all over the world. Developed economies have many immigrants and you got to sell to that market to. I could be sitting anywhere in the world and talk about needs based segmentation – e.g. Deodorant. There are different requirements –people who want to stop sweat and odour, now you have people with sensitive skin, others want to smell good and others want this entire offering, but without the white marks it leaves on my clothing. That's needs segmentation based and you develop products based on those needs because the market is homogenous – the engine is the same but you amend to according to different needs. The needs are defined by any of the segmentation variables we've discussed – they are just needs. They are NOT defined by demographics or psychographics. Now where does that need come from – you want to understand what informs those needs. Core needs define how you package your products and take them to market. WHAT MATTERS IS – THE INSIGHT, not the artefacts.	Nedbank

Question 6 – Are you familiar with the black diamond study – were these variables sufficient

1. Yes these variables are the most discriminating variable, no other variables are (1 of 6)
2. Culture as a variable would have made the segment more apparent (2of 6)
3. There is a general need for additional segmentation variables (2 of 6)
4. It would be expensive to have additional variables (2 of 6)

Response	Company
They are some of the most discriminating variables so very good to use, and as a general segmentation I think this is fine. If however, you are able to segment specifically for your business/ industry that is generally better	SAB
If you brought psychographics in, you may find that the purchasing decisions and patterns of this segment may be driven by culture or may impact culture. E.g. Difference between middle class in KZN and Eastern Cape, if dig deeper could discover that this is due to culture or religion. Culture adds another level to segments as it influences behaviour	SAB
Can look at all the demographics and find there are still differences across regions. Psychographics is a nice way of picking this up. Can pick up tip of ice berg then need to look deeper. Psychographics pick up these slight differences which allow for further digging but at least picks it up.	

There is a need for culture in segments but systems drive everything in financial sector. Systems inform the information we have on customers. Its very hard to input other behavioural information such as culture and location into system. Geographic location doesn't give as much insight as people within the same geographic location behave differently	Standard Bank
Also we're finding it in property, in lower end market e.g. RDP houses, strongly organised community with strong community leader has lowest default rate and we would have a different collection strategy for them. Communities behave differently. Young people have apartment living and shift towards Johannesburg city. There is a need for culture because of dynamic of SA, rapid change. Do need to find other creative ways, SA is so diverse, dynamic and is changing, but it's a very expensive exercise to build a new systems to give us information on this. I have little faith in research houses, use very western methods. Interact understands SA market well, design call centres based on thinking of South Africans. Market dynamics different in Europe but research houses use methods that are tried and tested there. But this will change with focus on emerging markets. I'm very disappointed with research techniques of research houses here. We have to use companies that do out of the ordinary research e.g. geoscoping. They use other ways, out of the box thinking. Systems and business models need to be designed to do these new things. Variables may change with new systems.	
I think when you decide that this is the market; you have to make a number of assumptions – if one of the variables is education for example – then you have to assume that regardless of their ethnic background – they have a certain mindset and therefore life assurance products are key to these people. Reality suggests otherwise though – but the assumption has to be made. When you look at the variables that have been used – I can't think of anything else that will need to be added when you segment the black diamond market (or other emerging market segments) It is income, age, lifestyle. I doubt the significance of the "ethnicity" issue.	Brand House
I would say what matters most is not the artefacts, but it's **the lowest common denominator.** The artefacts for me are fact that – you're a women – I'm a man, we are different, we have different complexions. The common denominator (the truth is) is that actually our differences don't matter because we have the same aspirations. We strive for exactly the same things. Yet if you focus on the artefacts, one may think that we're looking for two different things. But the common denominator says we are looking for the same thing That is called – **INSIGHT!** What matters is the insight which informs what business and brands do. I think culture/ethnicity a red herring and I think we make too much of an issue out of it. I'll tell you where it matters – where it matters is in the <u>**tone you use**</u> to communicate with me. The truth is BD's are materialistic, but do you want to be told you are, no – so the TONE has to fit in with everything else that I am. TONE MATTERS. A Zulu man today does not necessarily want to see an advert with him in traditional clothing, but in the insight, you (as the marketer) must realise that he is saying I'm authentic, I'm an afropolise, I live in a modern society and I value my background, my values my culture. Talk to me respectfully. The artefact is the fact that I'm Zulu (African) and the **insight is the fact that I want to be talked to – not talked at. I want respect when you address me. Marketers make a meal out of it and its wrong.**	Nedbank

These additional variables could be a source of wastage – its analysis paralysis. Marketers need to understand based on their product or service – to what level of derivative (segmentation) they need to go to. It doesn't mean that everyone must segment to the tee – you segment to a level where it is sufficient enough to demonstrate sources of volume.	
I think of a country like Nigeria, which is polarised around religion – Muslim and Christian. There's a religious segmentation that prevails in the country - all the dialect issues and tribal issues. So layering is important in such markets, but this is where organisations get lazy – because they think it's too time consuming and costly to incorporate into their existing models – hence they default to apply the stand – race, income, age, geographic location. So the segmentation becomes fundamentally flawed. Yet there is merit in digging down to these levels.	HKLM

Question 7 – Are you aware of any new developments in segmentation?

1. Shopper segmentation (1 of 5)
2. Scanning devises at point of purchase (1 of 5)
3. Culture (language, ethnicity) (1 of 5)
4. There have been few developments in segmentation (1 o f 5)
5. Geoscoping (1 of 5)

Response	Company
We like to think that the approach we are following is leading edge, particularly with regard to shopper segmentation. Other than that, I think lots of research agencies are focusing on shopper	SAB
So I think marketers will continue to segment because that's a very rational way to cut through and make sense of things, what will change over time is that the greatest availability of data on behaviour will be available through **the till**. In SA only 40% of our market is read through scanned data, most of it is manual i.e. spaza shops etc. so we're still evolving the SA towards the future, but we're going to a place where virtually everything is scanned and you know time, and where… and if there is a way to marry the purchaser of that data with the behaviour then you come up with a massively powerful tool to understand behaviour.	Colgate Palmolive
Research companies in SA are disappointing. We now have to find ordinary organisations that conduct geoscoping (which is a rare process) but it works. Companies like these focus on key behaviour insights. But at the end of the day it is an expensive process, because it has to link up to our systems and our business model. Furthermore, our systems need to be able to speak to each other. Our system will only be ready in 2015, the profile of the consumer market would have changed.	Standard
I think there is a strong element of this view in segmentation (if it isn't broken - don't fix it) if you look at the two markets we operate in, some of the established variables are still there, there has been a tweak here and there to accommodate the fact that you're dealing in a different market, but you almost have to say, in almost every market there are standard variables that will be used – regardless if its emerging economy or not There are basics. Then you can add to it with psychographics and so on. Variables used for segmentation are very market specific. In our environment, the chances of you walking out with a sale, having been language insensitive are poor. So there are issues that are market specific, but the basic segmentation variables remain.	Discovery
From what I can recall, the entire premise of segmentation is to be able to provide a measurement basis, which brings out the biggest difference between groups so if this	Brand House

was astrology there would be space to consider this – and hence you have to identify variables that give the most distinctive difference between the segments. If it were proven that culture is a greater determinant of purchase behaviour, versus age or income, then I definitely think that they would be safe options to use. That in itself needs to be a study i.e. it would be interesting to see if most Amstel drinkers all born in April or are Amstel drinkers primarily Zulu. It would be interesting to see (across different categories) as to which of the variables are the strongest determinant of the purchasing behaviour.	

Question 8 – How familiar are you with the idea of using culture, ethnicity and ubuntu as segmentation variables?

1. They are difficult to measure (1 of 8)
2. These variable have a bearing on behaviour (1 of 8)
3. They can be included as an additional layer of segmentation (1 of 8)
4. They have costly to incorporate and have no commercial bearing (1 of 8)
5. Basic demographics are more relevant in any context (2 of 8)

Response	Company
Only as diagnostics, they are too difficult to target	SAB
Research on ethnicity and culture are not done in marketing sector but rather the sociological sector. Good to know about different cultures but how to direct marketing spend to one culture specifically? I've never come across segmentation done on basis of culture. Culture complex, not clear, not clearly measurable and need to clearly identify segments so behaviour can be tracked. Not impossible but not as clear cut as demographic variables. Also, media spend in SA still done on demographics It's easier to align the segment with the way the money is spent. Segmenting according to cultures is possible but boils down to size of the segment, in SA segments probably not large enough. Segmentation critical for strategy formulation. Probably no new segmentation methodology because demographics is the most effective, unlikely that other avenues haven't been looked at.	SAB
Colgate? is a very global company and we are interested in getting to the common denominator behind the categories so way segmentation is done is you develop a battery of statements and people evaluate their level of agreement or disagreement and then you use a factor analysis to try and get the commonalities. Statements tend to be the same from country to country since brushing your teeth is brushing your teeth. The answers to the questions will change but the questions will be very similar. In certain markets would have to introduce different kinds of statements where you know that there are behaviours that are different which can be driven by culture e.g. in India may have to add a question about tooth powder, if not I'll miss something big. So a lot of the statements are the same but as people answer the questions you'll find that countries have different...they may result in different segments so the groupings in the way people answer questions may be different and new segments might emerge so you won't necessarily have the same segments per country and where the segments are the same for different countries, the percentage of people in each segment will change from country to country and those changes may be along economic lines or they might not. They could be along cultural lines e.g. Brazilians brush their teeth three times per day and want freshness while South Africans have a mix of people wanting functions like strong teeth and freshness – so these are two emerging markets but their people have different orientations. You don't just come up with segments, you put a lot of work into it and develop hypotheses about what's important to people in a category and that's how you develop statements to drive segmentation. So combine knowledge of category with what	

you can learn about the people and their behavior in the category.	
Yes, could think of culture and religion as these have huge impacts on behaviour e.g. Muslim vs. Jewish. Culture does very overseas e.g. England but not nearly as much in developing countries i.e. SA, India etc. Different cultures in different provinces, which also impacts on different religions. Danger is stereotyping people. Are stereotypes accurate? Do they make sense? In developing markets would need to look at cultural landscape for individual country.	SAB
Up until we developed this new low cost product, we were using the same segmentation variables. The introduction of a brand new market required us to use variables that (in our business) are only applicable in that space. In our other markets, it doesn't matter what language one speaks and general, English is the medium of communication. But I can't do an English presentation in the low cost market, I will be perceived as being high flown and speaking down to them. I need to talk to this person in a language and tone that they understand – and I don't know if this can be identified as being cultural or is it just language? Not sure about what variables you use if we all have money.	Discovery
I wonder if it would be as powerful, because you look at us as friends and you'll realise that we all have different cultural backgrounds, but what brings us together is not our cultural background, but rather commonalities, our age, education, income. Those commonalities seem to be a strong force of cohesion than our cultures. To build a segmentation model, you really have to input that data and see what natural clusters form – and you may find that these segmentation models have stood the test of time for so long because **age and income** are really powerful predicators of buying behaviour. (Lifestage)	Brand House
Things like culture and ethnicity I would add under demographics. Way of thinking/mindset is psychographic. For me the definition of demographics is: a disaggregation of a society – it breaks it down to its lowest elements, which is what these variables do. Tribes: Apple example: the core equity of apple is its interface "or touch points" by just downloading iTunes, it's so interconnected – I had to buy an iPod. I get iTunes for free so it gets me hooked. Next I get books – so I'll read them from my PC, but if I want to be mobile, I need to get an iPad. Now my phone doesn't connect to my iPad – next thing I'm getting iPhone etc... So I've bought four or five Apple products. So they've kept their core competency and diversify according to that. Nothing that connects Jeep cars to Jeep t-shirts.	Nedbank
The question is – is it too **costly and time consuming**. You also have to consider global parity – do you put the same amount of effort into all markets? And it depends – you wouldn't go to these levels of segmentation (ethnographic study) if it isn't going to be worth your while. There may be a bit of a trade off between the viability of the investment and times versus the benefits to be derived. MTN for example made basic mistake of using the wrong imagery – SA people in Nigerian commercials, they didn't appreciate the local content and context.	HKLM
There would be merit in this but you'll also find that as people become more economically empowered, they taste and preferences develop. That is what the marketers were probably banking on. i.e. they expected people who now have the means of access to certain things would want the same things as the people above them. I don't know how much of a role ethnicity would play –are we saying one group has higher spending patterns than the other? I can't see the validity of going down to this level of segmentation. Maybe – in terms of knowing what type of things they like – but I'm not sure if this will translate into commercial success.	Neilson

Question 10 – How interested would you be in trying some of the proposed segmentation variables?

1. We have tried different methodology and they do not work (1 of 5)
2. We would definitely consider other segmentation methodology (1 of 5)
3. Depends on how they work with our existing systems, time and the cost benefit (1 of 5)

Response	Company
SAB has tried to work with psychographic segmentation but it didn't work, not sure why. We use demographics because it works for us. They would consider anything as long as it fulfills the requirements of a successful segmentation exercise – if it delivers against that, then absolutely	SAB
SAB would definitely consider these new issues such as culture and religion. It's an evolving thing, not necessarily set.	SAB
The question is - is it too costly and time consuming? You also have to consider global parity do you put the same amount of effort into all markets? And it depends you wouldn't go to these levels of segmentation (ethnographic study) if it isn't going to be worth your while.	HKLM
Ethnicity and language will depend on the product if you're selling a type of food, then ethnicity would be important, but if you're selling small commodity items. With a lifestyle product like whisky, it will depend on how the consumer shops the product. So here you can segment based on personal tastes (ME), and it can be based on the (WE) how other people perceive. So the influence of your background (cultural and otherwise) would depend on the type of product so it could vary from food, to whiskey, to cosmetic products. I don't think the ethnicity issue is as big as we make it here in SA.	DraftFCB
I think they may consider new methodology because everyone is trying to scrape out the next opportunity. So if you can come in with something that's a bit more relevant, at the end of the day translates into more business for them, I'm sure they'll be willing to listen, especially if they understand the value that can be derived from them.	Neilson

Question 11 – How do you see segmentation in emerging markets in future?

1. Uncertain (1of 4)
2. Scanning at point of purchase (1 of4)
3. It's critical to be innovative (try new methodology) (1 of 4)

Response	Company
Not sure	SAB
So marketers will continue to segment because that's a very rational way to make sense of things. I think what will change over time is that the greatest availability of data on behaviour is going to be through the tills. In emerging markets, for example SA only about 40-50% of our market is read through scanned data meaning when you buy something at the till its scanned and then goes into a computer system, Most of it is manual so we're still evolving South Africa but we're not there. Virtually everything is scanned, every single transaction is recorded, what was purchased and what was purchased at the same time and when and how frequently. If there's a way to marry the purchaser of that data and what we know about that purchaser with the behavioural patterns of the purchase you unlock a massively powerful tool to understand human behaviour. They way that companies are addressing this is through	

club cards e.g. Clicks club card and Pick n Pay card. They are modelling themselves on Tesco in the UK and some companies in the US but by slowly collecting consumer data on that card, i.e. who you are, where you live, how many kids you have and then getting down to what you think about life and your behaviours and marrying that to scanned data gives me an opportunity to target you as an individual and to group you with people that are like you and the segments that we can target very directly. I know who you are, how you behave, what you think and what you want. So for me, the ultimate future of segmentation is when we can find ways to marry data coming from till points with our increasing knowledge of the consumer that's purchasing these goods	
I think more and more we'll start seeing fewer groups – we will homogenise over time as culture as SA, as we build a more cohesive culture. Before there were 4 main groups historically – black, white, Indian and coloureds, **I think income and education will start to have more of a presence than race.**	Brand House
For me it's absolutely critical that new methodology are pursued, particularly as we compete for share of heart, mind and pocket – companies that don't look at the segmentation differently face a danger of falling behind. This is innovation of a different kind, which is built around a changing consumer landscape. Look at the way families are today versus how they were. We are now forming tribes around our interests and our hobbies. And therefore, just because I'm a young upwardly mobile man from Soweto, doesn't mean I'm an Orlando Pirates supporter – actually – I'm a ManU supporter. We can't keep up with the changing consumer landscape by looking at historic data and using traditional models. Social media also has to be integrated into this data collection methodology as it (social media) is on the frontier of redefining consumer markets.	HKLM