Making sense of market segmentation: a fashion retailing case

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Abstract

Purpose – The purpose is: first to review the marketing segmentation literature and its antecedents; second, to evaluate the organizational practice of marketing segmentation in a specific commercial context noted for its dynamism and complexity, fashion retailing; third, to assess theoretical and practical implications; and finally to identify an agenda for future research.

Design/methodology/approach – Through the analysis of an instrumental case study examining practice in fashion retailing this paper makes a contribution to current market segmentation debates. Sensemaking properties are used as a disciplined structure in which to report the case and make sense of segmentation.

Findings – This research demonstrates that the definition and scope of market segmentation is broader than the current marketing literature suggests. In practice, based on evidence from this research, contemporary segmentation solutions include implicit assumptions, judgement and compressed experience, which are latent within the modelling processes.

Research limitations/implications – Further research needs to be extended to different organizational settings in order to develop further our understanding of the tacit and intuitive aspects of segmentation decisions.

Practical implications – Intuitive decision-making processes and tacit knowledge employed in them are difficult to replicate and make explicit. However, a better understanding of these intuitive processes would offer practitioners an opportunity to systematically improve the quality of decision-making.

Originality/value – This research broadens normative theoretical perspectives on market segmentation by highlighting intuitive and tacit dimensions. Combining sensemaking within the case study analysis has helped structure thought trials to provide a rare qualitative insight into the managerial construction of segmentation.

Keywords Market segmentation, Fashion industry, Retailing, Decision making, Marketing strategy

Paper type Research paper

Introduction

The focus of this paper lies in explaining and making sense of the particular observed phenomenon of marketing segmentation. Our acknowledgement of the requirement to synthesise an on-going relationship between the development of theoretical standpoints in marketing and practical applications in context (Wensley, 2004) provides a central argument within this paper. As a consequence, synthesis, theoretical conjecture, analysis and interpretation will centre on how marketing segmentation is constructed in the context of a specific industry sector.

It is valuable that we consider the strategic application of marketing segmentation within an organizational context where the complex nature of today's consumer society (Firat and Shultz, 1997) can often create implementation difficulties for the concept.

The fashion retail sector provides a relevant context in this instance whereby the paradoxical challenge to the segmentation concept lies in a broadening of the heterogeneity that the approach was designed to handle. By their very nature fashion markets are characterised by volatile demand, and factors such as age, personal disposable income, lifestyle, and culture all appear to influence a specific and increasingly fragmented market context (Hines, 2001). Retailers can often be seen to target offers towards specific groups of customers (Bevan, 2002; McGoldrick, 2002) that should lead us to conclude that they are successful by the criteria established within the marketing segmentation literature. However, potential customers are not always easy to identify and this is evidenced by perennial markdowns and unsold stock. Therefore, a key contribution of this paper is to provide an evaluation of the importance of marketing segmentation within this context. It is the explanation of the phenomenon and not the measurement of it that is the central theme for this work.

Contribution of this paper to the market segmentation debate

This paper is intended to make a contribution to contemporary debates on market segmentation and inform a future research agenda in three ways: first, by providing a synopsis of the strategic segmentation approach (c.f. Dibb, 2001, 2003), the marketing segmentation literature and its antecedents are reviewed in light of both increasing societal fragmentation, and the growth, proliferation and accessibility of IT-based solutions designed to assist contemporary strategic marketing decision-making; second, by evaluating the organizational practice of marketing segmentation in a specific commercial context, fashion retailing; and, third, by assessing the theoretical implications and identifying an agenda for future research.

Antecedents of the market segmentation process

The underpinning principles of market segmentation can be traced to economic pricing theory, which suggested that discriminatory pricing could be used to maximise profits amongst different consumer groups (Stigler, 1942). However, Smith (1956) has become widely cited as having written the seminal paper describing the concept of market segmentation. His argument was based upon changes in the consumer side of the market which required a rational and more precise adjustment of product, on the supply side, and marketing efforts to meet demand. Since then market segmentation has become widely regarded as one of the core principles of marketing, "representing an effort to increase . . . targeting precision" (Kotler, 1997, p. 250) by making companies focus on those buyers that they have the greatest chance of satisfying (Dibb, 1998). It is suggested that segmentation can enhance marketing effectiveness and develop or maintain an organization's ability to benefit from identifiable marketing opportunities (Weinstein, 1987). This resource-based approach to managing organizations suggests that segmentation can help businesses allocate financial and other resources more effectively (McDonald and Dunbar, 2004). It is also suggested that it leads to a better understanding of customers, which can assist in the design of more suitable marketing programmes (Dibb *et al.*, 2002).

During the 1950s attention within the marketing literature initially concerned the selection of appropriate base variables that could also be utilised for the purpose of identifying market segments (Martineau, 1958). Although in its embryonic stage as a concept, marketing segmentation research began to gather pace during the 1960s.

Twedt (1964) initially suggested that marketers should focus their attention on high volume customers, as these were likely to be the most profitable. His proposal was termed the "heavy half theory" having highlighted that one half of a product's consumers can account for up to 80 per cent of total consumption within a product category. At a strategic level this argument cannot be ignored. However, a number of writers rejected Twedt's theory early on in the development of the segmentation concept. Frank *et al.* (1967) argued that when adopting the approach it is assumed that the heavy purchasers of a product have some socioeconomic characteristics that tend to differentiate them from the population. Further to this, Haley (1968) observed that consumers are not all seeking the same kind of benefits from a product and are, therefore, not equally good prospects for any one brand. This provided the rationale for his benefit-based segmentation model (Haley, 1968). Numerous other research efforts at this time focused on the search for suitable variables by which to segment (e.g. Webster, 1965; Pessemier *et al.*, 1967; Bass *et al.*, 1968). These efforts eventually led towards the pursuit of more sophisticated lifestyle-orientated approaches to segmenting consumer markets. However, as a result of these developments some began to question and examine the use of the multivariate techniques that could be applied in an attempt to clearly define segments and several researchers questioned the validity within identified segments (Green and Wind, 1973; Blattberg *et al.*, 1976).

The 1980s saw concerted academic and practitioner efforts to develop a truly generalisable psychographic segmentation model. One of the key projects at this time was SRI International's "Values and Lifestyles" (VALS) proposal and the subsequent development of a VALS 2 model (Mitchell, 1983). These developments were surrounded, as one might expect, by much research attention concerning the reliability of psychographic measures (Burns and Harrison, 1979), psychographic validity (Lastovicka, 1982) and the predictive validity of segmentation outputs (Burger and Schott, 1972; Novak and MacEvoy, 1990). In view of the trend towards such complex segmentation models it is perhaps not surprising that practical implementation difficulties were widely noted during the 1990s (Littler, 1992; Piercy and Morgan, 1993; Dibb and Simkin, 1997).

Problems with the segmentation concept

The rational approach to market segmentation suggests a series of logical planning stages and Kotler's (1997) segmentation, targeting and positioning model is perhaps one of the most widely understood overviews of the stages involved in the process. Whilst the theory of identifying measurable, substantial, accessible, stable, and actionable market segments (Kotler, 1997) is theoretically defensible, in a practical or generalisable sense further applications of the concept are potentially of limited use. The positivistic premise implicit in the pursuit of homogeneous groups of consumers can also lead towards a process driven understanding of the market segmentation approach. If we are to develop a broader understanding of marketing segmentation theory it becomes important to recognise influencing factors relating to both the consumer and the organization. Consequently it is argued that strategic marketing approaches that ignore the complex and dynamic nature of contemporary consumer markets are likely to lead to marketing failure (Firat and Venkatesh, 1993).

Debates in the marketing literature have increasingly acknowledged that consumers are abandoning predictable patterns of consumption (Kardon, 1992; Firat and Venkatesh, 1993; van Raaij, 1993; Brown, 1995; Firat and Shultz, 1997; Sheth *et al.* 2000). Changes in lifestyle, income, ethnic group and age are further increasing the diversity of customer needs and buying behaviour (Sheth *et al.*, 2000) consequently meaning that marketing segmentation approaches are arguably becoming less effective and less efficient than they are often perceived to be (Firat and Shultz, 1997; Sheth *et al.*, 1999).

The past decade has witnessed a growing awareness of increasingly diverse consumer needs in many market sectors. For many practitioners this emphasises the need to gain a greater understanding of particular markets and some practitioners have seen segmentation approaches as a logical step towards gaining this insight (Sheth *et al.*, 2000). However, observing marketing segmentation developments throughout the past fifty years (Figure 1) suggests that progressive and practically useful developments in marketing segmentation theory have been few as the process often fails to provide a manageable solution. This further serves to highlight some of the more questionable assumptions leading towards the application of a segmentation approach. For example, Hoek *et al.* (1996) observe that the segmentation process involves a number of assumptions and arbitrary decisions, which contribute towards segmentation solutions that are neither robust nor stable. For example, when using cluster analysis as a technique for identifying segments, they observe that managers must make decisions about:

- the basis to be used for segmentation;
- the variables to be used to measure the basis;

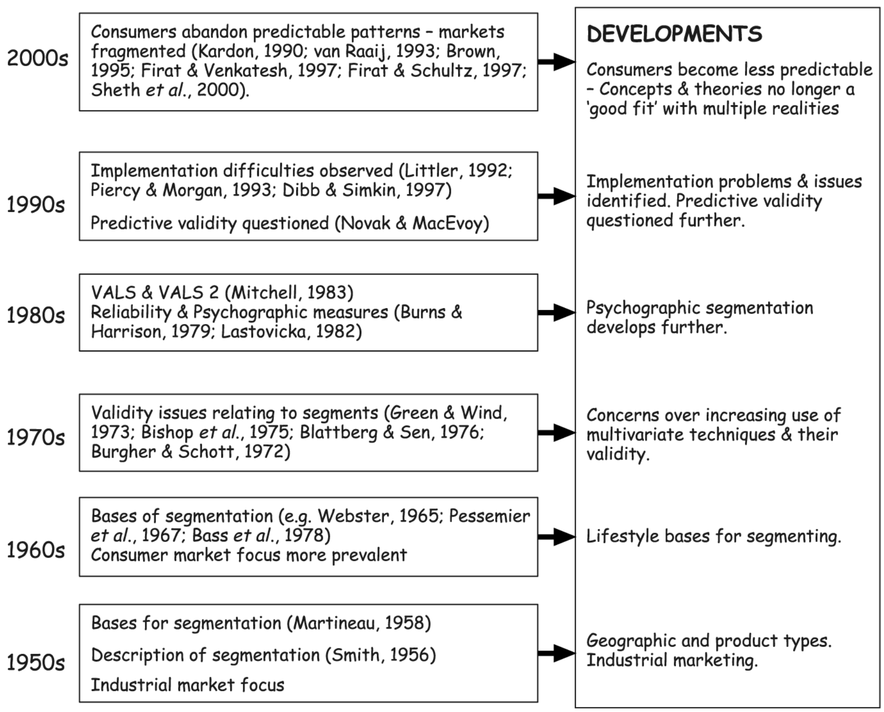

Figure 1.
Key developments in the literature – marketing segmentation

- the analytical method used to identify segments; and
- the number and composition of the segments they choose to have.

Unfortunately, for each of these decisions there is no reason why any alternative decision should necessarily produce better results than another. Furthermore, the paucity of practical guidelines detailing how to choose segments, analyse the costs of serving segments, or monitor resulting customer groups in a clear and simple way may indicate why many businesses only adopt simplistic and intuitive segmentation approaches (Bonoma and Shapiro, 1984; Dibb, 2003). Previous work exploring the construct of intuition within the segmentation of consumer markets is largely overlooked in the academic marketing literature although Millier (2000) has identified such approaches within an industrial context. As indeed did Mitchell and Wilson (1998, p. 438) recognising that emporographics, i.e. the use of descriptor variables such as industry type, location and size was the most widely used method of segmenting industrial markets. Curran and Goodfellow (1990, p. 23) suggested that descriptor approaches are widely used because they offer clarity, are convenient, easy to implement and perhaps more importantly in the industrial market context remain relatively stable over time. However, they also recognised that descriptor approaches per se suffer from arbitrariness relying on managerial judgement and intuition.

A more in-depth analysis of the role of intuition is developed by Clarke and Mackaness (2001) based upon their modelling of group intuitive spatial reasoning in retail site assessment. They argue that intuition seems to provide the manager a means of moving beyond rational data and information and using experiences to make sense of particular situations. Weick (1995, p. 88) more clearly defines intuition as "compressed expertise in which people arrive at an answer without understanding all the steps that led up to it". In order to make sense of complex situations intuition as compressed experience is an ability to simplify and evaluate complexity for the purpose of decision. Blattberg and Hoch (1990) support this notion commenting that when normative analysis fails, judgement is required. Moreover, others have suggested that even planned or rational approaches of identifying segments entail what is fundamentally an arbitrary process (Hoek *et al.*, 1996) and potentially unreliable should managers choose to adopt strategies inflexible to the diverse and often transient nature of contemporary consumer needs.

However, it is also important to remember that "every [segmentation] model is at best an approximation of reality. One cannot claim that segments really exist or that the distributional form of unobserved heterogeneity is known" (Wedel and Kamakura, 2000, p. 329). This is an important point often overlooked in the literature, as Wedel and Kamakura (2000, p. 336) explain:

> Segments are not homogeneous groupings of customers naturally occurring in the marketplace. Market segments are determined by the … manager's strategic view of the market. Her/his perspective determines the way homogenous groups of potential customers are to be identified by market research.

Furthermore, Wright (1996) argues that there is no logical reason to expect that targeting even stable, robust segments (assuming that they exist) will provide better results than other approaches. Assuming the existence of segments in a practical sense, Wright (1996) maintains that if separate delivery of the marketing mix to any clearly identifiable segments was possible then "leakage" of targeting efforts to non-targeted segments could be eliminated. Wright and Esslemont (1994) argue that this still does not justify targeting the segment with the greatest response, nor does it establish that organizational efforts should be tailored to each segment, as it is still quite possible that a mass-marketing effort could have a better overall return. However, believable as these arguments may appear, it appears that similar issues have been raised previously. Considering the supply side of the business, Smith (1956, p. 6) observed that "product differentiation may be effective in some segments of the market and ineffective in others" and that "products designed for particular market segments may achieve a broader acceptance than originally planned, thus revealing a basis for convergence of demand and a more generalized marketing approach". On the basis of these observations it can be concluded that systematic academic research evaluating the managerial value of segmentation may be useful. However, it might also be concluded that any attempted segmentation applications can never be based on the economic foundations implicit within Smith's (1956) proposals and applied objectively.

Bridging the academic and practitioner divide

Dibb (2001) observes how developments in information technology are playing a key role in developing a good understanding of customers by means of a rational segmentation approach. It is also interesting to observe how rapidly a growing industry has developed focusing on the supply of consumer data and software which assists in its analysis (Sleight, 2004). These developments further drive the pursuit of segmentation strategies with organizations such as the Experian consultancy in the UK basing their sales propositions around reaching new customers and assisting strategic decision-making processes based on customer behavioural data (Experian, 2004). Data fusion techniques linking almost infinite possibilities of demographic, geo-demographic, behavioural and lifestyle variables are positioned as providing valuable insights to the increasingly fragmented nature of contemporary consumer markets. However, despite the trend towards increasingly complex segmentation frameworks, previous research highlighted that multivariate techniques were seldom used within UK companies. Reasons for this are unclear. Perhaps it is because of the types of data collected, or failing to make sufficient use of the data, as suggested by Hussey and Hooley (1995). Nonetheless, it is clear that there is much work to be done in linking segmentation strategy to performance and the notion of competitive advantage, and in bridging the so-called gap between theory and the managerial implementations of a marketing segmentation approach.

Almost 30 years ago Wind (1978) called for research to integrate segmentation and strategic decision-making and some still argue that there is much work to be done in this area (Bock and Uncles, 2002). Despite the suggestion that pursuing a segmentation approach should enhance an organization's performance and the notion of competitive advantage (Bonoma and Shapiro, 1983), there appears to be little practical advice as to how this result may be achieved. Danneels (1996) identified tactical marketing elements as a means to achieving competitive advantage and, as Goller *et al.* (2002) observe, this has challenged the view that the outcome of segmentation is restricted to operational matters of strategy. However, these arguments again rest upon a rational definition of marketing segmentation and any attempts to apply a generalisable segmentation solution in response to what appear as the increasingly complex behaviours and actions of consumers, can only compound previously reported implementation difficulties. Moreover, whilst the pursuit of a truly generalisable, theoretical model of marketing segmentation may, as Hoek *et al.* (1996) have suggested, continue the chase for a "Holy Grail", the need for a change in research focus emphasising the development rather than the validation of existing marketing segmentation theory is evident.

Whilst attention has been drawn to a lack of empirical evidence which means that any current segmentation theory has not been sufficiently validated (Goller *et al.*, 2002; Wedel and Kamakura, 2000), the direction of this paper is not intended solely to question empirical validation as the only basis for making sense of the segmentation concept. If this were to be the case we accept that: "its use becomes questionable and its popularity undoubtedly requires some explanation" (Dibb and Stern, 1999, p. 234).

Summarising the literature to develop a conceptual framework

As a conceptual basis to our study we have synthesised and simplified the key principles of a strategic segmentation approach from the literature (Figure 2).

Figure 2 identifies the rational segmentation process as it is widely communicated in the literature. In order to achieve a precise adjustment of product and marketing efforts the process begins with the identification of market segments (often based upon demographic, geo-demographic, psychographic bases), prior to the allocation of organizational resources (McDonald and Dunbar, 2004). Segment profitability can then be measured according to value and volume of sales and the identified segments can be analysed and tracked over time. Whilst not exhaustive of all implementation possibilities, this process is indicative and largely assumed within much of the strategic segmentation literature discussed. *Ex ante* the focus may simply be targeting potential groups that have high yield for given inputs. Hence the focus on efficiency. *Ex post* marketers may be concerned with justifying the application of resources. This "*post hoc* descriptive" approach (Wedel and Kamakura, 2000, p. 18) is reflected within much of the marketing segmentation literature where clustering methods are typically used to identify homogenous customer groupings.

The theoretical context

We accept that further empirical insights are required if we are to fully understand the operational challenges encountered by organizations when attempting to manage the effects of increasing lifestyle fragmentation. The following section therefore provides a theoretical context through which to filter and interpret our research findings and will

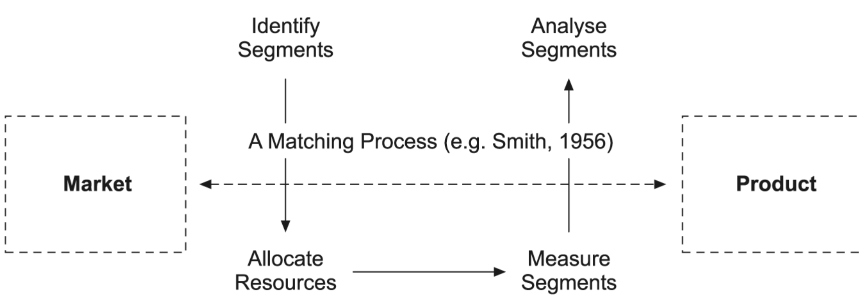

Figure 2. A summary of the strategic segmentation process

allow for a wide-ranging discussion and analysis of the key debates identified in the marketing segmentation literature.

Theoretical justification for our case study approach arises from the dynamism of a fragmented market context. We conjecture that the fashion clothing retailing environment provides a more dynamic retail context than other market contexts and even in comparison to a more standard clothing offer. To put it simply fashionable clothes are characterised by more volatile demand patterns than basics which have relatively stable demand. Static market dimensions imply a relatively constant demand and are acknowledged within the underpinning economic foundations of a segmentation approach (Stigler, 1942; Hakansson *et al.*, 2004). However, a dynamic notion, on the other hand, suggests that many markets are becoming less ordered, more complex, and increasingly diverse (Kardon, 1992; Firat and Venkatesh, 1993; van Raaij, 1993; Brown, 1995; Firat and Shultz, 1997; Sheth *et al.* 2000). This argument informs the research context (Figure 3).

As a consequence the empirical evidence examined needs to be purposeful focusing upon a context where market conditions are dynamic and planning for segmentation is less predictable and more complex.

Methodology

Our chosen research approach is qualitative underpinning the belief that knowledge and our understanding of it is socially constructed (Berger and Luckmann, 1966; Gergen, 1999), and an instrumental case study approach (Stake, 1995) has been adopted to enable closer exploration of the issues identified. Case selection has been made on the basis of theoretical sampling and pragmatic concerns to explore our understanding of segmentation in the context of dynamic fashion markets (Figure 4) in a volatile sector of the overall UK fashion clothing market referred to and labelled by practitioners as the "bridge brand" sector. The concept of the "bridge brand" is that it sits in the market place between high fashion content, higher price point fashion (e.g. Armani) and lower fashion content, lower priced fashion representative of high street multiple retailing (e.g. FCUK, Ted Baker). It may be important to comment that the entrepreneurial nature of much managerial behaviour is argued to be a common

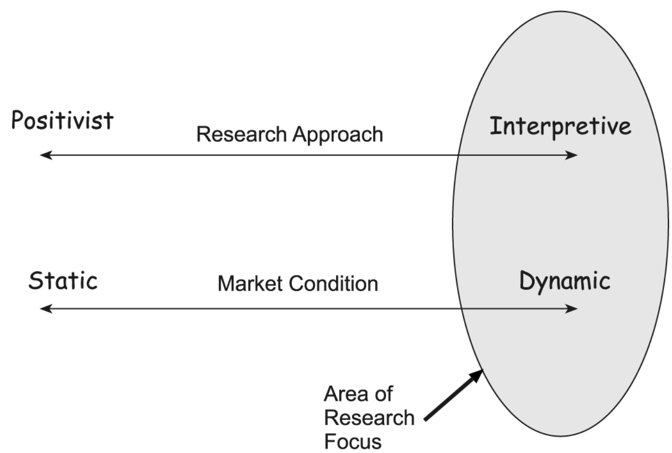

Figure 3.
The research context

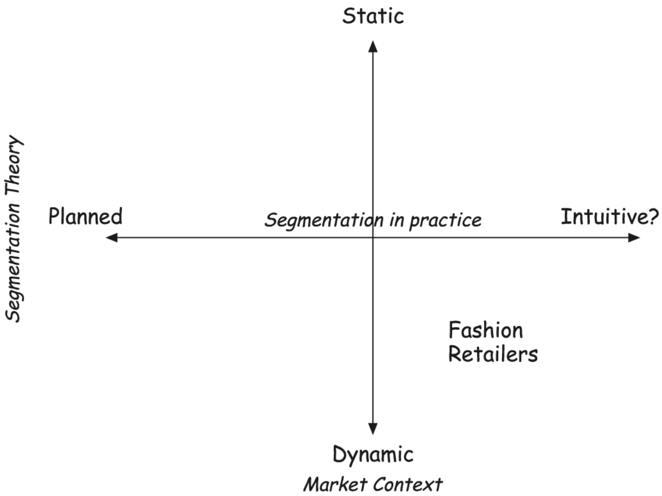

Figure 4.
Theoretical justification for the selected case study

phenomenon amongst retail organizations. This is often described as a particular characteristic of retailing rather than being attributable to the scale or size of the operation (Bevan, 2002; Davies, 1991). As such, wherever we look in retailing we might be looking at idiosyncratic behaviour and, therefore, it was concluded that these sampling considerations were not a problematic issue in the development of the theoretical position which informed the selection of our case study organization.

A key strength of our approach lies in its ability to gain insights into meanings from practices (Stake, 1995) and existing theories about the phenomenon of marketing segmentation. These insights may give rise to emergent theories, which may be context specific rather than widely generalisable. This will focus attention more closely on critical issues than does the sterile approach of searching for a grand narrative devoid of context.

Researchers need to make inquiries to inform their research clearly recognising paradigms in which the inquiry is made (Guba and Lincoln, 1988). These paradigms shape shared views about ontology, epistemology and methodology. Paradigms are essentially models of belief systems (Kuhn, 1962) or "world-views" (Patton, 1978, p. 22). The philosophical stance taken provides the researcher with guidelines allowing appropriate research choices to be made regarding questions, methods and interpretations. Gummesson (2001) asserts that understanding the paradigm in which research is located is essential to knowledge creation. This has consequences for the ways in which research questions are formed and how appropriate methods are chosen. The ways in which paradigms influence research design and construction also has implications for interpretation and meaning related to the research questions (Hirschman, 1986; Wolcott, 1994; Guba and Lincoln, 1988).

Our research does not concern itself with axioms or facts viewed as objective reality, which remain value free. It does not seek to explain a fundamental truth from which to develop hypotheses generalisable across time and context like physical sciences might attempt to do. We recognise human frailties and the subjective nature of social science research and rather than perceive this as some kind of weakness, we view it as a particular strength of our approach. Furthermore, it does not set out to test theory or to engage in any quantitative manipulations from which to reduce and explain an independent reality demonstrating cause and effect. As a consequence we recognise that this research is not independent of researcher values; it has no objective criteria; it does not concern itself with causality or hypo-deductive reasoning; and it is not necessarily generalisable across a wider domain than the case evidence used to understand and explore the complexities of segmentation theory and practice within the bounds of the selected case study. It has, as Habermas (1972) explains, been guided by human interest and that in turn has guided the investigation. The unique characteristics, personalities and attitudes of the researchers and our discourses and interactions with the researched have shaped the construction of our world-view.

Our reality is socially constructed (Berger and Luckmann, 1966; Gergen, 1999); it is negotiated between actors to obtain our shared understanding. It is communicated through our case example and consequent interpretations and meanings we have assigned to it. Particular strengths of adopting a case study research design are manifold. However, there are essentially two very good reasons for adopting a case study approach in this instance: first, by conducting case study research it is possible to examine contemporary events in context; and, second, it is possible to draw on a wide variety of evidence that may include, *inter alia*, documents, artefacts, interviews and observation (Yin, 1994). According to Yin (1994) the case study design must have five components: the research question(s), its propositions, its unit(s) of analysis, a determination of how the data are linked to the propositions, and criteria to interpret the findings. Similarly Stake (1995) proposed a series of steps for completing the case method, including posing research questions, gathering data, data analysis and interpretation.

In this study the research question was to identify and examine the phenomenon of interest – segmentation strategies – in a practical context of interest where they could be observed. The key proposition being that dynamic markets such as those observed in fashion retailing may offer useful insights into the phenomenon of market segmentation strategies. The unit of analysis was the retail organization selected on the basis of being theoretically representative of a firm operating in a dynamic market context. Importantly the rationale for undertaking the study, and substantial review and critique of the literature, provided support for understanding and making sense of this case study phenomenon in a specific retail context. Analysis and interpretation of the case study is an iterative process within the case itself and between the literature and case evidence informing the discussion. In common with qualitative approaches to research rigour is established through credibility, transferability, dependability and confirmability (Guba and Lincoln, 1981).

Stake (1995) emphasizes that the number and type of case study depend upon the purpose of the inquiry. In this research an instrumental case study is used to provide insight into an issue: market segmentation. Feagin *et al.* (1991) suggest that while proponents of multiple case studies may argue for replication, using more than one case may dilute the importance and meaning of the single case. As a consequence we decided that an instrumental single case would be more suited to the purpose of this exploration. Yin (1994) also indicated importantly that generalization of results, from either single or multiple case designs, is made to theory and not to populations from which sample cases are drawn. The purpose of the case is to draw comparison between segmentation theory and its practical application. In order to report and interpret the case we found it useful to adopt Weick's (1995) sensemaking properties as a framework to discuss and analyse the case and as a means of generating meaning to make sense of it.

One member of the research team who has extensive knowledge of the sector facilitated access to the case organization, which is the fashion retailer Reiss. Contact was made with the owner and the senior management team. Several hours of interview were conducted, during three separate visits to the company's Head Office in Chelsea, with the owner and three senior managers responsible for production, merchandising and design respectively. The researchers also had access to key documents including: various internal memos; notices; customer, store and financial information. In advance of the initial interviews the company's public relations officer provided promotional literature, trade press clippings and other information including visual material. This material was useful in identifying contextual issues. Semi-structured interviews were helpful in focusing discussions as issues emerged. All researchers visited a number of retail stores where it was possible to view artefacts including current clothing ranges, accessories, new product samples intended for future release, and to observe the retailing environment. All interviews were tape-recorded, transcribed and coded freely using open coding techniques which manifest themselves as themes within the reported case (Strauss and Corbin, 1990). After writing the case report the company were sent a summarised copy of findings for review. This offered an opportunity to revise any interpretations made at the first draft stage. The final report was then compiled.

The case is structured adopting and adapting Weick's (1995, p. 17) sensemaking properties which provides a disciplined approach for organization, analysis and interpretation of the case material. Weick states that sensemaking may be understood as a process that is:

- grounded in identity;
- retrospective;
- enactive of sensible environments;
- social;
- ongoing;
- focused on and by extracted cues; and
- driven by plausibility rather than accuracy.

These properties will be discussed in turn in the analysis of the case.

Case report

It is important to recognise at the outset that any case report is simply a snapshot in time and that researchers have parachuted into an organization and observe a specific part of its development bounded in the here and now (observation), informed by past events (retrospection) and looking forward to what has yet to be (projection).

Case context

The case context is discussed at two levels: macro level and micro level before discussing the specific issues identified in the case.

Macro level context

The UK fashion clothing retail market is highly fragmented in nature, represented by a large number of small players and relatively few large retail suppliers (Mintel, 2002). Mintel estimate the total retail market for clothing to be £26 billion. However, providing a clear definition of the different categories of fashion retailer within this total market is fraught with difficulty. The chosen case organization is one of the many smaller retailers operating within this total market. General fashion clothing retailers (e.g. The Gap) can be defined as those which are typically located nearer to "city centre" locations and provide a mid to low-priced retail offer (Corporate Intelligence on Retailing, 1997). Further along what we might describe as a retail spectrum, fashion designer retailers can be identified with their much higher-priced offering of product which is typically merchandised through outlets bearing the retailer's own name (Fernie *et al.*, 1997). Therefore, we accept and adopt the practitioner's definition of the organization as a "bridge brand". In common with many qualitative inquiries, a number of comments will be included to illustrate key constructs. The issues raised will be evaluated in light of those approaches to market segmentation identified in the development of our theoretical position.

Micro level context

Table I details the increase in total retail floor space and operating profits for Reiss between 2001 and 2003. Whilst it is clear that total sales per square foot of floor space have decreased significantly it is interesting to observe that levels of operating profit per square foot of floor space have also dropped to levels below what they were in 2001. Some observers may see this as indicative of rapid over-expansion. However, it is our contention that as total annual sales revenues have continued to rise these figures reflect the repositioned higher price points and provide further evidence of success for the bridge-brand format. More floor space, higher revenue per garment, and similar operating profit per square foot from 2003 to 2001 on 70 per cent of the sales density: in essence smaller volumes, higher prices and increased profit margins.

A key aspect of Reiss's new store location strategy relates to their identification of key competitors (Table II) and the importance of using the geographical sitting of competitors' stores on the high street to influence the sitting of new Reiss stores.

Table I.
Store expansion and operating profit

Year	Store openings	Total UK floor space in sq. ft.	Operating profit (£)	Operating profit per sq. ft. of floor space (£)	Sales (£)	Sales per sq. ft. of floor space (£)
2001	3	41,883	1,201,000	28.67	17,653,000	421.48
2002	7	54,781	1,255,000	22.91	18,138,000	331.10
2003	5	70,081	1,977,000	28.21	20,883,000	297.98

Source: Reiss financial statements

Table II.
Competitors identified by the management team

Position	Men	Women
Above	Paul Smith/Armani	Joseph
Par	BOSS/DKNY	Jigsaw/Whistles
Below	Ted Baker/FCUK	FCUK/Zara

Source: Company files

The company has undertaken a rapid process of new store openings since 2000, with the total number of outlets more than doubling from 14 to 30. Given the increase in retailers' use of store locational decision-making software (Hernandez and Bennison, 2000), one might also have expected Reiss to use some of these more sophisticated techniques when identifying where best to locate new stores. However, the company owner's approach to these strategic moves rejects the use of such aids and he argues that:

> I know instinctively when a site will work (company owner).

Simply by observing where competitors are located is important, and tacit knowledge of the retail competition is crucial to such decisions as indicated by both the previous and the following quotation:

> We also have a clear picture about who we compete with. We identify our competitors in both the menswear and womenswear markets. This is also on the wall in the design office to remind everybody about who we are (production director).

Grounded in identity

Weick (1995) argues that sensemaking is grounded in identity. Sensemaking begins and ends with the sensemaker(s). In the case we are concerned with the organization's identity through its interactions with the market environment and this is how managers make sense of what they do. Establishing the organizational identity is the starting point for our analysis. It is through this identity that the organization communicates its strategic intentions.

Reiss is a retailer of "own brand" quality menswear and womenswear. It is a profitable company that established itself in London and the South East of England during the 1970s. Throughout the past five years the company has grown organically and rapidly. In 2000 Reiss developed a womenswear line to complement the long established menswear brand. Entrepreneurial owner David Reiss is the driving force behind the business. In order to understand the organization and its approach to market segmentation it is important to understand both the context of the organization within its markets and the owner's influence on the management of the business.

The owner was born in London in the 1950s and took over his father's business in wholesaling menswear during the 1970s. For some time the business owned a factory in Yorkshire where it produced clothing collections for the wholesale market. In 1980 Reiss opened their first retail store on the fashionable King's Road, Chelsea, and it proved an immediate hit with customers. Reiss continued to open new small retail stores in the 1980s in addition to continuing with the wholesale business. Today Reiss is reported as a £35.3 million (£28 milion in 2004) fashion apparel retail business (King, 2005) operating from 30 sites within the UK, including four concessions and one recently opened store in Dublin with operating profit in all approaching £6 million. It now has ambitious plans to open further stores in the US following a recent successful launch in New York where it expects to achieve sales of £6 million within two years (Donati, 2005, p. 2).

The company refers to its brand as being a "bridging brand". By this they mean that it bridges the gap between higher priced fashion from the likes of Armani and Paul Smith at one end of the spectrum, and Ted Baker and French Connection UK

(FCUK) at the lower priced end for menswear. Figure 5 shows Reiss's in-house market positioning view in light of the "bridge brand" concept. This positioning map is intended to be indicative, not exhaustive, in the sense that not all UK fashion businesses are included. It is also important to indicate that this positioning is based on the Reiss management team's own perception of the market in which the company aims to compete. "Bridge brands" are identified within the shaded area. The organization has quickly established a similar position for womenswear sitting between Joseph at the top end and FCUK and Zara at the lower end of the price ranges.

From this description of the organization's brand it is clear that there has been an evolving identity both for the organization and its brand, which are in this case mirror images. The journey from Reiss the single store on the King's Road in the 1970s to where it is now has developed in the imagination of the owner through time materialising and manifesting itself in what may seem a relatively short time frame; around five years from its local London identity to one of national and, moving forward, international identity that it aspires to. In essence a fermentation period of around 25 years has occurred for the knowledge and experience inputs to the process to determine the output of growth. Is this a case of "compressed experience" being released like a champagne cork in celebration of a Eureka moment of truth? Maybe we can partially answer this question through retrospection.

Retrospective

Retrospective sensemaking is required if we are to better understand the ongoing social construction of realities in complex and ambiguous contexts. It is through retrospection that we are able to view past identities of the organization and through reflection observe the present enactments and how they are influenced by ongoing social interactions. It is through retrospection that we observe the changing context and revised meanings that managers overlay upon that context.

In discussions with the owner of Reiss it became clear that a significant change of approach to managing the business came about in 1987. The emphasis switched

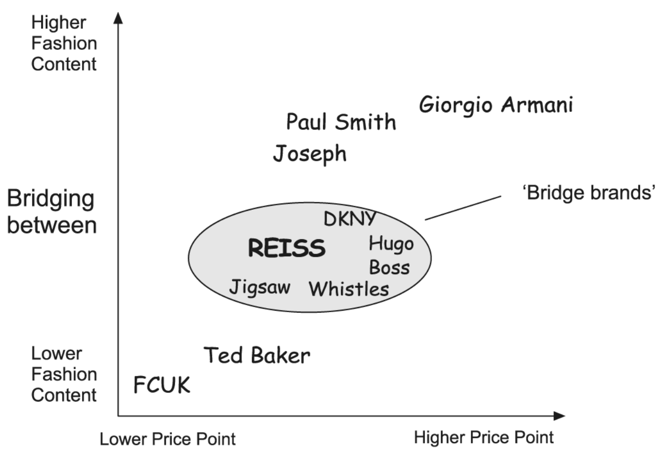

Figure 5.
Reiss market positioning: the bridge brand concept

Source: Based on Reiss documents and interview data

Establishing and developing a brand was important for Reiss. However, the final years of the 1980s became a turbulent time for all retailers and the recession that had hit the high street hard led to a rationalisation of the company and its structure. Inventory control, careful buying and cash flow management were essential to the survival of the business and a necessary pre-requisite to building a solid base for the future.

In 1988 the company's owner recognised an opportunity in the fashion retailing sector between the high street fashion retailers and the international designer brands and decided to develop an offer that would fill this perceived gap in the market. This move demonstrated the single-handed entrepreneurial manner in which business was conducted at that time. The recognition of a product gap in the market also demonstrates the intuitive understanding of customer needs on which any future key strategic segmentation decisions may be based. This decision was not influenced by any market research other than the owner's perception of market offers from other apparel retailers:

> I knew that if we could get the market offer right we would attract customers. This business is about knowing and understanding what your customers want and being able to know that some time in advance of the season so you can have merchandise in store when they want to buy (company owner).

With no clearly defined consumer segments in mind Reiss's efforts to establish a more precise adjustment of product and marketing efforts were intended to meet the owner's perceptions of an unexplored demand. At this stage the strategy could not have been described as one implementing a rational approach to market segmentation. Segments were not identified quantitatively and the belief that there was a "huge market potential" was based on what the company owner describes as "gut feel". It is pertinent to this discussion and worth noting that the notion of "gut feel" has been explained in the literature by Molloly and Schwenk (1995) as intuition using soft and personal information to make decisions. Nonetheless, the strategy proved so successful that it was later decided to pursue what was believed to be a similar demand in the womenswear market. The company owner admitted that his own daughters had emotionally influenced his decision to pursue a womenswear range at Reiss. Their reasoning was that there was too little to choose from in terms of quality branded womenswear on the highstreet. Having considered their observations, the owner then decided to pursue this idea. This time, however, an external agency was commissioned to gather exploratory market research data prior to the launch of the womenswear brand. As the stakes become higher so do the risks and the need to justify investment decisions intensifies:

> I wanted to have some confidence in any investment decision I was about to take and felt uneasy at just relying on my own instincts although I felt I had a clear view of the market (company owner).

Market research findings suggested that the Reiss brand had established a reputation for good quality, fashion, and price-competitive offerings sold in a well-considered retail format. This confirmed what the owner had wanted to achieve with the Reiss concept and he decided to pursue the introduction of a Reiss womenswear range.

However, whilst a rational, process-driven marketing segmentation approach cannot be identified within the organization's strategy for the menswear product range, the theoretical assumptions underpinning the belief in market heterogeneity, which underpin the pursuit of a segmentation approach, are evident:

> We think we know our customer base fairly well. We often used to trial a product in London and if it sold well we tried to roll it out to other stores. Nowadays it is more critical with our store expansion programme that we are able to get the right products to individual stores simultaneously. We could miss the season by delaying roll out. We need to be much clearer about what our customers want to buy. We also recognise that different stores may have different needs (merchandise director).

Furthermore, the undertaking of consumer research prior to the launch of a womenswear range was instrumental in assisting the effective allocation of financial resources. The identification and pursuit of the market potential for a womenswear product range represented an effort to increase the company's targeting precision, which is argued to be particularly useful to design teams and in-store sales staff when focusing upon the "Reiss customer":

> This helps our design teams and our store staff to focus our offers. I have a laminated chart with this on it in the design room. We are not sure how many customers we have in each age band. Ideally we'd like to have more professionals and older fashionables because they can usually afford to buy more. However, we also need to attract younger people who aspire to the next lifestyle because they are our future (production director).

However, the quantitative identification or measurement of individual market segments was not pursued on any bases other than age, gender, and estimated levels of disposable income. This intuitive approach suggests that only the most simplistic segmentation strategy had been implemented. The owner maintains, however, that the intention of Reiss's strategy has always been to differentiate the product range sufficiently enough to enable them to position as a bridge brand and therefore achieve a clear identity on the high street:

> Reiss aims to develop an aspirational, fashion-led men's and womenswear brand with a clear identity. We needed to be seen as individual, stylish and sexy (company owner).

Enactment

Enactment is the recognition that organizations become part of the environment they face (Weick, 1995, p. 30) and as Shotter (1993, p. 157) explains:

> Managers become practical authors of their own destiny.

In this context what the organization creates is its own future. Reiss's pricing structure, individual store layouts, and store location all play a key part in the success of the brand identity. Communicating the brand's core message is of key importance to the organization's strategy. Reiss promotional material emphasises key values that underpin the brand's image, using words such as: "creative, contemporary, essential, comfortable, affordable and directional." Internally the management team have identified their customers by age, by person type (using a simple lifestyle definition), and by purchase type (Table III) but this provides nothing more than a very simplistic description of these target customers. Nevertheless, maybe this is sufficient, if not scientific. Furthermore, maybe, it allows the organization as practical author not to constrain its market potential by defining its markets too narrowly allowing creative freedom and flexibility.

The notion that customers are abandoning predictable patterns of consumption is recognised in the literature although none of those interviewed at Reiss highlighted this is a concern. The company refers to customers outside of the broadly defined segment of 18-35 year old customers as "edgy customers". These customers are not necessarily identified on the basis of any particular combination of demographic and lifestyle variables but they are believed to aspire to the core values of the Reiss brand; values which, the company owner argues strongly, are not quantifiable:

> We'll sell to anybody; I don't care if they're 15 or 50. What's important is that we know what the Reiss label stands for and that way the consumer is able to associate with the brand (company owner).

Under the guidance of a creative director, the design teams are simply briefed to produce clothes that are "individual, stylish and sexy". Key to the brand's success is a contemporary and directional product. According to the company owner "Reiss fashion has a definitive look, which aims to lead rather than follow trends." A Reiss PR briefing sheet used as a press release in November 2003 states:

> The Reiss brand has become recognised as a progressive fashion-led retail company designing and producing own-label ranges targeted towards style conscious men and women aged 18-40 years. It offers an individual and aspirational look at affordable prices, successfully combining good design, quality and value.

It is interesting to observe that the age range has added five years moving from 35 to 40 in this press comment. Age as a defining variable is flexible. Whilst simple descriptive variables (demographic) are broadly used to define a market segment it is accepted that many Reiss customers will not be identifiable by one or even a number of particular base variables. Defining these customers as "edgy shoppers" serves to recognise that whilst a market segment is loosely identified this is not sufficient and points towards effective product differentiation as providing evidence of consumer demand in the retail marketplace. The differentiated product offering caters for the needs of anyone who can associate with the brand's identity. Although simplistic, this strategy conforms to the theoretical underpinnings of Smith's (1956) argument in that a more precise adjustment of product and marketing efforts is needed to meet the demand. Whilst multivariate techniques may be used in the identification of market segments, it appears that the theoretical foundations of a segmentation approach do not necessarily require this. In this sense we can argue that the managerial nature of

Age	Person type	Purchase type
18-25	Young student	Limited purchases
25-35	Professionals	Buying larger range
35 +	Older fashionable	Aspirational

Source: Company files

Table III. Customer types

the market segmentation concept has advanced very little during the past 35 years. Furthermore, within the scope of this study, these findings are indicative of a more intuitive use of the segmentation concept.

From within the literature we had already established that segmentation strategies could be perceived as planned or intuitive. It is apparent from our investigation that the definition and scope of market segmentation is broader than the literature suggests and in practice is grounded in intuition and tacit knowledge. During discussions it also emerged that a further dimension was important for Reiss in that they viewed their own market position as dynamic.

Some observers may suggest that an intuitive use of the segmentation concept is "un-scientific" and inherently problematic. However, there appears to be a key benefit associated with the approach in this particular context. That is, the implementation difficulties often associated with the adoption of a segmentation approach are viewed as irrelevant due to the volatile demand of fashion apparel consumption. Not only are simple demographic descriptor variables easily adopted within an intuitive segmentation strategy but such an approach can be successful if products are clearly differentiated within an industry sector. This highlights a need to explore on a larger scale the use of alternative segmentation strategies, particularly in dynamic market contexts. In this way we can attempt to further understand a range of segmentation possibilities.

Social and ongoing

In this respect this is what Weick (1995) recognised as an important part of sensemaking in that it is "ongoing". He goes on to say that people are always in the middle of things and cites the example of Dilthey's adaptation of the so-called hermeneutic circle to social phenomena cited in Burrell and Morgan (1979, p. 237) in which he recognised "there are no absolute starting points, no self-evident, self-contained certainties on which we can build, because we always find ourselves in the middle of complex situations which we try to disentangle by making, then revising provisional assumptions" (p. 43). It is from this uncomfortable position of there being no solid foundation that we build the case and supporting evidence to make sense of segmentation strategies in practice.

It is important to recognise that the order created within the organization has been established through social interaction between managers and managed to create interactions with the external markets. It is through interactions that meanings are developed and can be interpreted as indeed they have been within the case through the interactions between the researchers and the researched. In making sense of the case in its context we only observe moments in time and Reiss, the organization, existed before we joined them in our dialogue and they have moved on since we left. In this sense we are constantly revising our understandings of what is happening in any organization with a view to making sense of organizational realities. In the specifics of this research it is as though having reported the case, that is the end. However, it is more like a journey that we joined somewhere along the way and left as they continued on. We draw this to the reader's attention because it is important to our interpretations and the meanings we want to convey. It will also be important to future interpretations of this work done in retrospect.

Extracted cues

Within the case we have inevitably focused upon extracted cues from our interactions with the organizational managers and the embodiment of the organization both in its social context as a store and, through the symbols, together with the artefacts being sold. In this process we have inevitably been selective in the cognitive sense of that word, and importantly, to achieve what we set out to achieve, which was to make sense of segmentation strategies in a practical context. In order to make sense it is important that we are receptive and sensitised to extracted cues through immersion in context, grounded through identity and tracked through retrospective critical reflection thus enhancing sensitivity towards ongoing cues. We have tried to signpost these cues to the reader and as Weick (1995, p. 62) comments they may only be a "small portion of utterance" salient to the context. This is how we interpret and make sense of segmentation strategies for the organization in its ongoing social context.

Plausibility

The questions for the researcher conducting the study inevitably focus upon key qualitative research criteria. Can we depend on the information? Is the story credible? In this sense have we extracted cues appropriate to understanding what is happening inside the case organization in order to better understand market segmentation strategies in a practical context? Have we been able to confirm not necessarily accurately but rather plausibly that the story reported makes sense?

Weick (1995, p. 55) states that sensemaking is driven by plausibility rather than accuracy. Drawing on Isenberg (1986) Weick argues that plausible reasoning goes beyond the observable or at least beyond consensual information to form an understanding with enough certainty that it is credible. Such reasoning may not necessarily be correct in an absolute sense but it fits the facts and is often based on incomplete information. Thus in the case organization when managers are concerned with developing segmentation strategies they are not concerned with accuracy. For them there is no universal truth. It is an intuitive truth grounded in compressed experience. Sensemaking is about plausibility. It is a pragmatic solution that they identify as coherent and reasonable given the context and the information available to them at the time. Fiske (1992, p. 879) referred to relative truth. The criterion of accuracy is secondary in sensemaking according to Weick (1995, p. 57):

> Objects have multiple meanings and significance, it is more crucial to get some interpretation . . . than to postpone action until interpretation surfaces. Given multiple cues, with multiple meanings for multiple audiences, accurate perception of "the object" seems like a doomed intention.

As Fiske (1992) observes most organizational action is time sensitive and this means that there may be a speed/accuracy trade-off in which speed is ranked higher and hence has more value. A quick response may be better than non- response and enacts an environment. In this sense managers do indeed author their own destiny (Shotter, 1993).

Confidence or trustworthiness is established in our work in a number of ways: first, through multiple data sources from which we make sense of market segmentation strategies. Second, through confirmation of the case material with those interviewed to act as a moderating influence ensuring neutrality in our socially constructed account of the case. Third, truth is not absolute in the objective sense but rather it is established through plausible explanation and thus credible. Fourth, the systematic research approach is consistent with methods of qualitative inquiry and hence dependable. These methods are transferable to other research contexts and theoretical findings identified in this study could be examined in different contexts. Patton (1990) identified four types of triangulation: methods triangulation (combination of sensemaking, instrumental case study method); data triangulation (multiple data sources); triangulation through multiple analysts (the authors); and theory triangulation (multiple literature sources and practices examined). Evidence of all four types are present in this work.

Ultimately the reader is the judge of our interpretations. Suffice to say we have crafted a case that helped us make sense of segmentation strategies in practice, which has allowed us to play our interpretations against the theoretical bases of segmentation discussed in the literature and through our thought trials and conjecture to reach some important conclusions that are discussed in the final section of the paper.

Commentary

A main way identified in the case study in which market segmentation strategies are realized can sensibly be interpreted as intuitive. Evidence drawn from the case and in particular the owner clearly links organizational performance to compressed experience. The owner has been able to draw creatively from memory and through personal experience to provide a plausible account of how the organization has developed. The personal identity of the owner and that of the organization are clearly interwoven in the process demonstrating, perhaps, the importance of the entrepreneurial personality (Chell, 1985; Chell *et al.*, 1991). This highlights an area for further research in relation to the specific context of entrepreneurial influences in developing market segmentation strategies. The case organization has created new meanings for the organization and its markets through its interactions both internally and externally, as it has reconstructed itself, first as a menswear multiple retailer, second as a womenswear retailer and also as a "bridge brand". Consequently, changing patterns of identity are clearly evident within the organization through time.

Our research strategy was determined by research propositions and ontological considerations that have consequences for our epistemological standpoint. Our conceptual representation (Figure 6) illustrates three key dimensions considered as

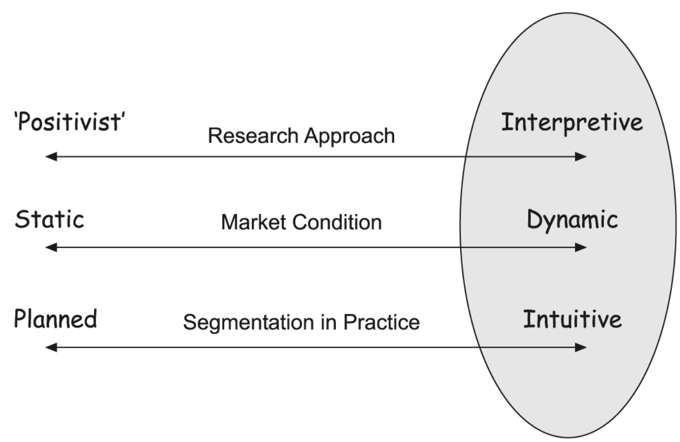

Figure 6.
Research approach, segmentation practice and theory

part of this research: Our research approach, segmentation in practice, and segmentation theory. Our research approach is interpretive in examining segmentation. We discovered that segmentation through practice exemplified by the case study is highly intuitive and emotional, rather than planned or rational. Finally, in our case research we identified dynamic markets as being a most fruitful context from which to develop our understanding of market segmentation in practice and compare it to the existing literature. This understanding acknowledges and informs our initial research proposition that in markets with constant demand patterns, implying stability, planning for segmentation is more predictable and potentially more useful. However, where market conditions are dynamic, planning for segmentation is less predictable and more complex, therefore requiring a theoretical development to the rational market segmentation approach to encompass broader and intuitive understandings of the concept. This position is congruent with Wedel and Kamakura's (2000, p. 339) view that:

> [The manager's] perspective determines the way homogenous groups of potential customers are to be identified by market research.

Not only does this broader approach reveal key benefits to practitioners managing complexity within a dynamic context but it also highlights clear pedagogical implications with regard to what we could describe as the "textbook approach" to marketing strategy. It demonstrates that context and, particularly, intuition have a role in the decision-making process. Hence, any theoretical models developed for segmentation strategies need to clearly acknowledge their importance in managing complexity and ambiguity.

We wanted to understand how practitioners within a particular context make sense of segmentation in relation to the marketing decisions they take. There is a great deal of disagreement in the literature we reviewed concerning the ways in which owners and managers make strategic and operational business decisions relating to market segments. This can be represented by a continuum ranging from planned to intuitive. Marketing segmentation literature discussed in the first section of this paper also demonstrates a continuum that considers the underlying basis of segmentation approaches as either static at one end or dynamic at the other.

In essence a static approach holds implicit assumptions that consumer behaviours and characteristics can be deductively identified representing a "snapshot in time" of any particular market context. For example, when consumer types are identified, perhaps using a statistical technique such as cluster analysis, any resulting segment types are assumed to have homogeneous characteristics that decision makers then use to target customers; thus using what is effectively the static segmentation approach. However, the danger for practitioners is obvious. Practitioners may continue to apply the typologies long after they were identified and the conditions in contemporary markets will undoubtedly have shifted. Furthermore, the static approach is likely to assume that segments comprise customers who remain in that segment. Dynamic approaches to theory development have assumed that segments may contain different individuals and the same individuals may be found in several segments at the same time, or at different times, particularly in fashion markets. However, the key issue for many practitioners remains that any segmentation approach needs to provide a manageable solution.

Our research questions focused on drawing comparisons between practice and theory. We wanted to understand segmentation and this means not simply adopting a rational approach to applying techniques but rather trying to understand how managers operationalise concepts. Customer interactions with the fashion brand come through store environment, promotional material, images, other customer interactions, products and marketing activities. This also switches attention from static models to dynamic approaches in the application of the segmentation concept. Furthermore, it is particularly interesting to observe an organization in transformation. The company owner is clearly the key driver of an entrepreneurial organization that, in recent years, has rapidly developed into a profitable SME. His role has shifted from owner to manager and the embryonic stages of formalised procedures, relationships, and planning processes are becoming evident.

In recent years customer segmentation has become a more difficult concept to operationalise in dynamic market contexts as consumer lifestyles have fragmented traditional markets. This development has become a catalyst for the renewed interest in market segmentation. Of particular relevance to this study, several of the themes prioritised for further investigation by the Academy of Marketing's Special Interest Group on Market Segmentation (Academy of Marketing, 2004) have been clearly highlighted. Namely: the definition and scope of market segmentation and its relationship to differentiation; market segmentation approaches, including the use and appropriateness of different base variables; market segmentation implementation and critical success factors; segmentation methodologies and conceptualisations, and; alternative segmentation strategies. In this work we have identified in the instrumental case study analysis that intuition and tacit knowledge were important constructs for Reiss. This conclusion has significant implications for future research. Huff and Jenkins (2002) refer to two important conversations in the study of strategic management about the way knowledge is "generated and managed" in organizations. On an intuitive level approaches to segmentation can be rapidly implemented in dynamic and unstable markets. As part of a wider organizational strategy, which clearly differentiates product offerings, an intuitive market segmentation approach therefore benefits organizational decision-making within the strategic and tactical process. Moreover, given the increasingly fragmented fashion market context outlined, we can still conclude that customer segmentation is potentially useful.

Informed by this research we suggest that cognitive mapping techniques to extract these tacit and intuitive dimensions further could be helpful to our understanding and explanation of segmentation approaches implemented. Of particular importance this emphasis could address the concern of being able to legitimise tacit ways of learning to act in strategic business situations. The work could be extended to cover other organizations, particularly within increasingly fragmenting markets, which provide a useful theoretical context from which to explore segmentation processes.

Finally, from a methodological standpoint, our work makes an important contribution to the academic market segmentation literature. Through the analysis of a case study, utilising Weick's (1995) sensemaking framework we do two things. First, we offer a rare qualitative insight into managerial construction of market segmentation in practice. Second, we demonstrate a useful method of analysing, structuring, and framing the analysis of case study material. Both of these virtues allow us to make sense of what has been and will continue to be a fundamental aspect in the development of marketing theory.

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