Customer Segmentation in B2B markets: Exploring key success factors, methods and barriers encountered

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ABSTRACT,
In the modern business world, customer segmentation has become an essential asset for companies to align their marketing strategy to the needs of their different customer segments. Whilst customer segmentation has been heavily explored within business-to-consumer (B2C) markets, the business-to-business (B2B) sector, in comparison, is quite underexplored. The nature of the B2B environment and its relationships, including longer sales cycles and customized solutions, result in more complex solutions to tackling customer segmentation. Therefore, this research aims at analyzing customer segmentation in B2B markets and exploring how different B2B firms conduct customer segmentation, including their key success factors, methodologies used, and major challenges encountered.

Additionally, to address the research gap, a qualitative multiple-case study approach is used, which combines theoretical insights with empirical data. This research contributes to a more enhanced understanding of customer segmentation in B2B markets through the combination of theoretical insights with empirical data from multiple firms and industries. The findings highlight cross-industry B2B practices and methods, as well as discovering common success factors and challenges in B2B customer segmentation. Ultimately, this research adds to existing literature, increases the understanding of customer segmentation in B2B markets, and offers valuable insights to B2B firms aiming to improve their customer segmentation processes.

AI statement
"During the preparation of this work, I (Tom Florek) used Chatgpt to formalize and improve the academic writing of the research. After using Chatgpt, I thoroughly reviewed and edited the content as needed and take full responsibility for the final outcome."

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1. INTRODUCTION

In today's business environment, which has become increasingly characterized by high competition, constantly evolving technological change, and high uncertainty, efficiently segmenting customers is essential to achieve business success. In general, segmentation refers to a company grouping its customers from its target markets into segments based on similar traits and behavior (Cortez et al., 2021, p. 415). When comparing Business-to-business(B2B) with Business-to-consumer(B2C) customer segmentation, it becomes evident that unlike B2C, which focuses on demographic or behavioral segmentation, B2B segmentation is more complex. This is due to the nature of the B2B environment, and results in B2B customer segmentation involving more complex factors such as firmographics, relationship intensity, strategic value, and purchasing behavior (Cortez et al., 2021, pp. 416–418). Additionally, through a successful customer segmentation strategy companies are able to refine and customize their marketing and sales strategies as well as prioritizing high-value customers and enhancing resource allocation. Furthermore, developments in B2B relationships have resulted in increased personalization and value co-creation, creating an increased need to optimize customer segmentation processes (Freytag & Clarke, 2001, pp. 474-475).

1.1 Problem Statement

However, despite the academically recognized importance of customer segmentation, many B2B businesses do not properly segment or cannot design successful segmentation strategies (Cortez et al., 2021, p. 416). There are many different approaches to segmentation ranging from basic measures such as demographic to advanced methods such as integrating machine learning and AI into their customer segmentation processes. Nevertheless, especially in regard to AI, there persists a significant research gap in how these methods are applied in practice (Saura et al., 2021, p. 162) (Chatterjee et al., 2021, p. 206). However, especially in the B2B academic segment, customer segmentation has been overlooked, and the literature is more focused on market segmentation (Cortez et al., 2021, pp. 415-416) (Wind & Cardozo, 1974, p. 154). This is supported by Ritter and Pedersen, who claim that there is a lack of a theoretical foundation for B2B segmentation, resulting in a decreased academic interest in the topic and also no development of a general B2B segmentation theory. The paper also discovers that due to the general success of segmentation, especially in the marketing field, the general perception is that there are not that many new insights to gain anymore. Nevertheless, ultimately the paper still highlights that despite the issues within the current status of B2B literature, there are still many research opportunities to explore and that this is also necessary for the field to move forward. Overall, this paper also illustrates that B2B segmentation field is more practice than theory orientated and that it is essential to combine qualitative (comprehending) and quantitative (explaining) approaches as well as clearly defining segmentation constructs and testing boundary conditions (e.g. weaknesses of segmentation). Therefore, through interviews, case studies and academic input, this research aims to uncover more information on B2B customer segmentation and common practices, success factors, and barriers in the process. Ultimately, the aim is to discover how B2B firms can effectively implement different segmentation strategies and simultaneously align these strategies to their individual business in terms of organizational structures and objectives.

1.2 Research Objectives

When assessing the main concepts within this research, customer segmentation is the dependent variable as it is influenced by the independent variable, which is the different methodologies and practices used when segmenting. The relationship between these two variables is then further influenced by other variables such as success factors and barriers when segmenting. Additionally, the dependent variable will also assess the segmentation effectiveness in regard to customer prioritization, sales process customization, and strategic relationship building. Adding to this research will be the assessment of current literature, models, and theories that help with the understanding of customer segmentation in B2B markets and aid in supporting the research outcome. This, along with conducting interviews with various firms from many different sectors, will aid in achieving the research goal of providing a better understanding of how firms can achieve successful customer segmentation in B2B markets. This involves various objectives such as exploring segmentation methods, identifying barriers and success factors, and analyzing data to give recommendations on how businesses can create a successful segmentation strategy.

1.3 Research Question

Through depicting the research gap and objectives, this now leads to the research question having to be developed. Therefore, the research question of this study is as follows:

- *How do different B2B businesses approach and successfully implement customer segmentation and segmentation strategies?*

The research question is supported by several sub-questions namely:

- *What methods such as models, tools or specific strategies are most commonly used to achieve successful segmentation outcomes?*
- *What are the major success factors for B2B customer segmentation, and how do companies benefit from them?*
- *What are common barriers or challenges within the segmentation process and how are companies able to overcome them?*

1.4 Contributions

In terms of contributions, in the theoretical field, this study will increase the knowledge and understanding of customer segmentation in the B2B field, which is underrepresented in literature compared with the B2C field (Cortez et al., 2021, pp. 415-416). Additionally, the research will fill further research gaps by illustrating segmentation practices across different industries. From a practical perspective, the findings provide managers and firms with methods to improve and optimize their segmentation strategy through using the research and finding the perfect fit for their company. This also includes helping managers avoid and overcome certain barriers and challenges, as well as depicting success factors and enablers for segmentation strategies and practices.

2. LITERATURE REVIEW

In the following section, the literature review, information about customer segmentation in B2B markets will be given. This includes reviewing and analyzing current and relevant theories, models, and literature about the topic. In turn, this will help with designing the methodology section and analyzing the empirical data collected.

2.1 B2B Segmentation and CRM

The concept of market segmentation was first developed by Smith (1956, p. 7), who argues that instead of mass markets, goods would 'find their markets of maximum potential as a result of recognition of differences in the requirements of market segments'. The concept has been further enhanced by other authors, which state that segmentation splits a heterogeneous market into homogeneous sub-markets (Goller et al., 2002, pp. 255-257). Similarly, this is also depicted by the following quote, "The art of employing market segmentation involves appropriate grouping of individual customers into a manageable and efficient (in a cost/benefit sense) number of market segments (Wind & Cardozo, 1974, p. 155)." Additionally, Albert explains the segmentation process as identifying groups of buyers with similar characteristics and then refining these groups based on decision-making similarities or differences (Albert, 2003, p. 281). Tang and Mantrala (2024) also mention that B2B buyers have complex and interrelated needs, resulting in customer segment identification, targeting, and positioning having to be precise so that segmentation and allocation of resources towards the segments is efficient (pp. 253-256).

On the other hand, Customer Portfolio Management (CPM) has a different approach, as instead of grouping customers, CPM takes all customer relationships into account as portfolios of assets that have to be managed strategically. (Thakur & Workman, 2016, p.1) Similarly, Terho (2008, p.70) defines CPM operationally as being, "the company activities in analyzing its portfolio of customers pertaining to their role in providing current and future value for the focal company, and the company responsiveness to the analysis conducted." Due to this, CPM frameworks often focus on high priority customers such as Thakur and Workman framework which proposes segmenting the portfolio into platinum, gold, silver, and bronze tiers based on each customer's profitability and cost-to-serve. (Thakur & Workman, 2016, p.2)

Therefore, comparing CPM and segemntation, it becomes clear that both have different levels of analysis and focus. For instance, segmentation might result in a company identifying a certain segment of manufacturers, whilst CPM would identify the specific companies within the segments that could be the most valuable. Tsai et al. (2023, p.4) notes that CPM allows companies to understand customer values and have more efficient resource utilization. These insights illustrate that CPM and segmentation should be used together by first gaining a general understanding of the market through segments and then enhancing profitability of certain companies within these segments through CPM:

2.2 Status of B2B Segmentation Literature and the Segmentation Process

To begin with, the conceptual guidance has been aided by a paper written by Ritter and Pedersen that illustrates the theoretical situation in segmentation literature, research gaps and also provides a general overview of crucial segmentation theories and models. Additionally, this paper identifies seven elements of theoretical assessment (purpose, phenomenon, conceptual order, intellectual insights, relevance criteria, empirical support, and boundary conditions) and five types of theories (provoking, comprehending, ordering, enacting, explaining) (Ritter & Pedersen, 2024, pp. 82-83, 90). Similarly, another paper by Cortez et al. conducts a systematic review of B2B customer segmentation literature and responds to research gaps and criticism of the field as well as developing a segmentation process framework. The findings include that most papers did not have a clear theoretical framework, few empirical investigations and segmentation being mostly viewed as a classification rather than a strategic process. In response, the paper introduces a four-stage segmentation process framework consisting of the following stages: Pre-Segmentation, Segmentation, Implementation, Evaluation. The Pre-Segmentation stage involves defining objectives, market scope, internal capabilities, and the purpose (strategic or operational). Then, applying the chosen criteria/variables and tools/methods to cluster customers is part of the segmentation stage. The implementation stage revolves around aligning organizational structures such as marketing and sales strategies towards the identified needs of the segments. Lastly, in the evaluation stage, segment performance is checked, which includes, for example, the impact on customer satisfaction, sales, and financial performance. Overall, this model portrays that execution and feedback are just as important as analysis in regard to segmentation. Additionally, it also implies that successful segmentation requires cross-functional coordination and being able to adjust segments or strategies based on evaluation results (Cortez et al., 2021, pp. 420-421). In turn, it also contributes to this research by aiding in the analysis of different companies' segmentation processes and might lead to helping create successful recommendations on segmentation processes.

2.3 Historical Segmentation Approaches and Methods

Within B2B segmentation literature, one of the most fundamental frameworks is Wind and Cardozo's paper "Industrial Market Segmentation," which introduces a two-stage segmentation process model segmentation (Wind & Cardozo, 1974, p.155). Additionally, they also criticize that segmentation in B2B markets is underused, shown in the following quote "Segmentation appears to be largely an after-the-fact explanation of why a marketing program did or did not work, rather than a carefully thought-out foundation for marketing programs (Wind & Cardozo, 1974, p.154). ". Coming back to the theoretical aspect, the two-stage model, the first stage, macro segmentation, groups customers based on organizational characteristics such as industry, company size, product usage rate or geographic location. On the other hand, micro segmentation focuses on the decision-making unit and its characteristics such as job roles and positions in the purchasing process, risk tolerance, loyalty, and organizational attitude towards innovation. Micro segmentation allows companies to fulfill customer specific needs and also adapt their strategy and marketing towards these segments, including changing the product, price, or distribution. In general, the authors argue for managers to adopt systematic segmentation to be able to improve their strategic planning, customer profitability and marketing, and sales efficiency. Additionally, this paper is crucial to this research as it also compares segmentation frameworks with real world practices and introduces differences in segmentation criteria's and also identifies certain barriers such as cost, organizational resistance, and data availability (Wind & Cardozo, 1974, pp. 153-155).

A further paper from Bonoma and Shapiro," Evaluating Market Segmentation Approaches," concentrates on several practical challenges such as poor variable selection, lack of strategic alignment, and extreme focus on easily measurable but mostly irrelevant criteria. The Nested Approach framework is introduced, which aims at helping managers assess and establish segmentation strategies effectively. The framework consists of five nests, which are demographics, operating variables, purchasing approaches, situational factors, and lastly personal characteristics. Overall, the model allows organizations to start with broad segmentation criteria and then narrow the customer base down, which ultimately allows them to enhance their targeting and strategic customer relationship management. In addition, the authors also highlight five evaluation criteria, which include identifiability, accessibility, responsiveness, and actionability. These evaluation criteria will aid in analyzing interview responses and enable the measuring of the effectiveness of their segmentation approaches (Bonoma & Shapiro, 1984, pp. 258-259). Generally, this paper offers many insights for this research such as the following quote "The test of a good segmentation is not how clever or intricate it is, but how useful it is to managers (Bonoma & Shapiro, 1984, p. 263)," which relates to this research as a major part of this research is identifying success factors and illustrating common and useful B2B segmentation practices.

2.4 Value and Cost-based Segmentation

In recent years, B2B firms have developed further segmentation methods by integrating new customer data. One such method is value-based segmentation, which involves customers being segmented by the economic value they provide. Despite not being modern, Shapiro's customer portfolio model already integrated this aspect through the cost-to-serve analysis. The model allows firms to identify high value customers, which can then be prioritized, to maximize profits through segmentation (Shapiro et al., 1987, pp. 101-104). Furthermore, the customer pyramid is a profitability-based customer segmentation model, which categorizes customers into four levels: platinum, gold, iron, and lead. The knowledge gained from this model can help companies enhance their profitability through allocating resources based on the level. (Zeithaml et al., 2001, pp. 124- 127) Similarly, Simkin's six-stage framework on implementing segmentation leads towards encouraging companies to select target markets and then tailor specific strategies towards these markets. He also emphasizes the need for organizations to stop using simple segmentation processes and criteria and start integrating strategy and segmentation (Simkin, 2008, pp. 466-470). Furthermore, Helm et al. (2006, p. 376) made additional contributions by exploring supplier-buyer relationships and determining "relationship ending willingness" as a segmentation criterion. This behavioral marker enables companies to monitor customer churn proactively by detecting risky segments and in turn avoid unnecessary costs.

2.5 Service, Customer Journey, and Multistage Segmentation

There are also further segmentation methods such as Wirtz pointing out the significance of segmentation at the service level, whereby customers are segmented based on the response, customization, and support. This model adds a human-centered approach to segmentation, resulting in service design being customized per segment and not just per price and promotion (Wirtz & Kowalkowski, 2022, pp. 279-280).

A further modern practice is the integration of the customer journey touchpoints, such as purchase decision and engagement, into the segmentation models. It involves segmenting customers based on the stage of the customer lifecycle and allows for increased customization. However, this practice is difficult for most companies, as they lack the necessary infrastructure to adapt to such a system (Andersson et al., 2024, pp. 161-162).

Lastly, Thomas examines multi-stage alignment across sales, marketing, and operations, demonstrating that segmentation is ineffective when not applied cross-functionally. He introduces multistage segmentation as a layered framework that recognizes that segmentation decisions are spread across different levels of the firm, such as the strategic, tactical, and operational level. The paper also emphasizes the risk of misalignment, a major barrier to segmentation, between these levels, leading to an ineffective segmentation strategy (Thomas, 2016, p. 829).

2.6 AI-Powered and Data-Driven Segmentation

The intersection of AI and machine learning has enabled more dynamic, behavior-led segmentation. For instance, Intel's "Faceted Segmentation" shows this, as it combines CRM, web analytics, and machine learning to create real-time segments based on buyer intent and content interaction. The model improved campaign performance and lead generation by aligning messaging to the specific needs of each segment (Lieder et al., 2019, p. 3).

Similarly, Haverila model allows companies to use large datasets to conduct more advanced segmentation. In addition, the paper highlights the growing availability of behavioral, transactional, and contextual data, and in turn calls for the need to integrate this data into the segmentation process. The authors propose that companies such hybrid segmentation, which combines machine learning with traditional segmentation method and human judgment (Haverila et al., 2023, pp. 913-915).

In terms of AI integration, Vladimirovich analyses how AI is used to automate segmentation in sales support. His paper demonstrates the way AI can identify patterns and segment customers not only by firmographics but also by likelihood of conversion, resource need, and customer journey stage. All these developments signify a shift away from traditional, static models towards more predictive and responsive systems (Vladimirovich, 2020, p. 3).

Comparably, Chatterjee explores AI readiness as a segmentation enabler and discovers that firms with flexible decision-making, healthy data cultures, and flat hierarchies are best positioned to use machine learning tools and AI successfully. Furthermore, the integration of these aspects results in the firm gaining a competitive advantage. However, without investment in change management and digital upskilling, there is a risk that these technologies will not be utilized properly (Chatterjee et al., 2021, p. 206).

3. METHODOLOGY

3.1 Research Design

To investigate how different B2B businesses approach customer segmentation including the key methods, success factors, and barriers they encounter, this research uses a qualitative, empirical research design, and more specifically a multiple case study approach. This multiple case study approach has been conducted at 31 companies through semi-structured interviews, and in collaboration with other researchers, with this research personally conducting it at five companies. This approach fits perfectly towards a research gap identified in recent literature, namely that B2B segmentation is theoretically well-developed, but its practical application remains underexplored (Cortez et al., 2025, pp. 1-2). Additionally, Mora Cortez et al. (2025) particularly call for more interpretive, grounded research to uncover the "theories-in-use" that guide actual segmentation practices in firms, observing that "managerial logic behind segmentation design often deviates from textbook theory" (p. 2). Similarly, Ritter and Pedersen (2024) argue that segmentation theory is weak in empirical anchoring and supports methodological pluralism to uncover real-world barriers and logic structures (p. 90). This line of thought would support semi-structured interviewing and a case-based approach directly. Ultimately, based on the research gap, that there is a lack of empirical studies on how segmentation is implemented in B2B firms and across industry sectors, this research focuses on connecting the gap between theories and practical implications in B2B literature.

3.2 Data Sampling

The sampling method used in this study was designed to allow the goals of qualitative research, the collection of well-structured, rich, and in-depth insights. The overall intention while constructing the dataset was to establish helpful, rich, in-depth feedback that directly responds to the main research question and the consequent related sub-questions.

In regard to the 31 semi-structured interviews, following initial contact with company representatives via email or phone, relevant interview partners were selected in collaboration with the other research partners, and interviews were scheduled with the representatives. The companies selected were from a variety of industries and company sizes and similarly the individuals were also of various positions within their respective company. This ensured that there is maximum variation within the sampling and allows the research to incorporate a wide range of segmentation practices across different sectors. Additionally, this aligns with the emphasis by Freytag and Clarke (2001, p. 474) and Thomas (2016, p. 829) that cross-industry comparisons are necessary to ensure variability in how segmentation is understood and used by different companies/managers. Regarding the individuals selected, it was essential that the interviewees had considerable experience and knowledge of the company's segmentation processes and were ideally responsible for these.

3.3 Data Collection

The major data collection method for this research is qualitative in nature with interviews, which primarily focused on the methods and approaches of segmentation within the firm. The interviews were conducted via recorded online meetings or in person and included five major questions with adaptable sub questions based on the answers. The questions were closely related to the research objectives of exploring segmentation criteria and tools as well as success factors and barriers across B2B industries. This resulted in the following five questions:

- *Do you segment your customers or differentiate between customer types?*
- *How does it compare to other companies?*
- *What criteria do you use? (e.g., geographic, behavioral, value-based?)*
- *What are the key benefits you observe from your segmentation strategy?*
- *What challenges have you encountered in implementing or applying segmentation?*

Additionally, regarding the interview, interviewees received these questions, and a general research aim overview and interview guide multiple days prior to the interview, so that they had adequate time to prepare their responses. The semi-structured style and adaptable sub questions also enabled flexibility, allowing the interviewee to expand upon certain topics and also add in new relevant information. Moreover, the interviews were conducted over a period of 3-5 weeks to ensure scheduling flexibility and were recorded and transcribed using transcribing software. In addition, the interviews were conducted in English and lasted around 30-60 minutes. Lastly, the research follows ethical guidelines to protect the interviews, which includes asking for the participants' consent in regard to using the information and recording the interview. The interviewees wrere also given the option of voluntary participation, where the participant can withdraw their answers at any time. Furthermore, to further ensure alignment with ethical guidelines, all participants and companies were anonymized to make sure that no sensitive data was leaked.

3.4 Data Analysis

Moving on to the data analysis, where following the interviews, the recorded data will be analyzed with a group of fellow researchers. This involves extracting relevant information and quotes from the transcribed data, which is the foundation of the analysis. To do this, the transcribed data was imported into Atlas.ti, a qualitative data analysis software, which helped facilitate the coding and theme development processes. Furthermore, these relevant themes across multiple firms will be analyzed and potential connections between certain factors related to the research objectives will be discovered. Coming back to the analysis, the first step involved critically assessing each interview, especially the sections for this research. The coding was done via Atlas.ti and involved the discovery of certain patterns which were then grouped into broader themes. Quotes were then extracted from the transcripts, fitting to each of the themes. These findings were then integrated into the research and sub-questions as well as certain theoretical concepts.

Lastly, the theories and models from the literature review section also play a role and will be integrated into the data analysis. This will involve frameworks such as Cortez's four phase model or the Nested Approach framework and identifying where each company is positioned within these models. Furthermore, the evaluation criteria from Bonoma and Shapiro are also used to identify and assess the effectiveness of each company's segmentation processes.

Altogether, the systematic and reflective analysis process laid the foundations for the next section, where each theme will be thoroughly examined and supported by direct quotes, and tied back to the study's broader research objectives.

4. RESULTS

The analysis of the interviews revealed several common themes concerning how B2B companies conduct customer segmentation, including the criteria and processes used, benefits achieved, challenges encountered, and reasons for successful segmentation. The interviewees consistently portrayed utilizing multi-dimensional segmentation approaches that are most appropriate for their operating environments. Additionally, all companies mentioned a segmentation method, however, most were different from one another, with the most prominent being segmenting based on value/profitability. Nevertheless, despite the diversity of segmentation methods, many had similar aspects and were just worded differently. The different segmentation tactics from each company are portrayed in Appendix C. Moving on, in the following subsections, the key findings on each theme are presented, with quotes from the 31 interviews (labeled as i1, i2...).

4.1 Segmentation Practices and Criteria in B2B

In terms of segmentation criteria, all the 31 companies interviewed segment their B2B customers using a combination of criteria, often combining quantitative measures (e.g. revenue or volume) with qualitative factors (e.g. customer needs or attitudes). Moreover, many firms start with classic financial tiering: for example, one manager described an "ABC" classification based on revenue contribution: "the first segmentation criterion is revenue, but we also add more qualitative factors afterward" (i1)This indicates that while sales volume or revenue is a primary basis, additional dimensions (such as growth potential or relationship strength) are added on top to be able to refine the segments (See Appendix C).

Regarding the segmentation practices, the analysis revealed that most companies have similar segmentation practices, with industry or Vertical segmentation emerging as the most used method across the different companies. Several firms group customers by industry sector, especially after recent market shifts. As one interviewee explained, after the pandemic, "it's more relevant and profitable for us to do it through verticals" (i2), which enforces the importance of industry-specific needs in B2B. Furthermore, geographic region is another frequent segmentation practice, particularly for international businesses: "We group clients by geographical region first, since regulations and market dynamics can vary a lot. For example, our approach in Northern Europe is very different from Southern Europe" (i8). Many companies also differentiate customers by size, meaning organizational size (number of employees or turnover) or account size in terms of revenue tier. For instance, one interviewee outlined a three-tier model of "large accounts… mid-sized accounts… and the Long Tail, which includes micro-companies or companies that don't really have dedicated resources" (i5). In practice, larger accounts receive more personalized sales attention, whereas the smallest clients may be served via automated channels or partners.

Beyond these foundational criteria, firms utilize a variety of other factors to segment their B2B customers. Table 1 summarizes the common segmentation criteria identified in the interviews, along with representative quotes.

Table 1. Common segmentation criteria and methods

Segmentation Criterion	**Example Quote**
Financial Value (Revenue/Spend)	*"The main criterion we use is revenue... we create three main groups — the classic A, B, C client segmentation... The first segmentation criterion is revenue, but we also add more qualitative factors afterward."* (i1)
Industry Vertical	*"For the past three years... the way that we've seen it's more relevant and profitable for us is to do it through verticals."* (i2)
Account Size (Tier)	*"Client segmentation usually ends up being done in what we call the large accounts sector (Enterprise). Then there's the mid-sized account sector... And then the Long Tail, which includes micro-companies."* (i5)
Geographical Region	*"First, we're an international company with sales offices around the world — in the US, Poland, Korea, China, and so on. That's already one of the major ways we segment: by geography. ."* (i10)
Needs Complexity	*"We segment based on the complexity of the client's needs. Some require standard products, others need highly customized solutions."* (i11)
Digital Engagement	*"Finally, we have a segmentation based on the client's digital profile. This basically tells us if the client is up-to-date with social media, if they are on platforms like Glovo, if they respond to comments, upload photos, and have a digital menu, or if, on the contrary, they are a client who doesn't use digital tools to communicate about their business. So, it's important for us to know this in order to approach the client through the right channel"* (i4)
Customer Attitude/Orientation	*"Is this a professional restaurateur who wants to grow their business... or do we have a client who is more of a survivor?"* (i4)
Sales Potential	*"Even if current sales are low, we keep them close because of high potential — the CRM helps us manage those opportunities."* (i9)
Relationship Type	*"Some clients want us to join their tech team (team augmentation), others want us to manage the full project — we segment by that model."* (i7)
Behavioral (Usage or Channel)	*"We consider whether a hairdresser is traditional, value-for-money, or modern — based on their service pricing and staff count."* (i18)

Buying Role & Influence	*"We differentiate between users, economic buyers, technical buyers, and coaches — each has a different influence on the prescription decision."* (i16)
Lifecycle Stage	*"New customers are treated differently than mature clients — early clients need more onboarding, others are managed based on performance data."* (i25)
Company Size (Employees)	*"We look at the number of full-time staff in a salon to estimate the business potential — larger salons receive more support."* (i18)
Channel or Indirect Sales	*"Smaller clients are handled through partners or integrators — it doesn't make sense for us to serve them directly."* (i5)

As Table 1 shows, B2B segmentation practices often have firmographic characteristics (industry, geography, firm size), value measures (revenue, spend level), and behavioral or attitudinal drivers (frequency of service usage, technology adoption, etc.). A multi-layered segmentation approach is used by some firms, with multiple criteria to acknowledge many dimensions of customer heterogeneity. For example, several interviewees mentioned multiple approaches, by segmenting first through geography and then within each geography by criteria such as industry or profitability to enable highly tailored strategies (i13, i14, i18, i19, i22). Others mentioned segmenting by client legal status (company versus individual)(i3, i6), by product/service line purchased (i3, i7), or by channel of preference (distributor versus direct) (i15,i18). This multi-dimensional practice reflects the multi-faceted reality of B2B markets, where often a single segmentation variable is insufficient. Instead, companies use many criteria to be able to better understand the clients' profile, needs, and value.

Notably, several respondents stressed that qualitative insights and judgments are used to refine segments beyond what raw data alone can provide. (i1, i20)For instance, after an initial data-driven split (such as ABC by revenue), managers might reclassify a customer upward if it has strategic value or growth potential which is seen in the following: "we'll classify a large but low-current-revenue account in the top segment because it has a very high purchasing potential" (i5). This indicates that successful B2B segmentation relies on managerial insight to predict future potential and strategic importance, with not just the present size being important.

4.2 Benefits of Customer Segmentation

Across the interviews, managers firmly asserted that customer segmentation results in significant benefits for B2B businesses. This includes, for example, efficient use and allocation of resources, which was the primary advantage cited. With the segmentation of customers, firms can align their resources (sales effort, service level, marketing spend) to customer value.(i5, i18, i19, 120) One interviewee explained that "customer segmentation usually acts as the basis for making decisions. what kind of prices do I offer to certain customers.". It determines how many of my sales representatives and how much of my key account attention. [each] gets" (i20). Meaning, segmentation controls the way limited resources are allocated, giving more priority to key accounts and less to smaller ones. It was said by some interviewees that it leads to greater efficiency and focus such as, "resource allocation is a big thing [in segmentation] … offering a very targeted offer" (i18)

This directly lead to another basic benefit, which is the ability to tailor offerings and solutions more specifically to the customers' requirements. By identifying segment-specific characteristics, businesses can customize products, services, and communication. For example, a life-sciences business segments customers into academia, biotech, mid-size pharma, and big pharma, which "allows us to customize the solutions we deliver to the customer needs… they have different strategic goals and… levels of funding, so we need to take all this into account" (i21) Similarly, tobacco segments distributor stocks into hypermarkets, supermarkets, and corner stores, enabling them to "tailor our strategies based on the outlet type and size, making our execution more efficient and aligned with customer dynamics" (i23).

In general, interviewees agreed that segmentation leads to more targeted marketing and selling strategies, which improves business performance and customer satisfaction. A manager summarized that through segmentation, "to provide the right brands, the right services and support [to each segment]" is possible(i18). Some interviewees also referred to competitive advantage gained by effective segmentation. Focusing strategies towards the most promising segments can create improved performance outcomes. As one interviewee emphasized, if done properly, segmentation prioritization means "especially [for] the ones that I have prioritized, this will give me competitive advantage… ultimately a more profitable and faster growing business" (i20) Effectively, this shows that companies that concentrate on the most profitable segment , generate higher growth rates and profitability over the long term.

Finally, segmentation was stated to assist in internal organization and management of customers, and through being able to define segments clearly, companies can organize account teams or business units by the segments. This can then lead to developing specialized expertise and even optimizing customer acquisition. It is "easier to specialize in one customer segment… you see some patterns… and based on that pattern, you get the maximum value for your customers.

It is easier to get customers [with] a tailored approach to that segment… more authentic and easier to win confidence and trust with your customers." This means that segmentation not only functions to better serve current customers but can also improve marketing responsiveness in the activity of acquiring new customers by solving segment-related problems.

Table 2. Key benefits of customer segmentation in B2B markets.

Benefit	Representative Quote
Optimized Resource Allocation	*"The first and foremost benefit is better resource allocation… segmentation forms the basis for deciding... what kind of prices do I offer to certain customers. It determines how many of my sales representatives and how much of my support function attention [each gets]."* (i20)

Customized Offerings & Solutions	*“The main benefit for us is that we can better customize our solutions to the customers’ needs... they have different strategic goals and most importantly different levels of funding. We take all this into consideration when we design our solutions for the different groups.”* (i21)
Competitive Advantage & Growth	*“If I make these resource allocations in the right way... this will give me competitive advantage. Ultimately, of course, it will deliver a more profitable and faster growing business.”* (i20)
Organizational Focus & Customer Trust	*“It is easier for an organization to specialize on a certain customer segmentation... you would be able to find certain patterns... and achieve the best value for your customers. ...It’s also easier to acquire customers [that way] because you understand a tailored approach to that segment… more authentic and easier to build trust with your customers.”* (i22)

To summarize, customer segmentation allows B2B firms to act more strategically and efficiently when dealing with customers. By segmenting clients, companies are made aware about where to allocate their time and money, how to customize their value propositions, and which opportunities to seek out. The interviews affirm that whenever segmentation is successfully implemented, it yields concrete benefits such as improved marketing and sales efforts, stronger customer relationships, and improved financial outcomes. Such advantages should encourage businesses to continue refining their models of segmentation as their customers and markets evolve.

4.3 Barriers and Challenges in Segmentation

Despite its benefits, implementing customer segmentation in B2B markets is not without its problems. Interviewees recognized a variety of typical challenges/barriers to the process of segmentation itself or its implementation. One fundamental problem is the quality and availability of customer data. Good-quality, detailed customer data are required for successful segmentation, which might be hard to obtain in B2B environments and especially when being a smaller firm. One of them explained "the most elementary challenge that most companies will have to deal with is data availability, data quality and data granularity for carrying out the customer segmentation" (i20) This depict that firms may lack crucial information on customer metrics, damaging their segmentation process. Further interviewees responded that there are some elements of the data needed (e.g. a customer's total business volume, or performance in the end-market) that do not publicly exist or are hard to trace. Insufficient data can lead to segmentations based on speculation or false images of the customer, and thus be less precise.

Another challenge is methodology and complexity, meaning determining the correct way to segment and making the model more feasible. As one respondent explained, there are "a gazillion. detailed kind of [segmentation] methodologies" available, so companies must "determine the right kind of approach so that you still have an idea of what the outcome is at the end. [It's a matter of] finding the proper balance of [the number of] KPIs, [the] level of granularity. and so forth." (i20) This illustrates that firms struggle with how much complexity the segmentation can have, whether it is too simple, and threatens to overlook important aspects or too complex, and it is impossible to implement. Additionally, a few of the interviewees highlighted the requirement to not over-engineer the segments. If a segmentation plan is too complex or is based on esoteric metrics, the sales force will not implement it or will not produce implementable action plans.

Additionally, maintaining currency and relevance of segments is also challenging, as customer behaviors and market conditions may change frequently and unexpectedly, resulting in outdated segmentation. A manager noted that in certain industries, "segmentation [can be] updated each day, in others we need a different much more stable segmentation, maybe the same for two or three years,” but nonetheless it must "remain up to date and relevant" (i20) What is implied is that companies have an ongoing task to reconsider and re-make their customer segments from time to time. Without this, segments can drift away from reality, causing the company to misinterpret customers' and data. Contrastingly, too much re-segmentation is however expensive, so companies must find a sustainable fit to balance these aspects.

Further interviewees identified organizational and human factors as barriers, with one such issue being internal resistance or lack of buy-in, especially from front-line sales teams. For example, the beauty products manager described it's difficult to implement segmentation because "the salespeople would be reluctant to segment the customer at the lower end… they think [if a client is segmented lower] they will be assigned fewer resources [to work with]. So it's very hard. to develop a very exact segmentation because we're lacking data" (i18) In this case, fear by sales staff of ignoring "lower" tier customers results in hesitancy to categorize customers from an objective perspective, which might further result in the exclusion of inputs of data (if sales staff fails to properly report customer data) and incomplete segment descriptions. Persuading the team and change management to implement the long-term benefits of segmentation is necessary to counter this.

A different interviewee noted that tight segmentation rules would sometimes come back to haunt them by causing the company to ignore or underestimate certain clients. If a firm segments based on short-term revenue, they might ignore new customers with huge growth potential. The respondent recounted a case where a client was “segmented just purely based on revenue streams” and a high-demand prospect was “left out because no one was considering [them] as a target account” due to that narrow view (i22). This example puts the risk of having a narrow-minded segmentation approach into perspective, creating blind spots which reduce segmentation efficiency. Ultimately, it highlights the need for judgment and adaptability in the segmentation process.

Table 3. Key barriers and challenges encountered in B2B customer segmentation.

Challenge	Representative Quote
Data availability & quality	*“Most fundamental challenge... is data availability, data reliability and data granularity for doing the customer segmentation.”* (i20)

Choosing appropriate methodolog y	*"The second part is the methodology itself... There's probably a gazillion customer segmentation methodologies... you will need to determine the right kind of approach so that you still understand what the results are in the end. So [find] the right balance."* (i20)
Keeping segments up-to-date	*"The third challenge is that the segmentation remains relevant and timely… in some categories this might mean updating a segmentation on a day-by-day basis… in other situations we need a much more stable segmentation."* (i20)
Internal resistance & buy-in	*"Salespeople might tend to be scared to segment the customer on the lower end... they will have less resources... So it's very difficult... to build a very precise segmentation because we're lacking data."* (i18)
Risk of rigid or misaligned focus	*"[One case] was segmented just purely based on revenue streams... we accidentally found a company that didn't fit into that segmentation but had a high demand, but was just left out because no one was considering this as a target account."* (i22)

The problems in Table 3 reveal that although segmentation can be beneficial, there are certain barriers to successful segmentation. Data issues are one such, and investments into more advanced information systems and possibly other external sources of data. Methodological confusion calls for clearly defined segmentation of design principles in alignment with business goals. Whilst, updating segments requires organizational discipline and possibly the use of tools (like CRM systems) to keep them up to date. Furthermore, overcoming internal resistance can require training and establishing incentives so that employees are aligned with the segmentation approach rather than finding ways to circumvent it. Some interviewees reported that finding the appropriate balance – between ease of use and complexity, and between structure and flexibility, is a goal which their organizations are constantly working towards and could work as an example for others.

4.4 Key Success Factors for Effective Segmentation

Finally, the key success factors based on the previous three themes and other aspects were analyzed. When asked about what drives successful customer segmentation in B2B, interviewees' responses often resembled the opposite of the challenges. One of the following key success factors is high-quality data and analytical capabilities, as a robust data foundation is critical. Companies that succeed in segmentation ensure they have reliable data on each customer's characteristics and behavior (i18, i19, i20). One interviewee implicitly highlighted this by noting how difficult segmentation was in their industry due to missing data. The clear implication is that investing in data collection (e.g. via CRM systems, sales reports, market research) and ensuring data accuracy will greatly enhance segmentation accuracy. Having "the right level of information" (i20) is essential for effective segmentation.

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Moreover, a further factor is a clear segmentation strategy aligned with business goals, and it would involve successful firms defining their segmentation approach based on what they are trying to achieve (growth, profitability, market expansion, etc.). As one expert explained, the optimal segmentation can differ "depending on your overarching business objectives" (i20). For example, if the goal is to expand distribution, a company might segment by outlet type; if the goal is profitability, they might segment by profitability metrics. The key is to choose criteria that directly relate to the firm's strategic priorities. Additionally, incorporating future-based indicators (like customer potential or lifetime value) is a success factor, as it prevents segmentation from becoming outdated (i14, i20, i24, i31). Several interviews stressed segmenting not just on current revenue but also on potential value with one example classifying a large client in the top segment because of its high future potential, even if current business was small (i5). Such practices ensure the segmentation remains strategic and doesn't cause the firm to ignore emerging opportunities.

Continuing, effective segmentation should also be simple and implementable. Success requires finding the right complexity or the "sweet spot." The interviewee also advised keeping the model as simple as possible while still capturing key differences, so that managers can readily "understand what the results are" and act on them (i20). This often means using a limited number of well-chosen criteria and a manageable number of segments. A success factor mentioned implicitly is leveraging well-known frameworks (e.g. adapting the BCG matrix or other portfolio models) to evaluate customers, which can help communicate the segmentation internally.(i19) Ultimately, if the sales and marketing teams have clarity on each segment definition and its corresponding strategy, the segmentation is far more likely to be used effectively.

Stakeholder support, especially the sales force and account managers who execute the segmentation, is also crucial, as well as cross functionality. Several respondents suggested that involving these stakeholders in the segmentation design can improve buy-in. Training and communication are also important so that everyone understands why certain customers are treated differently. One interviewee indicated that framing segmentation in terms of better service (rather than resource cuts) can alleviate sales team fears (i18). Therefore, companies where top management clearly endorses the segmentation strategy and integrates it into performance metrics (e.g. segment-specific targets) tend to have smoother implementation.

The final factor is implementing a continuous review and refinement of segmentation practices. Due to markets and customers changing, successful B2B segmenters periodically revisit their segment definitions and membership. As one participant noted, if the current segmentation does not fully meet customer needs, there must be "further analysis… evaluate each parameter and do it again" (i20). Consequently, this approach ensures that the segmentation stays relevant. In addition, high-performing companies often set up annual or bi-annual reviews of their customer portfolio segmentation, allowing them to incorporate new data or strategic shifts (i23 and i24 described doing this on a regular cycle).

In conclusion, the interviews suggest that while most B2B firms practice customer segmentation, the degree of success varies. Those that have the greatest benefits tend to be the ones that invest in data quality, align their segmentation scheme tightly with strategic goals (including focusing on future potential), keep the scheme understandable and actionable, secure broad organizational support, and regularly refine their approach. These success factors, when present, help companies overcome barriers and fully leverage segmentation as a tool for improved customer management. As one manager succinctly put it, segmentation is an ongoing journey: it requires “combining qualitative and quantitative criteria” with sound business judgment (i1), and continuously balancing focus with flexibility to adapt as customers and markets evolve.

5. DISCUSSION

This section will discuss the previous section's analysis as well as the whole paper, taking into account all other sections. Firstly, it will interpret the results based on the research and sub-research questions and then move on to the theoretical and practical implications of this study.

5.1 Conclusion

The primary research question of this study was: How do different B2B businesses approach and successfully implement customer segmentation and segmentation strategies? Through a qualitative multiple-case study of 31 companies, our findings indicate that despite the variety of methods in B2B customer segmentation, there are clear patterns in firm implementation of the strategies and what succeeds. Overall, most firms that participate end up doing some level of segmentation or customer differentiation, but the degree of these efforts varies from as simple as informal experience-based segmentation to more structured, data-intensive segmentation models. Significantly, the organizations having the greatest success with segmentation shared some common practices between them such as aligning strategy with segmentation, targeting high-value customers, cross-functional collaboration, and constantly updating segments. Moreover, effective firms appear to complement segmentation with customer portfolio management, as they define broad customer segments and then manage the most valuable individual customers within these segments as priority assets, hence maximizing resource allocation and strategic alignment. On the other hand, many organizations also mention common barriers such as the quality of usable data, organizational resistance, or lack of clear ownership of the segmentation process.

A crucial discovery is that no single "best" way to segment in B2B markets exists, and instead, successful segmentation is highly context-dependent yet still based on universal success drivers. For instance, many companies still employ traditional criteria (e.g. industry sector, company size, volume or geographical location) as primary segmentation bases (i2, i8, i12, i19) which reflects the sustained applicability of models such as macro/micro segmentation (Wind & Cardozo, 1974, p. 154). Contrastingly, several firms have adopted more advanced methods such as multi-based approaches or value-based segmentation based on customers' economic value or profit potential (i10, i13, i120, i24). This aligns with the literature that firms should segment out high-value customers (Shapiro et al., 1987, pp. 101-104). Additionally, numerous interviewees use tiered customer segments (e.g., "key accounts" or "A/B/C" customers) based on revenue, profitability, or strategic significance (i1, i5, i22). These tactics reflect Shapiro's ideas and others' proposed portfolio and cost-to-serve analyses and confirm that focusing on customer value is a viable way of enhancing profitability through segmentation. (Zeithaml et al., 2001, pp. 124- 127) (Simkin, 2008, pp. 466-470). On the other hand, behavioral and needs-based segmentation (like usage pattern or service need segmentation) (i7) were not as common and few organizations had begun to include customer journey stages or behavioral indicators within their segmentation, as a result of limitations such as lacking the infrastructure or data. This issue is highlighted by Andersson et al. (2024, pp. 161-162) of the complexity of segmenting across customer journey touchpoints, suggesting that while advanced segmentation methods are available, the majority of B2B organizations have not yet practically applied them. This is further shown by the fact that basically none of the companies mentioned AI or heavy data integrated segmentation.

Across the cases, several factors of success were identified, such as strategic alignment and top management support being commonly listed. Companies where leadership strongly supported segmentation and viewed it as part of the business strategy core, implemented segmentation more thoroughly. This outcome is consistent with Simkin's (2008, pp. 466-470) argument that segmentation needs to be integrated with strategy rather than being a simplified or standalone task. Once the management provided open goals (e.g. what customer segments to focus on for development), teams were able to better develop useful segments and respond to marketing or sales initiatives accordingly. Furthermore, cross-functional cooperation was essential and effective segmentation resulted from having good chemistry and communication. Organizations overcame barriers and encouraged teamwork in designing and executing segments (such as ensuring sales forces actually reach the targeted segments with tailored strategies) achieved more tangible returns from segmentation. This directly concurs with Thomas (2016, p. 829), who showed that attempts at segmentation fail if not applied cross-functionally, which our study verifies, as it shows that certain profitable segments might be overlooked due to lack of cross-functionality.

A further success factor is the quality of data on customers and the analysis of this data. For instance, several companies credited investment in CRM systems and analytics tools with enabling more enhanced segmentation (e.g., combining firmographics with purchase history behavior or engagement data). In those cases, respondents described being able to identify patterns and segment customers more precisely, which is similar to data-driven models such as Intel's faceted segmentation (Lieder et al., 2019, pp. 2-3) or machine-learning-based hybrid segmentation (Haverila et al., 2023, p. 914). In contrast, companies that lacked clean, integrated data or the skill sets to leverage it, focused on very large segments or none. This demonstrates a mismatch between the technological potential highlighted in recent research and the reality within most companies, as while AI-aided segmentation is possible (Vladimirovich, 2020, p. 3), its application might too hard to implement. Most of the respondents confessed that their segmentation process was mainly manual and based on experience, which agrees with Chatterjee et al. (2021, p. 206)'s argument that without data-readiness and digital preparedness culture, implementing advanced tools alone will not necessarily enhance segmentation. These findings change the concept of segmentation into an ongoing process, rather than an event-driven analysis.

Our findings also illustrate common barriers and challenges that are responsible for understanding why B2B companies fail in segmentation despite its potential benefits. Organizational resistance is one such problem and interview participants across several companies mentioned that new segmentation criteria or approaches were often ignored due to internal resistance. This is consistent with Wind and Cardozo's (1974, pp. 153-155) initial observation that systematic segmentation in industrial markets was underutilized partly due to the tendency of managers to use intuitive judgments and possibly view systematic segmentation as limiting or unnecessary. Additionally, alignment between segmentation design and implementation was mentioned as a major obstacle. In some instances, even though marketing departments developed sophisticated segmentation schemes, the sales force neither fully accepted nor practiced these categorizations, leading to inconsistency in how customers were treated in practice. This type of imbalance between managerial action and segmentation strategic intent is exactly the risk highlighted in multistage segmentation research (Thomas, 2016, p. 829-830). Our results depict that overcoming this barrier involves not only segment design, but training and motivating those who will apply them, so the whole organization "buys into" the segmentation strategy.

A further common issue is refreshing and maintaining segments, with several participants explaining that their original segmentation quickly fell out of date due to market volatility or altering customer needs, but their companies lacked an explicit review mechanism. Segmentation theoretically ought to be a recurring process involving a feedback loop (Cortez et al., 2021, pp. 415-418), with a period of assessment to test performance and make appropriate fine-tuning adjustments. In practice, though, few firms in our sample had such evaluation procedures. The fact that firms tend to not update their segments frequently validates the criticism by Mora Cortez et al. (2021, p. 416), that most firms view segmentation as an immediate classification and not a routine strategic process. Nevertheless, it's also an opportunity for improvement as firms that occasionally checked segment performance reported making beneficial changes such as merging, eliminating, or redefining segments. This adaptive process is precisely what is promoted by the literature (Bonoma & Shapiro, 1984) (Cortez et al., 2021), and it suggests that incorporating evaluation and flexibility significantly upgrade an organization's segmentation. In answering the research question, the study demonstrates that B2B companies manage customer segmentation through a mix of traditional and newer approaches, and that successful implementation relies on essential organizational and process attributes. All the companies interviewed appreciated segmentation as important, yet their approaches were from basic segmentation (applying readily accessible criteria like region or industry) to sophisticated ones (like multi-tier customer value segmentation or initial use of AI-driven insights). Nevertheless, despite the variety, a common theme is that successful segmentation in B2B relies less on the specific method chosen and more on how it is implemented. Therefore, those firms that incorporate segmentation into the strategic planning and operations through modifying internal procedures according to segment definitions and continuously managing relationships in accordance with segment-related strategies, will likely have substantial payoffs (e.g., improved utilization of resources, higher customer satisfaction, and increased sales effectiveness). In contrast, those who don't perceive segmentation importance (or fail to integrate it into decision-making on a continuing basis) will experience little impact, validating Bonoma and Shapiro's (1984, p. 263) assertion that the usefulness of a scheme of segmentation is the true test of quality.

In conclusion, this research answers the questions by discovering that B2B firms effectively implement customer segmentation when they combine effective criteria and approaches with sufficient internal alignment, data-driven decision-making, and ongoing management of segments over time. This approach allows companies to actually make their marketing and sales efforts specific to individual customer needs and values, and through this achieve the intended impacts of segmentation. These findings not only depict how different firms currently practice segmentation but also highlight best practices and shortcomings, ultimately providing a foundation for researchers and managers to further enhance B2B segmentation performance.

5.2 Practical Implications

The conclusions of this research have several practical implications for practitioners of B2B sales and marketing who are keen on optimizing segmentation activities. One such implication is that segmentation should be seen as a continuous process, as regularly revisiting and updating segment definitions ensures that they remain updated to the existing market conditions (Cortez et al., 2021, p. 416). Through routine segment review or in response to major market shifts, firms can respond to evolving customer needs or industry trends accurately. A further implication is that firms should use more advanced customer information, not just, for example, firmographics. This involves gathering more insightful knowledge, for instance, through salesperson feedback or customer surveys, which can then be employed to identify segments by needs, behaviors, or value potential. Integrating qualitative and quantitative data results in more significant segments and enables building targeted value propositions for each segment. Furthermore, ensuring cross-functional buy-in and support is also crucial, as this research shows that segmentation efforts are most effective when they involve and are supported by all stakeholders. The product, sales, and marketing teams need to collaborate in defining segments, so the categories are simple and convertible. It also requires strategic leadership support, as if the top management shows their support for the necessity of a new segmentation structure and aligns incentives with it, the company will be more likely to implement the segments effectively and avoid resistance.

Additionally, another practical implication is the need for investment in data and analytics infrastructure, as enhanced data infrastructure can significantly boost segmentation effectiveness. Firms should use customer information and analytics tools to discover patterns that are not immediately obvious and by using CRM systems or analyzing the information, businesses are able to determine high-value niche markets or emerging trends in their customer base. In addition, even basic analytical techniques (like ranking accounts by revenue or growth potential) can improve the way segments are defined and prioritized, with efforts focused on the most promising segments.

Lastly, converting segments into targeted strategies is a further implication, as each segment should have a tailored marketing and sales strategy. This should involve companies using portfolio management with segmentation, such as, for example, ranking individual accounts within each segment by profitability or cost-to-serve, to create a more targeted resource allocation for major customers and across segments. The research shows that companies gain the maximum benefit when they tailor their strategy, communication, and service offerings to match the profile of each segment. A "strategic" customer segment, for example, can be served with designated account managers and customized solutions, whereas a price-sensitive segment can be served with optimized offerings. The implementation of such differential strategies ensures that segmentation drives business actions and results, rather than being just of theoretical use.

5.3 Theoretical Implications

This study confirms and refines existing theory on segmentation of B2B markets. It also further supports the idea that segmentation is important and challenging, particularly in B2B environments where customer relationships are intricate. Whilst certain literature exemplifies the strategic value of segmentation (Brotspies & Weinstein, 2017, pp. 164-167), this research offers practical insights, by illustrating how internal barriers, such as limited data and imbalanced implementation, often hinder successful segmentation implementation.

Furthermore, one of the key contributions is to demonstrate that segmentation should not be seen as an activity in a single project, but rather an ongoing activity. This research aligns with proposals in the literature (Boejgaard & Ellegaard, 2010, pp 1292, 1296) for post-segmentation tasks, like evaluation and adaptation, and it reveals that firms that refresh segments on an ongoing basis see more long-term alignment with strategic execution.

The study also confirms that most B2B companies heavily rely on firmographic characteristics like size or industry, which is a trend reported by several sources that also advocate for more advanced mechanisms. Additionally, not only is this reliance habit-based, but often established on resources not being accessible or due to insufficient deeper customer insight. This suggests the need for segmentation theory to integrate concepts like organizational readiness, due to the fact that even more sophisticated models need to incorporate consideration of practical limitations in data and internal capabilities. Moreover, the results suggest that segmentation theory must inherently incorporate customer portfolio management, as practically speaking, firms create wide segments and then assign special resources for the major accounts within each segment. Thus, recognizing this in theory and within models would more accurately represent actual customer management approaches.

Furthermore, in our research we verified the belief that successful segmentation relies on internal alignment and cross-functional coordination. Based on existing research (Haverila et al., 2023, p. 914), we learned that firms that undertook structural and cultural change such as, for example, involving multiple departments, were more effective at incorporating segmentation into their strategy.

Finally, the paper highlights the theory-practice gap in multi-tier segmentation. Although research by scholars like Thomas (2016, p. 829) has called for supply-chain-aligned segmentation, a majority of companies focus only on direct customers. This is a testament to the fact that theoretical models ought to more accurately reflect the real-world challenges, hindering businesses from embracing more advanced segmentation models. Overall, this thesis enhances our comprehension of why segmentation in B2B tends to fall short in its theoretical expectations and offers a more pragmatic view of how organizational context affects segmentation practices.

6. LIMITATIONS AND FUTURE RESEARCH

6.1 Limitations

Nevertheless, despite its contributions and valuable insights, this study also has a number of limitations. Starting off, the qualitative design on the basis of the 31 purposively chosen interviews is rich in information, however not statistically generalizable. Some company types or industries could be over-represented, and results may not capture practices in underrepresented sectors or regions.

Secondly, the study relies on managerial self-report, and thus it is susceptible to bias. This might lead to respondents providing an overly positive representation of segmentation procedures in their company or not having complete access to how segmentation is applied across different departments. Although the interviews were supplemented occasionally with concrete examples, the analysis relies on interpretations rather than direct observation.

The next limitation is that the research only captures a small amount of time. B2B strategies and segmentation programs evolve, and our findings are indicative of practices at a moment in time. Without historic or predictive futuristic data, we could not trace how businesses enhance or abandon segmentation procedures over time.

The final limitation relates to the fact that only the supplier-side perspective is captured in the research. It does not test how effective segments are in terms of customer preference or behavior. As a result, the segmentation effectiveness measures are based on internal logic and perceived benefit rather than customer outcomes. Moreover, external feedback would provide a clearer indication of segmentation effectiveness.

These limitations above help in defining the scope of the thesis and also suggest areas for future research.

6.2 Future Research

To begin with, drawing conclusions from results and limitations, there were several areas of future research that were identified. The first idea relates to quantitative validation, which involves verifying the qualitative results of this study through surveys or large data sets. This would validate how common certain segmentation practices are and search for correlation with new measures such as sales growth or customer satisfaction. This could result in new research questions such as, do firms using needs-based segmentation outperform firms that use firmographics only? What about firms using a multitude of criteria?

Moving on, based on the limitations, future studies could examine how segmentation evolves over time. This would require analyzing companies over the course of time and would reveal the amount of time it takes for segmentation strategies to come to fruition and how segmentation reacts to organizational or market shifts. This would also identify which early attempts at adaptation ensure sustained success.

A further area of future research could revolve around organizational variables, which would build on the finding of the significance of internal alignment. Future studies, therefore, could examine the organizational drivers of segmentation. In addition, comparative research could assess the impact of top management endorsement, cross-functional teams, or segmentation champions on implementation effectiveness.

Furthermore, future research could also concentrate on customer and downstream perspectives, as segmentation from the customer's point of view would offer new insights to explore. In addition, relating to this, multi-tier segmentation, such as alignment of segmentation with "customer's customer" requirements, as proposed by Thomas (2016, p. 829), can also be researched. The research here can highlight why this is still not a common practice and the ways in which companies can overcome obstacles from this segmentation type.

As identified within the research, the role of technology such as AI and big data analysis could be highly relevant in the near future, and future studies must look into how these technologies reshape B2B segmentation. For example, does machine learning enable more dynamic or predictive segmentation? Studies, therefore, could look into how organizations use digital data sources to build more dynamic, behavior-based models and if such models outperform more traditional approaches.

In summary, B2B segmentation theory will require a mix of validation, tracking, and expansion into new dimensions like customer-centricity and technological transformation. These dimensions would strengthen both the academic understanding and practical application of segmentation in advanced business markets.

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9. APPENDIX

Appendix A – Interview Guide

Main topic of the question	Interview question
1. How do they segment (models used, barriers and challenges)	1.1 How do you segment your customers? Sub-questions (in case they are needed): • Do you differentiate? • How does it compare with other companies? • What about other criteria? Geographic? Product/Service? • What are the key benefits? • What are the challenges faced with implementation and application?

2. How do they build/ manage customer portfolios (models used, barriers and challenges)	2.1 How do you differentiate among individual customers? 2.2 How do you utilize Customer Portfolio Management (CPM) models to segment Sub-questions: • How does it compare with other companies? • What about other criteria (eg customer loyalty, demand nature, cost vs benefit of serving customers)? • What are the key benefits? • What are the challenges faced with implementation and application?
3. Buyers and seller interactions - individual level (personal). Is it always a rational process?	3.1 Are there customers you like to work with (individuals)? How would the personal relation influence your efforts? Sub-questions: • Were you ever in a situation where .. (think more)
4. Segmentation consequences: external	4.1 Which are the consequences from differentiating customers? How do you treat them differently, then? how do externalities affect the segmentation Sub-questions: • How does your company adjust its relationship management strategies based on High-value and low-value customers? • Innovation, delivery (e.g. in allocation situation, lack of capacity), react to complaints, prices, news products, market share, how often engage…. • Think about Covid, any different customer treatment?
5. Segmentation consequences: internal	5.1 Which are the consequences from differentiating customers? How do you engage with them internally, within your firm? Sub-questions: • What do you do for good customers, e.g. if they want to rush an order, if there are problems, if they have special requirements? (You as the agent for your customer) • Engagement with other functions in your firm
6. Software support	6.1 Do you use any software for supporting your customer segmentation efforts? 6.2 Do you have any software for customer portfolios (individual customers)? Sub-questions: • If yes, can you tell me what kind of system or software you use? • Which features does it have? • Which other solutions do you know / other firms might use?
7. How do they identify bad customers? (Customer churn and business risk)	7. How do you identify bad customers that you want to stop serving? Deprioritize? Sub-questions: • Could you describe the different methods or tools used in the company to identify such customers. • Are there any indicators or signals used to predict when a customer is at risk of leaving the company? • Could you explain to what extent customer segmentation has an impact on mitigating or reducing this risk?

Appendix B – Interviewees and Company Overview

Interviewee number	Position (Background) of the interviewee	Description
1	CEO	International strategic consulting agency specialized in market research, focused on decision-making and business growth
2	CEO	consulting agency.
3	---	Energy company.
4	Price and Promotion effectiveness manager	Beer company (sells to restaurants).
5	Collaboration sales specialist	Develops, manufactures, and sells networking hardware, software, telecommunications equipment.
6	Premier Banking Manager	Bank
7	CEO	Software developing agency.
8	Account manager	Sells jeans to retailers
9	Owner	Sells Orthopaedic shoes to retailers
10	Data management specialist	Develops and manufactures precision linear motors for companies.
11	Project manager	Marketing Agency
12	Loyalty marketeer	Provides microloans, coaching, and training to entrepreneurs
13	International sales manager	offers efficient biomass technologies
14	International sales manager	Provides High pressure valves to companies in the energy industry
15	Channel sales director	Software company that supplies production and supply chain solutions
16	Sales manager	Sells medicine and pharmaceutical machines
17	Contract advisor	Consultancy and engineering firm
18	Vice president corporate marketing	sale of hair cosmetics
19	Managing director	Sells paper and decoration products
20	Partner	Global management consulting firm
21	Vice president business development	Biotech company
22	Delivery lead	Consulting
23	Trade Activation Manager	Manufactures and sells cigarettes, tobacco and other nicotine products including electronic cigarettes.
24	Commercial Department manager	Dynamic international tobacco business based in Azerbaijan offering competitive private cigarette brands for export, modern license manufacturing, comprehensive trademark development service, as well as high-quality tobacco leaf.
25	Cash management chapter lead in corporate banking department	Provides a range of innovative banking services to corporate, small, and medium-sized businesses, individual entrepreneurs, and individuals.
26	Market Manager at ITG	Tobacco company, with a diverse portfolio of products including cigarettes, cigars, fine-cut tobacco, and next-generation products like vapes and heated tobacco.
27	Officer Manager for Azerbaijan market	Energy drink company

28	CEO	Financial service provider. Offering various products. Mortgages, insurance, financing, and additional consultancy. Offers advice and on financial and legal matters.
29	CEO	A courier company specialized in delivering parcels along fixed routes for major logistics providers. The company handles daily shipments for both private and business customers and operates on a contract basis with larger players in the delivery market. Couriers follow predetermined routes and schedules, with reliability, speed, and customer service as top priorities. The company acts as a link between distribution centres and end recipients, focusing on efficiency and accurate delivery.
30	Senior manager	An accounting firm that provides financial services to medium-sized businesses. The company offers support with bookkeeping, annual reports, tax returns, and financial advice. Working closely with clients, the firm ensures compliance with regulations and helps improve financial performance. With a focus on accuracy, reliability, and clear communication, the firm acts as a trusted partner in managing and optimizing business finances.
31	Director	A food wholesale company specializing in the distribution of products across Europe for the Middle Eastern market. The company supplies a wide range of goods, including spices, grains, canned foods, and specialty items tailored to cultural preferences. It serves retailers, restaurants, and other food businesses, ensuring timely delivery and consistent quality. With a strong logistics network and deep understanding of regional tastes, the company acts as a reliable bridge between European suppliers and Middle Eastern consumers.

Appendix C – The companies segmentation tactics/approaches

Company	Segmentation Tactic/Approach
Company 1	Segments clients primarily by revenue: calculates a 3–5 year average and trend, then divides accounts into A/B/C tiers (A accounts, ~5–10 clients, account for ~70% of revenue), with different strategies for each. Additional qualitative factors are also added to the ABC segmentation.
Company 2	Segments by industry vertical where major sectors are defined (e.g. “food & drink,” “fashion/beauty/cosmetics,” and “entertainment/media”). Clients are grouped into these verticals to tailor approaches by industry.
Company 3	Segments by product type and customer type. First, by energy product: “we differentiate between electricity products, gas products, and services”. Second, by customer category: distinguishing individuals (natural persons) vs legal entities (companies), with further sub-classes (self-employed professionals, homeowner associations, public sector entities).
Company 4	Segments by purchase volume and digital influence. First, by volume of goods ordered (“how much the client buys from us and competitors”). Second, by a combined metric of volume and social media presence.

	Additional segmentations by business type and digital profile are mentioned internally.
Company 5	Segments accounts by size tier: "large accounts" (Enterprise), "mid-sized accounts" (SMB), and a "long tail" of micro-companies. Allocation of resources (sales, presales, delivery) is based on this split. For example, dedicated teams for Enterprise, smaller teams or channel partners for mid/long-tail accounts.
Company 6	Segments first by client type (individual vs legal entity). Then segments legal entities by revenue: "major institutions" (IBEX35 companies), large companies (>€10M turnover), micro-SMEs (€2–10M), and smaller "businesses" (<€2M). Public-sector/non-profit institutions are a separate sub-segment.
Company 7	Segments by service need: two client types for its tech projects. One segment is clients with an existing tech team and the other is clients without such a team.
Company 8	Segments by sales volume and channel type. The first criterion is sales amount (e.g. annual revenues). The second is store format: brick-and-mortar retail vs mobile visits to clients.
Company 9	Segments by production/sales quantity and client potential. Customers are grouped by how much they can purchase (volume) and sales potential. Key/major accounts are handled directly.
Company 10	Uses multi-dimensional segmentation: geography , industry, customer rating, postal code, and turnover.
Company 11	Segments by customer business model and size. Key criteria are website type (e-commerce webshop vs lead-generation site vs informational site), company size (larger companies get more strategic support), and the specific services they need.
Company 12	Segments entrepreneurs primarily by industry sector. They plan to add regional/event-based segmentation for certain activities. They engage at the individual contact level (each loan applicant).
Company 13	Uses a multi-level segmentation. First by geography (sales regions: UK/Eastern Europe vs Germany/Benelux). Within those, by industry focus (e.g. timber processing) and customer type. Also by process needs: favoring industries with stable operations. Additionally, sales team organized into segments (district heating, industrial, ESCOs).
Company 14	Segments by geography, client industry, project phase, and channel. First by region (world divided into sales areas, each with its own manager). Then by customer's business (does the customer build boilers vs turbines). Also, by project type (new-build projects vs aftermarket service), and by sales channel (direct clients vs dealers/agents).
Company 15	Segments by market vertical and manufacturing type. It focuses on six key industrial verticals (e.g. automotive OEM suppliers, medical devices vs pharma, etc.). Within those they segment by production model: make-to-stock, make-to-order, configure-to-order, or engineer-to-order companies.
Company 16	Segmentation of physicians and uses TC1–TC5 categories based on patient potential and drug usage (TC1 = high potential & usage, TC5 = low). Also considers "sales stage" (treatment line in which drug is prescribed). Further distinguishes doctors by mindset (e.g. "Blue" = science-focused vs "Green" = patient-feel-oriented), and by role in the buying process (end users vs technical/economic buyers vs coaches).
Company 17	Segments by region and project size, and by strategic fit. Projects/customers are mapped to geographic areas (parts of the Netherlands) and by scale (larger projects vs smaller). New clients are evaluated for "fit" with company vision and capability, effectively segmenting on strategic alignment.
Company 18	Segments the salon channel into three: independent salons, multi-location "key accounts" , and wholesalers. Then each salon is segmented by its scale (number of staff) and by service price level (e.g. high-price vs budget colouring).
Company 19	Segments by geography and channel/industry: first by region (each plant/network in various countries) and by sales channel (e.g. food retailers vs furniture stores). Then by customer financial value: evaluates profitability/potential (using tools like a BCG matrix) to prioritize high-value customers.
Company 20	Segments accounts by size/type and strategic value. The first dimension is account structure: small independents (mom-and-pop stores, local salons/pharmacies) vs large chains/key accounts (e.g. MediaMarkt, Amazon). The second is strategic focus: "potential/growth vs profitability" – deciding between coverage expansion vs prioritizing most profitable or image-building accounts.
Company 21	Segments by sub-industry and organization type: customers are classified as academic

	institutions, biotech startups, mid-sized pharma, or Big Pharma. Geography is also used (different regions).
Company 22	Uses a three-tier pyramid: top "Enterprise/Strategic" (global large accounts), a middle commercial/SMB segment, and a lower "tail" of small customers.
Company 23	Segments by industry vertical; targets large enterprise clients (Fortune 500). Their service offerings are organized by sector specialization, focusing on big global accounts.
Company 24	Uses a multifactor ROI-driven approach. Criteria include customer lifetime value (current and projected profitability), historical performance/agreements, operational behavior (purchase volume and frequency), and customer profile (psychographics and demographics like age, income, location).
Company 25	Segments corporate clients by industry, revenue, and behavior: e.g. by sector and by turnover scale. It also distinguishes client "maturity" – basic banking needs vs advanced (digital cash management). Internally, it labels accounts as "core" (high wallet-share ≥70%) vs "growth" (lower penetration).
Company 26	Segments consumers by product attributes: by price tier (premium→low), by format (cigarette size/type), and by flavor strength (full, light, super-light). Ensures portfolio covers all combinations.
Company 27	Segments accounts by channel and scale: factors include type of sales channel (e.g. on-premise bar vs retail), sales volume, distribution coverage, customer traffic, and the outlet's consumer profile. These criteria guide positioning, visibility, and communication in each outlet.
Company 28	Segments B2B customers by industry and service needs: e.g. wholesale traders vs hospitality businesses vs salon chains, each with different needs (e.g. insurance vs financing). Initial focus was on existing network and later, they filtered out unprofitable customer types.
Company 29	Segments purely on financial terms: prioritizes clients (suppliers) paying higher rates. ("It's purely about money.") Essentially, excess capacity is offered first to the highest-paying client.
Company 30	Segments by customer size and revenue. Uses cross-selling data to classify accounts: larger customers (by employee count and turnover) are grouped differently. The goal is to identify clients who can buy multiple services.
Company 31	Segments into three tiers: large wholesalers (major distributors), smaller wholesalers, and supermarkets. Classification is based on customer identity, location/market served, and sales volume. This determines pricing tiers and service treatment (e.g. payment terms, product exclusivity).