

CONSUMER DESIRE AND ABILITY AS DETERMINANTS OF THE SUBSTANTIAL MARKET SEGMENTATION CRITERIA

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ABSTRACT

This paper offers an exposition of a theoretical model for determining if a market segment meets the criteria for effective segmentation. Before a market segment can be considered as a potential target market, it must meet certain criteria for effective segmentation. Common to all criteria for effective segmentation is the concept of substantiality. Substantiality is not a single dimensional concept, rather it is a multidimensional concept based on customer desire and ability to purchase a potential product. Viewing the substantiality concept in this manner will prove useful in determining which market segments to consider as target markets. Furthermore, the resulting picture of the consumer will be helpful in furthering the firm's effort to isolate and reach appropriate target markets

INTRODUCTION

One of the underlying tenets in the field of marketing is the idea that customers are different in terms of their wants and needs. If customers were similar in their wants/needs, one marketing mix would satisfy everyone. This strategy is commonly known as mass marketing. This approach ignores the fact that for most products and services, customers are heterogeneous in terms of their wants and needs (Perreault, Cannon & McCarthy, 2011). This shotgun approach, which ignores the differences between consumers, will result in lower sales and/or profits. A rifle approach is a better strategy to use when dealing with dissimilar customers. Instead of viewing all customers as the same, customers are divided into groups having similar preferences. Each group is referred to as a market segment and the process of dividing the whole into homogeneous groups is known as market segmentation (Hawkins, Mothersbaugh, 2010).

Before a market segment can be considered as a viable target market, certain conditions must be met. These conditions are known as the Criteria for Effective Segmentation. One example would be Kotler and Keller's Effective Segmentation Criteria. Before a market segment can be chosen as a target market, it must rate favorable on all five of the criteria. Their five criteria are: (1) Measurable, (2) Substantial, (3) Accessible, (4) Differentiable and (5) Actionable (Kotler & Keller, 2012). Perreault, Cannon & McCarthy have a similar set of criteria. Their criteria are: (1) Homogeneous

Within, (2) Heterogeneous Between, (3) Substantial and (4) Operational (Perreault, Cannon & McCarthy, 2011). Common to the various authors' criteria is the need for a market segment to be substantial. To say that a market segment must meet the substantial criteria means that the segment must be big enough to be profitable. As an extension of a methodology to describe or characterize these real and potential customers, we previously offered a scheme based on contrasting ability to purchase and desire to purchase a firm's product offerings (Burckel, Comish, & Rader, 2005). There are obviously multiple factors that influence both of these variables and which are properly considered as subordinate to the broader categories.

That model's purpose was to assist the firm in developing marketing strategies and more precisely targeting customer groups within markets with concomitant greater efficiency in allocation of marketing resources. The basic marketing model as proposed was a two axis concept formulated around the delineation of ability to purchase and desire to purchase (Rader & Comish, 2005).

This paper offers an extension of the previously published theoretical model for viewing individuals in terms of their desire and ability. Rather than looking at desire and ability in general, potential customers are analyzed in terms of the substantial criteria for effective segmentation. By expanding on the basic model, the technique's usefulness is increased, and will prove helpful in evaluating whether a market segment should be considered as a potentially good target market. Potential customers are contrasted in their desire to obtain a product or service and their ability to purchase a potential product or service. This expanded picture of potential customers will be helpful in furthering a firm's effort to pick market segments that are profitable.

Table 1: Substantial Criteria: Customers Desire and Ability to Purchase a potential Product.

<i>Customer Desire/Ability</i>	<i>Low Ability</i>	<i>High Ability</i>
<i>High Desire</i>	Position Two	Position Four
<i>Low Desire</i>	Position One	Position Three

It is hoped that the model presented can assist firms in developing marketing strategies and more precisely targeting potential customers within markets with greater efficiency in allocation of marketing resources. Indeed, it is suggested that one group of potential customers will never meet the substantiality criteria. The basic model as proposed is a two-axis concept formulated around the delineation of ability to purchase and desire to purchase. Failure in either of these dimensions will doom sales to the particular customer group in question, and simultaneous failure in both may make the customer unsalvageable, at least at any reasonable expenditure of effort/cost.

POSITION ONE: LOW ABILITY AND LOW DESIRE

Position one is that position reflecting weakness in both desire and ability to purchase a potential product. What this suggests to a firm is that any resources expended here to reach these customers may be a fundamental misapplication. Simply put, to aim at this market segment requires impetus along not one but both axes in the model. This may be a far more difficult and costly prospect than the firm can reasonably justify. It is a basic contention of the model that this group of potential customers will never meet the substantial criteria.

POSITION TWO: LOW ABILITY AND HIGH DESIRE

Potential customers in position two have desire, either weak or strong, for the firm's products but do not have the ability to acquire them. This may provide a most promising opportunity for the firm since movement in only one direction is required. Potential customers already possessing a degree of desire for the product must not be neglected. To the contrary, the firm must assess, and then

address the reasons underlying the lack of ability to make the purchase. Identification of the underlying reasons can help the firm develop successful strategies to convert these potential customers into real ones. Some examples:

- a. The customer lacks sufficient funds and resources. If this is the case, the firm may want to keep marketing to this group in light of the fact that their resource position might change. Is it possible to offer inexpensive versions of the product? This could take the form of a brand extension. Can price promotions or deals attract these customers? Are pricing strategies appropriate in light of projected demand?
- b. The customer lacks sufficient funds but has underlying resources. Can credit programs be introduced which allow individuals with insufficient funds but sufficient credit the ability to purchase the product?
- c. The product is not physically available to the customer. Might the firm want to revamp the distribution system? Is it possible to go from selective distribution to intensive distribution?

POSITION THREE: HIGH ABILITY AND LOW DESIRE

Position three occurs when consumers possess a high ability to purchase the product, but very little desire to purchase the product. As with Position Two, these potential customers must not be abandoned. Firms must address the reasons underlying the lack of desire to purchase the potential product. For example:

- a. Does the potential customer base have sufficient awareness of the product and its value? Is the product in the introduction stage of the product life cycle? If so, informative advertising would be an appropriate promotional objective. If the product is in the growth stage of the product life cycle, persuasive advertising would be appropriate. If the product is in the maturity and decline stages of the product life cycle, both persuasive and reminder advertising would be appropriate.
- b. As with (a) above, one relevant question is whether the consumer has full information about and awareness of the product? For example, has the customer's opinion of the product been clouded by misinformation, perhaps from competitors? Has the firm done a sufficient job in getting its message out and utilized the proper media to do so? The firm's task is to demonstrate to the consumer just how valuable this product is to him and to then overcome the source of his resistance. Has he had prior poor experience with our product, our company, or our personnel? Has our reputation in the market place been damaged? Do we have inertia to overcome? How many potential customers are in this category? Does the customer have a poor but unfounded perception? Or do we have to overcome poor, but legitimate perception.
- c. Are we facing a customer in whom we must overcome established loyalty to some competitor? How might we attack this problem successfully?
- d. Is it a joint, or multi-party, decision? Are we appealing to the right party?

POSITION FOUR: HIGH ABILITY AND HIGH DESIRE

Position four in some ways is the most critical position, particularly in the competitive market place. This is our customer base, where we live. These people can and do purchase our products. A primary concern is to sustain and defend this base against competitor encroachment. It should be noted that our competitors would view these customers as in the number three position in the context of their own firm model, and hence see them as legitimate targets. We can expect competitor raids on this position and must mount vigorous defense. Some questions:

- a. Do we expend sufficient effort to sustain customer loyalty? Reminder advertising is very important for firms trying to keep their customer base.
- b. How do we make the customer base more brand loyal? Would a "reward" program (such as frequent flyer miles) work? Is the firm operating under the marketing concept? Do we provide the base with maximum value and perceived value?

- c. Do we take these customers for granted? Are systems in place to assure customer satisfaction?
- d. What are competitors doing? Are we sufficiently competitor oriented so as to minimize risks from competitor encroachment?
- e. Are we sufficiently innovative? Are systems in place to assure that our product is keeping pace with innovations in the marketplace?

BATTLEGROUND

Table 2: Battleground

<i>Customer Desire/Ability</i>	<i>Low Ability</i>	<i>High Ability</i>
<i>High Desire</i>	Position Two	Position Four
<i>Low Desire</i>	Position One	Position Three

Position One: NULL: No battle ground

Position Two: FACILITATE: increase market for the under resourced.

Position Three: OFFENSIVE: We attack, they defend.

Position Four: DEFENSIVE: We defend, they attack.

SUMMARY

Before a market segment can be considered as a potential target market, it must meet certain criteria for effective segmentation. Common to all criteria for effective segmentation is the concept of substantiality. Substantiality is not a single dimensional concept, rather it is a multidimensional concept based on customer desire and ability to purchase a potential product. Viewing customers in this way can lead to beneficial changes in marketing strategy for the firm. Only market segments that meet all criteria will be selected as target markets. A better allocation of scarce resources is one such change since the firm can more precisely target customers. In a strategic sense, the firm can get a better grasp of its attack/defense options in the ever-fluid world of consumer markets.

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