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STRATEGY OF SELECTING TARGET SEGMENTS AGAINST
THE BACKGROUND OF MARKET CHANGES IN POLAND

1. INTRODUCTION

The paper deals with analysis of applicability of the strategy of selecting target segments in Poland. There will be presented consequences of this strategy for production and trade companies and especially for forms of ties between these companies and principles of their specialization. There will be briefly outlined some directions of present changes in the Polish market and new possibilities for operation of companies — market participants resulting from these changes.

The concept of the strategy of selecting target market segments is referred to such a situation in which differentiation of behaviour of buyers and/or end users in the market constitutes one of criteria of decision-making in the company and is reflected in methods of its activity. This strategy may take the form of first of all:

- differentiated marketing,
- concentrated marketing.

2. CONSEQUENCES OF THE STRATEGY OF SELECTING TARGET MARKET
SEGMENTS FOR INDUSTRIAL AND TRADE COMPANIES

Growth of aspirations and general stimulation of demand in the Polish society make possible, to a growing extent, appearance of differences in market behavior of buyers possessing different economic, socio-professional, demographic and other characteristics. Lack of adaptation of supply to trends of changes in demand produces two types of market phenomena. On one hand, there can be observed a „waiting”

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demand for new goods and services or for goods already known and accepted by consumers but produced in insufficient quantities. On the other hand, there are being accumulated excessive inventories in trade companies encompassing goods which are not accepted by buyers. These phenomena testify to inadequate allocation of production factors of companies among different market segments. Thus e.g. segments frequently buying a given product (heavy users) appear in practice to be much less numerous than it is assumed while launching production. This leads to waste of resources on micro and macro-economic scale and causes dissatisfaction of end users.

Differentiated market situation, quantitative deficits of some products with simultaneous excess of others imply the need for pursuing different strategies in markets for various products.

Namely, in the case of goods accepted by consumers but turned out in insufficient quantities it seems justified to employ the strategy of undifferentiated marketing. The aim of this strategy is not so much to intensify sales (anyway this does not pose any bigger problems in the situation of the seller's market) but to achieve economies in costs of production, and quantitative increase of production. It is especially important to ensure deliveries of goods in quantities required by consumers in the case of products satisfying basic needs of the population. In recent years a list of such commodities was fixed as a result of decisions taken by the government authorities¹. In the field of strategy of these products it was decided to take into account only requirements of an average consumer while there were intentionally ignored needs of consumer groups representing more „refined” requirements.

On the other hand, a different strategy must be employed in markets where although the production in its quantitative terms is sufficient, it is not approved by consumers. In most cases this refers to markets characterized with changeable consumer preferences (footwear, clothing). In this situation the most essential problem is to adapt the product to differentiated needs of consumers, reduce useless stocks, and apply a more accurate allocation of production factors. Consequently, the strategy of selecting target market segments becomes justified.

The most frequently advanced argument undermining the advisability of this strategy is increase of inputs connected with product differentiation or other strategy means. It appears here that this differentiation does not have to encompass a single company as it can be carried

¹ T. Wrzaszczyk, *Rozwój produkcji rynkowej i usług* (Expansion of Market Production and Services), „Nowe Drogi” 1978, No. 1.

out on a scale of a group of companies, the production of which forms together a final supply of a definite product, e.g. companies representing a given branch. On the other hand, an individual company may pursue a strategy of concentrated marketing specializing in provision of goods for one — adequately numerous — market segment.

Establishment in recent years in Poland of large economic organizations grouping most or even all companies within a definite branch promotes such strategy of selecting target segments. On the scale of a large economic organization the strategy of selecting target market segments might take the form of differentiated marketing while on the scale of a single company — of concentrated marketing. With this solution the most important matter would be to define principles of specialization in providing goods and services for different market segments so that on the scale of the whole branch it is possible to achieve the envisaged degree of differentiation of supply adapted to requirements of definite consumer groups.

This solution could obviously not be of a common character, at least due to different characteristics of demand in different markets, e.g. lack of clearly isolated segments. A basic difficulty in realization of this solution is posed by a monopolistic position of large economic organizations and their production orientation as well as ensuing from it reluctance to achieve a more adequate adaptation of the product to consumer needs. Similarly the present management system of companies does not induce them to take into account characteristics of consumer demand — apart from technological criteria — while selecting directions of production.

A question arises here, what may be the consequences of the company strategy making provisions for diversification of consumer behaviour for the distribution policy?

So far, production companies do not possess in most cases any concept of distribution channels most desirable from the viewpoint of the buyer and/or end user. They do not attach enough attention to the fact where, when and by whom their product will be sold. This results from the situation that not these companies compete to win definite middlemen but trade companies compete to purchase definite products. In consequence detailed solutions in the field of distribution are in most cases elaborated by trade companies, which in this situation may be treated as a truly separate subject of the distribution strategy. On the other hand, it is commonly known that the trade cannot exert a satisfactory influence on characteristics of products manufactured by industrial companies, which in turn allows to treat the industry as a su-

bject of the production strategy². Such situation may, of course, survive and not bring any losses for both above mentioned subjects in conditions of market disequilibrium. However, the moment the market segmentation strategy becomes justified, and thus in conditions of relative equilibrium and appearing difficulties in selling, the above mentioned division of the marketing strategy subjects brings losses not only for both sides but also for consumers and the whole economy. After all, it is well known that a product, the physical features of which were even most carefully adjusted to preferences of a strictly defined market segment, will never reach it when these features are not „supported” by a properly co-ordinated marketing activity on the part of trade companies. What we mean here is both the influence of the trade on promotion of a physical transfer of a given good to definite consumer groups and its influence on formation of the product image. Although physical characteristics of a product represent an important basis for formation of the product image among consumers, that is not the only basis. Equally important are here the so-called features „added” to physical characteristics which were created owing to marketing activities (place, form and time of selling, professional skills of selling personnel) and promotional activities. In this situation it becomes necessary to co-ordinate activities of industry and trade concerning both above mentioned groups of characteristics, and their adaptation according to a uniform concept to the market segment selected already at the stage of product development. Obviously adaptability of trade companies to different market segments would be much bigger than at present if their services could be measured in terms of value (as it is the case today in the catering industry).

For the above mentioned reasons it becomes necessary to ensure harmonious co-operation between the industry and the trade. This problem has received much attention in the Polish economic literature, which comprehensively discusses conditions and possibilities of co-operation between industrial and trade units although there are still lacking solutions which would be successfully applied in the practice. After all, it is difficult to obtain harmonious co-operation solely by means of organizational solutions. An important point here is the state of market equilibrium. This factor also determines a possibility of allowing some degree of competition understood as an additional element stimulating

² See W. Wrzosek, *Zależności między handlem a marketingiem* (Relationships between Trade and Marketing), „Handel Wewnętrzny” 1976, No. 2.

behavior of companies³. What is meant here is competition through the product, its characteristics (industrial activities) and selling conditions (area of competition between trade companies). Presence of the competition through the product would accelerate the rate of response of industrial companies to changes in demand and increase their innovation propensity. And conversely, competition between trade companies would induce them to undertake activities aimed at improvement in the level of trade services in order to attract buyers. For such competitive phenomena to appear there must be ensured a relative market equilibrium and elimination of hitherto applied rigid allocation of the scope and area of company operation which will pave the way for bigger freedom in entering the market. The present central allocation of spheres of operation among companies does not promote such freedom. That leads to phenomena of poor utilization of resources in production and trade companies for which e.g. there was allocated an unsuitable region of operation. At present, the spatial coverage of most trade companies encompasses one province, while it is known that, for example, specialization in marketing activities in some market segments may call for setting up trade companies equipped with a big coverage (e.g. a segment of mobile tourists). A similar situation can be observed in case of specialization according to form of selling or assortment. The point here is not only to reach possibly numerous consumer groups with definite characteristics for which a product or service are meant, but also to secure a properly differentiated trade offering for consumers regularly availing themselves of trade services in a given area.

3. BASIC TRENDS OF CHANGES IN THE POLISH MARKET

The strategy of selecting target market segments requires a good knowledge of the market. The applied segmentation criteria should be continuously brought up-to-date against the background of present and projected trends in development of the market.

In recent years there can be observed in Poland a rapid development of markets for many products, and especially of their demand side. It seems worth while to mention here the following changes of the market and of its segmentation criteria:

³ Zarządzanie przedsiębiorstwami — uczestnikami rynku dóbr konsumpcyjnych (Management of Companies — Participants in Consumer Goods Market), J. Beksiak (ed.), Warszawa 1978, p. 260.

a) First of all, it should be underlined that value of criterion of the population's division into urban and rural is gradually decreasing. Of course, this criterion will certainly continue to be quite important for many years to come in markets for many products, and the segments isolated on its basis will differ not only in characteristics of areas inhabited by these two groups of population but also in the type of work performed by them, life style etc., and consequently also in their market behavior. This division loses, however, its previous sharpness while behavior of the isolated segments in the market loses its homogeneous character, as there grows in the country the number of population being urbanized, which is represented by inhabitants of rural districts obtaining incomes from non-agricultural sources. These are people employed in industrial companies commuting to work in towns, or people working in the country as skilled workers, those employed in state farms etc. They bring to the country an urban style of life, different consumption patterns etc. This population displays higher requirements in relation to trade services: the assortment offered, culture and skills of selling personnel etc. This trend is, moreover, promoted by general development of education and increase of professional qualifications as well as tourist functions of the country. These phenomena involved growth of contacts between inhabitants of towns and villages. As a result there are diminished differences in the structure of consumer expenditure between both population groups. Unfortunately, supply of goods and services does not afford the same possibilities for realization of the accepted consumption patterns for rural and urban population. This creates a factor hampering the speed of the above mentioned changes.

b) The significance of area size of agricultural farms as a criterion of their stratification is decreasing as the land ceased to be the most important income-earning factor. A growing importance is attributed to professional qualifications and application of modern production methods. Hence from the point of view of rural marketing a more useful seems to be division into: developing farms, deteriorated farms (mostly without successors), and worker-peasant farms⁴. These groups of farms are characterized with different behavior in the market for consumer and production goods and services. It can be expected that these differences will be further deepened in the future.

⁴ A. Woś, *Klasowo-warstwowa struktura ludności wiejskiej i jej ewolucja w procesie budowy rozwiniętego społeczeństwa socjalistycznego w Polsce* (Class-Stratum Structure of Rural Population and Its Evolution in the Process of Constructing the Developed Socialist Society in Poland), „*Studia Socjologiczne*” 1978, No. 2, pp. 87—101.

c) A criterion of possessing a passenger car gains a bigger importance. Significance of this criterion is connected with recent increase in the number of possessed cars. This phenomenon exerts an essential influence on buying patterns. Possession of a car leads to decreased frequency of purchases and their increased complexity. There are also changed motives of selecting the location of shopping. The criterion of this selection is no longer location of a trade unit in the vicinity of working or dwelling place. A mobile client makes decisions as regards his shopping place not so much according to proximity of trade units but according to the assortment offered by them, comfort in reaching them, parking possibilities etc.⁵

The segment of mobile clients is a relatively new phenomenon in Polish conditions. Its buying habits are just being formed. It can be expected that they will be similar to preferences of clients in other highly motorized countries. The trade, however, has not benefitted from this phenomenon as yet. Adaptation to requirements of mobile clientele calls especially for introduction of different principles of location of trade network, provision of appropriate parking lots, different selling techniques etc.

d) A new phenomenon in the Polish society is increase in the leisure time being a result of lately introduced „free Saturdays”. In many families „bigger shopping” done on free Saturdays is a form of spending free time. Reduced working hours of trade units on free Saturdays do not create, however, favourable conditions in this respect. It is worth underlining further that „family shopping” produces a bigger than it was the case previously demand for development of different complementary services in relation to trade services e.g. nourishment, recreation etc.

Free Saturday promotes, to a considerable degree, development of week-end tourism. So far limited interest taken by the population in this form of recreation results mainly from lack of tradition, and insufficient publicity. Apart from that we should also mention here unsatisfactory equipment of areas, in which week-end recreation is concentrated, in trade and catering network. It can be expected that in future the importance of the segment of people involved in week-end tourism will be growing.

The above mentioned changes of the Polish market as well as many others (demographic changes, changes in life style etc.) afford new chances of activity for companies. In many cases proper utilization of

⁵ H. Szawłowska, *Lokalizacja zakupów klientów zmotoryzowanych* (Location of Purchases of Mobile Clients), „Handel Wewnętrzny” 1978, No. 4.

these chances may be assisted by the strategy of selecting target market segments.

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STRATEGIA WYBORU DOCELOWYCH SEGMENTÓW NA TLE PRZEMIAN
RYNKOWYCH W POLSCE

W referacie omówiono możliwości wykorzystania koncepcji segmentacji rynku w warunkach gospodarki centralnie planowanej. W szczególności oceniono przydatność tej koncepcji dla organizacji kanałów dystrybucji. Wskazano na czynniki sprzyjające i utrudniające praktyczną realizację koncepcji segmentacji rynku, a wśród nich — szczególnie dużo miejsca poświęcono aktualnym przemianom rynku polskiego.