Perfect and Dynamic Segmentation via the Internet

by

Matthias Huehn
Perfect and Dynamic Segmentation via the Internet

by
Matthias Huehn
November 2007

Abstract
The paper starts from the hypothesis that traditional approaches to segmentation are seriously flawed because the object of segmentation, the consumer, has dramatically changed over the past 30 years. The New Consumer actively defies segmentation attempts by marketing professionals and thus makes a new approach to marketing strategy necessary. The paper suggests to let the consumers segment themselves instead of doing market research. Thereby the filter between consumer and company is dropped. Self-segmentation is not as radical as it may sound and the paper shows in which industries it has been in use for over thirty years. Companies using self-segmentation let their customers choose/mix their own value proposition from the company’s offerings. This means that they open up the company to the consumers and that the consumers become involved in the value creation process. Thus, self-segmentation, building on Prahalad/Ramaswamy’s co-opting customer competence concept, is more than a marketing tool, it necessitates a re-structuring of organisational structures and a rethinking of the role of marketing as a value-creating activity.

JEL classification
M31; L22

Keywords
Marketing strategy; segmentation; market research; value proposition; new consumer; mass customisation

Faculty of Management Technology
German University in Cairo
Al Tagamoaa Al Khames
11835 New Cairo City – Egypt
matthias.huehn@guc.edu.eg
Introduction

“The ideas expressed here so laboriously are extremely simple and should be obvious. The difficulties lie not in the new ideas, but in escaping from the old ones”, John M. Keynes’ (1971: XXIII) sentiment nicely describes the situation in Marketing as a whole and especially in market research. Marketing has completely forgotten all critical restraints and has become unashamedly positivist in outlook and practice. This paper will focus on one result of this extreme positivism: segmentation. Segmentation is at the heart and the beginning of every marketing strategy. Yet the problems are obvious and manifold and stem from the fact that consumers do not behave as market research predicts. Traditionalists may argue that the problems stem from the fickle consumers and give up on the consumers as did Deutsche Bank, when it tried to sell its retail banking because it did not understand its customers anymore. This paper will argue that in some industries at least the concept of predicting consumer behaviour through market research is wrong. This is quite a bold statement as it attacks what has become the Holy Grail of Marketing: market research. Market research has the purpose of identifying segments and the underlying existence that there segments almost never questioned (Fletcher 2006: 387; Gibson 2001) because it would fundamentally question the sense of market research. The paper also presents an alternative: letting the consumers select their own personalised value proposition online. Net-enabled self-segmentation.

Traditional segmentation and self-segmentation

Imagine Mercedes-Benz or any other car maker telling their customers, this is our new S-Class and market research has shown that the average customer wants four different variants. Unthinkable. A typical mass market producer like VW has built some 30 million Golfs in the last 30 odd years. They estimate that not more than ten thousand were identical. The Golf has always been a mass market product and yet it has always been tailored to the consumers’ wishes. In other industries the producers have always thought and still assume that they must put a filter between them and the consumers. This filter is market research. However, the filter does not really work very well.

The fact that consumers and companies have moved further apart in recent years seems rather paradox because the Internet should have enabled both sides to communicate much more efficiently and effectively (disintermediation, 24/7 service, online help, data mining, tracking cookies, endless information on websites etc). Self-segmentation also relies on the Internet
and its related technologies and has already been tried out – if only tentatively – by E.ON, Europe’s largest private utility company. Their former retail marketing strategy, was based on the assumption which is driving self-segmentation: the customers themselves (and not the producer/provider of a good or service) know best what they want. This is one of the core axioms of self-segmentation: only the customers know precisely which concrete building blocks and value activities they would like to be part of value proposition. What is more, often consumers know which exact mix of attributes they want to purchase only at the moment when they make the purchase. The traditional model claims that it puts the consumer in the driver’s seat but in reality it completely excludes him/her from the decision-making process. A company will use market research to define the consumers’ needs and then designs the value proposition tailored to serve a very limited number of segments (Jenkins/MacDonald 1997, Weinstein 1994). Self-segmentation proposes to radically change this sequence by letting the customers segment themselves and at the same moment in time design the concrete product (value proposition) they want to acquire. This works best with Internet technology which allows consumers to interact directly with the company. E.ON, as mentioned above, had tried to sell pre-packaged products – electric power from water power stations, wind energy, and a classic mix (gas, coal, nuclear fuel) – doing market research in order to see how much consumers would be prepared to pay for any given energy mix. They then created segments with tailored value propositions. E.ON very quickly found out that the market-researched customer did not put his money were his mouth was and changed their approach radically. Pushed by a massive advertising campaign where they let Arnold Schwarzenegger shake a fridge freezer and the slogan “Mix it Baby!” E.ON’s customers were encouraged to go to a website where they found a “Mixpult” (see Insert 1), a display with six power types, ranging from water to nuclear energy. The customers could then push up and down six levers and create their individual power mix with prices per kilowatt/hour changing according to the mix. When they had found their ideal mix, they could buy it online. The old system of pre-packaged products was replaced by a completely flexible value proposition. We will need to return to the example of E.ON later. There are two major advantages in such an approach to segmentation vis-à-vis the traditional segmentation mode. The new approach delivers a truly exact, tailored, and dynamic segmentation of the customer base, and, secondly, the free out-sourcing of precisely this complex and expensive process. This second effect, externalising some value-creating activities, holds considerable strategic potential. IKEA is an obvious example: they outsource parts of the production and delivery
process to the customers and thereby create a large chunk of their competitive advantage. As this paper is about strategic marketing not operations it will focus on the first effect.

What about ‘mass customisation’ which until recently has received a lot of attention? Is it possible that it is an ineffective solution to changing consumption patterns? Looking at Deutsche Bank’s decision to concentrate on a few, high-income customers and sell their retail business (a decision they revised) one could draw the conclusion that mass customisation works quite well for a very small segment of the market but fails to solve the problem that retail customers pose. If this is the case, mass customisation is more smoke than fire, a marketing gag, because it fails to enable the companies to customise their products and services to the needs and wants of the mass market customer. The new segmentation concept put forward here goes further than mass customisation. While the latter is merely an ‘add-on’ strategy (see Insert 2) in the sense that it is added onto a main strategy, self-segmentation is meant to be a strategy for the mass market with other strategies servicing minor market segments.
New Consumers consciously de-segment

Two marketing professionals, Lewis and Bridger (2000), proposed a very interesting theory which is able to explain today’s market research problems. They argued that some thirty years ago a new type of consumer started to appear, whom they laconically christened, the New Consumer (see Insert 3). The New Consumer (NC) by now has established a firm foothold and is maybe even more common than the Old Consumer. The NC is far more rational in terms of using up his/her resources, especially time, trust, and attention. These resources have gained the same importance as money. This has a serious impact on marketing.

NCs are independent, informed, involved and individualistic. They are more independent in the sense that the simple cause and effect relationship between seeing an advertisement and then buying a product – much like a Pavlovian reflex – has been replaced by something like an ‘ironic’ distance. The psyche of the individualist has freed itself subtly but decisively from the shackles of mass convention; the NC decides more or less autonomously and spontaneously which advertising message is used as a consumption trigger. S/he no longer...
New Consumer

- highest goal when consuming: **authenticity**
- wants to become more **individualistic** through consumption, smallest variations in consumption patterns are enough to achieve this goal
- is **involved**: the production (GM food, preservatives) and production method (free range eggs, child labour in rugs) are important variables
- is more **independent**: advertisement is seen as entertainment: messages are often ironically connoted
- is an **information junkie**: small print is studied, hotline operators are grilled about details no one has thought about

Old Consumer

- highest goal when consuming: **convenience**
- wanted through consumption to **synchronise himself with his environment**: wanted to disappear; the mass market product was his tool
- was relatively **uninterested**: production unimportant, trusted the suppliers
- was **dependent** on advertising: fresh eggs were accepted as fresh even without a print on every egg advertising was seen as a source of information
- was a **passive consumer of information**: “too much information is bad for you”

---

**Insert 3: Old and New Consumer. Adapted from Lewis/Bridger 2000**

needs the security of the group and instead values individuality.

The NC is also much better **informed** and more **involved** than the Old Consumer. Shoppers in supermarkets very rarely take products from the shelves without reflection. They read the fine print on the packages and sometimes even call toll free information hotlines right from the supermarket aisle. Finally, the last “1”, the new **individualism**, creates an almost insurmountable problem for marketing strategists in itself. The New Consumer is convinced that s/he can raise her/his degree of individuality through selective consumption. Translated into the concepts marketing experts use, this means that the NC is actively following a de-segmentation strategy: she achieves individuality (her primary goal) by combining products or parts of a value proposition which have not been intended to be combined. He destroys shopping patterns, he has a blatant disregard for market segments – is even contemptuous of them – **because** they have been designed by marketing strategist and not by himself.

The consumers’ insatiable appetite for individualism creates major problems for companies which still think of the market in terms of a handful of clearly delineated segments. Segmentation is the heart of any marketing strategy because the value proposition is tailored to fit with the demands of homogenous groups of consumers. If no meaningful segments can be defined, no value proposition can be created. That is exactly what is happening on many markets (Gibson 2001: 22). Marketers design value propositions for non-existent segments.1 One can only speculate why this is happening, but two explanations seem to offer themselves. One is the failure to realise that the balance of power between consumers and

---

1 That is partly why branding has again become extremely important. Brands have the ability to heal the fact that many products are misdesigned.
companies (marketing strategists) has tipped in favour of the consumers. Despite the fact that the seller-markets of the first half of the century have long ago turned into buyer markets, marketing professionals still cling to the belief that they can control the consumer. They fail to realise that the consumer has grown up. Secondly, and maybe more frightening, if the companies would relinquish the control over the segmentation to the consumers, they would also give the consumers the control over parts of the value-creation process.

Companies’ reactions to the New Consumer
Demand is becoming more and more heterogeneous so that as early as 1991 the concept of a “market/segment of one” (Stewart 1991) has been introduced to describe the situation. While this trend away from a more or less homogeneous market to a fragmented market is quite prominent in some industries it is unknown in others. Thus, strategists see a confusing picture, not a paradigmatic shift across industries, which probably accounts for the slow change in marketers’ mindsets. While some industries have seen, accepted and reacted to the new situation a long time ago, other industries close their eyes and hope this very unwelcome development passes them by.

Companies and marketing theory are out of touch with the New Consumer
For over a decade now mainstream marketing dogma holds that the consumer is the alpha and omega of marketing. Yet, the idea that the consumers themselves know what they want, is still quite alien to many marketing professionals. Traditional segmentation is done by professionals in order to be able to deliver the right product to the right people. What is even more astounding is that the value proposition concept has replaced the product concept and still marketing theory refuses to give the consumers a more important role in the value-creation process. The value proposition is the complete set of options from which a consumer can choose when buying a good or a service. A Volkswagen Golf for instance is more than the physical product (which has an endless number of options in itself), it is the individual combination of a financial service, the image, the breakdown service, the shopping experience, etc. Yet in many industries the strategists believe that it is their role to tell the consumers which precise value proposition they have to buy. Imagine VW telling people which Golf they want! The company designs the value proposition and thus forces the New Consumer to behave like the Old Consumer. This image of a passive, childish consumer is applied to the retail customer. The high end customer, for instance the private banking
customer, has always been dealt with on a more individual basis. And indeed, the banking industry is a very good example: retail customers can walk into many branches but they always are offered mass market products at uniform prices. Mortgage customers are grouped into two segments (percentage of loan in relation to value of bought property) and when they dare to ask for a fixed-rate mortgage with higher than usual redemption payments the bankers get defensive. Credit cards are usually available in precisely two versions: Standard and Gold. Account maintenance charges are normally fixed across all customers, and a consumer loan is as personal as the colour of a Tin Lizzy was – any colour as long as it was black! In other words, banks and many other industries have let the past 80 years pass without really challenging the respective roles of company and customer. They still believe old Henry Ford was right when he said that his customers could choose any colour they want as long as it is black. Henry Ford was right in his time, because mass production allowed low prices and made the car available to a much larger portion to society. Today, however, markets have changed and so have the customers. Marketing must acknowledge these changes.

New consumers, given the chance, like to take an active role when consuming. When a consumer enters a business relationship, i.e. buys something, he also enters an emotional relationship of which he has become aware in the past decades.

Self-segmentation relies on the active role of consumers. The new generation of consumers enjoys its individuality and is very much prepared to invest in achieving more individuality – as long as they know their investment in the form of time and attention are helping them to attain their prime goal. As already stated, they also like to be involved and thus are quite happy to let the other side know what they think and how they feel, again only as long as their investment of trust will potentially give them more authenticity.

Let me put forward one last argument supporting self-segmentation and refuting the image of a passive, uninterested, and uninformed customer. Have you ever come across the view that the car makers overtax their customers’ faculties and proclivities by offering a myriad of technically sophisticated options? In the near future young consumers will ask their bankers, whether they can not do more, whether they cannot individualise their loans, account charges, mortgages or credit cards.
Accept your customers

Why on earth should stressed-out consumers make the effort of individualising such a mundane product as a credit card? Provided one believes in the existence of the New Consumer there are a number of very good reasons. The ultimate goal of the New Consumer is individuality/authenticity (goal number one), a goal which they want to achieve mainly through consumption. Very important for the NC is also the visibility to his fellow NCs: a piece of coloured plastic as a symbol of their autonomy. NCs are also wise investors of their scarce resource. If they would be given a chance to optimise the portfolio of the product they consume and save money they would be much happier customers. E.ON combined both assumptions and created a new product from it. They assumed that energy users would be interested in not only getting an attractive price, but also in knowing and being able to influence what energy source had been used to create their electricity. The NCs quite naturally define themselves via the products they consume, even when it comes to what comes out of the wall plug.

If credit card companies like Amex would accept the individuality of the consumers they would reach new customers, make existing customers more satisfied and, in the day and age of hypercompetition would save them costs and let them gain information about the customers which would at the same time be converted by the consumer into the building blocs of strategy. Looking at the different activities which make up the activity system of a company one could assign to every activity one or more product features. If Porter (1996) is right – and I believe in this case he is – in claiming that strategy is the combination of activities in a typical and unique activity system, one can, by inference say, that if it is the customers who choose a combination of product features, they create the value proposition and the strategy of the company. If this line of reasoning were true then the customer would be a cost-free and infallible strategy consultant and cost optimiser with a virtually unending reservoir of creativity.

The way Amex and the other credit card companies segment their customers is both inefficient and ineffective. Take for instance consumers who have decided to buy a platinum card. Amongst many other benefits are the free use of Amex’s own (very few) and other companies’ airport lounges. It is a reasonable assumption that this service costs Amex quite a

---

2 Personalised credit cards could be given an individual design, plus every time a consumer uses his credit card, i.e. to enter an airport lounge reserved for members, he also signals individuality. “Tailor-made shirt and suit – tailor-made credit card.”
lot of money and is being offered because market research showed that a certain group of people care to lounge in style on airports. It is, however, also a reasonable assumption that most platinum card holders are already members of several airlines frequent flyers programmes and have access to lounges anyway. Thus, they and Amex pay for (the provision of) a service that is superfluous.

However, making assumptions about the shopping habits of individualists is often quite heroic. A friend and colleague of the author has a platinum card because he values the opportunity to ‘lounge in style’ at airports but he is not a member of a frequent flyer programme (his university always books him on the cheapest flight). Yet this poor academic also gets a rather bad deal because he pays for baggage insurance which he does not deem important (his papers are always in his hand luggage and the baggage he checks is usually negligible) and would not have bought the baggage insurance and many more services he was not even aware of had he been given the choice. I find it a very strange situation that marketing professionals (academics and practitioners alike) believe in a planned economy more than the invisible hand of the market. If Amex would practice self-segmentation they would avoid these inefficiencies of a planned economy. They would present their customers with a list of services they could buy (on the Internet seems the simplest way). Then the customers choose among the options, which all are priced and at the end get a credit card which is personalised and one where they only pay for the services they want and have chosen. The pricing of options like credit limit, insurances of different types, ticket services, hotel reservations, etc. should not really tax the abilities of Amex controllers. Such a pricing of options is very simple in some industries, and a little bit more complicated in others. As a rule, the financial services industry should have it easier because it attaches a monetary value to a monetary value: what they pay for the money they buy on the financial markets they can easily convert into a price they ask their customers to pay. Another factor making things easier or more difficult is certainly the predictability of demand in cases where the provision of a service or a product involves ‘warehousing’ it. Customers asking for a higher credit line are easily satisfied and buying the rights to let customers use VIP lounges might as well be easy but there are always markets where liquidity/fungibility is not a given.

E.ON’s road to self-segmentation was strewn with failures. Yet, they were smart enough to learn from every mistake they made. E.ON inherited water power stations in Bavaria. They decided to use this unusual asset by selling their ecologically-minded customers a product
they labelled ‘AquaPower’: pure water power. Since AquaPower was not a complete failure, they added ‘NaturPower’ to their list of offerings. Both types of energy where guaranteed to come only from the sources their name implied and also that amount of energy was produced that was actually consumed. The guarantee (given by a semi-governmental agency: TÜV) was needed because the New Consumer is the untrusting kind. After first giving their customers a little choice (Aquapower for green customers), then a little more (Naturpower for discerning green customers) they bravely decided to let them create their own power mix. Thus ‘MixPower’ was born: consumers create their completely individual mix of energy sources. E.ON had followed a classical route to create AquaPower and NaturPower: they hired a market research company to find out what customers wanted and more importantly (there are very few possible products in this line of business) how much they were prepared to pay for it. They discovered – like many other companies before them had – that the customers said one thing and did the other. In other words, the consumers would not pay the price they had given the market researchers. They wanted it cheaper. Most companies would now have folded their deck and given up on those shifty customers. E.ON asked themselves bravely whether the filter or interface between customers and E.ON (market research) was not well designed and whether they could not somehow get rid of the filter at all. What if the customers chose their own electricity mix and paid for it at the same time? A truly and virtually empowered customer! This is what MixPower is about. Yet, MixPower was taken from the market after two and a half years of very limited success other than boosting E.ON’s image tremendously. A case can be made that the low sales figures were not so much due to the products deficiencies but more a result of German electricity consumers’ refusal to change their utility company. They feared to be cut off from power for some time. During the first four years after deregulation a mere 4% of customers changed their utility company. It is a fairly safe assumption that in other industries customers are not plagued by similar fears and indeed the rationale of self-segmentation works well in a surprising number of very different industries. LastFM.de, a German online radio station allows its listeners to choose the music LastFM.de play. Apparently they are very successful as they have been bought for £250 million by CBS. On Acumins.com consumers can choose their individual vitamin supplement and get individual expert advice. Adidas for a time allowed its customers to design their own sneakers on MyAdidas.com. Prentice Hall allow their customers to custom-make their books by mixing chapters (prenhall.com/custombusiness). Nike has a rather successful and image enhancing programme (NikeiD) where they let their customers personalise their sports gear. A leading German TV set producer, Loewe, launched Loewe
Individual, in order to be able to compete against cheaper Asian competitors. The potential to disintermediate market research and connecting directly with the customers has a lot of potential in many different industries.

Retail banking and self-segmentation

Let me briefly talk about two banking products which could be markedly improved by using self-segmentation: mortgage loans and current accounts. When house buyers walk into a bank to take out a mortgage they normally get low quality advice about the options they have. Bankers have neither the time nor the inclination to explain the many options available to tailor a mortgage. The standard loan is quickly built: what is the ratio of property value to loan? how long should the mortgage term be? what type should it be and what form of repayment (interest only, or 1 per cent). Of course there are many more options to tailor a loan to a lender. Like E.ON, mortgage sellers could create an internet platform where potential mortgage customers could playfully try to customise their loan. The energy sources would be replaced by options for early repayment, percentage of repayment, additional collateral which reduces interest, additional loans of a different type, combining fixed and variable interest mortgages, split loans, etc. After playing around with the options customers could then go to their bank advisor and ask precise questions. This would make the loan process much more efficient and it would really give the mortgage buyer value. Both sides would be better off.

The argument is not that online self-segmentation should completely replace the personal advisor. Rather, the argument is that a combination of both would make the customer-company exchange more efficient and effective. If the value proposition of a company can only fully unfold its potential if a professionally trained advisor guides consumers through the process, or, the customer's wishes are highly idiosyncratic (as they are in the case of real private banking customers) what we call specific self-segmentation (see Insert 4) seems to be
the model of choice. A strategy without structural implications is nothing but an empty shell and Hugo Boss (‘Don’t imitate – innovate’) may serve as a good example. Boss – through the power of their brand – could sell a mass market product as a personalised product. That only works with extremely strong brands and only for a short time. Strategy is the unique combination of internal activities (Porter 1996), not a marketing slogan. In the car industry the two concepts, individualising and mass production, are no longer either-or strategies. Cars are mass-produced to individual wishes; in fact the cars can only be mass-produced because they are personalised. Customers won’t have it any other way. The two strategies, catering to a market of one or a mass market lead a peaceful co-existence. Porter’s (1980) famous strategic fatwa, ‘Those of you who are stuck in the middle shall perish’, has been proven wrong (Porter took it back in 1996: 65). The marriage of the concepts is what the consumers want and it is what makes companies successful. But let us return to the application of the self-segmentation logic to the financial services industry.

The checking account also has untapped potential because it too fails to put the consumers in the driver’s seat. The internet is used by banks to lower the costs and strangely enough they fail to see the value of externalising the process of choosing the account features. Credit card volume, using the Internet instead of the branch, changing to online-statements, and recommendations, all these can be used by customers to reduce the account price. But there are many more: number of transactions, Internet transactions, quality of advice used (ranging from zero advice to a personal advisor), type of credit card, credit card turnover, type of statement (per mail, via e-mail, passively at the ATM or on the Internet, at the branch), mBanking options, recommendations, use of insurance products (cross-selling), FreeSurf/FreePhone, test customer, etc. As a side-effect, the banks get to know their customers much better and can, with the help of real data-mining could price their products much more precisely than they do now.

The financial services industry seems to be an ideal candidate for self-segmentation for three reasons. Banks have already invested heavily in the computerisation; their product (money in its different forms) is almost totally digitalised anyway and their market is as broad as markets can be (everyone needs a bank), and they thus get fast feedback and recover their investments quicker than other industries. In all industries were the New Consumer represents a sizable segment, where the value proposition offers a wide range of choices, and where the service or product can be marketed (any part of the marketing process; the more
the better) via the Internet self-segmentation might offer an attractive alternative to traditional segmentation approaches. Financial services, telecommunications, cars, or electricity are only the more obvious examples.

**Homogenous segments and consumers are a thing of the past**

The 1960s shopper, who went into a shop and bought the products that the companies had put in the shelves for him, has almost completely disappeared. The shopper who accepted ready made segments for a large number of products has also disappeared. In all countries the typical Ford driver, the typical Volvo driver etc. existed – and disappeared almost completely. The stereotypical consumer first became blurred at the edges and then disintegrated. In Europe it isn’t even cool anymore to shop in cheap discounter *and* in extremely expensive delicatessen shops: it is completely normal. Segmenting a market where even individual consumers do not adhere to their own stereotypes makes very little sense. Self-segmentation is trying to cut through this Gordian knot by letting the customers choose their individual segment. Self-segmentation works by integrating what are usually different steps in a process: the segmentation, the shopping act, and (partly) the value creation. This is by no means a new concept because this is how supermarkets or malls work. Shoppers stroll through the mall or the aisles and choose what they put in their trolley and pay for. New Consumers design their own value proposition while shopping when they are given the chance to choose. While the principle is not new it would change how strategists think about the consumer quite dramatically. Banks for instance would fundamentally have to change the way they approach their clientele. Banking customers, like high-street shoppers who are able to do part of their shopping at a cheap discounter and part of their shopping at Harrods, would have to be enabled to choose among all the services a bank offers. To satisfy these ‘hybrid shoppers’ banks would have to break down the wall between the hitherto strictly isolated private and retail banking areas and present a shop-front which looks more like a shopping mall where consumers can walk freely into any shop they want. Currently, banks think is smarter to separate wheat from chaff and follow the principle of shopping by invitation only. As a consequence they lose many customers and more opportunities to make existing customers satisfied. Galleries are successful because they offer a wide range of shops under one roof. All banks and other institutions have to do is to copy that idea. They

---

3 This thinking is incidentally reinforced by Customer Relationship Management, whose the first axiom says: only serve your most profitable customers. What if the less profitable customers are those customers who can only do window-shopping because they are not allowed in?
must open their value-creation process to the customers and offer them the freedom to choose. According to Michael Porter (1996: 75), ‘strategy is creating fit among a company’s activities’. Thus, managers who claim to care about their customers should give them freedom and manage the internal processes. They should provide a setting where the consumers can make use of the whole range of a company’s offerings, and, if necessary, split products and services into smaller entities so that the choice is getting bigger not smaller (bundling). Then the customer would really be at the centre of attention.

Whole industries have disenfranchised their customers because customers understood the concept of choice much earlier than the marketing specialists in these companies. The consumers have unconsciously internalised the self-segmentation principle and apply it to other industries, where, largely, they are disappointed. Car makers today would find the suggestion ludicrous that, like banks, they should offer their top models only to very few customers, or, that they should offer only a limited choice of options to those customers who decide that a smaller car will do for them. Car makers have not stopped there, because the demand was obvious, they have long ago started offering choices which are completely alien to the industry. Any customer who orders a Golf from Volkswagen can choose to buy his Golf with cruise control, a mobility guarantee (insurance-like service), leasing (banking service), or a navigation system including an internet service provider etc. Would the car makers still limit ABS, airbags, etc. to their top models these options would still be prohibitively expensive. Yet, today banks do not question the wisdom of offering two types of shops: one for the wealthy (private banking) and one for the rest (retail banking). The New Consumer, the phenomenon they find so incomprehensible wants choice, not to be told what he wants.

A strategist who really makes the consumer the centre of his world cannot deny him the freedom of choice. The customers know best what they want. Placing a filter between the company and the customer in the form of market research is often harmful. Good Marketing means to organise in such a way that the wishes of the customers are translated into parts of the value proposition and that this translation process is as pure and unfiltered as possible. The self-segmentation approach wants managers to concentrate on managing the internal activities and not waste time in trying to understand the customers. Outsourcing this process to the customers, it is cheaper and more effective. This division of labour makes the whole marketing process more efficient and effective.
References


