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Segmentation in the B2B markets: Closing the gap between theoretical segmentation models and the actual segmentation practice

Navn: Lene Cathrin Larsen, Frida Xenia Casén

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Sincerely,
Frida Xenia Casén & Lene Cathrin Larsen

Abstract

There exists a gap between the implementation of advanced theoretical segmentation models and the actual practice of segmentation in the B2B markets. Practitioners have called forth the need for easy applicable guidelines for segmentation. Hence, the overall purpose of this thesis is to develop straightforward guidelines for segmentation in B2B markets. Moreover, the thesis contributes to a declining research area. The research objective is:

Develop guidelines for market segmentation in the B2B markets.

To achieve the research objective, six research questions are developed to use as a foundation to provide insight into the actual segmentation practice. Practitioners' segmentation practices have been investigated through 19 in-depth interviews with B2B companies in Norway which apply segmentation to different extents. The data is organized and interpreted through descriptive analysis, thematic analysis, and case study.

A major finding of the thesis is that marketing managers report significant effects from segmentation on the company's performance. Simultaneously, it is evident that they lack management of the segmentation practice. Two prominent trends among the companies in the sample are the difficulties associated with data collection in the B2B markets and resource constraints. Further, the majority of the managers expressed the need for applicable guidelines and requested to get insight into the thesis results.

The guidelines are developed based on the insight gathered from the data collection and prior literature on B2B segmentation. It follows an eight-stage chronological process to achieve a structured and well-defined segmentation process.

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1.0 Introduction

Market segmentation has been a central topic among marketers for decades (Wedel & Kamakura, 2000). The concept can arguably be considered one of the primary marketing theories (Wind, 1978). As the world continues to globalize, segmentation becomes even more important as competition for the customers increases (Steenkamp & Ter Hofstede, 2002). Especially as customer needs have become even more diverse and demanding (Dibb, 1998).

Smith first introduced market segmentation in 1956 and discovered that markets consist of several homogeneous groups with different preferences and needs. Therefore, creating different offerings to homogeneous segments can result in a greater response (Thomas, 2012). Despite the fact that several researchers have made definitions of segmentation, Smith's definition from 1956 is still adequate (Wedel & Kamakura, 2000). Smith (1956) defines segmentation as "viewing a heterogeneous market (one characterized by divergent demand) as a number of smaller homogeneous markets in response to differing product preferences among important market segments" (p.6). Thus, segmentation is a strategy where a company creates homogeneous segments and customize its marketing effort to the respective segment´s preferences.

1.1. The need for market segmentation

Customers differ in several ways, from needs, preferences, behavior, geography, industry, decision-making process, to physiographic. Therefore, market segmentation is a valuable strategy as it can help companies utilize their limited resources through a more efficient marketing mix and better meeting customer needs and facilitate more excellent competitive responsiveness and advantages (Robertson & Barich, 1992; Dibb, 1998; Palmer & Millier, 2004; Tynan & Dayton, 1987; Nes & Biong, 2009). Thus, sorting homogenous customers into economically manageable and prioritized segments can be considered a more efficient and profitable method than treating all customers equal (Bock & Uncles, 2002; Nes & Biong, 2009; Palmatier & Sridhar, 2017; Wind, 1978; Thomas, 2012; Dibb, 1998; McDonald et al., 2003).

1.2 Characteristics of the Busines to Business markets

Business to Consumer (B2C) markets have experienced success in implementing market segmentation (Thomas, 2012). Nevertheless, Business to Business (B2B) markets have for decades struggled to implement the concept. Several researchers have suggested that the problems with B2B segmentation exist because of the more complex structure and rational purchase decision (Thomas, 2012; Brown et al., 2007). In B2B markets, it is expected that a buying center makes the purchase decisions, and there are higher technological and economic risks associated with these decisions. Hence a more rational purchase decision. Further, B2B purchases often include both products and services; thus, requiring higher involvement and more customized communication from both parties, rather than mass communication (Brown et al., 2007; Thomas, 2012; Johnson & Selnes, 2004). Additionally, B2B markets are characterized by diversity on the demand side, and production is adjusted based on customer orders rather than the market (Smith, 1956). Lastly, less available data for B2B companies makes the segmentation practice more complicated. Thus, making it necessary for a company to consider several aspects of its customers when applying segmentation in the B2B markets.

1.3 Segmentation practice in the Business to Business markets

Although market segmentation has been a primary concept for decades, marketing managers struggle to implement segmentation. There clearly exists a gap between companies' segmentation practice and the implementation of sophisticated theoretical segmentation models because of the difficulties associated with the implementation (Dibb, 1998; Boejgaard & Ellegaard, 2010; Thomas, 2012). One of the arguments is that the academic literature primarily focuses on constructing different statistical methods for segmentation (Dibb, 1998). Meanwhile, practitioners ask for easy and useful tips on applying segmentation in practice and how to solve the problems associated with segmentation. Cross et al. (2015) discovered a lack of research that examines how practitioners conceptualize segmentation.

1.3.1 Research objective

In addition to the factors above, Thomas (2012) suggested that further research should investigate the possibility of developing guidelines for segmentation variables. Dibb and Simkin (2001) draw attention to the development of guidelines applicable for practitioners. Additionally, taking into consideration the gap between the theoretical models for segmentation and the practitioners' difficulties of applying these (Dibb, 1998; Boejgaard & Ellegaard, 2010) the following research objective is developed:

Develop guidelines for market segmentation in the B2B markets.

The research objective will be investigated through a qualitative study using in-depth interviews as data collection method. Interviews will be conducted with marketing managers from companies in various industries to get a comprehensive understanding of how segmentation is executed in practice and to enhance the applicability of the guidelines across industries.

1.3.2 Contribution of this thesis

Segmentation in the B2B markets has not been as researched as in B2C markets. For the last decades, there has been a declining trend in research regarding B2B segmentation. Academic literature on segmentation is limited in terms of few qualitative studies (Cortez et al., 2021). Prior research and practitioners have frequently asked for straightforward guidelines for the B2B markets (Plank, 1985). Guidelines can be defined as "a piece of information that suggests how something should be done" or "information intended to advise people on how something should be done or how something should be" (Cambridge Dictionary, n.d.). The thesis contributes to marketing theory by examining market segmentation practice among marketers in the B2B markets through a qualitative research method. Moreover, the thesis provides a comprehensive theoretical framework for readers, allowing those unaware of, acquiring an improved understanding of segmentation. The thesis will assist practitioners with easy, straightforward guidelines regarding market segmentation.

2.0 Literature review

The available literature on market segmentation has primarily focused on B2C markets (Plank, 1985). Palmer and Millier (2004) claim that it is easier for practitioners to apply segmentation in B2C markets because of the "availability of data, the large number of consumers, and the consequent commercial imperatives for success" (p. 779). Even though the concept is determined to be equally applicable for B2B markets, B2B marketers have been slow to adopt segmentation (Plank, 1985; Wind, 1978; Tynan & Dayton, 1987; Thomas, 2012). Meaning that limited research is available for companies wanting to apply segmentation in the B2B markets. However, it does not mean that the available literature or research is barren (Plank, 1985). Table 1 illustrates an overview of empirical research conducted on market segmentation in the B2B markets.

Table 1 Relevant empirical research on market segmentation in B2B markets

Article	Research design	Focus of the study
Wind & Cordozo (1974)	Qualitative	Propose an ideal segmentation model. However, argue that B2B companies do not fully apply the concept of market segmentation.
Bonoma & Shapiro (1984)	Theoretical	Finds two general approaches to segmentation in B2B markets.
Rangan et al. (1992)	Qualitative	Propose a framework for buying-behavior-oriented micro segmentation.
Robertson & Barich (1992)	Theoretical	Found an effective segmentation approach where a company segment its customer based on the stage in the purchase decision process.
Abratt (1993)	Quantitative	Discuss how companies in South Africa applies segmentation. Found that the most used segmentation variables, segmentation criteria, and criteria to select segments.
Dibb (1998)	Theoretical	To overcome market segmentation implementation marketers needs guidance. Provides three stages in the segmentation process one can consider for guidance.
Dibb & Simkin (2001)	Theoretical	Addresses causes of segmentation failures.
Foedermayr & Diamantopoulos (2008)	Theoretical	Develop a segmentation process based on previous research on B2B segmentation.
Boejgaard & Ellegaard (2010)	Theoretical	Discussion of the challenges and issues associated with implementing B2B segmentation.
Thomas (2012)	Theoretical	Discuss and highlights important aspects and issues related to B2B segmentation.

Choffray and Lilien (1978) stated that limited methods are available on segmentation in the B2B markets. Furthermore, Cortez et al. (2021) observed a declining trend among researchers' interest in market segmentation in the B2B markets. The authors state that "researchers are abandoning B2B segmentation research" (p. 417). Considering that these two research papers are written 43 years apart, one can arguably assume that this field requires further examination. Similarly, Bonoma and Shapiro (1984) and Palmer and Millier (2004) draw attention to the fact that research on the implementation of segmentation in B2B markets is limited. One reason can be explained by the lack of suggestions for further research on the topic (Cortez et al., 2021). Contrary, Dibb and Simkin (2001) state that there has been extensive research on segmentation.

The problem with the segmentation literature is the lack of user-friendliness, and that research has focused chiefly on the researchers´ agenda, which often concentrates on “the use of different statistical approaches in segmentation” (Dibb, 1998, p. 397). In contrast, practitioners want easy, straightforward, step-by-step guidelines for segmentation (Dibb, 1998). Thus, practitioners struggle to implement segmentation methods that might explain the gap between the theories and the practice (Millier, 2000). Moreover, the gap is difficult to close due to the issues related to the actual application of advanced theoretical frameworks (Boejgaard & Ellegaard, 2010).

Dibb and Simkin (2001) found few practical tips and limited guidelines for managers wanting to apply market segmentation. Their study illustrates that managers need guidance when using segmentation, stressing the importance of providing managers with guidelines to ensure that the segmentation process will be successful (Robertson & Barich, 1992). Palmer and Millier (2004) state that practitioners find segmentation complicated and would not explore the academic literature to find guidance when applying segmentation. Additionally, Robertson and Barich (1992) found that segmentation has been implemented with low success. Millier (2000) stated that companies are “miles away from putting in practice these linear and well run-in methods” (p. 781).

The aspects above illustrate that segmentation in the B2B markets requires further research. Thus, the thesis contributes to a declining research area by researching the field and mitigating the gap between segmentation theorists and practitioners.

2.1 Segmentation models

Wind and Cordozo (1974) conducted 25 interviews with marketing managers to evaluate the extent of the B2B segmentation. As a result, the authors proposed an "ideal" segmentation model, a two-stage segmentation macro-micro process, claimed to be one of the most applied models by practitioners (Dibb, 1998). However, the interviews were not considered when developing the model, and were primarily based on the literature on segmentation in the B2C markets. Thus, arguably making the model less suitable for the B2B markets.

Bonoma and Shapiro (1983) developed a nesting model. In the model, the company starts with the outer, less expensive nests and move inwards when a sufficient segmentation scheme is found. However, knowing when this is achieved and starting to move inwards is unclear, making the model challenging to implement. In the following year, Bonoma and Shapiro (1984) suggest two general approaches for segmentation. The first, a need approach, which theoretically can be seen as correct. However, difficult to implement, emphasizing the gap presented by Millier (2000). The second, an identifiable/accessible approach that is easy to implement but does not consider customer needs and benefits. The authors recommend that companies combine the two approaches.

Foedermayr and Diamantopoulos (2008) suggest a process based on a literature review on segmentation in the B2B markets. However, the process does not consider the gap presented by Boejgaard and Ellegaard (2010). Robertsen and Barich (1992) constructed a segmentation process where the company segments its customers based on where they are in the purchase decision process. They claim that this approach "identifies segments easily, characterizes different buying patterns,….." (Robertsen & Barich, 1992, p.7).

Further, Haley (1968) claims that prior segmentation research solely depended on descriptive factors and instead introduced benefits segmentation based on causal factors. Benefit segmentation begins with grouping customers with similar needs and then applies, e.g., demographic factors. The author concludes that this type of segmentation provides companies with a competitive advantage as they manage to reveal and disclose the customer needs that might not be obvious to competitors who apply other segmentation models.

Hence, the literature provides several models in which the markets can be segmented, the "ideal" segmentation model (Wind & Cordozo, 1974), the nesting model and the need and identifiable/accessible approaches (Bonoma & Shapiro,1983; Bonoma & Shapiro,1984), a normative segmentation model (Foedermayr & Diamantopoulos, 2008), the purchase decision process (Robertsen & Barich, 1992), and benefit segmentation (Haley 1968).

2.2 Research questions development

Foedermayr and Diamantopoulos´s (2008) framework is used as a benchmark in structuring the research question development. The researchers' process is chosen as (1) it is based on a literature review on B2B market segmentation, (2) the process is straightforward, (3) Diamantopoulos is highly cited in the literature, and (4) the study is published in the Journal of Strategic Marketing.

First, a company must define the market because its strategy is embedded in which market it operate in and is one of the most crucial decisions for its success (Foedermayr & Diamantopoulos, 2008; Weintstein, 2006). Second, defining the segmentation variables is essential as they indicate why customers differ and result in different segments. Third, the company needs to decide on the segmentation method. Finally, segment formation, profiling, final selection, and implementation of target segments (Foedermayr & Diamantopoulos, 2008). To achieve the research objective, research questions are developed based on the stages in this process. The research objective:

Develop guidelines for market segmentation in the B2B markets.

2.2.1 The effects of market segmentation

Market segmentation can increase a company's overall performance through strengthening marketing efficiency and exploiting marketing opportunities (Dibb et al., 2002). Segmentation is useful as it allows companies to have a more effective resource allocation (Thomas, 2012; Dibb, 1998). Despite the proposed benefits, it is argued that marketers do not know how effective the segmentation expenditures are (Bonoma & Shapiro, 1984) and that "there is a lack of quantifiable evidence about the impact of segmentation on business performance." (Dibb, 1998, p. 396). According to Robertson and Barich (1992), segmentation in the B2B markets is often ineffective. Additionally, it is difficult to measure the effect and the return on the investment associating with the implementation of segmentation (Badgett & Stone, 2005). Moreover, Tynan and Dayton (1987) argue that market segmentation is not always effective. First, if the target market only consists of one segment, investing heavily in marketing investments would be unprofitable. Second, the market consists of a dominant group contributing to a significant part of the income. Lastly, market segmentation is not proper when a company has the dominant brand in the market.

Academics consider organizational performance measures more necessary than the effect on customer understanding (Dibb et al., 2002). Badgett and Stone (2005) draw attention to the fact that the most significant challenge faced by marketing managers is measuring the effects of the segmentation practice. One reason for this is emphasized by Lenz (1981), who found that the segmentation practice does not generate an immediate increase in higher sales, market shares, and profits and that it is challenging to measure segmentation's direct effects on financial success (Craft, 2004). With respect to Dibb (1998) statement, the following research question is developed:

RQ1: *What are the achieved effects of segmenting the market?*

2.2.2 Market definition

In the first stage of the segmentation process, a company needs to define its market to know where to allocate its resources. When companies define their markets, several factors should be considered such as the customer needs, competition, product, and technologies (Weinstein, 2006). Bonoma and Shapiro (1984) emphasize that it is necessary to identify a company's customers as they have different preferences, brand perceptions, and needs. Based on this, it is vital for the company to gather information and knowledge on these aspects to enhance a sufficient market definition (Keller, 2013). A too-broad definition means that the companies might use too much effort on the segmentation process and a too narrow definition means that valuable customers/segments can be lost (McDonald & Dunbar, 1995). Few studies research how companies define their markets (Foedermayr & Diamantopoulos, 2008; Cortez et al., 2021). Thus, the following research question is developed:

RQ2: *How do companies define their markets?*

2.2.3 Segmentation variable selection

In the second stage of the segmentation process, the company needs to select segmentation variables. The set of segmentation variables explains why customers differ and are used to allocate companies/customers to their segments (Steenkamp & Ter Hofstede, 2002; Foedermayr & Diamantopoulos, 2008).

Nes and Biong (2009) displayed four criteria for choosing the correct segmentation variables. First, the segmentation variables have to be measurable to be used. For example, the variable size could be measured using the company's invoice system, secondary data, and asking the customers. Second, the segmentation variable has to be relevant for a sufficient part of the market, meaning that the variable has to be profitable. Third, the variable must be of operational relevance for the marketing strategy, which involves that the variable contributes to divide the market into groups that react similarly to marketing activities. Lastly, the variables should contribute to homogeneity within the segment meaning that customers should have similar, e.g., preferences and needs.

Johnson and Flodhammer (1980) illustrated how market segmentation is understood and applied in Swedish companies and suggest a method for companies to identify relevant segmentation variables. The authors suggest a search for relevant customer characteristics in terms of (1) the customer's need for technology, (2) the customers economy (price sensitivity), (3) the market the customer operates in and its characteristics, (4) the competition for the customers, and (5) and the customer's buying process and buying center. Abratt (1993) found that the most applied segmentation variables are geographic, demographic, usage rate, and buying situation based on a sample of 32 South African B2B companies. Additionally, Rangan et al. (1992) established that price, service, size, industry, and product benefits are useful segmentation variables. However, the study was only conducted with one company, mitigating the generalizability of the research. Further, Tynan and Dayton (1987) state that companies mostly use two or more segmentation variables.

Research demonstrates that the bases variable customers' needs, and the descriptor variables geographic, demographic, price, service and profitability, and the responsive variables usage rate, buying situation, usage, and purchase characteristics are the most prominent variables (Abratt, 1993; Cross et al., 2015; Rangan et al., 1992; Keller, 2013; Thomas, 2012; Nes & Biong, 2009; Bonoma & Shapiro, 1984). Foedermayr and Diamantopoulos (2008) and Thomas (2012) suggest that further research issues related to segmentation in the B2B markets should investigate why specific segmentation variables are selected.

RQ3: *Which segmentation variables do B2B companies select?*

2.2.4 Segmentation method(s) selection

In the third stage, the company needs to select a segmentation method. The a-priori method relies on previous knowledge, experience, and secondary data. Contrary, the post hoc method is based on data analysis (Wedel & Kamakura, 2000; Wind, 1978). Additionally, a company can apply a descriptive or a predictive method to connect variables and the segment or connect different independent variables to a specific dependent variable (Foedermayr & Diamantopoulos, 2008).

Spring et al. (2000) found that practitioners mostly use cross-tabulation, RFM (recency-frequency-monetary value), linear regression, and cluster analysis. The study additionally revealed that several practitioners use intuition and knowledge as segmentation methods due to a lack of familiarity with different segmentation methods. Similarly, Wind and Cardoza (1974) established that practitioners primarily relied on their intuition rather than statistical analysis. Research demonstrates that few studies investigate the segmentation method applied by practitioners, and further research should examine which methods and barriers practitioners use (Foedermayr & Diamantopoulos, 2008).

RQ4: *What type of segmentation methods do practitioners apply?*

2.2.5 Segment formation, profiling, final selection, and implementation

In the fourth stage, the company forms, profiles, and selects its segments (Dibb, 1999). The two most suggested segmentation formation criteria are similarities and differences of needs (Dickson & Ginter, 1987; Grover & Srinivasan, 1987). Further, Cross et al. (2015) state that U.S. managers, instead of forming segments based on a likeness in needs, group customers based on profitability and feasibility of marketing actions. Contrary, Abratt (1993) found that companies in South Africa instead applied similarity of needs as a criterion.

After forming the segments, the segments should be profiled using customer descriptors (size, industry, location, and attitude) and behavioral correlates (use of product, price sensitivity, media channel preferences, reachability) (Rudelius et al., 1985; Thomas, 2012).

To find the appropirate number of segments, the company needs to consider its resources, the segment heterogeneity, and the segment's economic value (McDonald & Dunbar, 1995; Rudelius et al., 1985). Thomas (2012) highlights the difficulties of determining the desired number of segments to avoid under or over segments. However, the number should be between 1 and N. The author suggests two approaches when determining the number of segments, statistical analysis, or managerial engagement. Thomas (2012) recommends that managers examine the number of segments based on their managerial judgment and experience as statistical methods have not been sufficiently tested.

Few studies investigate the criteria practitioners use when forming segments (Foedermayr & Diamantopoulos, 2008). Thus, the following research question is developed:

RQ5: *Which criteria do companies apply for segment formation?*

In the fifth stage, the company must implement the segment solution to the company's strategy and marketing mix. Implementation is one of the challenging stages in the segmentation process (Abratt, 1993; Millier, 2000), and marketers struggle to implement it to the company's strategy (Dibb, 1998). Implementation is challenging because marketers must rely on other divisions within the company (Palmer & Millier, 2004). Dibb and Simkin (2000) identified several barriers to implementation, as rigor structure, inadequate resource arrangement, and not a market-oriented focus (Foedermayr & Diamantopoulos, 2008). Solutions to overcome barriers are creating internal marketing activities to inform internal and external audiences of the process (Maier & Saunders, 1990), senior management involvement (Cortez et al., 2021), reorganizing, coordination, and sufficient resource allocation (Dibb & Simkin, 2000; Thomas, 2012). Moreover, the implementation of the segments will be more effective if the organization is flexible and has a suitable culture (Simkin, 1996).

2.2.6 Management of customer dynamics

Due to changes in the market and customers, Bonoma and Shapiro (1984) emphasize the difficulties of managing customer heterogeneity regarding customer needs as customers do not necessarily have a clear image of their current and future needs. Companies, therefore, need to manage customer dynamics (Palmatier & Sridhar, 2017; Wind & Cardoza, 1974). Thus, segmentation should be an ongoing process due to changes in customer behavior, arguably resulting in changes in the segments (Palmatier & Sridhar, 2017; Bonoma & Shapiro, 1984, Wind & Cardoza, 1974; Cortez et al., 2021). Although, it is crucial to managing customer dynamics, few studies investigate how companies manage customer dynamics in their segmentation process (Freytag & Clarke, 2001; Palmer & Millier, 2004). Thus, the following research question is developed:

RQ6: *Do practitioners manage customer dynamics?*

3.0 Methodology

When investigating marketing subjects, applying a qualitative method gives a deeper understanding of the attitudes and behavior of the subject (Brashear et al., 2012; Hennink et al., 2020). To address the research objective, the thesis takes an explorative approach and collects primary data through in-depth interviews (Braun & Clarke, 2013; Hox & Boeije, 2005). Furthermore, in-depth interviews help discover insights for a specific group (Qu & Dumay, 2011). Thus, in-depth interviews with B2B companies will give a deep understanding of the experiences, opinions, knowledge, and practice considering segmentation in the B2B markets (Seidman, 2006). The obtained information will be organized and structured using a descriptive analysis, a thematic analysis, and a case study.

3.1 Sample

Companies were sampled using a non-probability, purposive sampling technique. The purposive technique is suitable due to the established sampling criteria needed to exclude irrelevant companies and the exploratory stages of the research (Easterby-Smith et al., 2012; Ruyter & Scholl, 1998). The purposive technique is an advantageous approach to gain a deeper understanding of the area of segmentation (Qu & Dumay, 2011). The sampling method allowed for a strategic selection to ensure that the participants would contribute with relevant insights on segmentation practice (Devers & Frankel, 2000). To ensure a fairly homogeneous sample and relevance to the research objective, sampling criteria were established (Qu & Dumay, 2011). Companies that failed to meet the criteria have been rejected. The sampling criteria are (1) the company needs to operate in the B2B markets, (2) the company needs to employ segmentation in some form and (3) the interviewee needs to work as a marketing manager in the respective company.

The sample consists of companies in Norway operating in the B2B markets. To ensure a wide range of insight, company size (turnover and number of employees) was not a selection criterion. Further, the sample consists of marketing managers with different experiences and knowledge on segmentation operating in ten different industries (Ref. Table 2 for an overview of the industries).

Using the author´s social network, BI's alumni network, and a list of the 200 largest companies in Norway from *Kaptial*, an email invitation was sent to recruit companies (Ref. Exhibit 1). Each email invitation was personalized using the receiver's first name due to the expectation that it would increase the response rate. In addition, the email invitation was sent from the authors´ student addresses to increase the trustworthiness using BI´s brand reputation. Further, the authors emphasized the importance of the participant's contribution to a declining research field. Lastly, the timing of when the email was sent was carefully considered. No invitations were sent before the weekends or holidays.

In a qualitative study, a proper sample size answers the research objective appropriately (Marshall, 1996). The study will achieve its desired size when data saturation occurs (Guest et al., 2006; Lincoln & Guba, 1985). According to Marshall et al. (2013), there are three best practices to justify the sample size and enhance the study´s credibility. The first and the most critical practice is the statistical evidence of data saturation. It is relevant to assume that data saturation will occur during the 19 interviews, or more interviews need to be held (Guest et al., 2006). The second practice is citing similar studies. Few studies regarding segmentation have used a qualitative approach, making it difficult to justify the sample size according to similarities. The third practice is citing qualitative research regarding their sample size.

A total of 19 companies were accepted by several researchers in quality studies (Boddy, 2016; Ruyter & Scholl, 1998; Bertaux, 1981; Guest et al., 2006). The response rate to participate in the thesis was rather good. The authors sent an email invitation to 110 firms which resulted in 12 rejected companies and 19 participating companies. Thus, a response rate of 31%.

Table 2 An overview of included industries and companies in the sample

Industry	**Company**
Media	Company A, Company B, Company C, Company D
Telecom	Company E
Law	Company F
Finance	Company G, Company H, Company I
Biotechnology & health	Company J, Company K
Food Production	Company L, Company M
IT & Software	Company N, Company O, Company P
Raw Materials	Company Q
E-commerce	Company R
Audit & Advisory	Company S

3.2 Data collection

The data collection consists of in-depth interviews with marketing managers from the 19 companies operating in the B2B markets. The interview lasted from half an hour to one hour. All the interviews were held online through Zoom or Microsoft Teams due to COVID-19 restrictions, during office hours, and conducted in Norwegian. Those who were not native Norwegian speakers were offered to have the interviews in English for their convenience. Both researchers were present for all interviews, where one held the interview and the other transcribed. All interviews were audio-recorded to ease the job when transcribing the interview.

3.2.1 In-depth interviews

In-depth interviews are an appropriate data collection method for discovering a shared understanding of segmentation in the B2B markets (Qu & Dumay, 2011; Hennink et al., 2020). In-depth interviews are defined as " ...an unstructured personal interview which uses extensive probing to get a single respondent to talk freely and to express detailed beliefs and feelings on a topic" (Webb, 1995, p. 121). Further, the advantages with in-depth interviews are that they provide information with unique applicability, greater control of respondents´ collection, and sampling advantages as depth and flexibility (Stokes & Bergin, 2006).

In-depth interviews have three key features. The first feature is that it combines structure with flexibility (Legard et al., 2003). Meaning that the interview is flexible regarding the conversation in the interviews but structured in terms of the topics covered. However, the interview's direction is flexible allowing the responses to be explorative and spontaneously raising relevant issues (Ritchie et al., 2013). The second feature of the interview is interaction. The obtained information is generated through the interaction between the researcher and the interviewee. Therefore, the questions should be formulated to allow the interviewee to talk freely (Ritchie et al., 2013), which is achieved by asking open-ended questions (Boyce & Neale, 2006). The last feature is follow-up questions used to achieve deep and exploratory answers which is needed for getting a broader understanding of the participant´s beliefs, attitudes, and opinions (Ritchie et al., 2013). Holding the interviews online made it harder to capture the interviewees´ body language combined with their facial expressions. Bad internet connection, lag in video or sound could contribute to these difficulties

3.2.2 The interview guide

An interview guide is required for in-depth interviews to structure the conversation and ensure the researcher obtains information on the intended subjects (Boyce & Neale, 2006; Ritchie et al., 2013). The interview guide should list the questions and/or issues to be explored and contain a maximum of 15 main questions to guide the interview (Boyce & Neale, 2006).

The interview guide is developed according to Ritchie et al.´s (2013) proposed stages and consists of 11 main questions (Ref. Exhibit 2 for the interview guide). The guide starts by directing the interaction through an introduction of the research topic and defining segmentation for the interviewee to get a clear understanding of the term. To define segmentation, Keller´s (2013) definition is chosen because of its broad and easy explanation of the concept, which arguably makes it easier for practitioners to relate their segmentation process to the following questions in the guide.

3.2.3 Question formulation

The interview guide primarily consists of open-ended questions to get a broad and deep understanding of the companies' segmentation processes (Boyce & Neale, 2006). The questions are formulated to allow the participants to talk freely and elaborate. The first two questions in the guide are broad to help the interviewee to "open up" and give answers more freely (Ritchie et al., 2013). The main body of the guide (Question 3-9) are questions related to the company's choices of segmentation variables, the method for segmentation formation, the achieved effects of segmentation and the dynamics of the company's segmentation process. Additionally, five questions consist of follow-up questions to gain a deeper understanding of the thoughts, reasons, and attitudes related to the company's segmentation practice (Ritchie et al., 2013). Before the last five questions, it is signaled that the interview is soon to come to an end to allow the interviewee to gradually return to the level of everyday social interactions (Ritchie et al., 2013).

3.2.4 Pretest of the in-depth interview

Pretesting brings forth an opportunity to make alterations to the interview guide and the data collection process. This ensures that the proper questions are being asked and that the questions are not making the respondents confused and/or uncomfortable (Boyce & Neale, 2006; Ritchie et al., 2013). Additionally, pretesting is a valuable technique for improving the validity of the qualitative data collection method (Hurst et al., 2015). The pretest was conducted with a company fitting the sampling criteria to create a similar situation to the actual interviews (Hurst et al., 2015). The pretest did not reveal any significant pitfalls, and therefore, non-alterations to the questions were made.

3.2.5 The flexibility of the interview guide

Considering the flexibility of in-depth interviews, the interview guide should not be regarded as finished at any point (Adams, 2015). Therefore, the guide was re-evaluated between the interviews to detect potential alterations. After conducting four interviews, the interview guide needed to be changed because of the discovery of a lack of structure in the companies' segmentation processes. Thus, the participants needed more guidance and follow-up questions when elaborating on the theme. Therefore, the interview guide is developed after Foedermayr and Diamantopoulos´s (2008) segmentation process. The questions are structured in a manner that the interviewees first start by defining the market, second defining the segmentation variables, thirdly the chosen segmentation method, and lastly the segment formation and final selection of the target segment (Foedermayr & Diamantopoulos, 2008; Hurst et al., 2015). Further, questions regarding the company's dynamic approach to segmentation and the effects achieved through segmentation were included to answer research questions 5 and 6.

3.2.6 Ethical consideration

The Norwegian Centre for Research Data (NSD) offers guidelines regarding data management and data protection to ensure that the research complies with GDPR (NSD, n.d.). Therefore, prior to the data collection, the thesis data collection method was submitted and later approved by NSD. To adhere to NSD´s guidelines, information about the interviewees is kept confidential and anonymized, and the raw material is only available for the authors of the thesis. To ensure anonymity, only the industry of the participating companies is mentioned (Wiles et al., 2006). The marketing managers were not provided with any information regarding other companies. Further, the interviewee recordings were only available for the thesis´s authors, password-protected, and deleted when the thesis is submitted. Lastly, prior to the interviews, all informants were informed about the availability to withdraw from the study without consequences, the aim of the research, confidentiality, and have consented to participate (Wiles et al., 2006).

3.4 Data Analysis

3.4.1 Descriptive Analysis

Descriptive analysis is used to get a descriptive orientation and clear summary of the obtained data from the qualitative study (Janssens et al., 2008; Kaliyadan & Kulkarni, 2019). Descriptive statistics are applied to organize, analyze, summarize, and present the data using numerical and graphical techniques (Fisher & Marshall, 2009). The obtained data will be presented using tables and figures and to answering research questions 1, 3, 4 and 5.

3.4.2 Thematic Analysis

Thematic analysis is a frequently used qualitative research analysis method (Hsieh & Shannon, 2005). Thematic analysis is suitable when structuring a large amount of qualitative data in a neutral, insightful, trustworthy, and systematic manner (Nowell et al., 2017; SAGE Publications, 2019). Additionally, it is useful for examining different perspectives on segmentation and highlighting similarities and differences between practitioners' segmentation approaches (Nowell et al., 2017; Braun & Clarke, 2013; King, 2004).

A thematic analysis consists of six phases; (1) familiarizing with the data, (2) generate codes for valuable data, (3) search for themes, (4) review themes, (5) define themes, and (6) produce a report (Nowell et al., 2017; SAGE Publications, 2019). In addition, descriptive analysis can give supplementary information and insight to the data. It will be applied to evaluate the company segmentation processes' structure and answer research questions 2 and 6

3.4.3 Case Study

Gerring (2004) defines a case study as "an intensive study of a single unit with an aim to generalize across a large set of units" (p. 341). The case study is included to analyze the segmentation processes of companies with well-defined processes. Additionally, the strategic stages executed in the respective processes of the companies will be compared. There will not be conducted a comprehensive case study. It will rather be used in the discussion to argue what factors are essential when segmenting the B2B markets and emphasize on the choices to make during the developed segmentation process (guidelines).

3.5 Validity and Reliability

Validity and reliability are commonly used criteria when assessing the quality of a study. Qualitative studies are often alleged for not meeting the standards for reliability and validity as quantitative studies (Ruyter & Scholl, 1998; Morse et al., 2002). Despite the criticism, it is crucial to demonstrate that the conducted qualitative study is credible and of quality. Lincoln and Guba (1985) established the concept of trustworthiness, an accepted method for examining the study's validity and reliability. The authors developed five criteria to determine the trustworthiness: credibility, transferability, dependability, confirmability, and authenticity (Guba & Lincoln, 1994).

3.5.1 Credibility

The credibility criterion refers to the study's internal validity. Internal validity is established when the answers provided by the interviewees can be found accurate, true, and reliable, thus, credible (Nowell et al., 2017). Several techniques were executed to enhance the credibility of the thesis (Lincoln & Guba, 1985). First, to ensure that the interviewees could provide insightful and credible answers, the interviewees worked as marketing managers in the respective companies. Second, each company applied segmentation in some form to ensure that the companies were relevant to the area of study. Third, during the study, the thesis´s authors thoroughly explored the concepts of segmentation that enabled them to decide on important aspects revealed in the interviews. Fourth, triangulation was established using multiple sources to conclude on the research questions. The authors of the thesis linked the marketing managers' answers to previous studies and discoverd similarities within the study and with previous studies. Fifth, the thesis was consciously debriefed with a supervisor who critically assessed the research processes and the findings. Sixth, the authors recorded the interviews to have access to the raw data and thoroughly review the responses. Hence, internal validity is established.

3.5.2 Transferability

The transferability criterion addresses the study's external validity and whether the study is applicable to other companies. The nature of a qualitative study threatens external validity in terms of applicability and representativeness (Lincoln & Guba, 1985). To establish internal validity, the degree of transferability is mitigated. Despite the limitation, the authors aimed to enhance the transferability of the thesis. To enhance the transferability, the sample consists of companies of different sizes, positions, and multiple industries (Nowell et al., 2017). Additionally, four companies operate on a global level, which could increase the transferability. However, the study was conducted in Norway, which threatens the study´s transferability to other countries Hence, the authors acknowledge the limitation and the lack of transferability.

3.5.3 Dependability

The dependability criterion refers to the study’s reliability (Lincoln & Guba, 1985; Golafshani, 2003). To assess and increase the study’s dependability, the logic of the research process is presented transparently, in a structured manner, well-documented and described, and the choices are supported by theory and data (Nowell et al., 2017; Lincoln & Guba, 1985). Additionally, the decisions throughout the study were audited with the authors’ supervisor to gain critical and valuable aspects. This facilitates the study's abilities to be adapted and/or recreated by researchers (Ruyter & Scholl, 1998). Additionally, as stated in section 3.5.1, triangulation enhances the thesis dependability (Ruyter & Scholl, 1998). Thus, the study could be considered dependable. However, the study was not examined solely by an external audit, which could threaten the dependability.

3.5.4 Confirmability

The confirmability criterion regards the study’s objectiveness and is established when the criteria in section 3.5.1-3.5.3 are achieved (Nowell et al., 2017). Additionally, confirmability is achieved through neutrality and the findings are grounded in data and not the author's subjective opinion, imagination, or perspectives (Korstjens & Moser, 2017). Both authors have been present during the interviews and conducted transcription of the interviews to reduce the subjectivity. The transcriptions are recorded without modification. Furthermore, as previously stated, reasonings, choices, and findings are linked to academic literature. Additionally, the thesis research process is clearly presented, documented, and demonstrated for others to understand the authors’ reasoning (Nowell et al., 2017). Based on the reasonings, one can arguably conclude that the research has achieved confirmability (Lincoln & Guba, 1985).

3.5.5 Authenticity

Authenticity is the last criterion provided by Guba and Lincoln (1994) to determine the trustworthiness of a study and was included in 1994. To achieve authenticity, the authors must display various realities truthfully and adequately (Elo et al., 2014). To ensure accurate presentation and communication of the participant’s experience, the authors thoroughly transcribed each interview using audiotapes to ensure that the correct information was recorded. When the authors interpret the findings, the participants’ answers are comprehensively described.

Additionally, citations are repeatedly used to portray the interviewee's thoughts better. However, as the thesis authors did not know the interviewees personally, portraying the participants´ feelings and emotions correctly is difficult. Hence, threatening the authenticity of the study to some extent.

3.5.6 Response and sample selection bias

The answers given by the interviewees might be affected by how the questions are formulated and presented (Hsieh & Shannon, 2005). Additionally, the interviewees may have altered their responses to portray the company and themselves in a better light (Boyce & Neale, 2006). Both concerns can arguably create response biases. Because, the sampling technique was non-probability, several criteria needed to be considered when choosing the companies. Hence, sample selection biases are present (Heckman, 1979).

3.5.7 The subjectivity of the thematic analysis

Thematic analysis can lead to a lack of coherency and consistency due to the flexibility in the analysis when developing themes derived from the research data (Nowell et al., 2017; Braun & Clarke, 2013; Holloway & Todres, 2003). In addition, the analyses are affected by subjectivity, as the themes are developed based on an interpretation of the data, which may weaken the internal and external validity of the study (Roulston & Shelton, 2015).

4.0 Results

In-depth interviews were conducted with B2B companies to provide valuable insight into how practitioners apply segmentation (Qu & Dumay, 2011). Data saturation occurred after 12 interviews, as 100% of the total number of codes for the thematic analysis was made and no new discoveries were revealed. Although saturation was reached after 12 interviews, seven more were held to ensure no loss of insights (Guest et al., 2006). Further, the sample consists of diverse companies with various positions in the Norwegian market to create guidelines applicable across industries. Hence, the sample consists of 19 companies operating in the Media, Telecom, Law, Finance, Biotechnology & Health, Food Production, IT & Software, Raw Materials, E-commerce, and Audit & Advisory industries.

In the following sections the results from the data collection are presented. The data is obtained from the responses to the 11 questions in the interview guide (Ref. Exhibit 2 for the interview guide). The data are structured and organized to extract insight from and interpret (Ref. Attachment 1). The results are divided into three parts. The first presents the results from the descriptive analysis. The second and third part presents the results from the thematic analysis and case study.

The numbers reported are rounded to enhance interoperability and draw meaningful conclusions. The numbers reported in the figures does not cohere with the number of companies in the sample due to (1) the company might have reported several variables, (2) the company did not want to answer the question, (3) the company was not asked the question due to changes in the interview guide or lack of time in the interview.

4.1 Descriptive statistics

In the following section, figures and tables from the descriptive analysis are presented. However, answers given by two companies or less are excluded because the responses might be too industry-specific and not applicable or relevant across industries. The figures and tables are based on the responses from at least one of the questions in the interview guide (Ref. Exhibit 2 for the interview guide). Further, the variables presented in the figures and tables are formed based on the actual answers given by the interviewees.

4.1.1 The effects of segmentation

Figure 1 shows the achieved effects gained from segmentation in B2B markets. The results are extracted from question 8 in the interview guide: *what effects are achieved from segmentation?* Further, the results will answer research question 1: *what are the achieved effects of segmenting the market?*

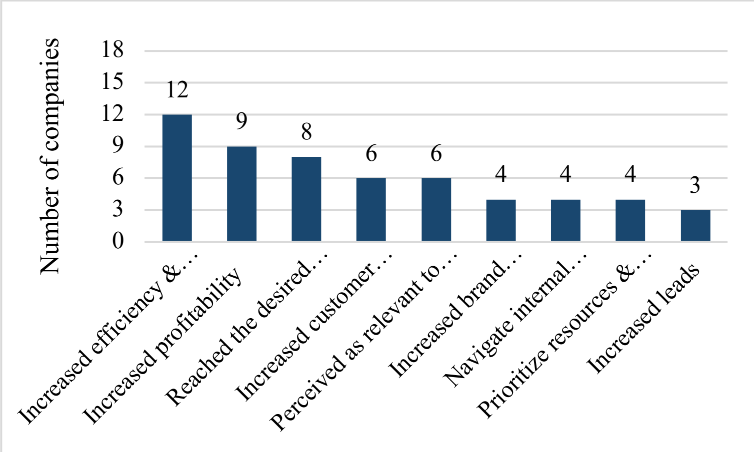

Figure 1 Effects of segmentation

The results from the figure show that *increased efficiency & quality of marketing* (n=12), *increased profitability* (n=9), and *reaching desired customers* (n=8) are the most frequently reported effects of segmentation. *Increased customer loyalty* (n=6) and *perceived as relevant to customers* (n=6) are applied more infrequently. *Increased brand awareness and positioning* (n=4), *navigate internal competence development (n=4), prioritize resources and work more targeted* (n=4) were occasionally reported effects of segmentation. The minority of the sample reported *increased leads* (n=3) as an achieved effect of segmentation.

4.1.2 Measures of the effect of segmentation

Figure 2 presents the results from question 8a: *how do you measure the effects of segmentation?*

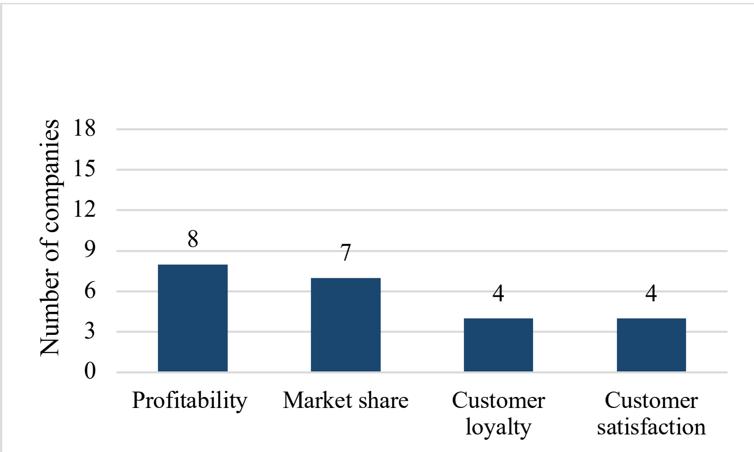

Figure 2 Measure of the effect of segmentation

The most used measurement techniques for determining the effects of segmentation are *profitability* (n=8) and *market share* (n=7). *Customer loyalty* (n=4) and *customer satisfaction*(n=4) are more infrequently used as measures for segmentation effectiveness.

4.1.3 Segmentation variables

Figure 3 illustrates which segmentation variables are most frequently applied by the companies. The results are obtained from question 3 in the interview guide: *which segmentation variables do you use?*. The results will answer research question 3: *which segmentation variables do B2B companies apply?*

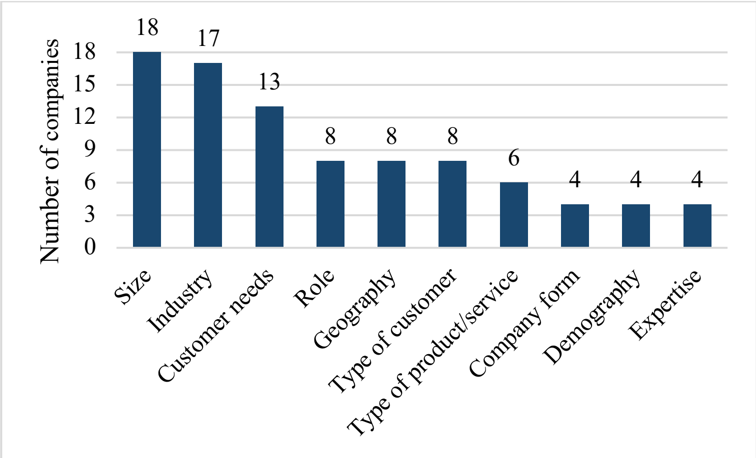

Figure 3 The frequently applied segmentation variables

The most frequently applied segmentation variables are *size* (n=18), *industry* (n=17), and *customer needs* (n=13). Additionally, the companies frequently applied the segmentation variable *role* (n=8), *geography* (n=8), t*ype of customer* (n=8), and *type of product/service the customer buys* (n=6). Further, *company form* (n=4), *demography* (n=4), and *expertise* (n=4) are infrequently applied segmentation variables.

4.1.4 Number of segmentation variables

Table 3 presents the number of applied segmentation variables by each industry. The results are obtained from question 3: *which segmentation variables does your company use?*

Table 3 Number of applied segmentation variables

Number of applied segmentation variables	**Mean**
The total average across industries	5.0
Media	6.0
Telecom	8.0
Law	6.0
Finance	6.0
Biotechnology & Health	4.0
Food Production	5.0
IT & Software	7.0
Raw Materials	4.0
E-commerce	6.0
Audit & Advisory	4.0

Across industries, the average number of segmentation variables applied by the companies is 5.0. The Telecom industry applies the highest number of segmentation variables (n=8), whereas Biotechnology & Health applies the lowest (n=4). Overall, the majority of the sample applies 6.0 variables.

4.1.5 The criteria used for segmentation variable selection

Figure 4 shows the results from question 3a: *what criteria do you use for the segmentation variables?*

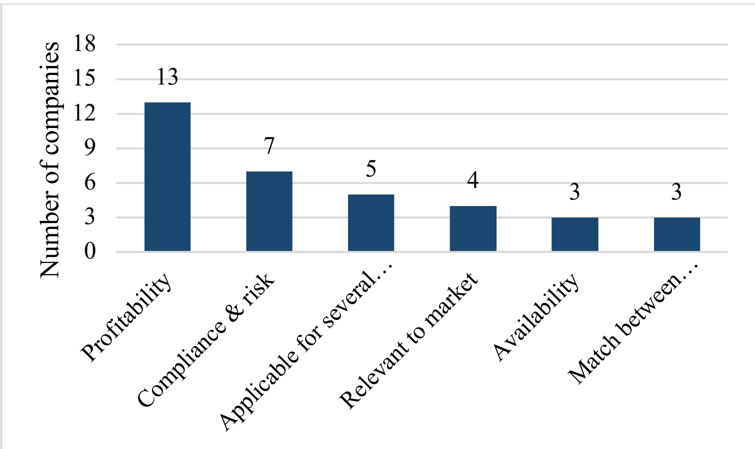

Figure 4 Criteria for the segmentation variable

The most frequently applied criteria for the segmentation variables are *profitability* (n=13) and *compliance & risk* (n=7). Further, *applicable for several* *years* (n=5), *relevant to market* (n=4), *availability* (n=3), and *match between capabilities & customer needs* (n=3) are less applied criteria.

4.1.6 Type of method used for segment formation

Figure 5 presents the type of method companies use when forming segments. The obtained percentages are based on answers from question 4: *what type of method do you use to form your segments?*, 4a: *do you use previous experience, knowledge and secondary data*?, and 4b: *do you use an analytical approach?*. The results will answer research question 4: *what type of segmentation methods do practitioners apply?*

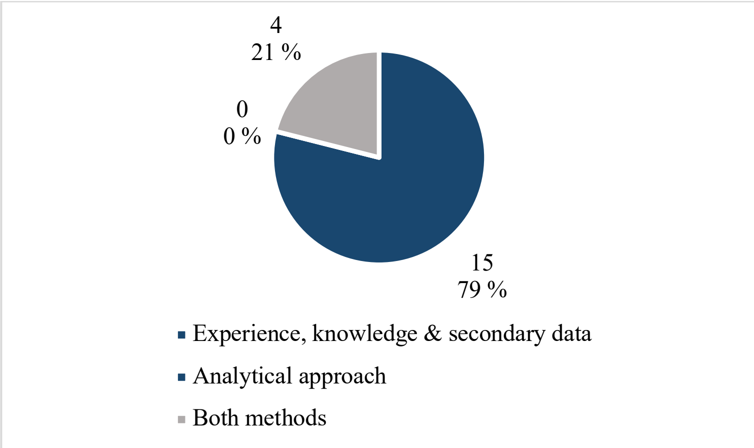

Figure 5 Type of method to define segments

79 % (n=15) of the sample used *experience*, *knowledge*, *and secondary data* as the basis for segment formation. 21% (n=4) of the sample used both an *analytical approach* and *experience, knowledge, and secondary data* for segment formation. No (n=0) companies exclusively use an *analytical approach*.

4.1.7 Criteria to form segments

Figure 6 illustrates the criteria companies use to form segments. The results are based on the answers from question 6: *which criteria do you use when deciding on what segment to choose?*

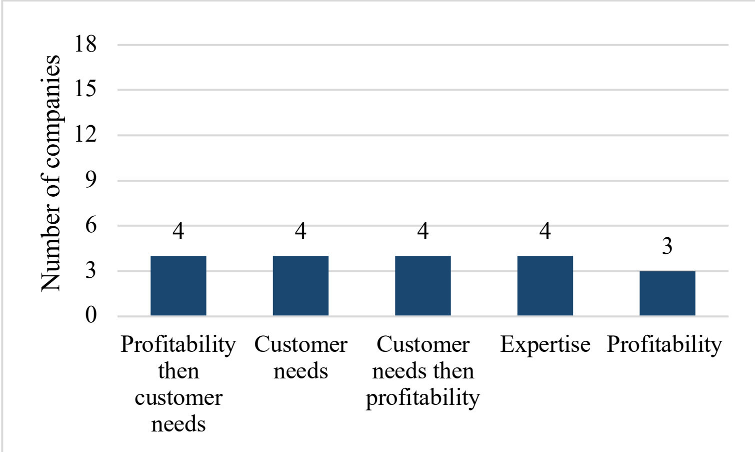

Figure 6 Criteria to form segments

The frequently applied criteria used to form segments are *profitability then customer needs* (n=4), *customer needs* (n=4), *customer needs then profitability* (n=4), *expertise* (n=4), and *profitability* (n=3).

4.1.8 The number of segments

Table 4 summarizes the average number of segments chosen by the companies across industries. The results are obtained from answers to question 5 in the interview guide: *how many segments do you have?*

Table 4 Number of segments

Number of segments	**Mean**
The total average across industries	7.0
Media	6.0
Telecom	10.0
Law	-
Finance	9.0
Biotechnology & Health	3.0
Food Production	10.0
IT & Software	5.0
Raw Materials	-
E-commerce	4.0
Audit & Advisory	4.0

Across industries, on average, companies have 7.0 segments. Biotechnology & Health has the least of 3.0 segments, while Food Production and Telecom have the highest of 10.0 segments. Two companies in the sample did not reveal their number of segments.

4.1.9 Reasoning behind the number of segments

Figure 7 illustrates the percentage of the different reasonings behind the number of segments. The percentages are obtained from the responses to question 5a: *why have you chosen this number of segments?*

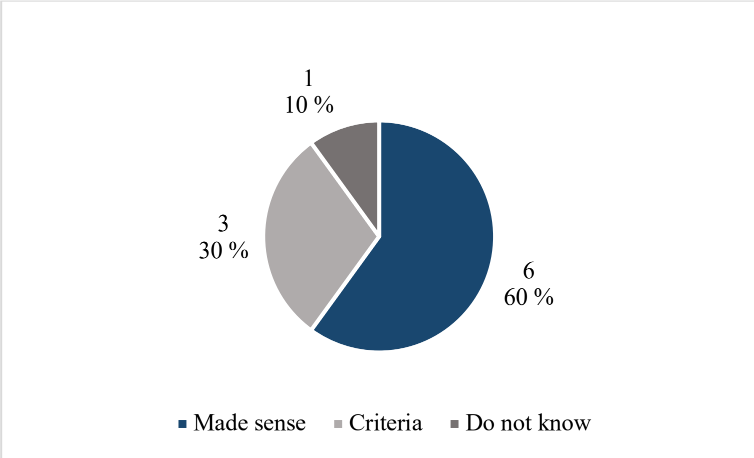

Figure 7 The reasoning for choosing the number of segments

60% (n=6) of the sample reported that the reasoning for choosing the number of segments was that *it made sense.* 30% (n=3) of the sample use the criteria from Figure 4. 10 % (n=1) reported that they *do not know* why they have the specific number of segments.

4.2 Thematic analysis

The thematic analysis is used to evaluate the companies' structure of the segmentation processes and to investigate research questions 2 and 6. Table 5 illustrates the identified codes, themes, and sub-themes. Sub-themes were developed based on the themes to get a deeper and more comprehensive understanding of the identified themes. To know which sub-theme to allocate the companies to, criteria for the sub-themes were made. A company does not need to meet all criteria for the sub-theme if at least one of the criteria is achieved.

Table 5 Codes, themes and sub-themes derived from the thematic analysis

Codes	Themes	Sub-themes
Construction of the segmentation process.	The segmentation process	Structured segmentation process
		Not a structured segmentation process
Companies' evaluation of their target market.	Market definition	Broad
Companies approach to determine its target market.		Narrow
Review of the segmentation process.	The dynamics of the segmentation process	Dynamic
The segmentation process is altered after changes in the market/customer needs.		Static

4.2.1 The segmentation process

To allocate the companies to the sub-themes investigate *a structured segmentation process* or *not a structured segmentation process* it was needed to develop criteria that could be applied to determine the structure of a company's segmentation process (Ref. Table 6).

Table 6 Criteria for the structure of the segmentation process

	A structured segmentation process	Not a structured segmentation process
Criteria	The segmentation process can be explained in chronological order.	The process does not follow a chronological order.
	A well-defined starting point following the further process which leads to how the company form its segments.	Hard to explain to a third party due to lack of structure.

Figure 8 shows the percentage of companies allocated to the sub-themes *a structured segmentation process* and *not a structured segmentation process.*

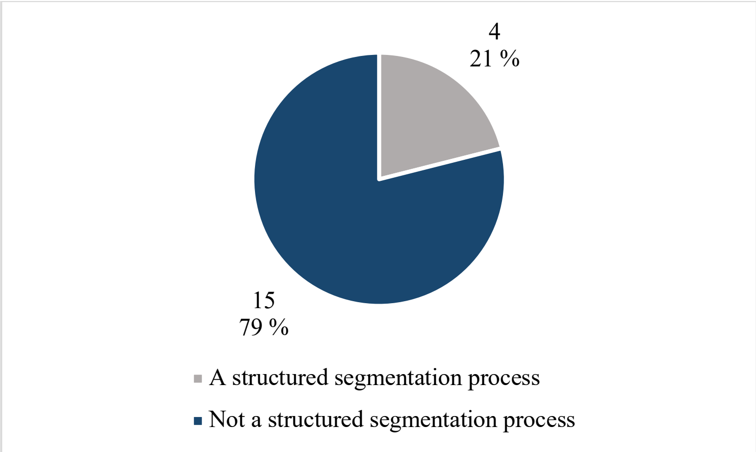

Figure 8 The structure of the segmentation process

It was determined that 21% (n=4) of the companies have *a structured segmentation process*. This was determined for Company H, Company I, Company E, and Company M. These four operate in the Finance, Telecom, and Food Production industries. 79% (n=15) of the companies were allocated to *not a structured segmentation process,* which operates in the Media, Finance, Law, Food Production, IT & Software, Biotechnology & Health, Audit & Advisory, Raw Materials, and E-commerce industries.

4.2.2 Companies market definition

To answer research question 2: *How do companies define their markets,* criteria to allocate the companies to the sub-themes a *broad market definition* or a *narrow market definition* were developed, as presented in Table 7.

Table 7 Criteria for the market definition

	A broad market definition	**A narrow market definition**
Criteria	Targets multiple industries/markets.	The company is limited and targets only a specific geographic area.
	Have multiple product categories.	
	Is not limited to a specific geographical area.	The target industry/market are after the same type of product/service.

Figure 9 shows the percentage allocation of the sub-themes, *a broad market definition* and *a narrow market definition.*

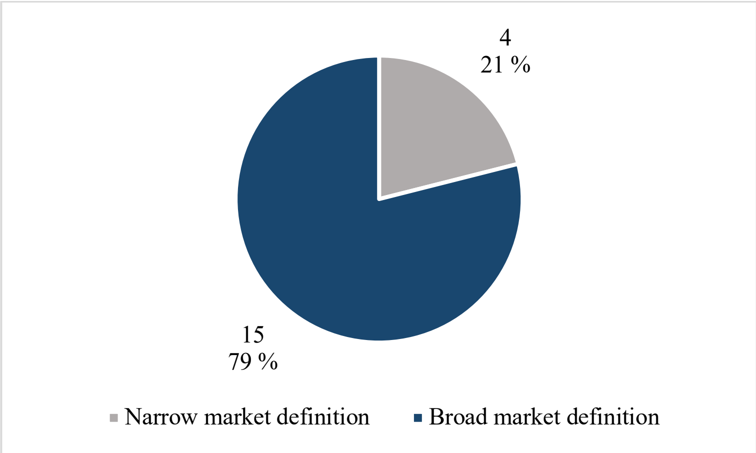

Figure 9 Companies´ market definition

79% (n=15) of the companies were determined to have a *broad market definition.* The companies within this category operate in the Media, Finance, Law, Food Production, IT & Software, Biotechnology & Health, Audit & Advisory, and E-commerce industries. 21% (n=4) of the sample have been identified as having a *narrow market definition*, including the Finance, IT & Software, Biotechnology & Health, and Raw Materials industries.

4.2.3 The dynamics of the segmentation process

It was needed to investigate the dynamics of the sample segmentation processes to answer research question 6: *do practitioners manage customer dynamics?* To determine if a company should be allocated to the sub-themes *a dynamic segmentation process* or *a static segmentation process*, criteria were developed, as illustrated in Table 8.

Table 8 Criteria for the dynamics of the segmentation process

	A dynamic segmentation process	**A static segmentation process**
Criteria	Review the segmentation process when there are changes in the market in customer behavior.	Never changed the segmentation process
	Consider the segmentation process as dynamic.	Never reconsidered or reevaluated the segmentation process.
		Not changed the segmentation process in the last five years.

Figure 10 illustrates the percentage of companies allocated to the sub-themes a *dynamic segmentation process* and a *static segmentation process.*

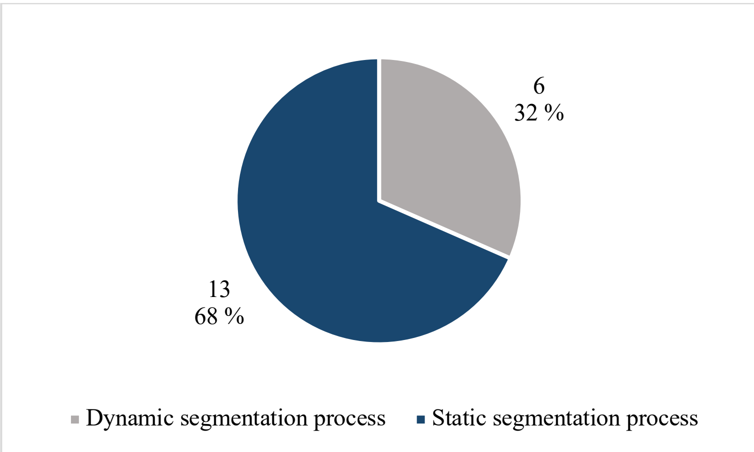

Figure 10 The dynamics of the segmentation process

32% (n=6) of the companies had a *dynamic segmentation process* and operated within the Finance, Telecom, IT & Software, Biotechnology & Health, and Audit & Advisory industries. In comparison, 68% (n=13) had a *static segmentation process* and operated in the Media, Finance, Law, Food Production, IT & Software, Biotechnology & Health, and Raw Material industries.

4.3 Case study

The following table shows the results from the case study. It highlights each strategic step taken by the companies determined to have a structured segmentation process (Ref. Figure 8). The companies operate within the Finance, Telecom and Food Production industries.

The stages conducted by each company in their respective processes give insight into how the processes are structured and the strategic choices. The companies' processes share several similarities. However, Company H and Company I have a similar starting point, both consider the company's strategy. Whereas Company I and Company M start by looking into the potential customers. In the second stage, Company H, Company I, and Company M sort customers by segmentation variables. Moreover, Company I, Company E, and Company M apply a combination of cluster analysis and previous experience, knowledge, and secondary data to form segments. Lastly, the four companies were diverse in their answers regarding their criteria to form segments.

To further explore if the effect of market segmentation was decisive in the financial performances among the companies with structured segmentation processes, an analysis was performed between companies with a structured and not a structured process. Based on the public parameters (Proff.no), no distinction between companies with a *structured segmentation process* or *not a structured segmentation process* was discovered. However, due to the anonymity of the companies, the parameters are not included in the thesis.

Table 9 The four companies´ segmentation processes

Stages	Company H	Company I	Company E	Company M
1	Review its strategy and which customer the company wants.	Extract a profitability analysis of customers.	Examine and review its strategy.	Taking an extract of the market with companies of a certain size.
2	Decide on which segmentation variables to apply.	Sort and identify large segments through the type of industries (NACE code) the customers operate in.	Deciding on industries to focus on.	Categories the customers based on the industry the customers operate within.
3	The applied segmentation method is based on the company's knowledge, experience, and secondary data.	Perform data modeling which is related to profitability. Applies between 200 and 300 filters to segregate customers.	Make a thorough description of these industries using the sv* e.g., *size*, *company form*, *customer needs*, *industry*, *demography*.	Considers the different needs of the customer and what type of products/servi ces they purchase.
4	Group customers on similarity of needs. Consider profitability to some extent.	Performs a clustered analysis according to a 10-point scoring model.	Use both a-priori and post hoc for segment formation	Use both a-priori and post hoc for segment formation.
5		Chose segments mainly on profitability but consider customer needs.	The company forms segments based on customer needs and profitability.	Applies the criterion needs and later profitability to determine the attractiveness of the segments.

*sv: segmentation variable

5.0 Discussion

Market segmentation has been conceptualized as one of the primary concepts of marketing (Palmer & Millier, 2004). However, the literature review revealed that practitioners do not comprehensively apply the concept. Prior research on segmentation in the B2B markets has widely been theoretical and quantitative and instead focused on creating statistical models (Dibb, 1998; Boejgaard & Ellegaard, 2010). In fact, few studies examine the actual market segmentation practice (Cortez et al., 2021). Simultaneously, practitioners have frequently called for applicable guidelines for market segmentation (Dibb, 1998). As previously stated, the master thesis aims to investigate B2B companies´ segmentation processes to develop straightforward (Boejgaard & Ellegaard, 2010) guidelines (Thomas, 2012; Dibb & Simkin, 2004). The research objective is:

Develop guidelines for market segmentation in the B2B markets.

Although theory and statements from marketers acknowledge the important concept of segmentation, the thesis discovered circumstances where there is a lack of need for market segmentation. For example, several companies reported that they frequently work with incoming inquiries, reducing the need for segmentation as they do not need to target potential customers explicitly. Additionally, 12 companies were rejected to participate in the thesis due to a lack of segmentation practice. Rejected companies operated in industries where each product is customized to the respective customer. Thus, these findings might emphasize the lack of implementation of segmentation among B2B companies (Bonoma & Shapiro, 1984; Palmer & Millier, 2004; Dibb & Simkin, 2001).

5.1 The segmentation process

To comply with the aforementioned factors in regard to the development of the guidelines, it was necessary to get comprehensive insight and understanding of B2B companies´ segmentation processes. An overall finding suggests that most companies in the sample apply a simple segmentation process, which is coherent with Wind and Cordozo’s (1974) finding that practitioners use a less sophisticated model for segmentation.

5.1.1 Not a structured segmentation process

79% of the companies in the sample were determined to *not have a structured segmentation process.* It is not evident that the companies applied any of the proposed segmentation models demonstrated in the literature review. However, Company A, Company B, Company F, Company K, and Company O used demographics variables as a starting point when segmenting their customers, similar to Bonoma and Shapiro´s (1983) nesting model. Findings suggest that the companies' processes primarily consisted of applying segmentation variables, strengthening Wind and Cordozo's (1974) findings. The lack of structure in the processes was evident, as several companies stated that they did not have a structured segmentation process or a less sophisticated process. The marketing manager in Company R in the E-commerce industry stated,

> "Our segmentation process does not follow a specific structure.".

Further, when the companies were asked to elaborate on their segmentation process, they struggled to define their strategic stages. The marketing manager in Company B in the Media industry declared,

> "Our segmentation process simply consists of dividing our market between industry, customer needs, and type of customer.".

Commenting on why the company has a less structured segmentation process, the marketing manager from Company Q from the Raw Material industry concluded,

> "Segmentation is too difficult, complicated, practice and theory are two different things, segmentation in B2B is done as it always has been".

Responses from the reflection question (question 10 in the interview guide) challenged the participants to review their segmentation practice critically. It was discovered that marketing managers believe their segmentation practice can be improved, especially for companies with an unstructured segmentation process. Commenting on being more relevant for the customers, the manager in Company O from the Raw Material industry noted,

> "We need to personalize all marketing activities to our customers.".

Based on the aforementioned findings and statements, market segmentation does not seem as straightforward in practice as the literature suggests (Boejgaard & Ellegaard, 2010; Millier, 2000; Plank, 1985; Spring et al., 2000; Wind & Cordozo, 1974; Dibb, 1998).

5.1.2 A structured segmentation process

Company H, Company I, Company E, and Company M were determined to have *a structured segmentation process* where the companies could elaborate on different stages in their segmentation processes. Two of the companies operate in the Finance industry which might indicate that companies within the industry are more likely to structure their segmentation process. The reason could be that it is needed to be more aggressive in the company's marketing mix due to high competitiveness.

Two companies operating in the Media industry that do not have a structured segmentation process, in fact, sell structured segmentation processes to their customers. The marketing manager from Company B commented,

> “Our own market segmentation is not as thoughtful as the segmentation process we deliver to our customers. Ideally, it should be.”.

The marketeer further emphasized how important market segmentation is,

> “I like market segmentation as a strategic tool because it helps a company to prioritize. It is a very important tool for marketers to use when developing a marketing strategy.”.

These findings speak in favor of applying a structured segmentation process. To use the four companies' processes as a benchmark for developing the guidelines, a case study of the companies' processes is relevant.

5.1.3 Case study of the four structured segmentation processes

The four structured segmentation processes shared several similarities, as illustrated in Table 9. This will be considered further when guidelines are developed. The findings suggest that the companies’ overall shared similar strategic stages with Foedermayr and Diamantopoulos´ (2008) model. The companies begin with their overall strategy, define the market, and select the relevant segmentation variables based on the strategy and definition. Further, the segmentation formation takes place. However, this is conducted at different stages in the respective companies´ segmentation processes. Foedermayr and Diamantopoulos´ (2008) segmentation process is based on a literature review on B2B segmentation, increasing the likelihood of companies sharing strategic stages with their process.

Additionally, the companies shared parallels with other segmentation models presented in the literature review. Company H's segmentation process begins with the company in the center (outwards), analyzing which potential customers it wants, similar to Bonoma and Shapiro's (1984) identifiable/accessible approach. Company E primarily segments by basic needs, sophisticated needs, or size coherent with Bonoma and Shapiro´s (1984) need approach and Hailey´s (1968) benefit segmentation. Additionally, Company E segments based on where the customers are in the purchase decision process, similar to Robertsen and Barich (1992). Finally, Company I and Company M start their segmentation processes by analyzing demographic variables comparable to the outer nest proposed in Bonoma and Shapiro´s (1983) nesting model.

5.2 Discussion of the research questions

5.2.1 RQ1: The achieved effect of segmenting the market

Approximately all interviewed marketing managers viewed segmentation as a useful tool to enhance the company's performance. The majority of managers reported *a more effective and better quality of its marketing activities*, *improved profitability*, and *reaching the desired customers as* an effect of segmentation. As the marketing manager from Company F in the Law industry noted,

> "Market segmentation allows us to secure new and right customers according to our strategy. Additionally, increase the trust of our customer and enhance profitability.".

The manager in Company O in the IT & Software industry stated,

> "Segmentation gives us more leads, it strengthens our marketing content which means that it targets the customers better and becomes more effective.".

Moreover, the marketing manager from Company R in the E-commerce industry elaborated on customer satisfaction,

> "Segmentation makes us be perceived as more relevant to the customers as the communication are based on the customer needs. It makes customers happier and increases loyalty.".

Thus, these findings suggest that market segmentation is related to positive effects as better marketing mix, higher profitability, efficient resource allocation, better meet customer needs, and increased customer loyalty. This is consistent with prior research on the effect of segmentation (Robertson & Barich, 1992; Dibb, 1998; Palmer & Millier, 2004). Importantly, companies within the sample measure these effects by changes in financial parameters, market share, customer loyalty, and customer satisfaction.

5.2.2 RQ2: The companies´ market definition

The companies´ choice of market definition was frequently anchored in the companies' overall strategy. The marketing manager in Company H operating in the Finance industry noted,

> "Our market is defined in a specific geographical region in Norway as this is determined in our business model and strategy. ".

Additionally, the companies' areas of expertise and what type of customers they wanted in their portfolio mattered in their market definitions. The marketing manager in Company F in the Law industry emphasized,

> "Our market definition is anchored in the company's strategy. Additionally, our expertise and a desire for well-known and large customers in our portfolio.".

79% of the companies had a broad market definition. Most companies with a broad definition are market leaders within their respective industries and/or have high-demand products/services. This might indicate that if a company has these preconditions, a broad market definition is suitable. However, as the marketing manager from Company D in the Media industry pointed out,

> "Although we target the whole market, there are some industries we do not want to be associated with and have in our customer base, as it might reflect badly on the company's reputation".

Indicating that if the company chooses a broad market definition, it is still important to be selective of the customers. Further, among the companies with a broad market definition, several stated that segmentation helps to customize the market communication better to reach the different target groups more efficiently. This might suggest that having a broad market definition can be costly and requires higher marketing investments to reach the desired target groups (Foedermayr & Diamantopoulos, 2008).

21% of the companies in the sample were determined to have a narrow market definition. Company N and Company J which have a narrow market definition, operate in niche markets and are market leaders within their respective fields. This may indicate that the companies have managed to become relevant for the customers and are experts within this field. Hence, if a company has a product/service relevant to one specific market, having a narrow market definition might be sufficient. Contrary, targeting only one specific industry can make the company vulnerable in terms of unforeseen events (e.g., COVID-19) and can result in profitable segments not being considered (McDonald & Dunbar, 1995).

The marketing manager from Company E in the Telecom industry emphasized the theme which speaks in favor of having a narrower market definition,

> "The whole market has started to understand that one needs to be customer centric. The customer should be the center in everything the company does, and one can no longer have the same offer for everyone. Thus, the products/services need to be customized to each target group".

Considering that a too broad market definition might not be resource-effective and a too narrow might result in customer/segments not being considered (McDonald & Dunbar, 1995). What type of market definition a company chooses should be carefully considered and anchored in the company's overall strategy. On the basis that the companies with broad market definitions need to be selective of their customers, it can arguably indicate that a narrower definition is more effective.

5.2.3 Data collection and analysis

One frequently reported challenge among the companies in the sample was collecting sufficient data on the B2B markets. This coheres with Millier's (2000) and Palmer and Millier's (2004) findings that marketing managers in the B2B markets find it challenging to collect data on their customers. To comply with the challenges related to data collection, Wind and Cardozo (1974) emphasize that a company should first evaluate available secondary data to develop segments before obtaining primary data. Millier (2004) draws attention to the fact that focusing primarily on quantitative segmentation methods is considered complicated due to the challenges related to data collection in B2B markets. Hence, collecting secondary data on potential customers can arguably be considered an adequate method for data collection in B2B markets. Commenting on the data challenges, the marketing manager from Company K in the Biotechnology & Health industry elaborated,

> "We use a lot of time collecting data from our key account managers (KAM). Our KAMs have to use a lot of time to add manually the data to our system. Therefore, we have to use resources to tell them the importance of this. If they correctly add the data, we can segment better, receive better leads, make better campaigns, etc.".

This perspective was consistent throughout the interviews, as the marketing managers from Company K in the Biotechnology & Health industry noted,

> "We experience lots of challenges when it comes to data collection in regards to GDPR. Customers must accept that data is being collected about them, and they have the right to be deleted, etc. This can create huge problems in the future as they may not get good enough data to, for example, segment.",

The companies were asked what type of data they used when forming segments. The marketing manager from Company A from the Media industry elaborated,

> "We use reports from VIRKE, Proff.no, Google, word of mouth, Nielsen, and WizAD.".

Further, the marketing manager from Company J in the Biotechnology & Health industry elaborated on where they collect data, "We are using the internet and Google to find information on the customers. Additionally, we ask questions to others in the market. Thus, we are working with market insight ourselves. We use open sources online, and relationships.".

Additionally, several marketers emphasized the importance of creating a CRM system regarding information about customers. The marketing managers from Company H in the Finance industry and Company S in the Audit & Advisory industry, noted,

"We get data from our CRM system.",

"In our CRM system, we pull out a lot of data on our customers. It is where we have all information about our customers. However, if the data is not being updated, we may sit on misinformation.".

Thus, it is evident that marketing managers find data collection challenging and need guidance in finding suitable data sources (Dibb, 1998). Additionally, one of the most prominent data collection methods where the use of CRM systems.

5.2.4 RQ3: The applied criteria and segmentation variables

The marketing managers answered inconsistently when distinguishing between criteria for the segmentation variables and the segments. As it did not comply with the proposed criteria by Nes and Biong (2009). Hence, making it difficult to determine if these criteria are applicable for the segmentation variables. However, the explanation given by the managers on the meaning of the criteria, could make the criteria suitable to use as criteria for segment formation (Ref. Exhibit 4 for explanation of the segmentation variable criteria).

On average the companies in the sample applied five segmentation variables, which is comparable to Tynan and Dayton's (1987) suggestion that a company should at least apply two segmentation variables. The frequently applied segmentation variables are the base variable *customer needs*, and the descriptor variables *size*, *industry*, *role*, *geography*, *type of customer*, and *type of product/service* (Ref. Exhibit 3 for explanation of each segmentation variable), these findings are coherent with prior research (Abratt, 1993; Johnson &

Flodhammer,1980; Keller, 2013; Thomas, 2012; Nes & Biong, 2009). Indicating that companies mainly rely on descriptor variables and customer needs. Most marketing managers reported that they used the variables because they have always used them and that it makes sense. Hence, it is reasonable to assume that the choices for segmentation variable selection are not based on strategic reasoning and lack justification. Additionally, this might explain the difficulties with distinguishing between criteria for the variables and the segments.

Companies within the Finance, Media, Telecom, Law, and Food Production industries applied the segmentation variable *type of customer,* which means that the companies divided customers based on the relationship the customer sought, either a transactional or a partner relationship. The marketing manager from Company E in the Telecom industry elaborated,

> "We divide our customers between growth partner seekers and transformation partners.".

Further, the marketing manager from Company B in the Media industry noted,

> "We also divide the customers after type: partners (strategic and long-term customer relationship or transactional (not a long-term customer-relationship).",

Moreover, the marketing manager from Company G in the Finance industry stated,

> "We also segment based on the type of companies that are strategically important for our company. For example, we invest in Startups that are strategically important to us as they are the future.".

This is equivalent to Johnson and Selnes's (2004) theory on the different customer relationships B2B companies form with their customers. Furthermore, companies with a structured segmentation process applied the base variable *customer needs* and the descriptor variable *size*, *company form*, *industry*, and *type of customer.* Hence, these segmentation variables are arguably the most relevant to apply.

Overall, there were no significant differences in applied segmentation variables across industries, suggesting that regardless of what industries the companies operate in, the segmentation variables are equally applicable or relevant. However, one difference was discovered, the segmentation variable *risk* is only applied by companies in the Finance industry. This finding indicates that within this type of industry, companies should consider applying this variable.

5.2.5 RQ4: The segmentation method practitioners apply

When deciding on the segmentation method, most companies used *previous experience, knowledge, and secondary data* consistent with Wind and Cardoza´s (1974) findings that practitioners most often relied on their intuition instead of statistical analysis. This method is equivalent to the a-priori method presented by Wedel and Kamakura (2000). Palmer and Millier (2004) found that this technique is associated with limitations as the company risks neglecting insight on the market, which could lead to alternative or more effective solutions.

Spring et al. (2000) discovered that practitioners primarily relied on statistical analysis, which is coherent with the post hoc method by Wedel and Kamakura (2000). According to most the marketing managers, they applied market analysis to some extent when segmenting. When the thesis authors asked the managers to elaborate, it became evident that it did not involve an analytical approach. Hence, not supporting Spring et al.´s (2000) discovery. The managers from Company O and Company N in the IT & Software industry elaborated that their analysis examines online customer behavior. Whereas the marketing manager from Company K in the Biotechnology & Health company stated,

“We do not use statistical analysis to group customers".

Hence, this finding supports Wind and Cardoza’s (1974) claims. Contrary, seven companies were aware of the analytical methods and wanted to apply them. The marketing manager from Company B in the Media industry noted,

“We should use statistical analysis in the form of cluster analysis.”.

Similar, the manager from the Food Production Company M concluded,

“Things are much simpler in employment. Analysis is not as comprehensive as you learn in school. Due to complexity and lack of data we cannot use such analysis.”.

These findings are not coherent with Spring et al. (2000). The neglect of the use of analytical methods might not be due to lack of familiarity with the procedures, but rather the lack of time, complexity, and resources related to implementing these methods.The minority of the sample used a combination of the two approaches. Interestingly, three companies with a structured segmentation process used both the a-priori and post hoc method, where cluster analysis was the main type of applied analysis within the post hoc (Wedel & Kamakura, 2000). The marketing manager from Company E in the Telecom industry elaborated,

"The analysis department works with cluster analysis.".

Thomas (2012) states that B2B managers have been slow to adopt market segmentation. Indicating that managers do not have the resources yet to implement only an analytical approach. Hence, both methods should be implemented to comply with managers' and companies' resources.

5.2.6 RQ5: Which criteria do companies apply for segment formation?

Companies were diverse regarding the answer of which criteria they used when forming segments. One portion stated solely *customer needs,* similar to Abratt (1993). The marketing manager from Company D in the Media industry stated,

"We solely use customer needs.".

In contrast, another portion stated *profitability,* similar to Cross et al. (2015). The marketing manager from the IT & Software Company N noted,

"Customers that have a good economy are the future.".

A larger portion of the sample used a combination of the two criteria. Marketing managers from Company I and Company H from the Finance industry and Company L in the Food Production industry stated,

"We first look at profitability, and later the needs.",

"We mostly look at needs, but of course profitability matters.",

"Both are equally important.".

Thus, there is a disparity in the sample for which criteria that should be emphasized the most when forming segments and supports. Abratt (1993) and

Cross et al. (2015) findings. Even the marketing managers working in companies with a structured segmentation process had a disparity in their answers. Additionally, a minority of the companies applied the criteria, expertise, meaning they valued if they could serve the segment properly.

The average number of segments among the companies were seven. When asked why the number of segments was chosen, a significant part of the sample stated *it made sense*, and a minor part *did not know.* According to McDonald and Dunbar (1995) and Rudelius et al. (1985), a company should consider its resources, segment heterogeneity, and the segment's economic value when deciding on the number of segments. The reasoning behind the companies' number of segments appears to be vague and random, hence not complying with Dunbar (1995) and Rudelius et al. (1985) considerations. This is consistent with Dibb (1998), who found that segments are based on the manager´s judgment and intuition as it is easy and convenient.

In conclusion, the findings indicate that most companies should consider both criteria when forming segments as profitability and customer needs are not mutually exclusive. Further, when deciding on the number of segments, the company needs to account for its resources and its segment's economic value.

5.2.7 RQ6: Practitioners management of customer dynamics

68% of the companies in the sample regarded the segmentation process as static, meaning that it has never been changed. Palmatier and Sridhar (2017) and Wind and Cardoza (1974) emphasized the importance of managing customer dynamics in the segmentation work as customer needs, and the market are continually changing, causing the segments to change. Bonoma and Shapiro (1984) claims that segmentation is a dynamic process. The marketing managers from the Company D from the Media industry and Company P from the IT & Software industry noted,

> "The process is rarely updated, the basic perspectives are determined.",

> "The process has never been updated, we can work with the same segments for years without changing them.".

Hence, these findings do not support Palmatier and Sridhar's (2017) findings, nor Bonoma and Shapiro's (1984) claims. Additionally, evidence suggests that companies in the Media industry are more likely to consider the segmentation process as static, as companies in this industry have a static process.

Companies that regarded the segmentation process as dynamic amounted to 32% of the sample. Company E operating in the Telecom and Company R in the E-commerce industry stated that,

“The segmentation process is continuous.”,

“The process is changed all the time, it is based on customer behavior.”.

These findings are consistent with Palmatier and Sridhar’s (2017) and Bonoma and Shapiro’s (1984) findings. Additionally, three of the companies that regarded the segmentation process as dynamic additionally had a structured segmentation process.

Concerning Wind and Cardoza’s (1974) statement “that customer needs and competitors' activities are constantly changing”, applying a dynamic process might be relevant. Further, the findings may indicate that if a company has a structured process, they are more likely to regard it as dynamic and continually alter it to meet changes in customer needs and in the markets efficiently.

5.3 Conclusion of the research question

Table 10 provides an overview of each research question and its respective conclusions. The findings revealed that four companies have a structured segmentation process. Moreover, it is prominent that most of the companies lack management of the segmentation process. Simultaneously, as market segmentation is reported to increase the company’s performance in terms of profitability and a more effective marketing mix. Hence, there arguably exists a contradiction in the segmentation practice. If segmentation gives the reported outcomes, it would be reasonable to assume a higher degree of structure of the processes. This substantiates Boejgaard and Ellegaard´s (2010) and Dibb´s (1998) findings on the gap existing between the implementation of advanced theoretical segmentation models and the actual segmentation practice. Furthermore, the findings suggest that segmentation is frequently used as a tool to evaluate the result of marketing communication more effectively. Rather than to efficiently group customers and target the segments explicitly. This is prominent in the marketing managers responses regarding the achieved effects of segmentation and the structure of their segmentation processes elaborated in 5.1 and 5.2.1.

Table 10 Summary of the conclusions on the research questions

Research question	**Conclusion**
RQ1: What are the achieved effects of segmenting the market?	Increased company performance in terms of profitability and more effective marketing activities.
RQ2: How does the company define its markets?	Most companies apply a broad market definition.
RQ3: Which segmentation variables do B2B companies apply?	The most applied segmentation variables are size, industry, customer needs, role, geography, type of customer, and type of product or service.
RQ4: What type of segmentation methods do practitioners apply?	Most practitioners apply their experience, knowledge, and secondary data.
RQ5: Which criteria do companies apply for segment formation?	Practitioners were distinct in their answers, and mostly used a combination of the two or customer needs.
RQ6: Do practitioners manage customer dynamics?	Most companies do no manage customer dynamics.

5.4 Guidelines for segmentation in the B2B markets

The guidelines are developed with the practitioners in mind, which means that the guidelines both consider the findings discussed in 5.1, 5.2 of the actual practice of segmentation, and the literature review. As the thesis discovered that most companies lack management of the segmentation practice, the guidelines rely on theory to a greater extent. The guidelines include data from companies with structured processes and unstructured processes, as the managers from the companies had valuable insight and knowledge on segmentation. To provide structure to the guidelines, Foedermayr and Diamantopoulos´ (2008) proposed segmentation process is used as a benchmark but is further developed. The guidelines pay respect to Dibb´s (1998), Wind and Cardoza´s (1974), and Boejgaard and Ellegaard´s (2010) statements that practitioners need segmentation models that are easy to implement and straightforward.

The model (Ref. Figure 11) provides an overview of the guidelines. It pursues eight stages the company needs to follow chronologically to achieve a structured and thorough segmentation process.

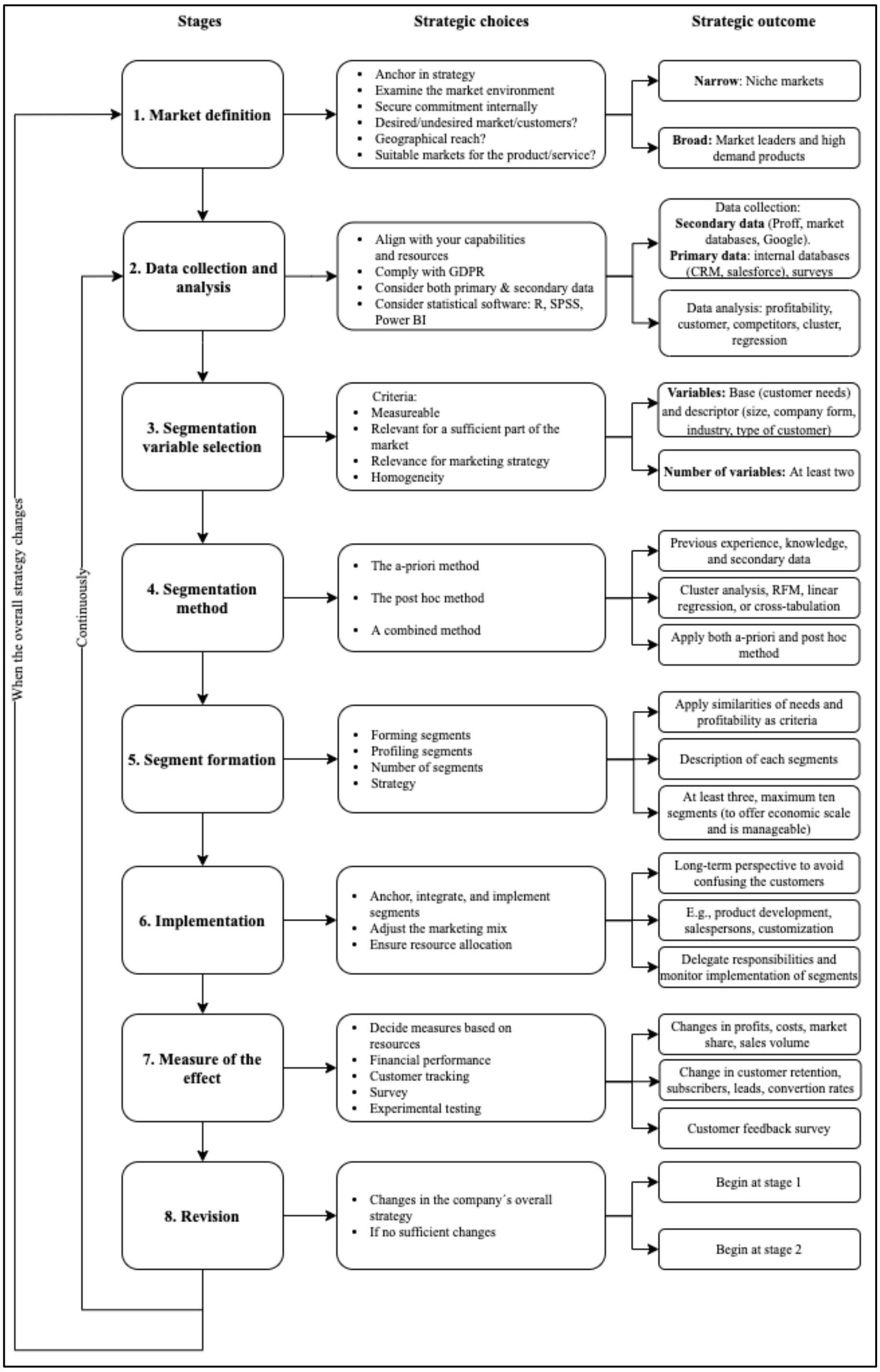

Figure 11 Guidelines for segmentation in the B2B markets

5.4.1 Stage 1: Market definition

The first stage in the segmentation process involves defining the company's market. The company should consider the market definition as a tool to give directions regarding the market(s) the company wants to reach. When defining the market, the company should consider its overall strategy, the market environment, and the necessary and available resources.

Elements to consider when defining the market

- Review, analyze and anchor the segmentation practice to the company's overall strategy and objectives to create guidance and direction for the following stages (Dibb & Simkin, 2000).
    - Review the annual and quarterly strategic plans of the company. E.g., long-term and short-term objectives.
- Examine the internal and external market environment.
    - Internal: E.g., Available and necessary resources (time, skills, number of employees, finances, equipment, and technology).
    - External: E.g., Competitive forces and regulatory constraints.
- Provide detailed descriptions of how each department should implement and are affected by the segmentation strategy.
- Secure involvement and engagement from the top management
- Which customers do the company wants to target?
- Specific market(s) our products are more suitable for?
- Industries the company does not want to be associated with?
- What is the geographical reach of the company? E.g., national/international/relevant for one specific geographical area)

Further, the scope of the market definition should be carefully considered (Foedermayr & Diamantopoulos, 2008). There are two considerations to evaluate:

Table 11 Advantages and disadvantages with the two market definitions

Market definition	Narrow	Broad
Advantage	Easier to conduct due to sufficient delimitations of the market(s)/customer.	Decreasing the probability of neglecting valuable segments.
Disadvantage	Can make the company vulnerable to unexpected events and result in profitable segments not being considered.	Can result in higher marketing investments due to inadequate delimitations of the market(s)/customer(s).
Often used by /suitable for companies	Targeting niche markets.	Market leader, and/or companies operating in industries where its products have a high demand.

5.4.2 Stage 2: Data Collection & Analysis

In the second stage the company needs to gather data, information, and characteristics on its target market(s). The choice for data collection and analysis must consider the available resources of the company. Companies should gather data on their potential customers and apply different statistical analyses to get insight into potential customers and market environments. The company needs to analyze the collected data to draw meaningful conclusions.

Elements to consider for data collection

- Ensure that the data collection complies with GDPR restrictions.
- Consider using both primary and secondary data due to challenges regarding data collection in B2B markets. Focus primarily on the latter can lead the data collection to be too complicated (Millier, 2004).

Table 12 Potential data collection methods

Potential data collection methods	
Secondary data	Proff.no, market databases (Forbruker og Media, Virke, Norstat, CCS Insight, Kantar TNS), and Google.
Primary data	Internal databases (CRM system, Google Analytics). Issue surveys to potential customers. Ask the salesforce to collect feedback on its customers. Online data collection where you track customers' online journeys through tags.
Outsource	Outsource the data collection.

Elements to consider regarding data analysis:

- Decide which statistical analysis software to use for the data analysis: E.g., Power BI, SPSS, R.

Table 13 Potential data analysis

Potential data analysis
Profitability analysis of potential customers.
Analysis of the market regarding potential customers, customer needs, and competitors' needs (Foedermayr & Diamantopoulos, 2008).
Cluster analysis, regression analysis, cross-tabulation, RFM.
Outsource the data analysis.

5.4.3 Stage 3: Segmentation variable selection

In the third stage, the company needs to select segmentation variables to allocate the customers to its suitable segments (Steenkamp & Ter Hofstede, 2002; Nes & Biong, 2009; Foedermayr & Diamantopoulos, 2008). The company needs to use and consider the results from the data collection and analysis in stage two to find suitable segmentation variables.

Criteria for the segmentation variables

Four criteria were presented by Nes and Biong (2009) for selecting the appropriate segmentation variables.

Table 14 Criteria for the segmentation variable

Criteria	Explanation
Measurable	E.g., measure the variables using the company's invoice system, secondary data.
Relevant for a sufficient part of the market	The variable must be profitable.
Operational relevance for marketing strategy	Involves that the variable contributes to divide the market into groups that react similarly to marketing activities.
Homogeneity	The variables should contribute to homogeneity in the segments (e.g., segments should have similar preferences and needs).

Segmentation variables

It is suggested that the company selects at the minimum the following segmentation variables:

Table 15 Segmentation variables

Base variables	Descriptor variables
Customer needs	Size
	Company form
	Industry
	Type of customers

See Exhibit 3 for an explanation of each variable. Additionally, companies operating in the Finance industry should consider applying the variable risk (Ref. Section 5.2.4). Moreover, a company should at least apply two segmentation variables (Tynan & Dayton, 1987). It is reasonable to suggest that applying approximately five segmentation variables is sufficient, as this was the average number of applied segmentation variables in the sample.

5.4.4 Stage 4: Segmentation method

In the fourth stage, the company needs to select segmentation method.

Table 16 Potential segmentation methods

Potential segmentation methods	
The a-priori method	Relies on previous experience, knowledge, and secondary data when developing segments (Wedel & Kamakura, 2000; Wind, 1978).
The post hoc method	A data analysis driven method, which includes developing the segments based on cluster analysis, recency frequency, monetary value, linear regression, or cross-tabulation (Wedel & Kamakura, 2000; Wind, 1978)

The findings and prior research suggest a combination of methods based on three factors. First, by only using an a-priori method, the company risks neglecting insight provided by statistical software, leading to a more deficient solution. Second, marketing managers provide valuable insight, and their intuition and knowledge in the respective market should be considered. Three, due to data collection challenges in B2B markets, focusing primarily on the post hoc method is considered unsuitable (Millier, 2004).

5.4.5 Stage 5: Segment formation, profiling, and selection

In the fifth stage, the company needs to form, profile, and decide the number of segments.

Forming segments

When forming segments, the company should consider both criteria; similarity of needs and profitability (Foedermayr & Diamantopoulos, 2008), as primarily focusing on one might mitigate the efforts of the other. Moreover, a company should additionally consider if they have the expertise to serve the segment.

Profiling segments

When the segments have been formed, the company should profile them. Profiling means describing each segment. For example, the company can create segment personas that include descriptor variables (demographics, personas in the buying center), behavioral variables (price preference, channels, requirements, customer needs), pain points and challenges, their goals, and interests.

Number of segments

When deciding on the number of segments, the company must first consider that the segment should offer an economic scale of value for the company. Second, the company has to decide on a number of segments that are manageable. Third, its resources. It is reasonable to recommend that approximately seven segments should be sufficient. However, this is dependent on the market definition from stage two, as the number needs to comply with the desired target market. Altogether, a company should not have less than three segments and no more than ten due to efficient use of resources (McDonald & Dunbar, 1995; Rudelius et al., 1985).

5.4.6 Stage 6: Implementation of segments

In stage six, the company needs to implement the segmentation solution. This is one of the most challenging stage in the guidelines (Abratt, 1993; Millier, 2000; Boejgaard & Ellegaard, 2010).

The company needs to anchor, integrate, and implement the segment solution into the company's strategies, planning, and throughout the entire organization (Maier & Saunder, 1990). Thus, companies must have a long-term perspective in mind. Otherwise, the company is in danger of confusing the customer with conflicting marketing plans (Dibb, 1998).

Elements to consider for having a successful implementation

- Adjust the marketing strategy and mix according to the segment solution (Cortez et al., 2021). E.g., product development, competencies, salespersons, and customization, and personalization.
- Plan an internal marketing program to facilitate and communicate the implementation to ease and ensure integration (Maier & Saunder, 1990; Cortez et al., 2021). This ensures that the entire company understands the concept, the importance, and secure commitment to the segment solution (Dibb & Simkin, 2000).
    - Potential activities in the internal marketing program could be presentations, workshops, seminars.
- Secure that it is allocated enough resources to implement the segment solution externally and internally (Cortez et al., 2021). Additionally, ensure that the right employees work with the solution and/or have the right set of skills (Palmer & Millier, 2004; Thomas, 2012).
- Create an agenda, delegate responsibilities, and monitor the implementation of the segments (Dibb & Simkin, 2000). For example, responses from companies revealed that different marketing departments were delegated the responsibility of different segments.

5.4.7 Stage 7: Measure of the effects of segmentation

To know if the segmentation is given the desired outcome, it is necessary to analyze the achieved effects of the segmentation practice. There are different potential methods. The company should choose methods based on its available resources. The following analysis methods consider both the findings from Figure 2 and the literature on potential methods (Ref. Section 2.0).

Elements to consider with the measure of the effects:

- It is difficult to isolate the unique impact of segmentation activities on financial performance (e.g., increase in market shares, profits, and higher sales) as there are several factors that could potentially impact these performances (Lenz, 1981). Therefore, one should combine the methods listed in Table 17.
- The effect of segmentation does not occur momentarily. Thus, the marketers need to expect that the effects occur in the long term.

Table 17 Recommended analysis methods

Potential measure of the effects of segmentation	
Financial performance measures:	Change in profits, costs, market share, and sales volume/growth. These measures are available in the company's balance sheets (Craft, 2004; Wind & Cardozo, 1974).
Customer tracking	How many customers are gained and lost after implementation of the segmentation.
Online customer tracking	CRM system, increase in subscribers to newsletters and loyalty programs, responses on newsletters, leads, conversion rates, Google Analytics (traffic on the website before and after campaigns/is the target segment more prominent on the website).
Surveys	Customer feedback surveys (e.g., ask the customers if they are more satisfied with the company's offers, do the company meets my company's needs).
Experimental testing	Select one target segment where the company tests its old segmentation approach against the proposed guidelines and analyze the outcome (e.g., For the group where the new approach was tested, did the company get more customer feedback or increased customer attention, surveys (see the point over)).

5.4.8 Stage 8: Revision of the segmentation process

The guidelines are dynamic, meaning that when the company reaches this stage, it should begin with stage two and follow the guidelines chronologically from this stage. On the basis that the guidelines are anchored in the company's overall strategy when changes affecting the strategy or comprehensive and unforeseen events in the market occur, the company needs to start from stage one.

5.5 Managerial implication

This thesis provides important insights regarding practitioners' application and experienced segmentation effects in the B2B markets. The results illustrate that marketing managers experience difficulties implementing a thorough well-defined segmentation process due to resource constraints. Moreover, the findings show extensive evidence on the achieved effects from segmentation, making it an important concept for companies to adopt. It reduces marketing expenditures, as the marketing activities become more customized to each target segment, which in turn increases the effects of the activities.

Figure 11 presents the developed guidelines for segmentation in the B2B market and can be considered the main managerial implication. Based on the thesis findings, it is reasonable to assume that the developed guidelines are easier to implement than previous models because it considers companies' actual segmentation practices and academic literature. Further, the model can be implemented by any company regardless of the industry it operates within. A company needs to consider each stage carefully before moving to the next stage as different errors might occur.

5.6 Limitation

Although the thesis has some interesting findings, several limitations are important to discuss. First, a purposive sampling technique implies that the sample is not representative of the population. Further, because of resource restrictions, the thesis is only conducted with companies in Norway.

Second, due to the COVID-19 restriction, all interviews were conducted online. One consequence is that the interviewer and interviewee lacked human interaction and quickly interrupted each other. Hence, the digital environment could have led to the participant feeling less comfortable and misunderstood, leading to less information being shared.

Third, although measures were made to ensure that the interview was with the marketing managers. The authors experienced in one interview that the marketing manager was not the one who conducted the company´s segmentation. The consequences were a lack of explanation and undetailed answers regarding the company's segmentation process. The authors should have stated that they needed to interview the employee responsible for segmentation

Fourth, the authors experienced a high variance in the interview length. In some interviews, due to time restrictions, not all questions were asked despite the effort beforehand to ensure enough time. The consequence is missing data. The authors should have asked more follow-up questions and asked for more elaborations. Thus, it could have been advantageous if the interviews lasted longer to gain more fruitful information.

Fifth, the participants' answers appear less thoughtful as there is an incoherency between companies´ lack of management of segmentation and the experienced effects. The authors should have questioned the managers´ lack of management. This limitation threatens the results, validity, and reliability.

Sixth, the findings are based on the interviewee´s self-report and explanations. Therefore, the findings are threatened by social desirability bias. The authors experienced a distinction between the understanding of segmentation as a concept between theorists and practitioners. Thus, insecurity about the concept of segmentation could be another aspect that contributed to the social desirability bias. The questions should have been formulated better to match the participant´s level of knowledge.

Seventh, citations from the interviews are translated to English. This can damage the authenticity as the thesis´ authors might have failed to express the emotions and thoughts to the interviewee correctly (Guba & Lincoln, 1994).

Eight, the results are analyzed by a thematic analysis, which threatens the objectivity of the results; thus, different results could be obtained.

Ninth, Tynan and Dayton (1987) argue that segmentation is not useful if the company has the dominant brand in the market. Several of the companies included in the sample are market leaders in their respective industries, which might explain the lack of structured segmentation processes. Thus, the thesis might have included irrelevant companies.

Tenth, responses from question 3a on the criteria for the segmentation variables do not provide enough insight to draw sufficient conclusions from. The author of the thesis should have asked more follow-up questions to gain a deeper understanding of the subject.

5.7 Further research

The thesis investigated six different research questions, which were used to develop the guidelines. It would be insightful to expand each research question as it was discovered that companies do not necessarily have a thorough strategic evaluation of each question. Thus, making all six relevant for further research.

The developed guidelines can be considered a preparation for how segmentation processes can be conducted. The guidelines, however, need comprehensive testing to ensure its efficiency and outcome. Further research should therefore use the developed guidelines in broad validation testing.

A significant finding was that the companies in the sample reported that they lack sufficient access to data. Indicating that further research should investigate how B2B companies can extract insightful data, which can be used to target customers to a greater extent.

Further, the thesis considered segmentation primely from the companies' perspective and how it is used to efficiently segment customers, making it relevant for further research to investigate how the customers perceive companies that perform segmentation compared to those that do not.

Lastly, the thesis only interviewed Norwegian companies, making it relevant to include companies from other nations in the sample.

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7.0 Exhibits

Exhibit 1: Email invitation for recruiting companies to in-depth interviews

Subject: Invitation to in-depth interview for master's thesis in segmentation - BI Norwegian Business School

Hey, XX!

We are two master's students who are in their final year at BI in Strategic Marketing Management and want to get in touch with the marketing manager in (name of the company) to interview you for our master's thesis.

Our master's thesis aims to investigate segmentation in the corporate market and how companies use this to attract potential corporate customers. Segmentation in the corporate market is a field that has been little researched. Therefore, it is useful and interesting to do research in this subject area, and you now have the opportunity to help provide valuable information to further develop this field.

The information will only be used in the master's thesis. Furthermore, only the name of the company or sector / industry the company operates in will be provided. If desired, the assignment can be made confidential, but we are basically only interested in how you use segmentation on a general level.

We envisage conducting the in-depth interview in February/March 2021, and the interview will take approx. 60 minutes. All guidelines for Covid-19 will be complied with, and the interview can be conducted digitally.

Their participation in this master's thesis had provided valuable insight and professional strength.

If there are any questions, just get in touch.

Hope to hear from you.

With best regards,

Lene Larsen & Frida Casén

* The email is translated in Google translate, as the original email was written in Norwegian.

Exhibit 2: The Interview guide

Interview guide

Intro

The purpose of our thesis is to research segmentation in the B2B market to identify how your company uses it to target customers. We are mainly interested to hear how your company uses segmentation on a general basis and in the segmentation variables you use. There has been little research on this field, which makes it interesting to expand it, and the information you provide will be very helpful to do exactly this.

Market segmentation divides the market into distinct groups of homogeneous consumers who have similar needs and consumer behavior and thus require similar marketing mixes. *

If any questions are unclear, just ask, and we will elaborate and explain

Questions

Firstly, we will start by asking you some general questions related to how your company use segmentation

1. Which customers/markets/industries are your company targeting?
    a. Why are you targeting these customers/markets/industries?
2. Briefly explain your company's segmentation process.

We are now moving on to more specific questions about the segmentation variables your company use. Segmentation variables are factors a company uses to divide the market or customers

3. Which segmentation variables does your company use?
    If they are struggling to answer, give examples of variables: size, geography/location, industry, customer needs, purchasing characteristics, usage characteristics, business market, identifiability, accessibility, compliance.
    a. What criteria do you use for the segmentation variables?
       E.g., Identifiable, profitable, measurable, relevant for a sufficient part of the market, relevance for your marketing strategy.
    b. How did you come to the conclusion that these segmentation variables are the most effective and profitable?
    c. Have you previously used other segmentation variables?
        i. If yes, why did you change them?

By now, you have defined the market and the segmentation variables – we are now moving onto questions about how you form your segments.

4. What type of method do you use to form your segments?
    a. Do you use previous experience, knowledge, and secondary data?
    b. Do you use an analytical approach?
5. How many segments do you have?
    a. Why have you chosen this number of segments?
6. Which criteria do you use for segment formation?
    **Possible criteria: similarities of needs, profitability, both, similar response to marketing activities*

We are now moving towards the end of the interview and have only a few more questions left regarding the results your company achieves by segmenting.

7. How do you use the segments in designing strategies and marketing activities?
8. What effects are achieved from segmentation?
    a. How do you measure the effects?
9. How often do you update the company's segments/process?
10. This is a reflection question – is there anything you could do differently and/or better in your company's segmentation process?
11. We are now at the end of the interview, is there anything you would like to add?

Thank you for your participation in this interview and for taking the time.

* Definition in the interview guide is by Keller (2013).

Exhibit 3: Explanation of the segmentation variables

Explanation of segmentation variables	
Size	Turnover, number of employees.
Industry	The industry the company operates in. E.g., finance.
Needs	The different needs of the customers.
Role	Who the company is talking to. E.g., CEO, CFO, CTO.
Geography	The geographic location of the company.
Type of customer	If the customer is transactional, long-term relationship or strategically important for the company.
Owners	Who owns the company? Several companies in Norway are owned by the same company. E.g., Sats and XXL.
Demographic	Size, geography, industry and firmographic.
Company type	Limited liability company, sole proprietorship, apportioned liability partnership, government, society.
Type of product/service	If the company buys products or services.
Expertise	The internal expertise the company has about an industry.

Price	The price it costs to target the customer.
Risk	Type of risk company do not want.
Customer journey	Where in the customer journey the company is.
Competitive position	If they are the market leader, have the second position or if they are late entrants.
Customer´s ambition	If they have ambition to become the market leader.

Exhibit 4: Explanation of the segmentation variables criteria

Explanation of segmentation variables criteria	
Identifiable	Easily identified.
Profitable	How profitable the segmentation variable are.
Compliance & risk	The risk associated with the variable.
Generic	Could be applied world-wide.
Long-term	Could be used for several years.
Availability	Use segmentation variables available on social media
Relevant to the market	Are the variables relevant for the market
Measurable	Ability to easily measure it.
Match between capabilities and customer needs	That the variables fit the company's capabilities and the customers' needs
Attractiveness	How attractive the segmentation variable is.