



An Analysis on the Conditions and Methods of Market Segmentation

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Abstract

With the development of world economy, there are so many enterprises occur around the globe. Simultaneously, the business competition among them is becoming more and more fiercely and consumers are also diverse in needs and wants. Thus, the exact market segmentation is absolutely vital for business success and market gains. This paper discusses mainly on the conditions and methods of market segmentation through relevant theories reviews and some real cases analyses. There are lots of bases or variables to segment markets which include consumer markets and industrial markets, such as geographic segmentation, demographic segmentation, psychographic segmentation and behavioral segmentation and so forth. On the basis of these variables, business can segment the market which it can serve best and benefit most from which.

Keywords: Market, Market segmentation, Bases, Diverse needs

1. Introduction

Today, companies recognize that they cannot appeal to all buyers in the market or at least not to all buyers in the same way. Because each of the buyers is unique, and they come from different backgrounds, live in different areas and have different interests and goals. As a result, they are too varied in their needs and buying practices. What's more, the companies themselves vary widely in their abilities to serve different segments of the market. Rather than trying to compete in an entire market, each company must identify the parts of the market that it can serve best and most profitably. During the past century, major consumer products companies held fast to mass marketing, which means mass-producing, mass-distributing, and mass-promoting about the same product in about the same way to all consumers, because they thought that mass marketing creates the largest potential market. However, the diversity of consumers and fierce competition has made it hard to practice mass marketing. Thus not surprisingly, many companies are now retreating from mass marketing and turning to segment marketing, and history has already read (or is reading) this typical, or the very story in China today. Especially, as China entered into WTO, more and more foreign companies have penetrated into the market of China, which brings about more intense competition and more threats to Chinese enterprises. Therefore, in order to possess a share of market, Chinese enterprises should carry out market segmentation to find market segments from which they can benefit most and in which their products are most competitive.

2. Definitions of market segmentation

Market segmentation was first put forward in the middle of 1950s by Wendell.R.Smith, an American professor of marketing. "Market segmentation is to divide a market into smaller groups of buyers with distinct needs, characteristics, or behaviors who might require separate products or marketing mixes." (Charles W. Lamb, 2003, p. 214). Or explained in another way, market segmentation is the division of the whole market into smaller, relatively homogeneous groups.

Different marketing professors have different explanations of market segmentation. Peter D, Bennett ed, a faculty member at Pennsylvania State University, gave a more specific and detailed definition of market segmentation in his Dictionary of Marketing Terms. According to him, market segmentation is the process of subdividing a market into distinct subsets of customers that behave in the same way or have similar needs. Each subset may conceivably be chosen as a market target to be reached with a distinctive marketing strategy. The process begins with a basis of segmentation—a product specific factor that reflects differences in customers' requirements or responsiveness to marketing variables (possibilities are purchase behavior, usage, benefits sought, intentions, preference or loyalty). Steven C.Wheelwright, Senior Association Dean of Harvard Business School, defined in this way: market segmentation

consists of clustering the firms' potential consumers in groups (called market segments) that clearly differ from each other but show a great deal of homogeneity within the group. In other words, the objective is to find groups of consumers who share the same or similar preferences. However, it is also important that the so-created groups be sufficiently different from each other.

Although so many definitions of market segmentation are given with different words, the core of market segmentation is that it's a set of potential customers alike in the way they perceive and value the product, in their purchasing behavior, and in the way they use the product.

3. The Role of market segmentation

Until the 1960s, few companies practiced market segmentation. However, recently it has become popular and played an important part in the marketing strategy of almost all the successful organizations. Market segmentation has been a powerful marketing tool for several reasons.

Most importantly, nearly all markets include groups of people or organizations with different customer needs and preferences. Market segmentation helps marketers define customer needs and wants more accurately. Secondly, market segmentation is useful for firms to find market opportunities. Under the situation of buyer's market, the marketing strategy of the business should be made to find attractive market environment opportunities. Thus market segmentation is the right tool to achieve the goal. Because by market segmentation the enterprise can know what needs have been satisfied, what needs have been met partially and what wants are still the potential ones. Accordingly, that what commodities are of fierce competition, and what commodities need to be developed will be found. Therefore, market segmentation provides the enterprise with new market opportunities. Thirdly, it helps the company master the features of target markets. Fourthly, it is significant for the enterprise to design marketing mixes. Market mix is a kind of marketing plan made by business through considering product, price, sales promotion, selling place and other factors. There is only one best mix for each specific market and the best mix is achieved only by market segmentation. Fifthly, through market segmentation small companies can develop market and survive among the big companies. Customer needs vary greatly and are different from each other, so even if it is a big company, its resources are limited and couldn't satisfy all the needs of the whole market. In order to exist, the small companies should make use of market segmentation to segment the whole market so as to find the market segments which are suitable for their own advantages and where wants and needs are still not satisfied. The last but not least, market segmentation makes it easier to get feedbacks and regulate the marketing strategy. Because in the market segments, enterprise supplies different products for different market segments and makes suitable marketing strategy for each market segment. As a result, it is more convenient to get market information and perceive the responses of customers. All these are of great importance for the business to develop the potential needs and adjust the strategy in time.

4. The Steps in segmenting markets

As the above shows that market segmentation is the key strategy for almost all the successful organization. Thus, learning how to segment markets is becoming very pressing.

According to Charles W. Lamb and Carl McDaniel (2003, p. 228), the first step in segmenting markets is to "select a market or product category for study". It may be a market in which the firm has already occupied a new but related market or product category, or a totally new one. The second step is to "choose a basis or bases for segmenting the market". This step requires managerial insight, creativity and market knowledge. There are no scientific procedures for selecting segmentation variables. However, a successful segmentation plan must produce market segments which meet the four basic criteria: "substantiality, identifiability, accessibility, and responsiveness". The third step is "selecting segmentation descriptors". After choosing one or more bases, the marketer must select the segmentation descriptors. Descriptors identify the specific segmentation variables to use. The fourth one is to "profile and analyze segments". The analysis should include the segment's size, expected growth, purchase frequency, current brand usage, brand loyalty, and long-term sales and profit potential. This information can then be used to rank potential market segments by profit opportunity, risk, consistency with organizational task and objectives, and other factors which are important to the company. The fifth step is to "select target markets". This step is not a part of the segmentation process but a natural result of it. It is a major decision that affects and often directly determines the firm's marketing mix. The last one is "designing, implementing and maintaining appropriate marketing mixes". The marketing mix has been described as product, distribution, promotion and price strategies which are used to bring about mutually satisfying relationships with target markets.

The steps mentioned above are the basic steps for enterprises to segment their markets, but every enterprise has its own situation and marketing strategy. Therefore, each enterprise should adjust its steps to segment the market in accordance with its own market on the basis of the basic steps.

5. Bases for segmenting consumer markets

There are two main markets: consumer markets and business markets. In the process of market segmentation, each of

the two markets has its own segmentation bases or variables. Here arises a new concept – segmentation bases or variables. They are features of individuals, groups or organizations and often used by marketers to divide a total market into segments. The choice of segmentation bases is significant because an inappropriate segmentation strategy may lead to lost sales and missed profit opportunities. The key is to identify bases or variables which will produce substantial, measurable, and accessible segments which are crucial for carrying out right marketing mixes. The followings are the bases for segmenting consumer markets.

5.1 Geographic Segmentation

Geographic segmentation calls for dividing the whole market into different geographical region units, such as countries, states, regions, counties, towns or streets. The enterprise can determine to do business in one or more geographic regions or to operate within all the regions, but much attention must be paid to the differences of needs and preferences among regions. Different regions have different customs, so the enterprise must execute marketing strategy in accordance with the local situation.

Many companies today are localizing their products, advertising, and promotion to fit the needs of individual regions, cities and even neighborhoods. For example, Campbell found that its canned nacho cheese sauce, which could be heated and poured directly onto nacho chips, was too hot for Americans in the East and not hot enough for those in the West and Southwest. As a result, today Campbell's plants in Texas and California produce a hotter nacho cheese sauce than that produced in the other plants to serve their regions better. Some other companies are seeking to cultivate those untouched or untapped areas. For example, many large companies are leaving away from the major cities and suburbs with fierce competition to set up shops in small-town America. Hampton Inns has opened a chain of smaller-format motels in towns too small for its standard-size units. For example, Townsend, Tennessee, with a population of only 329, is small even by small-town standard. But the result is very satisfactory. Situate on a heavily traveled and picturesque route between Knoxville and the Smoky Mountains, the village serves both business and vacation travelers. Hampton Inns opened a unit in Townsend and plans to open 100 more in small towns. It costs less to operate in these towns, and the company builds smaller units to match lower volume.

Geographic segmentation provides useful distinctions when regional preferences or needs exist. But it's important for marketers not to only use geographic location as a segmentation method because distinctions among consumers who are in the same geographic location also exist. Therefore, using multiple segmentation bases is probably a much better strategy for targeting a specific market.

5.2 Demographic Segmentation

In demographic segmentation, the market is divided into different groups on the basis of age, sex, family life circle, income, occupation, education, religion, race, generation gap and nationality. Demographic variable is the most commonly used base to identify consumer groups. Partly because the desires, preferences and usage rates are closely related to demographic variable and the other reason is that it is easier to measure demographic variable than other types of variables. Even if the target are described according to non-demographic factors (say personality type), but demographic factors should be considered in order to know the size of target markets and reach target markets effectively.

Maybe generation gap, as a variable, is a little difficult to understand. Therefore, more explanations will be given to show how generation gap has been used to segment markets. Many researchers recently have intended to segment markets by using generation gap. This idea comes from the fact that each generation has been affected greatly by the environmental background of the process of growing up, such as music, sports, policies and different kinds of events at that time. Demographers call these groups as "cohorts". Members of a cohort have the same main experiences. Marketers often advertise to a cohort group by using the "icons and images" dominant in their experience (Joseph F. Fair, 2003, p. 291). Meredith, Schewe and Karlovich (2002) distinguish seven groups: "the depression cohort, the World War II cohort, the postwar cohort, leading-edge baby boomer cohort, trailing-edge baby boomer cohort, generation X cohort and the generation Y cohort." (Cathy Goodwin & James W. Gentry, 2000). For example, an advertising company, Leo Burnett, has analyzed the young generation of China through generation gap. The result shows that in China, the "open-minded generation" puts emphasis on the sense of achievement, love relationship and the inner harmony. They are willing to spend more money rather than time. Although they still attach to their parents, they are eager for modern life. Their parents are called "old generation" and pay much attention to setting good examples for their children, and striving for a bright future of the country (Fara Warner, 1997). So on the basis of the study, the scene of an advertisement made by McDonald in China is that a grandfather is eating French fried chicken with chopsticks.

5.3 Psychographic Segmentation

In this segmentation, the customers are divided into different groups according to life style or personality or values. People in the same demographic group may show great differences in psychographic features. Life style is formed partly because the consumers are "time-constrained or money-constrained". Those whose time is limited intend to do

two or more tasks at the same time, for example, they will call someone or eat while they are driving, or they will go to work by bike in order to build up their bodies. They prefer cats to dogs for it is easier to feed cats. Thus some firms will offer convenient services for these time-constrained customers. And for those money-constrained customers, the firms will offer services or products with low costs. Another aspect of psychographic segmentation is personality. With different personalities the customers may exhibit a great variety of preferences. Some customers are frank; some are full of vigor and enthusiasm; some are reserved and like what are conventional. As a result, the firms must add personality to their products so as to meet the needs of customers. The typical example of using personality to segment markets is the automobiles companies. They design different types of cars that are family-used for those conservative buyers or which symbolize vigor and fashion fitting for the youth. Another example is Hello Kitty of Sanrio. This brand owns a group of loyal customers and so this Japanese company, Sanrio, receives wide support from those young women in Japan who prefer to prettiness. Sanrio has found that in times full of uncertainties, the young women yearn to those cartoon characters during their childhood. The render, round and silent image of Hello Kitty stimulates the sense of concern and protect of them. Because Kitty has no expression on its face, people can own it with the expression they expect it to be. For the young girls Kitty is their companion; and for girl students of secondary schools, it is their special friend.

5.4 Behavioral Segmentation

In this segmentation, buyers are divided into groups on the basis of their knowledge of, attitude toward, usage of, or response to a product. "Many marketers believe that behavioral variables, including occasions, benefits, user status, usage rate and loyalty status, are the best starting points for constructing market segments." (Philip Kotler, 2007)

The first one is occasions. Buyers can be distinguished according to the occasions when they begin to need, purchase or use products. Occasional segmentation can help the companies to enlarge the usage scope of their products. For example, sometimes the companies can take the advantage of some festivals, such as Mother's Day and Father's Day, to increase the sales of candy and flowers, and there are also many companies that prepare products for promotion on Christmas. "A company also can be concerned about some special events in the life, such as getting married, giving birth to a baby, being ill and being fired, to give these people new needs." (Geoffrey E. Meredith, 2002)

Another segmentation included in behavioral segmentation is user status. Markets can be segmented into groups of "non-users, ex-users, potential users, first-time users and regular users" of a product (Philip Kotler & Gary Armstrong, 2005). The key to being successful for the enterprise is carrying out different marketing strategies so as to keep their regular customers and attract new or potential customers. For example, some potential users will become real users in some stages of the life, so mother-to-be (those who are now pregnant and will become mothers soon) will soon turn into heavy users. Producers of infant products and services will know their names and offer them with products to capture some of them who will become buyers of the companies. The leading companies in the market aim to attract potential users for they can benefit more by doing so, while the smaller companies focus on going all out to appeal to current users away from the market leaders.

The last one is loyalty status. The consumers can be loyal to some brands, stores or companies. The company, Oliver, defined loyalty as a deep promise that cannot be influenced by the outside world or by the transformed behaviors occurring in promotion activities and will continue to prefer to some product or service and purchase again. Buyers can be divided into four groups according to brand loyalty status: "hard-core loyals (consumers who buy one brand all the time), split loyals (consumers who are loyal to two or three brands), shifting loyals (consumers who shift from one brand to another), and switchers (consumers who show no loyalty to any brand)" (P. Rossi, E. McCulloch and G. Allenby, 1996). The enterprises can learn a lot from analyzing the degree of consumer loyalty. Firstly, the enterprises can know what consumers are loyal to their products. If they study those consumers with low degree of loyalty, they can learn which brands are their real competitors. For example, if the consumers of Pepsi, at the same, drink Coca-Cola, Pepsi should take changing its brand positioning into account. Secondly, through studying those consumers who have given up their products, the companies can get known of the weak points in marketing strategy. And what's more, as to those consumers without loyalty, the enterprises can make use of promotion to attract them.

6. Bases for Segmenting Industrial Markets

Consumer markets and business markets use many of the same bases to segment their markets. Business buyers can be segmented geographically, demographically or behaviorally. Yet business markets also use some additional variables, such as "customer operating variables, purchasing approaches, situational factors, and personal characteristics." (Philip Kotler, 2007, p. 296). By going after segments instead of the whole market, companies will have a much better chance to deliver value to consumers and to receive maximum rewards due to close attention to consumer needs. The followings are the variables proposed by Bonoma and Shapiro (1984) in segmenting the industrial markets and major questions that business marketers should ask in determining which segments and customers to serve.

6.1 Demographic Segmentation

Demographical variables include industry, company and location, the related questions are which industries they should serve, what size companies they should serve and what geographical areas they should serve.

There are great differences among different regions in the aspect of needing some industrial products. For example, a lot of companies producing computer hardware are located in Silicon Valley of California. Moreover, some markets possess regional features for the buyers who want to purchase from the local suppliers. It is very hard for the non-local suppliers to compete with them in terms of price and service. Thus, in order to make profit within the industries geographically concentrated, enterprises should be established close to the market. To answer the question that which industries they should serve, one example will be given. The sellers of computer can sell computers to banking system, manufacturing system, medical care system and education system and so on. These industries have different requirements for software program, and service. On condition that business marketers acquire a deep understanding of every industry's needs, more efficient marketing mixes can be designed.

6.2 Customer Operating Variables

Operating variables include technology, user or nonuser status and customer capabilities. That what customer technologies they should focus on, they should serve heavy users, medium users, light users or nonusers, and they should serve customers needing many or few services are the questions to ask.

Customers' requirements for the technologies the producers can supply are different. They seek for different benefits. For example, when buying tires plane producers attach more importance to safety than truck producers do; automobile manufacturers have different requirements for the grades of tires when producing standard cars and automobiles for match. And also the capabilities of purchasing vary greatly. Many enterprises set up special service systems separately for their users different in size so as to meet the features of uses with different kinds of scale. For example, manufacturers of office effects divide their uses into two categories: the regional managers manage large clients such as banks, and their local salesmen contact those smaller users.

6.3 Purchasing Approaches

Purchasing approaches are composed of purchasing-function organization, power structure, nature of existing relationships, general purchase policies and purchasing criteria. In this variable, they should ask that they should serve companies with highly centralized or decentralized purchasing organizations, they should serve companies that prefer leasing, service contracts, systems purchases or sealed bidding, and they should serve companies that are seeking quality, service or price.

Centralized and decentralized purchasing affects the purchasing strategy a lot. Centralized purchasing is closely related to the experts in purchasing of a certain series of products, specialization means that these experts are more familiar with the strong points and weak points of the suppliers than those who are engaged in decentralized purchasing. These experts, such as engineers, are more powerful than those people engaged in decentralized purchasing in the aspect of making decisions. For example, centralized purchasing market segment should be served by national salesmen; while those decentralized purchasing can be served by local representatives.

6.4 Situational Factors

Situational factors are made up of urgency, specific application and size of order. There are also three questions to ask: Should they serve companies that need quick and sudden delivery or service? Should they focus on certain applications of their product rather than all applications? And should they focus on large or small orders?

For those companies that need quick and sudden delivery or service, the door producer, Atlas, sets a good example. It carries out the marketing strategy of effecting delivery within four weeks, as the clients require, in the market of doors for industrial usage (the average lead time in door business is from 12 weeks to 15 weeks). As a result, this corporation dominates the whole market. The main markets of Atlas are those enterprises that need special specification urgently of doors for industrial usage.

6.5 Personal Characteristics

They include buyer-seller similarity, attitudes toward risk and loyalty. The questions that are in accordance with these variables are the followings: Should they serve firms whose people and values are similar to theirs? Should they serve risk-taking or risk-avoiding customers? And should they serve firms which show high loyalty to their suppliers?

The personal characteristics of purchase decision makers (their demographic characteristics, decision style, tolerance for risk, confidence level, job responsibilities, and so on) influencing their buying behavior and thus offer a basis for segmenting some business markets. IBM computer buyers, for instance, are sometimes featured as being more risk averse than buyers of less expensive clones that perform essentially the same function. Therefore, in advertising, IBM emphasizes its reputation for high quality and reliability.

7. Four business segments

On the basis of the above variables, Rangan, Moriarty and Swartz (1992) found four business segments: The first segment is programmed buyers who view the product as not very important to their operation. They buy it as a routine purchase item, usually paying full price and receiving below-average service. Clearly, this is highly profitable segment for the vendor. The second one is relationship buyers who regard the product as moderately important and are knowledgeable about competitive offerings. They get a small discount and a modest amount of service and prefer the vendor as long as the price is not far out of line. They are the second most profitable group. The third segment is transaction buyers who see the product as very important to their operations. They are price and service sensitive. They are knowledgeable about competitive offerings and are ready to switch for a better price, even at the sacrifice of some service. The last one is bargain hunters who see the product as very important and demand the deepest discount and the highest service. They know the alternative suppliers, bargain hard and are ready to switch at the slightest dissatisfaction. The company needs these buyers for volume purpose, but they are not very profitable.

In a word, compared with those companies opening up to the whole market, the companies which serve market segments usually offer values to the customers well and then gain better returns, since they know the needs of customers better. Therefore, an enterprise should at the very beginning determine which industries they should serve. Of course, the promising industries are always chosen. Within the industries which are chosen, the enterprise should further the segments according to its size or location and moreover, design different systems of management for different branch segments. For instance, the company should arrange customer managers for those big clients, while do business with small clients through telephone.

8. Cases study

All the above are the theories of market segmentation. However, in order to be successful, the company must put these theories into practice, that is, make market segmentation flexible according to its situation. Each company has its own segmentation strategy. Appropriate segmentation is related to the operation of one company.

8.1 Coca-Cola and KFC's Geographic Segmentation

Coca-Cola introduced the Fei Yang brand of soft drink exclusively for the Taiwan market, the line comprises teas and juices in such indigenous and distinctive flavors as oolong with iron Buddha leaves, lychee and guava. They are packaged in Tetra packs to give them a separate identity from Coke. What's more, KFC customized its product and strategy to suit Japanese tastes. It positioned its stores as trendy and high class, not as fast-food outlets. French fries were substituted for mash potatoes, the sugar content of coleslaw was reduced and a menu of fried fish and smoked chicken were added. The two cases explain the application of geographic segmentation. Both of them operate in almost all the geographic areas but pay attention to local variations.

8.2 Huffly Corporation

Huffly Corporation was set up in 1928, and now is the biggest producer of bike in America. The success of Huffly should be owed to the appropriate market segmentation. Because according to the analysis of needs features of international bicycle market and the analysis of demand and supply, Huffly took geographic factor, usage of products and consuming level as the variables to segment international bicycle market. Then it divided the whole market into Hong Kong market, South Asian and developing countries market, European market, North American market and so on. Moreover, it analyzed specifically the feature of needs and trend of changing in each market segment. In North American market, America and Canada are the main importers of bikes in international market recently, with the amount of import accounting for over 50% of the total world trade, thus Huffly Corporation firstly established itself in the domestic market and expanded its share of the local market. Then Huffly carried out a series of measures to modify image of the product and enhance the ability of competition. From this case, we can see that the accurate segmentation of the bike market made by Huffly Corporation increases greatly the understanding to consumers and also is helpful for it to find the weakness of competitors, setting basis for positioning exactly.

8.3 Dell Corporation

In demographic segmentation, money-constrained individuals were mentioned. Companies which aim to serve them will create lower-cost products and services as Dell has done in China. Dell launched the Smart Personal Computer in order to bring down the cost of a PC and make it more attractive for 85% of the Chinese urban citizens who don't have a computer but can afford one. The Smart PC costs \$575 but has enough memory to support applications that consumers want to run. Dell sent its sales teams to shopping centers in Chinese large cities to give consumers a chance to "see and touch" the product and make them less worry about buying by phone. Since Smart PC's launch, Dell sales have grown dramatically, giving it a five percent market share in China.

8.4 Miller Beer Corporation

In the late of 1960s, Miller Corporation was ranked eighth in beer industry of America, with only eight percent of

market share and fell far behind many renowned brands. In order to change this situation, they determined to take the strategy of active attack. They, at the very beginning, did a lot of market researches. As a result, they found that if the beer industry was segmented on the basis of usage, the beer drinkers could be divided into light drinkers and heavy drinkers. Although most people belonged to the former, the amount of drinking of them accounted for one eighth of that of the later. They also found some of the characteristics of the heavy drinkers. They mostly were blue-collar workers; they would spend more than three hours every day watching TV; and they liked sports. Therefore, the corporation made its mind to take the group of heavy drinkers as their target market. As a result, they made great achievement. Till 1978, the annual volume of sales amounted to 20 million boxes, ranked as second in America. The case shows that choosing the right target market can help a company capture the market successfully, gaining a majority share of the market. But target market is chosen on the premise of effective market segmentation. A market segment that can bring benefit to the company must be established on the basis of appropriate segmentation standard. Therefore, how to identify the factors in market segment properly is of great significance to a company.

8.5 Motorola's Brand Segmentation

Since the 1990s, the amount of mobile phone users in China has increased dramatically. By the end of 2000, there were 100 million people using mobile phone. It was such a big market that almost all the brands mobile phone in the world were attracted to enter into China, and competition also became more and more fierce. As one of the tycoons of mobile phone market, Motorola is the earliest cross-national corporation to enter into the market of China. In 1987, Motorola almost monopolized the mobile phone market of China. However, in 1996, because of the open of GSM digital network, Nokia and other brands seized opportunities to penetrate into the market of China with market share increasing quickly. Under this situation, Motorola has to modify its strategy to segment the market in details. In the past, Motorola always impressed consumers as conventional, technology-oriented image, and the users of Motorola mobile phone were career-oriented or work-oriented. But as the market expanded continuously, the needs of consumers became diverse. Thus, Motorola must change its former brand image. It used the result of a 25-nation segmentation research project to segment the brands of its mobile phone. It created four different sub-brands: Accompli, Timeport, V. and Talkabout. Accompli is designed for customers seeking leading edge wireless technology; phones with state-of-the-art features such as office assistant software and a large touchscreen. Most users of this brand are men who are fascinated to technology. Timeport phone features Internet browsing software as well as a desktop organizer. It is similar to the Accompli, but caters to the business users who emphasize efficiency and often need to make decision be methodical in their pressing jobs. V. with the latest styles as well as high-end technology targets status-seeking phone users. Top models come with mini-browsers for Web surfing. Talkabout is made for those who use the phone for everyday calling; these phones offer standard features at good value. Recently, in the four groups of target consumers, divided by Motorola, Talkabout belongs to mass consumer market. It will be the consumer market which grows most fast and be the focus for all the manufacturers to compete.

8.6 Office Depot and OfficeMax of America in Japan

This is an opposite one without using proper segmentation variables. In 1998, when Office Depot and OfficeMax entered into the market of Japan, 20,000 small-sized Japanese stationery stores couldn't help to tremble. Because the stationery stores of Japan are very conservative and usually don't allow bargaining. And the two American companies planned to set up several hundreds of office effects supermarkets, which Japanese never saw, and where pens, notebooks and faxes at a discount were sold. However, practice showed that the American shops were too large and too Americanized for Japanese consumers. Firstly, Japanese office effects are very different from American office ones. Secondly, the shops themselves were too Americanized. Japanese couldn't know the labels written by English. As a result, the two companies suffered a lot. They had to modify their marketing strategy to satisfy the local Japanese customers. The case shows the importance of making use of geographic segmentation in a new market.

9. Conclusion

Market segmentation is to divide the whole market into meaningful, relatively small and identifiable market segments, which are groups of individuals or organizations with similar product needs. Before the 1960s, few enterprises carried out market segmentation. However, today segmentation is a crucial marketing strategy. It enables marketers to regulate marketing mixes to meet the needs of particular segments. And it helps marketers identify consumer needs, preferences and find new marketing opportunities, too. Market segmentation is especially significant for Chinese businesses. In view of the more and more important position of China in world trade and its entry into WTO, a great number of foreign-invested companies are entering into China. This phenomenon brings Chinese enterprises advanced technologies and perfect management system, but also it brings more fierce competition. Thus, those domestic businesses in China must plan market segmentation strategy to find market segments from which they can benefit most and to survive among so many cross-national corporations. In a word, to make good use of the advantages of market segmentation is a must for nearly all the enterprises of China and those outside the country.

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