Business to business market segmentation

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ABSTRACT,
Companies operating in the business to business environment are not properly segmenting their customers or not segmenting their customers at all. However, the importance of segmenting your customers based on their needs and marketing stimuli responses to effectively allocate resources stresses the need for further research on this knowledge domain. Also, there are papers about what variables could be considered as important but little research about which variables could be used in what combination or sequence. Several interviews were conducted in order to analyse which segmentation models are currently implemented at business to business companies. Furthermore, the market orientation of those companies was measured in order to analyse which segmentation models performed better. From this analysis it could be derived which combination of variables performs better for the segmentation of customers in an industrial market.

Graduation Committee members:

Keywords

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1. INTRODUCTION

Segmentation of customers has always been regarded as important to run a business. The segmentation of customers allows companies to classify their customers into groups with the same needs and responses to certain marketing stimuli. “In principle, segmentation is about identifying and targeting customer groups through their needs and wants, as well as determining which customers and needs will be addressed and with what manner and intensity (Freytag & Clarke, 2001).” Therefore, companies can effectively and efficiently allocate their resources to activities. This practice is currently extensively used by companies that sell directly to consumers, also known as business to consumer companies. However, in business to business companies, the segmentation of customers is not thorough enough or lacking completely. An empirical study done by Abratt in 1993 stated that user requirements are not commonly used when companies implemented a segmentation strategy. The most commonly used variables to segment customers in a business to business environment are demographic, geographic, and how often a certain product is used (Abratt, 1993).

In the current situation, companies operating in the business to business environment are not segmenting their customers properly or are not segmenting their customers at all. This lack of segmentation can have problematic impacts for the companies to keep fulfilling the needs of their customers. In modern marketing there is a change of focus from individual customers to larger markets which result in companies having to identify the needs of those larger markets as a whole instead of the needs of all the individual customers. This is due to the fact that companies have limited resources to identify those needs and because there is a limited variety of products that a company can deliver. It is therefore imperative for business to business companies to also have proper framework to segment their customers. There is writing about what variables could be considered as important but little research about which variables to use in what combination or sequence. “Defensible as it may be to have any number of these or other variables to define or describe segments, the problem is that their usefulness in understanding customer needs has rarely been empirically demonstrated and the prominence given to the variables selected for discussion in various marketing texts is, therefore, questionable. Furthermore, the reader is given little theoretical guidance to what the “best” bases for organizational market segmentation may be either in principle or on specific occasions (Mitchell & Wilson, 1998).”

In order to understand how business to business partners can properly segment their customers, current literature will be reviewed about models on how to segment industrial markets to analyse which variables are of importance to the segmentation of customers for business to business companies. Derived from the reviewed literature, a questionnaire will be constructed to measure how companies segment their markets and how market orientated they are. This will give us insights what the differences are between theory and practice and analyse what segmenting models are more effective in practice by means of measuring their market orientation to see which companies have a better performance.

The research question of this study is as follows: Which combination or sequence of important variables can business-to-business companies use to segment their customers and increase their market orientation?

The purpose of this study is to provide companies operating in a business to business environment with insights on how to properly segment their customers. With the research that is presented in this thesis, companies and future research can understand what variables or combination of variables are important when constructing a segmentation strategy. This way their customers are better classified in the groups with the same needs and allows companies to effectively and efficiently allocate their resources.

2. LITERATURE REVIEW

In this literature review information will be provided on the process of segmenting customers in a business to business environment. By reviewing different theories and papers written about this subject current knowledge and models about segmenting will be analysed. With this information, a questionnaire for the segmenting of customers in a business to business environment will be constructed and presented in the third chapter.

2.1 The Nested Approach

One of the more famous models that is often referred to when talking about the segmenting of business to business customers is the model designed by Shapiro and Bonoma (Shapiro & Bonoma, 1984). Customer segmentation will contribute to the companies’ understanding of the market and why customers are buying their products, it helps companies choose which segment fits best to the capabilities of the company and it can give companies a competitive advantage by creating plans and strategies that fit to the needs of the customers. In this model, the criteria for segmentation are presented in the form of a “nest” by starting at the first and outermost criteria which have to be examined first and then moving towards to inner criteria which are harder to assess. “The outermost nest contains the most general segmentation criteria, demographics. These variables give a broad description of the company and relate to general customers’ needs and usage patterns. They can be determined without visiting the customer and include industry, company size and customer location (Shapiro & Bonoma, 1984)” The general segmentation criteria does not require a lot of time to research and is relatively easy to assess.

The second segmentation criteria is named operating variables (Shapiro & Bonoma, 1984). These variables enable a better understanding of current and potential customers within the demographic variables of the first criteria and also do not require a lot of time to research. Operating variables may refer to the technology that a company is using in order to manufacture their products or technology in other processes which can indicate the buying needs of that company. Furthermore, product and brand-use status can be used to identify companies that use the same particular product or brand which means they generally share some characteristics. Another operating variable would be the financial, technical and operating capabilities of the customers in order to spot strengths and weaknesses in a market which can be used to gain a competitive advantage.

The third criteria refers to the formal organization of the purchasing process, power structures, the nature of the buyer-seller relationships, the general purchasing policies and the purchasing criteria (Shapiro & Bonoma, 1984). The purchasing approach can influence the way that customers want to be treated and that makes a valuable criteria to segment customers on. However to research the purchasing approach of a customer requires more time and effort.

The fourth criteria of the Shapiro and Bonoma model is the called situational factors (Shapiro & Bonoma, 1984). This criteria is very similar to operating variables but the differences is that the situational factors are temporary and require a more detailed knowledge of the customers in order to find out the information of these variables of the customer. This could refer to the urgency...
of the order, whether it is a routine order or an emergency order, the product application and the size of the order. This way you could for example segment customers that want small lot sizes and urgent orders and customers that want larger and a more routine based order schedule. The fifth criteria are the personal characteristics of the buyer or the customers. This might refer to some buyers being more risk adverse than others which might influence their purchasing decision or process. However information on personal characteristics are expensive to get and also difficult. This stressed the need for a good and formal sales information system to ensure that the sales staff transmit the data to the marketing department. 

Although the model of Shapiro and Bonoma give us a clear overview on how to segment the markets it is still not mass adopted in the business to business environment. It is therefore imperative to review other models and criteria too presented by other researchers. An article by Elliot and Ang about segmenting industrial buyers by loyalty and value summarized a number of criteria from several papers that could be used to segment customers in a business to business environment (Plummer, 1974) (Kotler, 1980) (Martin, 1986) (Zeithaml & Bitner, 1996). Although some of these criteria are similar it also provides new insights. The criteria summarized by Elliot and Ang argue that segments need to be accessed easily and that the information regarding location, size and the contents of the segment should be measurable without a lot of effort. Also, it is important that segments sustainable in size and profitability and that marketing strategies are effective for the whole of the segment and when implemented also reach the needs of the whole segment. Furthermore, the buyers decision criteria need to be clearly defined and the segment viewed as rational by the management. Criteria that stand out from Shapiro and Bonoma are the sustainability of segments and the accessibility of those segments.

2.2 Micro and Macro Segments

Another paper published by Wind and Cardozo proposed a hierarchal approach with two stages being involved in the process of segmenting industrial markets (Wind & Cardozo, 1974). The first stage is about identifying the characteristics of the buying organization and the buying situation between the buyer and seller. This could refer to the size of the buying organization, the usage rate of the product that the buyer wants to purchase, location, etc. With the information gathered in this stage the macrosegments are formed. These macro segments are then evaluated whether those segments react to marketing stimuli of the selling firm in a homogenous way. If they do this means that those macro segments are the target segments. However, if this is not the case and the segment does not responds to the market stimuli in a homogenous way the selling firm must proceed to further divide the macrosegments into microsegments. Microsegments are created in the second stage and are created based on characteristics of the decision-making units involved in the buying process. Splitting these stages up saves research effort and costs because examining each buyer in detail is not required anymore. “Starting with the grouping of organizations into homogenous macrosegments also provides a reduction in the total research effort and costs. Instead of examining detailed buying patterns and attempting to identify the characteristics of the decision-making units in each organization individually, such an analysis is limited only to those macrosegments which passed the initial screening (Wind & Cardozo, 1974).” All in all important segmentation criteria to use for segmenting an industrial market according to Wind & Cardozo are organizational characteristics, product characteristics, decision-making unit characteristics. What is worth mentioning is that the article also evaluated these bases of segmentation and concluded that organizational characteristics are often used and are somewhat appropriate, products characteristics are sometimes used and least appropriate and decision-making unit characteristics are not used and very appropriate. This gives an indication to which variables being more important than the others.

2.3 Mitchell and Wilson

A paper written by Mitchell and Wilson discussed variables that could be used for segmenting in detail. The first criteria often used is Standard Industrial Classification (SIC) information. “Although SIC information is quite superficial, often misleading, highly aggregated, usually out of date, and not necessarily related to need (Walker) [36], it does have the attraction of being widely available in a standardized and comprehensive form, and it can give some preliminary indication, however crude and frail, of the potential size of a market (Mitchell & Wilson, 1998).” So even though this information is easy to acquire it is often not sufficient to reveal the important information to form sufficient segments. The second variable often used and closely linked to the first criteria is the organizations type, which can refer to a group of current or potential customers that are using a similar set of products (Mitchell & Wilson, 1998). However the article already mentions that this is a weak criteria because it can create more diversity between customers due to the different application of the products and also because it has little to do with product needs and customer needs. The third criteria is customer data which refers to variables regarding the size of purchase orders or the number of employees that the purchasing company has (Mitchell & Wilson, 1998). But size can be measured in a lot of different ways and size is several steps removed from the actual customers’ needs and is therefore also not an adequate reflection on the customer’s needs. The same goes for the next criteria mentioned in the article which is the size of customer and the estimated growth that a customer will experience in the future (Mitchell & Wilson, 1998). This is a good indication to see which customers will bind to you as a strategical partner and which will not. The purchasing structure and type of purchase are according to the paper more useful variables to use for segmenting your market. The same goes for the decision-making process characteristics and the personal characteristics of the buyer. These last three criteria are deemed more useful for segmenting according to the paper. However, the paper also argues that none of these variables really reflect the customer’s needs (Mitchell & Wilson, 1998).

2.4 Preferred customer

Another way to segment customers is based on the preferred customer status. Achieving a preferred customer status is not always through the process of a seller attempting to be more attractive towards the buyer but it can also be the case that the buyer attempts to achieve the preferred customer status (Schumacher, Schiele, Contzen, & Zachau, 2008). Whether customers are preferred or not usually has to do with past experience with that customer or future expectations with that customer (Schiele, Calvi, & Gibbert, 2012). As explained by Ramsay, not all companies have equal access to the suppliers which implies that sourcing activities do contribute to the competitive advantage of a company (Ramsay, 2001). Because not all companies have equal access to the suppliers, the amount of suitable suppliers themselves is a scarcity. It is therefore imperative for purchasing companies to
gain a preferred customer status at the supplier to receive additional benefits. However this also means that other customers of the suppliers are trying to achieve the preferred customers status at the supplier. It is therefore important to take into account the willingness of suppliers to collaborate with regards to other customers in the market (Wynstra, Weele, & Weggemann, 2001).

“A firm has preferred customer status with a supplier, if the supplier offers the buyer preferential resource allocation. This can be accomplished in several ways. A supplier may dedicate its best personnel to joint new product development, customise its products according to the customer’s wishes, offer innovations or even enter into an exclusivity agreement. The supplier might also ensure privileged treatment if bottlenecks occur due to constraints in production capacity (Steinle & Schiele, 2008).” Another alternative to secure preferential status is to develop strategic alliances if the purchasing volume is sufficient for the supplier to be worth the effort that has to be invested in the strategic alliance (Murray, 2001). Another option for buying companies to establish the preferred customers status is to become more attractive to deal business with. This can be achieved for example by helping the supplier with penetrating new markets or sharing knowledge with the supplier (Christiansen & Maltz, 2002).

By assigning different statuses to customers companies can segment their customers based on those classifications on whether dealing business with those customers is preferred or not. And as a result of that preferred customers of companies can receive more ideal conditions, as mentioned above by Steinle & Schiele, when compared to the non-preferred customers. Preferred customer status could therefore also be an important basis for segmenting of customers in a business to business environment. However there is no connection between preferred customers and having the same needs or same reaction to marketing stimuli. Nonetheless it is a way in which companies can segment their customers.

2.5 Market orientation

In order to see whether segmentation models at the companies who will be interviewed are effective the concept of marketing orientation is used. “Because customer needs and expectations continually evolve over time, delivering consistently high quality products and services requires ongoing tracking and responsiveness to changing marketplace needs, i.e., being market-oriented. More formally, a market orientation refers to the organization-wide generation of market intelligence, dissemination of the intelligence across departments, and organization-wide responsiveness to it (Jaworski & Kohli, 1993).” In this paper it was found that market orientation is related to performance in a positive way. In order to measure the performance of the segmentation methods of the companies market orientation will be used. Because market orientation is about the knowledge a company has about their market and segmenting is about grouping customers based on information of the market the assumption is made that the better a company is market oriented the better their segmentation methods are. This is based on the implication that the knowledge about a market is required to segment the market.

3. METHODOLOGY

3.1 Research design

The gap found in the theory by reviewing the literature is that the variables which should be used for segmenting are discussed but it is not extensively discussed in what combination or sequence these variables should be used or what variables are more important. In order to give us insights what the differences are between theory and practice and analyse what segmenting models are more effective in practice a questionnaire is constructed to provide information on the segmenting methods of companies. As mentioned in chapter two the five criteria for segmentation in the model of Bonoma and Shapiro are presented in the form of a “nest” by starting at the first and outermost criteria which have to be examined first and then moving towards inner criteria which are harder to assess (Shapiro & Bonoma, 1984). These variables located more to the centre of the nest will be referred to as more complex variables because they are harder to assess and are argued more beneficial for segmenting. The difference between easier to assess variables and more complex variables is the same for the other segmenting theories, for example it is stated in the paper of Wind and Cardozo that examining detailed buying patterns and attempting to identify the characteristics of the decision-making units in each organization individually for the micro segments is time consuming because it is harder to assess when compared to the variables used for creating macro segments (Wind & Cardozo, 1974). In the results chapter we will use this definition of complex variables again when defining how extensive and complex a company’s segmenting model is. It is also stated in the first chapter that in business to business companies the segmentation of customers is not thorough enough or lacking completely and if it does occur the most commonly used variables to segment customers in a business to business environment are demographic, geographic and product characteristics variables (Abratt, 1993). This will be the baseline used in the results chapter. When companies use variables about demographics, geographic or product characteristics it will be defined as average. When companies are using less or no variables for segmenting their customers it will be seen as a poor segmenting method and when companies are using more complex variables it is above the baseline and therefore defined as a better than average segmenting method.

Also, in the questionnaire pre-defined questions by Jaworski and Kohli are added to measure the market orientation of the companies that are interviewed to measure how successful their segmenting strategy is (Jaworski & Kohli, 1993), because we assumed that when a company is better market oriented their segmentation model is also better. Each question of the questionnaire can be given a score from one to five. An answer with a score of five means that the companies are well market oriented and that a score of one means that the companies are poorly market oriented. However the scores of question four and nine of section Market orientation – A and of question three of section Market orientation D translate to the opposite of this definition to prevent bias. “Several items were reverse-scored in order to minimize response set bias” (Jaworski & Kohli, 1993). The average of all the scores will define whether a company is well market oriented (score of five) or poorly market oriented (score of one).

After these interviews are conducted with the company representatives an analysis of the differences between theory and practice is possible and to give insights into which segmenting strategies are more effective in practice. This will allow for a conclusion about what variables are important, in what combination or in which sequence these variables can be used. The questionnaires are in appendix A and B in English and Dutch respectively.

The companies selected for this research are four companies that are business to business orientated companies in the water technology sector. However, one of the companies selected for this interview is not in the same sector as the other three companies. This will have to be taken into account in the
conclusion chapter to exclude this company when concluding about the water technology sector. In the general conclusions this company can be included. The reason for a sample size of four is because the nature of this research. The objective of this research is the provide insights and understanding of the nature of the phenomena of segmenting, therefore this is an exploratory research. For exploratory research sample sizes are often small and methods to collect data are often done via qualitative interviews which are also used in this research (Malhotra, Nunan, & Birks, 2017). Therefore the sample size of four and the data collection method of qualitative interviews are justified till some extent. The companies are mostly selected in the same sector in order to derive a stronger conclusion from the results. Furthermore, these questionnaires are presented to the companies in an interview that will also be recorded in order to document the transcripts in writing.

3.2 Reliability and Validity

The main data collection method used in the research is the interviews along with a questionnaire with the company representatives of the different companies. These interviews were held to collect data on how companies are segmenting their customers. This means that the questions were designed to retrieve information about what combination of variables were used or in what sequence those variables were used to segment the customers of the companies. The questions of the interview were structured before the interview and presented to the interviewees only during the interview. During the interview there were follow up questions included. It is assumed that the data provided by the company representatives is reliable due to the fact that it was requested that a sales representative or a person with knowledge about the segmentation model of the company was representing the companies. This implies that the representatives have access and knowledge about the information we intended to measure. The behaviour of interviewees during an interview is considered to be important to the validity of the research method, but due to the fact that his is hard to measure and draw conclusions from, it is not included in this research.

The validity of answers provided by the managers in the interviews is questionable due to the fact that the answers given by the interviewees could be answers that the representatives want the interviewer to hear. However, when interviews are structured the validity of the answers is higher (University of Leicester, 2010). Because of this reason the questions of the interviews were created before the interviews and therefore it can be assumed that the answers given are valid to some extent and represent what was intended to be measured, assuming the answers of the company representatives are valid and correct. Another argument why the information provided by the company representatives is high due to the fact that the interviewees provide information to the research that they themselves are involved with. It is therefore imperative for the interviewees to provide the correct information. The questionnaire however is less reliable. This is because a lot of questions on the market orientation questionnaire are intangible or unmeasurable. This means the representatives of the companies often have to provide a score which they feel fits the best to the situation. The disadvantage of this is that there is the possibility for people to give an extra positive score without being able to verify it. In the paper of Jaworski and Kohli it is mentioned in order to tackle this problem the market orientation questionnaire should be taken by multiple representatives of a company to provide a better average score (Jaworski & Kohli, 1993). However, this multiple measurement of market orientation has not been included in the research due to some companies not wanting to provide multiple representatives to fill out the market orientation score.

Another important part of this research is the theories on which the research design is based upon. It is therefore relevant to discuss and justify the data sources and literature that have been used to gather the information. The papers used are reliable to a certain extent due to the fact that the authors involved are acknowledged and verified researchers of research institutions. The validity was furthermore checked by analysing the journals in which the papers were published. The data bases used for searching and retrieving the papers involved in this research were Scopus and ScienceDirect for the most part. These data bases are verified and controlled systems which is supported by several research institutions, including the University of Twente, which contributes to the reliability and validity of the papers retrieved from these data sources. Also, papers retrieved from data sources like Scopus and ScienceDirect are reviewed by verified publishers which justifies the statement that the data retrieved is valid.

4. RESULTS

In this chapter the data collected in the interviews about the segmentation of the companies and their market orientation will be reviewed. In the first part of this results chapter the companies will be analysed individually and afterwards in the second part of the chapter the results as a whole will be analysed. When the companies are being analysed individually their segmenting methods will be explained firstly. After that the connection will be made to the theory, whether those segmentation methods of the companies can be connected to existing theory or maybe the company already has a theory on which their segmenting methods are based upon. Furthermore, it is analysed whether the concept of preferred customer is integrated into the companies and to see whether different segments receive different treatments in terms of conditions. Finally their market orientation score will be measured and analysed which we can use to conclude whether companies with a higher market orientation score indeed have more complex segmenting methods.

4.1.1 Company W

Company W sells their products mainly in one market. The focus of the company is also on this market which makes up about 90 to 95% of their revenue. According to interviewee the second market which they identified and sell their products in had at one point 10% of the total revenue. This means that we can assume that the main market they focus on has about 90 to 95% of the total revenue. In their main market, company W does sell their products to customers that are not in their mission if the products requested are directly in their product range without too much alterations. Company W only focusses on one market, therefore they don’t have a segmentation of customers based on the different markets they serve. However inside this market there is a segmentation method which is implemented.

Because company W is a business to business company they do not sell directly to their end consumer but to intermediary companies, also known as the customers of company W, who sell to the end consumer. However company W still segments the end consumer too besides segmenting the intermediary companies. The end consumers are segmented based on size inside the selling areas of their intermediary companies. The categories for example are small size consumers, medium size consumers and large size consumers which are based on the amount of units they want to serve with the product of company W. The main target for segmenting is the companies to which they sell directly. These companies are divided in regions by geographical dispersion, marketing support and the languages in these regions. For example region 2 has Spanish and French speaking countries in their region like south America, Spain and France. Besides these variables being used to segment the intermediary
companies another variable which they use and is considered the most important at company W is the density of potential end consumers inside the areas of the intermediary companies. This results in two different kind of areas which are concentrated areas with a lot of potential end consumers and dispersed areas with less potential end consumers. The focus of company W is on the concentrated areas and if a growth strategy is implemented the company will look to improve their market shares in these areas. This is because investing in these concentrated areas will have a higher chance of getting a good return on investment due to there being an higher amount of end consumers that you can reach. The goal of this segmentation is implemented to increase to focus on intermediary companies that have more revenue, more focus on the products of company W and can receive more effective knowledge transfers.

Furthermore, company W segments their customers according to whether they buy and sell the whole product range or that they sell only a part of the product range. This is because company W has some products that only specific intermediary companies have the resources to sell to the end consumer and support the end consumers with service. This means that some intermediary companies sell the whole product range and some do not. The full liners that have the full product range experience more knowledge transfers from company W and also receive extra discount on their purchases at company W. The goal of company W is to reinforce and expand on these full liners. To meet with them more often, provide them with better trading agreements and in return company W asks the full liners to send their mechanical team and sales team for training at company W to become more able to sell the products of W.

The representative of company W stated that their segmentation model was not based on any theories but it just evolved over time with variables that seemed relevant. However the variables used by this company can be connected to concepts of the theory. The variables used by company W are the size of the end consumers, geographical location, language, marketing support, concentration of end consumers and lastly whether the customers of company W are fit to sell the whole product range or not. When looking at the theory of Bonoma and Shapiro about segmenting customers it shows that company W uses demographics variables by examining the size of the end consumers and the amount of end consumers in an area. Also operating variables of the model are used, because the company W checks whether the intermediary companies have the capabilities to sell the whole product range or not. The remaining variables that company W uses also fit in the categories of demographics and operating variables. When the model of Wind and Cardozo is compared with the segmenting methods of company W it can be seen that macro segments are created by gathering information about the characteristics of the buying organization like what products the buyers wants to buy, the location and the quantity. However the second stage, creating micro segments based on characteristics of decision making units involved in the buying process, is not implemented in the segmenting model of company W.

The concept of preferred customer does play a role in the segmenting process of company W. There are some segments that receive better conditions when compared to other customers. The segment that company W identified as being capable to sell the entire products range of company W to the end consumer, which are called the full liners, receive extra discount. Also, company W issues quantity discount when a customer sells enough products of company W to the end consumer. So there are some customers that company W puts a special focus on and also rewards them with extra discounts. On top of the extra discounts the full liners also receive extra knowledge transfers from company W towards the sale teams and the mechanical teams of those full liners. The concept of preferred customers is therefore integrated in the segmenting process of company W.

As seen in the appendix A3, company W has an overall market orientation score of 3.16. This is an above average score which means that the company W is market oriented above average. The assumption that was made in chapter two assumed that “the better a company is market oriented the better their segmentation methods are.” Furthermore, in chapter one we found that the most common variables used for segmenting a business to business environment were demographic, geographic and the usage of a product. Also, it was stated that in many cases business to business companies did not segment their customers at all. However, derived from the results above company W uses multiple variables to segment their customers and not just the basic variables of demographic, geographic and the usage of a product but also the amount of turnover that customers generate, the potential amount of turnover of customers and the capabilities of the customers. Because of the usage of these variables we can conclude that company W uses more variables and more complex variables, which are further down the “nest” of the nested approach of Bonoma and Shapiro (Shapiro & Bonoma, 1984). This means that the segmentation model of company W is above the baseline, as discussed in the methods chapter. This statement also corresponds with the market orientation score because that score is also above average.

4.1.2 Company X

In contrast to company W, company X does serve multiple markets and that is also the starting point for the segmenting process of their customers. Company X defines markets based on the type of business they sell their products to inside the water technology sector. For example, company X has the oil and gas market, food and diary market, bottling and brewing market, waste to energy market and finally cosmetics market. These are the main segments that company X has defined to split up their customers based on the type of industry and inside these segments it can be further split up. For example in the food and dairy market you can have slaughter house customers or yoghurt producers as customers. The biggest market is the food and diary and therefore company X focusses more on that segment. This is seen in the number of experts they have on each segment, because in the food and diary segment they have more experts than the oil and gas sector. Besides this horizontal differentiation between the business company X sells to they also have a vertical differentiation. This refers to whether the company of a customer is further up the supply chain, in the middle of the supply chain or further down the supply chain. In the oil and gas market for example customers that are engaged in the extraction of oil and gas are referred to as the upstream customers. Midstream customers are engaged in the transport and pre-treatment of the oil and gas for the refinery and lastly the downstream customers are engaged on the processes that take place on the refinery and convert the oil and gas in to useable products. This way of vertically differentiation in the markets can be applied to some extent in all segments.

Also, company X has a geographical dispersion of their customers which are based on time zones. Company X has dispersed their customers in to three major time zones which are the following: minus eight encompasses the north America and south America regions. The null region is Europe and a big part of Africa and the plus eight zone is Asia. Insides these big hubs there are several offices to further split up this zones into smaller regions.
Lastly, company X also segments their customers on the amount of revenue they generate and how much they can potentially generate in the future. Customers that are big clients and often return for multiple projects are called repeating customers and receive a special focus. These clients that are referred to as repeating customers often have multiple production facilities across the world and have been mapped by company X and connected to a specific manager that is responsible for all endeavours with those clients. This manager is the main contact person for that customer and whether he builds something in the plus eight zone or in the minus eight zone that manager will still be included with the project. These repeating customers do not receive better conditions but due to those larger corporations having stronger purchase departments they indirectly receive better conditions. With other clients trust and building a relation is the most important part of getting a sale but the bigger clients just want to receive several quotations with the minimal technical requirements and then a competitive environment of bidding emerges which reduces the prices.

At company X the segmentation model is not based on any existing theories or models according the representative of company X. The segmentation model that is implanted currently at company X has grown historically over the years with variables that were applicable to the customers of company X. In this perspective company X is very similar to company W. The variables used by company X can be connected to the different categories of variables that are mentioned by the theories. The first and most important variable that company X uses is the type of business that they sell their products to and whether that business is upstream, downstream or midstream in the supply chain. Other variables used by company X to segment their customers are geographical dispersion, time zones and how much revenue a customer generates and their potential revenue generation in the future. When looking at the model of Bonama and Shapiro all these variables fit in the first two categories of variables which are general criteria and operating variables. However, company X has also identified which customers are larger customers with stronger purchase departments with whom relation does not play a big role in getting a sale as compared to other smaller customers. Because of this company X also uses a criteria of the third category to some extent which refers to variables that refer to the formal organization of the purchasing process, power structures, the nature of the buyer-seller relationships, the general purchasing policies and the purchasing criteria (Shapiro & Bonoma, 1984). When looking at the model of Wind and Cardozo most of the variables used by company X fall in the category of the first stage because the variables refer the characteristics of the buying organization and only the last variable fits into the second stage to some extent which is about characteristics of the decision making units of the buying organization.

When company X was asked whether they had different classifications or status assigned to their customers the representative mentioned that unconsciously the potential growth in a client or the amount of revenue they will generate in the future is taken into account when dealing business with a customer. For example when extra transport costs needed to be paid on a project the management of company X decided to pay these costs bearing in mind the amount of future projects company X could have with this customer. However, this is not recorded in a system, company X stressed in their interview that customer satisfaction is the main driver for dealing business and that each customer will be helped until satisfied. This indicates that the concept of preferred customer is not as integrated in the segmentation model as with company W but it is still taken into account to some extent.

On market orientation company X had an average score of 3.53. This means that company X is closer to being well oriented when compared to company W. This can be explained due to the fact that company X also uses purchasing characteristics variables which refers to the formal organization of the purchasing process, power structures, the nature of the buyer-seller relationships, the general purchasing policies and the purchasing criteria. This is a more complex variable because this variable is located more to the centre of the nest and are therefore harder to asses and are more beneficial for segmenting. Also variables that are related to describing characteristics of decision making units of the buying organization are used to segment micro segments in the model of Wind and Cardozo (Wind & Cardozo, 1974). As mentioned before, the variables that are related to describing characteristics of decision making units of the buying organization are harder to asses and is therefore a more complex variable. This market orientation score of 3.53 can furthermore be explained by the fact that company X is using variables that are above the baseline which is defined in chapter 3 such as the amount of revenue, the potential amount of revenue and the classification of the customer’s business. All in all it can be said that the segmenting methods of company X are above the baseline average and this also corresponds with the market orientation score being above average.

4.1.3 Company Y

Company Y did not have an extensive segmenting method. The most important variable that company Y had to split up their customers was the type of product the buying organization was purchasing. Company Y mainly had the dispersion of customer between providing consultancy advice to customers or to sell actual products to them. So company Y either sells a service to the buying organization or an actual machine. Inside the consultancy segment there was a further segmenting between customers that wanted advice on a design or that wanted company Y to create a detailed design of a certain product. This is again segmenting on the basis of what type of product the buying organization is buying from company Y.

The reason why company Y did not segment as much as the previous companies in the research could be explained due to the size of company Y. Company Y is a company that has been in business for several years, it could therefore be classified as a start-up or advanced start-up company. For start-up companies it is less beneficial to segment your customers because first of all there are relatively less customers to segment so it is easier to keep track of your customers and customers’ needs without segmenting them into groups. Second of all in a start-up company there are not a lot of employees. This means that the knowledge about different customers does not have to be distributed across different departments and employees inside the company. It could be that only one person in the start-up company is responsible for sales and that means it is not necessary to transfer that knowledge. This has to be taken into account when we are comparing the results of company Y to the rest of the companies, because all the other companies are of bigger size and also relatively with a lot of similarities in size.

Beside the type of product or service that the buying organization was buying from company Y, company Y also uses a software system to assign weights to certain customers. This weight represents whether a customer is an interesting opportunity to conduct business with or that a project with a certain customer is not attractive. This weight however is assigned by company Y based on what they sense. Because this is a weight assigned to a customer based on feelings this means that unconsciously multiple factors are taken into account but nowhere is clearly stated what factors are taken into account. For the sake of this
research we will define this variable as a variable that measures the potential success rate with a customer. An important input for this software system was the variable time. This refers to the amount of time that a project with the concerned customer will require to complete the project. This has a big impact on the score that a customer gets because a customer might get a score of 80 on a scale of 100 but when that project takes three months to complete that same customer might look less interesting and get a score of for example 10 on a scale of 100.

Also at company Y the segmenting that did occur in practice was designed by the company itself and was not derived from specific theories. However, like with company W and X, we can fit the used variables of company Y in the segmenting models of Bonoma and Shapiro and the model of Wind and Cardozo. The first variable that company Y uses to segment is the type of product that the buying company requires. This variable falls in the first criteria in the model of Bonoma and Shapiro because it provides a broad description of the company and relate to general customers’ needs and usage patterns (Shapiro & Bonoma, 1984). Also in the model of Wind and Cardozo this criteria falls in the first stage because the first stage is about identifying the characteristics of the buying organization (Wind & Cardozo, 1974). Furthermore, company Y also uses the variable about the potential of customer. This is also a relatively basic variable which is relatively easy to asses.

The software system that takes into account the potential of a customer can be tied into the concept of preferred customer. This software system assigns a certain status to customers on whether it is a potential customer or that a customer is less interesting to conduct business with. This ties in with the explanation provided by Schiele et al. whether customers are preferred or not usually has to do with past experience with that customer or future expectations with that customer (Schiele, Calvi, & Gibbert, 2012). However, it is also mentioned by Schiele et al. that a firm has preferred customer status with a supplier, if the supplier offers the buyer preferential resource allocation (Steinle & Schiele, 2008).” At company Y the preferred customers do not get offered better conditions according to the representative of company Y. The reason why these statuses are assigned to certain customers is to provide company Y with direction on which customers to focus and provide more attention towards. However, it could be argued that attention is also a resource and that by providing preferred customers with more focus those customers do receive preferential resource allocation. It comes down to the fact that company Y does not give preferred customers better conditions but company Y does focus more on preferred customers.

The market orientation score of company Y is 3.56. This is extremely high when we take into account that company Y has almost no segmenting of their customers and if we compare it to the score of company W and X which are 3.16 and 3.53 respectively. However, there are a lot of questions in the questionnaire about market orientation that concern the coordination between different departments about customers’ needs and product development. Because company Y is a start-up company it is self-evident that the market orientation score of company Y is not corresponding with the complexity of the segmenting methods of the company.

4.1.4 Company Z

Company X did segment the customers according to the markets which were defined by the company in which they operate. Inside the market, company Z sells their main product and accessories which can be seen as additional products a consumer can get with the main product or even buy those products stand-alone. The segmenting process at company Z starts with dividing all the customers by country. This is mainly due to the fact that each country has different requirements and rules that the main product has to fulfil in order to be able to sell in those countries. After this geographical segmentation by dividing the customers in their countries, the countries themselves will be analysed. This is done by examining whether the market of that country is interesting and whether the products that company Z sells can fulfil the demands of the market. A market investigation will occur to analyse the gross national product, the supply of rental houses and the supply of new construction houses in that country and as a result of that it is analysed whether end consumers are renovating or whether the demand for new construction houses is higher. This all influences whether the product range of company Z will successfully penetrate the market. Another important criteria on the national level is finance. This for example refers to how payments are being executed. This differs per country and is important to keep track of because it influences the cashflow of the division in those countries and therefore has an impact of the growth potential of company Z.

Inside the countries company Z identifies their actual customers, which are the wholesalers. Company Z does not sell directly to the installation companies that deliver the product to the end consumer but company Z is located one step further up the supply chain. This results in company Z selling to the wholesalers. From there out the product is sold to the installation companies and those installation companies will eventually sell and install the products to the end consumers. The structure is used in order to keep the organisation structure flat and keep the sales team relatively small. The sales team can be held at a small size due to the fact that wholesalers put in their purchase orders digitally and automatically. This means that orders only have to be checked and after that the purchase order can move to the production facility. Company Z also trains the employees of the wholesalers and provides presentations on the products of company Z.

The customers of company Z are further segmented based on how much effort they exert to sell the products of company Z and their size. Company Z strives to keep the purchase conditions equal for the buying organisation but when a large organisation puts in a purchase order they will receive small advantages as opposed to smaller customers. The second variable they use to segment their customers is effort. When a smaller customer exerts a lot of effort compared to a larger customer who exerts less effort to sell the products of Company Z that means that the smaller customer can be worth more to company Z. The first segment of effort is called the dealers. This segment encompasses the customers that exert the most effort and therefore receive the best benefits. Some examples of what customers have to do in order to become a dealer of company Z are as followed: the products of company Z have to be visible in the showroom, the staff has to receive a training from company Z and the products of company Z have to be held in stock. If customers do not meet these requirements they are categorized as secondary customers or non-focus customers. These customers put in a purchase order once the request from their customers arises. These non-focus customers or secondary customers do receive some better conditions but less optimal conditions when compared to the dealers. And lastly there are the remaining customers who are not categorized in either of the two segments. These are customers that on average have put in less than three purchase orders at company Z. The remaining customers do not receive extra benefits and will just get the regular price. Once these customers put in more than three orders a company representative will visit those customers and propose a business plan with those customers on whether they want to become a dealer or a non-focus customer.
Company Z uses a lot of variables to segment their customers overall. The segmenting process of company Z has a lot of similarities with the way Wind and Cardozo propose to segment customers in a business to business environment (Wind & Cardozo, 1974). This is due to the fact that company Z first creates macro segments on a geographical level with the different countries in which company Z conducts business. These countries are different from each other on some variables that are easy to assess and therefore not complex such as product requirements, gross national product, the supply and demand of rental houses, renovation and new constructions houses and lastly, the variable finances. After that company Z further segments inside those countries to create micro segments with more complex and company specific variables such as exertion of effort, size of the customers and amount of purchases orders that have been issued. When the used variables of company Z are put in the model of Bonoma and Shapiro it can be seen that the variables geographical location, product requirements, gross national product and finances can be placed in the first criteria category due to those variables give a broad description of the customers and relate to general customers’ needs and usage patterns. They can be determined without visiting the customer and include industry and customer location (Shapiro & Bonoma, 1984). The variables about the size of the customers and the supply and demand of rental houses, renovation and new constructions houses and the amount of orders a customer places can be categorized in the second category because those variables can be connected to the financial, technical and operating capabilities of the customers in order to spot strengths and weaknesses in a market which can be used to gain a competitive advantage (Shapiro & Bonoma, 1984). The last variable about the amount of effort that a customer exerts can be categorized in the third criteria because it refers to the nature of the buyer-seller relations and influences the way that customers want to be treated (Shapiro & Bonoma, 1984). Overall the segmentation model can be analysed as extensive with some relatively complex variables being used.

The customers of company Z do receive different classification based on how much effort they exert. The classifications, as mentioned above, are dealer, secondary customers or non-focus customers or the ”remaining” customers. Due to the fact that the segment of dealers is being preferred by company Z because they exert the most effort to sell the products of company Z the concept of preferred concept is integrated in the segmenting model of company Z. This is further supported by the fact that the different classifications receive different benefits by means of discounts, training of sales staff and presentations according to their status. And according to Schiele et al. a firm has preferred customer status with a supplier, if the supplier offers the buyer preferential resource allocation (Steinle & Schiele, 2008).

The market orientation score of company Z is 3.59. This market orientation score is an above average score and this is the highest market orientation score in this research. This can be explained due to the fact that company Z has an extensive segmentation model with some complex variables being used. Besides that their segmentation model has a lot of similarities with proposed segmenting method of Wind and Cardozo which strengthens the segmentation model of company Z due to theoretical backing. The market orientation score of 3.59 therefore does corresponds with complexity of the segmentation method of company Z.

4.2 A summary of the findings

It was found that companies W X and Z had segmented their customers to the extent that all three companies had a segmentation model that was above the baseline defined in chapter 3. “When companies use variables about demographics, geographic or how often a certain product is used it will be defined as average. When companies are using less or no variables for segmenting their customers it will be seen as a more poorly segmenting method and when companies are using more complex variables it is above the baseline and therefore defined as a better than average segmenting method.” The market orientation scores of the companies did correspond with the complexity of their segmentation models for all three companies with companies that have implemented a less complex and extensive segmentation model scoring less on market orientation and vice versa. However, company Y has a segmentation model that only uses two well defined variables and both those variables are not complex variables and for these two reasons the segmentation model of company Y was defined as average. The market orientation score of company Y also does not correspond with the complexity of the segmentation model due to the fact that company Y has a market orientation score of 3.56 placing company Y at second rank with company Z having the highest market orientation score of 3.59. As mentioned earlier in chapter 4.1.3 this could be due to company Y being a small sized company or due to the fact that market orientation score is not a good measurement for the success of segmentation models. For the sake of this thesis it is assumed that the small size of company Y is the reason for this market orientation score not representing the complexity of the segmentation model.

As mentioned before, the nested approach of Bonoma and Shapiro assigned complexity to the different categories of variables with category one, on the outside, being the easiest to assess and therefore containing non-complex variables and a five, on the inside, being the hardest category to assess and therefore the variable in those categories are complex. Furthermore, it was defined earlier in the thesis that market orientation was the measurement used to measure the success of segmentation models. In order to create an overview table 1 provides information about what variables are used by the different companies. The different variable categories are constructed based on the all the variables that occurred across the different companies’ segmentation models and are presented in the first column. If a box is checked in the columns W to Z it indicates that the company being referred to is using that variable in their segmentation model. Furthermore the complexity of the variable is given in the last column. From this overview it can be seen which companies have the most extensive segmentation model and the complexity of variables used. The corresponding market orientation scores of the companies can be found in appendix C.

<table>
<thead>
<tr>
<th>Variable category</th>
<th>W</th>
<th>X</th>
<th>Y</th>
<th>Z</th>
<th>Complexity</th>
</tr>
</thead>
<tbody>
<tr>
<td>size of orders</td>
<td></td>
<td></td>
<td>*</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>geographical dispersion</td>
<td></td>
<td>*</td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>amount of potential sales</td>
<td>*</td>
<td></td>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>buyer capabilities</td>
<td></td>
<td></td>
<td></td>
<td>*</td>
<td>2</td>
</tr>
<tr>
<td>type of business/ type of product</td>
<td></td>
<td>*</td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>amount of revenue</td>
<td>*</td>
<td></td>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>potential revenue</td>
<td></td>
<td></td>
<td></td>
<td>*</td>
<td>2</td>
</tr>
<tr>
<td>success rate</td>
<td>*</td>
<td></td>
<td></td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>exertion of effort</td>
<td></td>
<td></td>
<td>*</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>finances</td>
<td></td>
<td></td>
<td></td>
<td>*</td>
<td>1</td>
</tr>
<tr>
<td>supply and demand of rental houses/new construction and renovation/new construction</td>
<td></td>
<td></td>
<td></td>
<td>*</td>
<td>2</td>
</tr>
<tr>
<td>gross national product</td>
<td></td>
<td></td>
<td>*</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Purchasing structure</td>
<td></td>
<td></td>
<td>*</td>
<td></td>
<td>3</td>
</tr>
</tbody>
</table>

When comparing companies W, X and Z it can be seen that companies X and Z are using variables that are further in the
“nest” which were defined in the model of Bonoma and Shapiro and that the segmentation models of company X and Z are therefore more extensive and complex. The usage of these more complex variables is beneficial for the segmenting of customers because company X and Z have higher market orientation scores when compared to company W. It could therefore be argued that the unique variables used by companies X and Z are successful variables to be used for a segmentation model or that the specific combination of variables used by those companies is a successful combination to use for the segmentation of customers in a business to business environment. What can be learned from this is that using more complex variables in a segmentation model can lead to a more successful segmentation model. Company Y has been left out of this comparison due to the possibility that the market orientation score is not representative for the complexity of the segmentation model of company Y. This argued to be caused by the fact that company Y is a small sized company which impacts the market orientation score as mentioned in 4.1.3.

Form the findings above, mostly derived from company X and Z, a best practice model can be constructed. Using Geographical dispersion as a variable would be self-evident. First of all because all the medium sized companies in this research are using geographical dispersion for segmentation but also because of the benefits attached to using this this variable. When splitting up your customers according to geographical dispersion, marketing support and the languages needed to address those customers is more convenient segmented. The second variable used for the best practice model would be the current and potential revenue of customers. This variable provides insights in where the most revenue is generated and which customers can generate the most revenue in the future which enables companies to allocate more resources to those customers which generate more revenue in the present and the future. A closely connected variables to this is the finance variable which provides insights into when and how customers are paying their invoices. This is an important variable because it provides a company with information about their cashflows which is an important indicator for growth. "The value of future investment opportunities are likely to be influenced by the availability of cashflow to support them (Ferris, Sen, Lim, & Yeo, 2002)." The last two variables used from segmenting in the best practice model would be the exertion of effort and purchasing structure. The main reason to include these variables is because these are the most complex variables of this research and the unique variables used by company Z and X respectively. Furthermore, by using exertion of effort a company gains insights into which customers are putting in more effort to sell products and therefore are more valuable customers. Exertion of effort also a good incentive for small and large customers instead of just quantum discount being attractive for bigger customers. The purchasing structure variable provides companies with information about which customers have strong purchasing departments and therefore are less attractive to focus on with regards to improve the relationship and vice versa with companies that do not have large purchasing departments.

5. CONCLUSION AND DISCUSSION

In the beginning of this thesis the importance of segmenting customers in a business to business environment was made clear. When companies segment their customers in to distinct groups with similar needs and certain responses towards marketing stimuli. This will allow companies to allocate their resources more effectively to tailor the needs of the customers better. However companies that are operating in a business to business environment are not segmenting their customers extensively but with variables that are easy to assess like geographic and demographics. In the other case the segmentation process is lacking completely at business to business companies. Current research and papers present variables that could be used to segment customers in a business to business environment but there is little research done so far about what combination of variables or in what sequence to use these variables.

In order to gain insights into what variables to use for segmenting customers in a business to business environment an explorative research through interviews was conducted to see how business to business companies are segmenting their customers and what their market orientation was to analyse whether the market orientation score corresponds with the complexity of the segmentation model of the company. It was expected that companies who had a more extensive and more complex segmenting model would have a higher market orientation score. Derived from these results it could be analysed which segmenting models of various variables performed better.

It was found that aside from company Y, the companies with more extensive and complex segmenting processes indeed scored higher on the market orientation score. From the results derived, it was found that company Z and X had the highest scores with market orientation. Because the most common variables like geographical, demographical and use of products were mostly used across all companies it is argued that the company unique variables create the difference in the market orientation score and therefore provide a more positive contribution to the success of the segmenting model.

This implies that the combination of variables or the unique variables used by these companies serve as a role model on how business to business companies could segment their customers. Therefore contributing to the process of grouping customers together with the same needs and responses to marketing stimuli. As a result of that companies can more effectively allocate their resources to tailor the needs of the customers.

The limitation of this thesis mainly impacted the market orientation section of the thesis. It would have been better to measure the market orientation at the companies through multiple representatives across the departments of the companies to get a more realistic market orientation score. However due to companies not wanted to commit more representatives, this was not included in the research. Furthermore, the companies selected in this thesis were not all from the same operating size. Three of the companies were of similar size but the fourth company was a small company. This presumably impacted the market orientation score because the question in the questionnaire to measure market orientation was not an adequate fit for small sized companies. However this was taken into account when comparing the different companies. Future research on this subject could improve on these points to get a more realistic representation.

The academic relevance of this thesis resides in the fact that it furthers the knowledge on the subject of segmentation in an industrial environment by analysing how business to business companies are segmenting their customers. The results of this explorative research thesis can be used for future research because this thesis provides information on what variables business to business companies are using to segment their customers. Furthermore, the thesis provides information on what segmentation models performed better which indicates which combination of variables prefers better. Future research could analyse and quantify what the impact of various variables is on the success of a segmentation model to construct an optimal segmenting model.

With respect to the practical relevance of this thesis the following can be said. Companies, and more specific the sales department
of companies, are provided with insights on how various business to business companies are segmenting their customers and can derive from this what variables or combination of variables are deemed successful with regards to their contribution to the segmentation model. With this knowledge companies can improve their currently implemented segmentation model and therefore classify their customers better into groups with the same needs and responses to marketing stimuli. Finally it underscores the importance of the segmenting of customers in a business to business environment.

6. ACKNOWLEDGMENTS
I would like to thank and express my gratitude to my supervisor, Prof. Dr. Holger Schiele, for his feedback and assistance throughout the process of writing the thesis which to write this paper. Furthermore, I would like to thank Dr. Raymond Looihs for his support in writing this paper. Lastly, I would like to thank the company and their representatives for providing me with the information to conduct the research and write this paper.
REFERENCES


8. APPENDICES

8.1 appendix A: Questionnaire

Segmentation questions (English version)

1. Is your company serving multiple markets? And why?
2. Does your company use a method and criteria to segment a market? Why, why not?
3. What are the most important criteria
4. Which combination of variables/criteria do you use to group different customers into segments?
5. Are you using a prescribed model for market segmentation?
6. If yes, which model are you using?
7. What is your starting point for segmentation? (i.e. Customer size, geographical area)
8. How often does your company engage in market segmentation? (Ranging between occasionally or discontinues) and why?

Preferred customer

1. Do you have a classification system for customers? Why?
2. Is the classification system of customers different for segments? And why? Why not?
3. Do you assign different status types to customers? (e.g. preferred customer, top-customer, growth-customer, standard-customer, less interesting customer)
4. Which status types do you assign? And why?
5. How does a customer’s reputation/status affect your behavior/offer towards him?

Market orientation (intelligence generation) Scale items (English version)

1. In this business unit, we meet with customers at least once a year to find out what products or services they will need in the future.
2. Individuals from our manufacturing department interact directly with customers to learn how to serve them better.
3. In this business unit, we do a lot of in-house market research.
4. We are slow to detect changes in our customers’ product preferences.
5. We poll end users at least once a year to assess the quality of our products and services.
6. We often talk with or survey those who can influence our end users’ purchases (e.g., retailers, distributors).
7. We collect industry information through informal means (e.g., lunch with industry friends, talks with trade partners).
8. In our business unit, intelligence on our competitors is generated independently by several departments.
9. We are slow to detect fundamental shifts in our industry (e.g., competition, technology, regulation).
10. We periodically review the likely effect of changes in our business environment (e.g., regulation) on customers

Market orientation (intelligence dissemination) Scale items

1. A lot of informal "hall talk" in this business unit concerns our competitors' tactics or strategies.
2. We have interdepartmental meetings at least once a quarter to discuss market trends and developments.
3. Marketing personnel in our business unit spend time discussing customers' future needs with other functional departments.
4. Our business unit periodically circulates documents (e.g., reports, newsletters) that provide information on our customers.
5. When something important happens to a major customer or market, the whole business unit knows about it in a short period.
6. Data on customer satisfaction are disseminated at all levels in this business unit on a regular basis.
7. There is minimal communication between marketing and manufacturing departments concerning market developments.
8. When one department finds out something important about competitors, it is slow to alert other departments.

Market orientation (response design) Scale items

1. It takes us forever to decide how to respond to our competitors' price changes.
2. Principles of market segmentation drive new product development efforts in this business unit.
3. For one reason or another we tend to ignore changes in our customers' product or service needs.
4. We periodically review our product development efforts to ensure that they are in line with what customers want.
5. Our business plans are driven more by technological advances than by market research.
6. Several departments get together periodically to plan a response to changes taking place in our business environment.
7. The product lines we sell depend more on internal politics than real market needs.

Market orientation (response implementation) Scale items
1. If a major competitor were to launch an intensive campaign targeted at our customers, we would implement a response immediately.
2. The activities of the different departments in this business unit are well coordinated.
3. Customer complaints fall on deaf ears in this business unit.
4. Even if we came up with a great marketing plan, we probably would not be able to implement it in a timely fashion.
5. We are quick to respond to significant changes in our competitors' pricing structures.
6. When we find out that customers are unhappy with the quality of our service, we take corrective action immediately.
7. When we find that customers would like us to modify a product or service, the departments involved make concerted efforts to do so.
8.2 Appendix B: Questionnaire in Dutch

Vragen over segmentatie

1. Bedient uw bedrijf meerdere markten? Zo ja, waarom?
2. Gebruikt uw bedrijf een methode en criteria om deze markten te segmenteren? Waarom of waarom niet?
3. Wat zijn de belangrijkste criteria?
4. Welke combinatie van variabelen en criteria gebruikt uw bedrijf om klanten in segmenten te groeperen?
5. Gebruikt u een bestaand theoretisch model bij het segmenteren?
6. Zo ja, welk model?
7. Wat is uw beginpunt bij het segmenteren? (locatie, grootte van de klant)
8. Hoe vaak gebruikt uw bedrijf segmentatie? (varierend tussen soms of continu) en waarom?

Vragen over geprefereerde klanten

1. Hebben jullie een classificatiesysteem voor klanten? Waarom?
2. Is dit classificatiesysteem verschillend voor verschillende segmenten? Waarom of waarom niet?
3. Wijzen jullie verschillende statussen toe aan klanten? (geprefereerde klanten, top-klanten, groei-klanten, standaard klant, minder interessante klant)
4. Zo ja, welke?
5. Hoe beïnvloedt deze status van de klant jullie gedrag naar hun toe?
<table>
<thead>
<tr>
<th>Vragenlijst Markt Oriëntatie – A</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Binnen dit bedrijf komen we minstens één keer per jaar samen met klanten om te uitzoeken welke producten of diensten zij in de toekomst nodig hebben.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>2. Individen van onze productieafdeling communiceren rechtstreeks met klanten om te leren hoe we hen beter kunnen helpen.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
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</tr>
<tr>
<td>3. Binnen dit bedrijf doen we veel intern marktonderzoek.</td>
<td>☐</td>
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<td>☐</td>
</tr>
<tr>
<td>4. We zijn traag in het detecteren van veranderingen in de productvoorkeuren van onze klanten.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>5. We nemen minstens één keer per jaar poolhoogte bij de klanten van onze producten en diensten om de kwaliteit hiervan te beoordelen.</td>
<td>☐</td>
<td>☐</td>
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<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>6. We hebben vaak contact met mensen (verbaal of d.m.v. een vragenlijst) die de aankopen van onze klanten kunnen beïnvloeden.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>7. We verzamelen informatie over de (staal)sector via informele kanalen. (bijvoorbeeld lunchen met vrienden uit de industrie, gesprekken met handelspartners etc.)</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>8. Binnen ons bedrijf wordt informatie over onze concurrenten op onafhankelijke wijze verzameld door verschillende afdelingen.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>9. We zijn traag in het detecteren van fundamentele verschuivingen binnen onze (staal)sector (bijvoorbeeld concurrentie, technologie, regelgeving).</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>10. We beoordelen periodiek het (waarschijnlijke) effect van veranderingen binnen de (staal)sector (bijvoorbeeld regelgeving) op klanten.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
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</tbody>
</table>

1 = zeer mee oneens  
2 = mee oneens  
3 = niet mee eens/niet mee oneens  
4 = mee eens  
5 = zeer mee eens
Vragenlijst Markt Oriëntatie – B

1. Veel informele ‘gesprekken bij de koffieautomaat’ in dit bedrijf gaan over de tactieken of strategieën van onze concurrenten.

2. We hebben minstens één keer per kwartaal vergaderingen tussen de afdelingen van het bedrijf om markttrends en markt ontwikkelingen te bespreken.

3. Marketingpersoneel in ons bedrijf besteedt tijd aan het bespreken van de toekomstige behoeften van klanten met andere afdelingen.

4. Binnen ons bedrijf worden er periodiek documenten gecirculeerd (bijvoorbeeld rapporten, nieuwsbrieven) die informatie over onze klanten verstrekken.

5. Wanneer er iets belangrijks gebeurt met een belangrijke klant of markt, weet het hele bedrijf hiervan in een korte periode.

6. Gegevens over klanttevredenheid worden op alle niveaus in dit bedrijf op regelmatige basis verspreid.

7. Er is minimale communicatie tussen marketing- en productieafdelingen met betrekking tot marktontwikkelingen.

8. Wanneer een afdeling iets belangrijks over concurrenten ontdekt, duurt het lang voordat andere afdelingen gewaarschuwd zijn.

--------------------------------------
1 = zeer mee oneens
2 = mee oneens
3 = niet mee eens/het niet mee oneens
4 = mee eens
5 = zeer mee eens
Vragenlijst Markt Oriëntatie – C

1. Het kost ons altijd enorm veel tijd om te beslissen hoe we op de prijsveranderingen van onze concurrenten reageren. □ □ □ □ □

2. Marktsegmentering principes stimuleren de ontwikkeling van nieuwe producten binnen dit bedrijf. □ □ □ □ □

3. Om de een of andere reden negeren we de veranderingen in de product- of servicebehoeften van onze klanten. □ □ □ □ □

4. We evalueren regelmatig onze inspanningen voor productontwikkeling om ervoor te zorgen dat ze aansluiten bij wat klanten willen. □ □ □ □ □

5. Onze bedrijfsplannen worden meer gedreven door technologische ontwikkelingen dan door marktonderzoek. □ □ □ □ □

6. Verschillende afdelingen komen periodiek samen om een plan te maken m.b.t. de wijze waarop wij gaan reageren op veranderingen die zich voordoen in onze sector. □ □ □ □ □

7. De productlijnen die we verkopen, zijn meer gebaseerd op wat wij intern besluiten dan op echte marktbehoeften. □ □ □ □ □

-------------------------------------------
1 = zeer mee oneens
2 = mee oneens
3 = niet mee eens/niet mee oneens
4 = mee eens
5 = zeer mee eens
Vragenlijst Markt Oriëntatie – D

1. Als een grote concurrent een intensieve campagne zou lanceren die was gericht op onze klanten, zouden we hier onmiddellijk op reageren. □ □ □ □ □

2. De activiteiten van de verschillende afdelingen in dit bedrijf zijn goed gecoördineerd. □ □ □ □ □


4. Zelfs als we met een goed marketingplan zouden komen, zouden we het waarschijnlijk niet binnen afzienbare tijd kunnen verwezenlijken. □ □ □ □ □

5. We reageren snel op belangrijke veranderingen in de prijssstructuren van onze concurrenten. □ □ □ □ □

6. Wanneer we ontdekken dat klanten niet tevreden zijn met de kwaliteit van onze service, nemen we onmiddellijk corrigerende maatregelen. □ □ □ □ □

7. Als we merken dat klanten willen dat wij een product of dienst aanpassen aan hun behoeftes, doen de betrokken afdelingen daar gezamenlijk inspanningen voor. □ □ □ □ □

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1 = zeer mee oneens
2 = mee oneens
3 = niet mee eens/niet mee oneens
4 = mee eens
5 = zeer mee eens
## 8.3 Appendix C: Market Orientation Scores

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<th>Results Company X</th>
<th>Results Company Y</th>
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