"I'M NOT A TARGET MARKET": Power asymmetries in market segmentation

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ABSTRACT

This study examines the underlying assumptions, values and norms of market segmentation and their effects. While segmentation aims to support the firm's overall value proposition, it may also constrain aims to be more customer-centric. In the analysis, the focus is on subtle and often invisible forms of micro-power that are practised through everyday business actions. Although the study is conceptual, it is practice-oriented, providing managers with a checklist of questions that can be used for assessing the firm's power relations. Transparency, value co-creation, individualised segmentation, and empathy are suggested for redressing unfavourable power differentials, and for building long-term customer relationships.

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1. Introduction

Market segmentation, the process of defining and subdividing a large homogeneous market into clearly identifiable segments having similar needs, wants, or demand characteristics, is an important part of business strategy (Smith, 1995). When appropriately implemented, it supports the firm's overall value proposition and has a positive effect on sales, profit, and market share (Knights & Morgan, 1991; Wedel & Kamakura, 2002; Wind & Bell, 2008). However, segmentation may also undermine the firm's aims to be more customer-centric by creating harmful power asymmetries. Some of these asymmetries are visible in everyday business encounters, while others are hidden in corporate backstage and strategy-making.

While market segmentation is among the most extensively researched areas in tourism management (Seaton & Bennett, 1996), studies have focused on developing tools for effectively conducting segmentation (Dolnicar, 2002, 2004; Dolnicar & Lazarevski, 2009; Lehto, O'Leary, & Morrison, 2002; Prayag, Disegna, Cohen, & Yan, 2015; Tkaczynski, Rundle-Thiele, & Beaumont, 2009). This paper, by contrast, focuses on the underlying assumptions, values and norms of segmentation and their effects. Although the study is conceptual, it is practice-oriented, providing tourism managers with a checklist of questions that can be used for assessing the firm's power relations.

Power is not a new subject in tourism research. It has appeared in conceptual frameworks and in studies on planning, policy-making, and governance (Cheong & Miller, 2000; Church & Coles, 2007;

Hannam, 2002, 2004; Hannam & Knox, 2010; Hollinshead, 1999; Hollinshead & Kuon, 2013). Micro-power, however, with which power is exercised through strategic decisions and everyday business practices, is less well investigated. In this study, it is approached through Foucauldian theories that offer ways to analyse these subtle and often invisible forms of power.

The remainder of this paper is organised as follows: the discussion begins with a review of market segmentation and current treatises of power in tourism studies. Foucauldian approaches are proposed for broadening the discussion, after which market segmentation is analysed. At the end, the implications for tourism management are discussed and findings concluded.

1.1. Market segmentation

Market segmentation is a widely used tool in the tourism industry (Dolnicar, 2002; Morgan & Pritchard, 2000). The tourism market is not homogeneous, and therefore cannot only be served by a single type of product/service offering (Kotler & Armstrong, 2011; Morgan & Pritchard, 2000). Segmentation can be based on common sense (e.g. the low-end market, the mid-class market, and the high-end market), or on extensive data mining including demographics, psychographics, buyer behaviour, and geography (Dolnicar, 2004; Kotler & Armstrong, 2011; Wedel & Kamakura, 2000; Wind & Bell, 2008). Psychographic factors have been popular in tourism, particularly motivations, with which different vacation activity preferences and expenditure patterns are identified (Andreu, Kozak, Avci, & Cifter, 2005; Beh & Bruyère, 2007; Bieger & Laesser, 2002; Brida, Disegna, & Osti, 2012; Lehto et al., 2002).

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Data mining is typically used in big firms, while mid-sized and small firms often undersegment (Kotler, 2003). Either they believe in their own ability to know what their customers want, they are lacking in resources to do the necessary research, or they have no practical choice but to deal with limited segments due to their location or the nature of their business (Kruger, Saayman, & Ellis, 2011; Middleton, Fyall, & Morgan, 2009).

While many marketing managers rely on segmentation, it has also been the object of criticism (Jarratt & Fayed, 2012). There appears to be a significant gap between segmentation theory and practice (Dibb & Simkin, 2001, 2009a, 2009b; Dolnicar & Lazarevski, 2009; Palmer & Millier, 2004; Plank, 1985; Venter, Wright, & Dibb, 2015). Segmentation has been described as arbitrary, based on questionable assumptions, narrowly focused, and simplifying (Franke, Reisinger, & Hoppe, 2009; Jarratt & Fayed, 2012; Venter et al., 2015; Yankelovich & Meer, 2006). Studies have paid relatively limited attention to what segmentation is actually used for, and how and why it is used. Practitioners, therefore, have little to guide them through the process (Dibb and Simkin, 2009; Venter et al., 2015; Yankelovich & Meer, 2006). Furthermore, as consumer lifestyles have become increasingly fragmented, market segmentation may be less effective (Quinn, 2009). Individualisation rather than the grouping of customers seems to be the trend (Bailey, Baines, Wilson, & Clark, 2009).

Faced with these challenges, this study examines the following research questions through the lens of power relations: 1) What kind of harmful power effects may market segmentation have?, 2) Why? and 3) What can managers do to make customer encounters more equal?

2. Materials and methods

Power, although present in all businesses and business encounters (Mintzberg, Ahlstrand, & Lampel, 1998), is not an easy subject to study as there is no data about it. In tourism studies, scholars have skirted around the issue by focusing on juridico-political forms of power. There is analysis, for example, of government regulations, committee reports, and company policies (Hall, 2007; Hannam & Knox, 2010; Kesselring, 2014). While such analysis is legitimate, it has possible drawbacks, particularly the risk of seeking the explanation for power in institutions, as if power existed independently of individuals and acted upon them (Foucault, 2002a). Furthermore, the focus has been on negative, prohibiting forms of power. Tourism researchers have examined surveillance and social control analysing various 'gazes' that pose destinations, locals or tourists as targets of disciplinary acts (Holloway, Green, & Holloway, 2011; Maoz, 2006; Moufakkir & Reisinger, 2013; Urry, 2002).

Power, however, works in manifold ways. While there are initial explorations in this broader concept regarding tourism guidebooks (Cheong & Miller, 2000), the idea has more far-reaching implications as power is also exercised in firms through strategy and business practices.

The ideas of Michel Foucault offer one approach for addressing these topics. Foucault is among the few theorists who has extensively discussed issues of power, inspiring scholars across disciplines. As Foucauldian theories drive knowledge from below, they can help to bridge the gap between segmentation theory and practice, and by increasing management's self-awareness of the power practices within which they might be caught, they can also facilitate change (Hackley, 2001; Hollinshead, 1999).

2.1. Juridico-political power

While methodological sections usually begin with definitions, Foucault was not interested in the ontological question "What is power?" or "Who holds it?" Instead he asked: "How is it practised?" (Foucault, 1998, 2002a, 2002b; Deleuze, 2006). Foucault (1991) based his theories on the idea of social construction, examining knowledge as produced and inexorably tied to power: "… there is no power relation without

the correlative constitution of a field of knowledge, nor any knowledge that does not presuppose and constitute at the same time power relations" (p. 27).

Foucault distinguished two forms of power: juridico-political and biopower. Juridico-political power is practised in states through laws and regulations, and in companies through policies, conditions, and contracts (Couzens Hoy, 2009; Dean, 2010; Kannisto, 2016a). It is repressive, leaving people no choice but to obey (Patton, 2007). Examples include monopoly markets, such as electricity and water. Consumers visibly lose power, as they can only opt out of mainstream infrastructure by going off the grid. As juridico-political power is based on a product-push model, it no longer produces the best results in a competitive market (McDonald & Dunbar, 2004). Biopower now plays a much bigger role.

2.2. Bio-/micro-power

Foucault first used the term 'biopower' when referring to power over individual bodies, and later extended the concept to 'governmentality', by which he meant a general technology of power that operates at state level (Foucault, 1978, 1991, 2004; Simons, 2013). In this paper, a more general notion of 'micro-power' is adopted to better describe how power is exercised within the firm. Micro-power is not a privilege that a group of influential individuals such as a board of directors or a shareholder committee might hold (Foucault, 1991, 1997, 2002a, 2002b). It is located outside intentional decision-making, arising anonymously from an appropriation and deployment of standardised procedures and practices including sales, marketing, and customer relationship management (CRM).

Micro-power is productive. It aims at increasing efficiency, visibility, quality of service, and sales. It is about setting standards, performance indicators, quality controls and best practice standards for measuring and monitoring performance (Dean, 2010). Micro-power is flattering in the sense that it makes individuals feel they are in control (Foucault, 2002b). In sales situations, customers are not paternally guided or pressed (as would be the case with juridico-political power); rather, they are subtly advised. Examples include tour packages that provide customers with choice, albeit ones that are restricted by the firm (Korczynski & Ott, 2004). The firm, in turn, is restricted by demand, and yet both parties feel they are in control.

Micro-power can also be deceptive, because it is not necessarily considered a form of power at all. This opacity is an important factor that secures power (Fairclough, 1995). In the market, power relations arise when consumers are 'freely' pursuing their needs and wants (Hodgson, 2001). Power, in this context, is perceived as desirable as it proposes consumers subject positions that make them look socially attractive and acceptable. These subject positions are not just roles for people to play with. They constitute individuals as agents and subjects alike, which is one of the most important ways in which micro-power works in contemporary society (Foucault, 1980; Patton, 1989).

2.3. Subjectivities

Subjectivities are an effect and a site for the operation of power. They are fluid, constantly in motion, and often contradictory (Foucault, 1980; Merquior, 1985). When power works through us, some of our practices are intentional, aiming at certain goals, while others may be working against the same goals (Smart, 2003). Foucault (1978) described this paradox, saying: "…there is no power that is exercised without a series of aims and objectives. But this does not mean that it results from the choice or decision of an individual subject…" (p. 95).

Foucault challenged the idea of individuals as self-mastering agents. Subjectivities insert people into practices that – whenever they work well – are lived as if they were natural, logical, and even desired (Foucault, 2002a, 2002b). When subjects believe in their own agency, they begin to reason for power and speak in favour of it. They govern