

Submission for the Award of Master of Business  
(Research)

**Do Product Variants Appeal to  
Different Segments of Buyers within  
a Category?**

**Giang Trinh**

University of South Australia

Ehrenberg-Bass Institute for Marketing Science

Supervisors: Associate Professor John Dawes

Professor Larry Lockshin

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# Abstract

Market segmentation, the process of dividing a market into different groups of buyers, plays an important role in marketing according to many authors (Dibb and Simkin, 2008; Dickson and Ginter, 1987; Frank *et al.*, 1972; McDonald and Dunbar, 1998; Smith, 1956; Wedel and Kamakura, 2000; Weinstein, 1994; Wind, 1978). The rationale for market segmentation is that buyers can be classified into different groups, which share similar needs or buying behaviour. A marketing mix can then be designed to satisfy the needs of each particular group of buyers.

A vast body of marketing literature has paid attention to market segmentation at the brand level. Within that body of work there has been a heavy focus towards segmentation *methods*. While some studies have discovered segments of buyers for different competing brands, these have often been confined to single product categories (e.g. Grover and Srinivasan, 1987; Kamakura and Russell, 1989). As a result, this has raised concerns about the extent (and logic) of market segmentation at the brand level among marketing scholars (e.g. Hammond *et al.*, 1996; Hoek *et al.*, 1993; Wright and Esslemont, 1994; Wright, 1996). Indeed, large-scale empirical studies have shown that competitive brands rarely appeal to buyers with different demographic or psychographic characteristics (Dawes, 2006; Fennell *et al.*, 2003; Hammond *et al.*, 1996; Kennedy *et al.*, 2000; Kennedy and Ehrenberg, 2001;).

Although *brand* is an important attribute for the choice of a particular product, other attributes such as pack-size and formula cannot be ignored (Fader and Hardie, 1996; Andrews and Manrai, 1999). Indeed, research has shown that there is higher loyalty towards product attributes rather than brands in the wine category (Jarvis *et al.*, 2007). Therefore, despite the lack of evidence of market segmentation for competing *brands* as shown in recent research, market segmentation for different product *variants* might occur.

This thesis therefore will address that issue by examining whether different product variants appeal to buyers with different demographic characteristics. The thesis

examines the product variants (such as formula, pack-size, form, pack-type) of a range of brands in nine consumer goods categories. The thesis applies the cross-tabular analysis method for segmentation of product variants. It calculates and compares the market share of each variant within each demographic group. If a variant has a higher market share within a specific demographic group than the overall average, this indicates segmentation at the product variant level.

The findings show that there are many differences in the market shares of product variants among different demographic groups of buyers. The largest differences are found within the age and employment status variables. This indicates that functionally different product variants tend to draw different demographic-based segments of buyers. For example, the healthy variants such as diet soft-drinks and decaffeinated instant coffee appeal more to an older buyer segment. In contrast, the regular or standard variants appeal more to a younger aged segment. This is an important contribution. Results in the literature on brand segmentation have shown that demographics play little role in explaining brand preference. One reason might be because marketers often develop multiple variants for a brand. This thesis has focused on the variants, which appears to be a more fruitful avenue for segmentation. With the findings across nine product categories, it is concluded that demographics such as age and employment status are good bases for market segmentation of product variants. Thus, marketing researchers and practitioners are encouraged to use demographics in market segmentation studies at the product variant level. Furthermore, the fact that functionally different product variants attract different segments of buyers indicates that target marketing is implementable at the product variant level.