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**SEGMENTATION
OF CHEMICAL PRODUCT MARKET**

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The paper deals with the process of segmentation of market of chemical products. It shows the partial phases of divided segmentation process with the key problem of the whole process of market segmentation—a choice of segmentation variables. The research carried out in chemical companies has shown that it is necessary to use several segmentation variables for segmentation of market of chemical products. The suitable segmentation variables for chemical product devoted to production consumption are given in this paper.

Introduction

The contemporary level of development of markets is characterized by increasing dynamics of changes in demands of customers not only on customer (end-user) markets but also on industrial markets. Companies, if they want to keep their present customers and to acquire new ones, must adapt their supply to the demands of individual segments of customers. They must apply a target marketing. However, the conception of target marketing assumes that the market segmentation will be

performed, that means, that all market will be divided into segments of customers, so that the needs and wants of customers within each segment are similar and distinguishable from those of consumers in other segments.

Recently a more profound attention has been devoted in literature [1–3] especially to segmentation of consumer markets. There have been several articles dealing with segmentation of industrial markets [4,5]. They only summarise the general experience from the market of machinery products. Experience from segmentation of market of products offered by companies of chemical industry for production consumption of the customers are summarised in this paper. It is a market (that means customers), which use the products as raw materials in further production. There also exists a chain of producers of processed materials before the final products appear. It was necessary to put the question if all the approaches to industrial markets segmentation mentioned in literature are suitable for the conditions of chemical product market. It has been shown that it is true only partially, and therefore it was necessary to develop a proper approach to segmentation of this market.

Process of Market Segmentation and Choice of Segmentation Variables

The following phases of market segmentation process [6] have appeared to be useful:

1. Identification of segmentation variables acceptable for a specific industry, product line or product category.
2. Evaluation of segmentation variables according to, how many and which wants and elements of consumer's behaviour they influence and how it is difficult to conform to them in time and space from the point of view of a company and a choice of segmentation variables for market segmentation.
3. Realization of market segmentation.
4. Setting up a profile of particular segments according to the level of segmentation descriptors and characteristics of individual customers including their wants and preferences.

The key problem of the whole process of market segmentation is connected with a choice of segmentation variables and that is why more profound attention will be devoted to them. Available literature gives no instruction how to identify these variables. We suppose that the core of the matter is to look for an answer to the question: what causes different wants, preferences of wants and different kind of behaviour of customers, and also what causes different types of approach of suppliers to them. In the choice it is necessary to use such variables which correlate with buying behaviour of customers; they are ascertainable and measurable. Their choice depends on the definition of company's product and on the characteristics

of market.

Discussions with managers of chemical companies showed that it is necessary to use several segmentation variables for segmentation of market of chemical products designated for production consumption. Many of them have not been mentioned in literature yet. They include the following segmentation variables:

- product lines on which the chemical raw material is processed
- political-economic situation in states where the customer has his place of business
- state in which the customer has his place of business
- annual volume of purchase or consumption of chemical raw material in the customer's company
- technological and business connections between customers and suppliers
- competitiveness of customer firms on their markets and their efforts to improve it

Product line on which the chemical raw material is processed is the basic characteristics of different demands of customers. Chemical raw materials are often processed on a wide variety of product lines, each of them being developed under the pressure of different conditions of macroenvironment, and also their markets have different dynamics.

Political-economic situation in states where the customer has his place of business has been shown to be another suitable segmentation variable for market segmentation of chemical raw materials (for instance, one group is represented by customers in EEC (European Economic Community) and another by customers in the countries of Central Europe). The basic differences between customers in these two configurations have been based on different political-economic climate in both the systems, which formed and still are forming different and typical for each configuration behaviour of customers.

The segment involving postcommunist countries of Central Europe covers the states which have begun to use the principles of market economy in their economies. The absence of financial resources not only in companies but also in other spheres of the national economy has been the decisive factor in most cases. The financial deficit of the companies defends modernisation and development of production, but this is not the only reason of their problems. Managers of companies in these states have begun to recognize that the success or failure of their firms in a competitive environment directly depends on their abilities. It is necessary to point out existence of relationships and bonds between the states of the former Council for Mutual Economic Aid, that make business easier.

The countries associated in EEC are ones with advanced economy where high quality of their products represents the limiting factor for companies which want to be successful on the market. High customers' demands for the level and stability of

qualitative parameters of chemical raw materials and pressure on providing new sorts of each of chemical raw materials are typical of these countries. They represent areas with very strong competitors for our companies. These competitors determine the trend on the market and they have a dominating position on it and also the governments apply a strong protectionism.

We have also chosen *the state* as the place of business to be another segmentation variable because there are some differences between individual states in the situation and development of marketing macroenvironment and in the intensity of competition. That has a particular influence on buying behaviour of customers.

Another acceptable variable is *the type of customers*. There are two types of customers buying the chemical raw materials. They are either producers (processing of raw materials) or middlemen. These groups of customers differ in approach to their and reason for business with a supplier and, on the other hand, the supplier has to choose different strategies for them. The basic difference between the producers and the middlemen consists in the fact that the middlemen buy a wider assortment of offered goods irregularly in small quantities and their demands on quality are constant, whereas the producers buy regularly greater quantities of products and tend to increase their demands on the quality of raw material all the time.

An acceptable variable for chemical product market is *the annual volume of buying or consumption of raw material*, too. Behaviour of customers and approaches of suppliers to them can be classified according to the volume of the raw materials purchased. It is common to divide the customers into groups using the ABC method. The customers with a great volume of buying are the main "bread-winners" of a producer and it is necessary to use a different price, distribution and promotion strategy for them.

Technological and business connections between of customers and suppliers has proved to be another segmentation variable. This variable reflects the extent of connections and stability of business relationships of both partners. It depends on the length of relationships, periodicity of supplies and reliability on business behaviour. This variable is considered a specific and very important factor for unfinished chemical products. If the customers adapt the technological conditions of production to their suppliers, they can expect a certain loyalty from them. The change of a supplier would lead to the necessity of a complex adaptation to another parameters of products. This can be time-consuming and demanding with regard to technology, staff and investment. Between both the partners there have been created strong relations in consequence of a long-term co-operation that are very difficult to change.

We have designed a new variable viz. *the competitiveness of a customer on the market and his effort to improve it*. The more visible is the tendency to increase the competitiveness on the market the more noticeable is the increase of demands on innovation of assortment of the raw materials purchased, increase of requirements connected with the qualitative parameters, standard of packaging and of other parts of marketing mix. In such a business we can expect a higher increase of our

own sales and a different supplier's behaviour. He tends to prepare such a supply as to keep and to intensify the customer's favour.

Conclusion

Our experience from the industrial market segmentation has shown that the segmentation variables defined are practically suitable whenever it is necessary to segment the market of products used for production consumption, i.e. not only for products of chemical industry. Determination of segmentation variables enables one to understand differences and similarities of demands and preferences of these demands of individual customers, and then it is possible to cluster them into market segments.

When the market segments are specified, it is possible to come up to demarcating the customer's profiles in the form of detailed characteristics of buyers and full specification of their wants and preferences. A detailed knowledge of customers in every segment increases the negotiating power of the firm, enables to prepare detailed negotiations with partners and to prepare the supplies for customers according to their demands. Setting up a customer's profile in each specified market segment is a necessary precondition for an analysis of real and potential competition operating in market segments and for an analysis of resources and abilities of a business unit, because only these market wants can be the parameter for appreciating adequacy of the supply and activity of competition and business unit itself in each segment. Market segmentation also allows the analysis of influence of marketing macroenvironment on behaviour of customers and competitors in each market segment, it allows to measure the market demands and to predict the company's sale and to evaluate a segment attractiveness. It allows to develop a different marketing strategy for selected target market segments according to the needs, wants and desires of customers.

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