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An exploration of the gaps between theory and practice in fashion retail segmentation. A developmental paper.

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Abstract

An exploration of the gaps between theory and practice in fashion retail segmentation.

This paper reviews the literature on market segmentation in the context of the fashion retail sector with specific regard to the mature female consumer of fashion. The paper identifies two gaps between the academic theory and marketing practice: The first gap relates to the prevalence of developing complex, statistical models of segmentation in the literature, while there is a paucity of guidelines for practitioners to implement segmentation projects in practice.

The second gap exists in relation to the segmentation and targeting practices of fashion retailers who are still practising an “only youth = fashion” approach (Jackson and Shaw, 2009). The literature here documents the lucrative potential of mature consumers and advocates for greater understanding of the complex and dynamic nature of the mature female fashion consumer. Theory, in this instance appears to be in tune with market and demographic developments, while retail practitioners lag behind. The paper concludes with a review of the research questions and proposed methodology for the research underpinning the paper.

Word Count: 2,073

Introduction

Across the developed and the developing world, populations are ageing. The trend is so marked as to have been termed an “Agequake” by consultancy company A.T. Kearney, (2013, p.2) in terms of its predicted impact on economies, companies and most particularly, retailers. Women aged 50 and over are now “one of the most powerful consumer groups in the UK, spending more than £2.5bn per season on fashion” (Kantar Worldpanel 2014). Yet, research commissioned by retailer JD Williams in 2014 found that over 60% of mature women (defined in the study as 50 plus) felt “underserved” and “forgotten” by the fashion industry (Smithers 2014).

The fashion retail sector is highly competitive and companies must strive to craft strategies which will deliver competitive advantage. Given the macro, socio-demographic trends of a growing segment of mature consumers with high disposable incomes, the question must be asked why mature women feel the fashion industry has forgotten them and whether fashion retailers are overlooking the opportunity to create competitive advantage which would accrue from actively targeting this potentially lucrative segment?

Theoretical Context 1: Segmentation strategy

Segmentation is widely recognised as a benefit to companies in their strategic marketing planning by improving customer orientation (Dibb 1998, 1999; Wind 1978; Wong and Saunders 1993 etc). Strategic segmentation is considered to be a source of competitive advantage for companies, and whilst more comprehensive than marketing segmentation, Deac and Stanescu (2014) acknowledge the critical role that having a good in-depth knowledge of competitors and of customers and the elements that determine the value perceived by them plays in determining accurate and successful strategic segmentation. Market segmentation facilitates the understanding of consumer needs (Martins, 2012). However, since the 1990s, the marketing literature has acknowledged that consumers have increasingly abandoned predictable patterns of consumption with changes in lifestyle, income, ethnic groups and age increasing the diversity of consumer needs and buying behaviour. This suggested that segmentation approaches were becoming less effective and less efficient than they are often perceived to be (Firat and Schultz, 1997; Sheth et al., 2000). Significantly, these challenges have led to difficulties in the implementation of segmentation projects for practitioners (Venter, Wright and Dibb 2015; Sheth et al 2000; Firat and Schultz 1997 etc).

Despite the difficulties experienced by marketing practitioners in implementing segmentation strategies, relatively little research has been carried out on this. With some notable exceptions, (Dibb & Simkin, 2009; Quinn, 2009), academics have been more concerned with developing bases for segmentation and defining quantitative models to determine statistically robust segmentation models (Dibb 1998, 1999). Dibb and Simkin (2009) identified a perceived divergence in the approaches of practitioners and academics for identifying segments, and also concerns among practitioners that certain “academic truths” have little relevance in practice.

Theory / Practice Divide 1:

The marketing literature in the 1990's was primarily concerned with the fragmentation of consumer lifestyles which posed significant challenges to the effectiveness of segmentation strategies (Brown, 1995; Firat and Schultz, 1997; Sheth et al., 1999). Firat and Venkatesh (1993) cautioned that the managerial response to this challenge was of critical importance given their assertion that any strategic marketing approach which ignored the complex and dynamic nature of contemporary markets was likely to lead to marketing failure. Quinn et al (2009) comment that this market diversity and complexity emphasised for practitioners the need to develop a greater understanding of markets and that many managers saw segmentation as a logical step towards this. However, practically useful developments in segmentation have been few "as the process often fails to provide a manageable solution" (Quinn et al, 2009).

While the lack of practical guidelines for managers on the implementation of segmentation is widely criticised, Hoek et al (1996) are also critical of the fact that the segmentation process itself involves a number of assumptions and arbitrary decisions by managers which they believe contribute towards segmentation solutions that are then neither robust nor stable. They suggest this is brought about by the lack of practical guidelines, coupled with the trend towards complex, fragmenting markets and diversity in consumer behaviour patterns, which lead to managers adopting simplistic and intuitive segmentation approaches.

Wedel and Kamakura (2000, p. 329) agree that market segments are ultimately determined by the manager's strategic view of the market. "His/her perspective determines the way homogeneous groups of potential customers are to be identified by market research" (Wedel and Kamakura, 2000, p. 336). Wright and Esslemont (1994) go so far as to assert that there is no reason to conclude that targeting the segment with the highest response [to a specific marketing programme] will necessarily produce the greatest overall response. Wright (1996) is further sceptical of whether it is at all possible to deliver a separate marketing mix to different segments. However, even if that were the case he concludes "it is quite possible.... that a mass marketing effort could have a better overall return" (Wright, 1996, p. 20).

Therefore, against a background of growing complexity of markets and consumer behaviour there is doubt about the concept of segmentation itself. Dibb (2001) documents the growing impact of technology in developing a rational approach to segmentation. Complex frameworks make use of data fusion techniques linking infinite variables to provide insights into the nature of fragmented markets. Yet research by Hussey and Hooley (1995) shows that multivariate techniques were seldom used in British companies. The work of Dibb and Simkin (2009) goes some way to bring theory and practice closer, however the divide has not yet been bridged. As Quinn (2009) concludes, "contemporary applications and uses [of segmentation] no longer provide synergy with the methodological and conceptual foundations of the market segmentation concept."

This academic-practice gap has been identified as a significant issue across the wider social sciences (Sandburg and Tsoukas, 2011) even bringing the purpose and role of academic research into question (Sandberg and Tsoukas 2011; Splitter and Seidel 2011; Rousseau, 2007 and Ghoshal, 2005; cited in Gillespie, Otto and Young, 2018). Gillespie et al (2018) put forward an interesting case for big data collaborations between academics – who have the analytical capabilities but frequently lack access to the data – and practitioners who through big data are collecting and harnessing vast amounts of information on customers but who lack the time or expertise to analyse it appropriately. Such collaborations would be welcome and

could undoubtedly assist in bridging the analytical gap however do not solve the problem of implementation of segmentation strategies.

Theoretical Context 2: Segmenting the Fashion Retail Market – the case of the mature female fashion consumer.

i) Retail Market Segmentation

The retail marketing literature acknowledges the importance of segmentation as a concept. Park and Sullivan (2009) argue that market segmentation is a crucial strategy for the retail sector, and that it is fundamental to understanding consumer behaviour. For retailers, a superior understanding of shopper needs can be a significant source of potential competitive advantage and therefore demands the attention of senior managers (Barchet et al., 2013)

While the literature is clear on the strategic role of segmentation, Rudelius et al. (1987) argue that, marketing theorists have not studied how it is actually applied in practice. Danneels' (1996) research into the adoption of normative segmentation strategies by apparel retailers in Belgium endeavours to bridge this divide. The findings of this study were quite startling and at times in direct contradiction of academic segmentation theory. Most notably, in Daneels' study, *none* of the retailers in the sample conducted a formal segmentation study prior to creating their first store concept). Similarly, Quinn et al (2007, p.59) found that segmentation through the practices exemplified in their study is "highly intuitive and emotional, rather than planned or rational".

ii) Segmenting Mature Markets

The so called "grey market" (Carrigan 1998) of 50+ or "older population" is increasingly becoming the focus of marketers, also in the apparel business (Mumel and Prodnik, 2005). Yet Carrigan (1998) believes there is a general lack of understanding by companies of the needs of the 50 plus consumer. The essential first step towards defining an effective marketing strategy to target the mature market is to acknowledge that they are a diverse, complex and differentiated consumer grouping. 'With reference to age, consumers are not homogeneous' (Moschis & Nguyen 2008, p. 259). Mumel and Prodnik (2005, p. 446) conclude "that it is not true that 'all older people are the same' as far as the apparel business is concerned".

Worldwide, 60+ consumers spent >\$8 trillion in 2010: by 2020 this will increase to \$15 trillion (A.T. Kearney, 2011). However, despite the potential advantage of targeting the lucrative mature consumer segment and the growing evidence of the need for more theories and concepts appropriate for use with older adults (Sudbury-Riley and Edgar, 2013), there has been relatively little information gathered so far about their shopping behaviour (Birtwistle and Tsim 2005) and there is still a paucity of such theories and concepts at this time (Sudbury-Riley, Kohlbacher and Hofmeister, 2015). Many of the misconceptions concerning mature female apparel shoppers relate to this cohort being considered homogeneous, assumed to have similar tastes (Mumel & Prodnik 2005). However research has shown that this market has a multitude of preferences in terms of clothing, much of which is based on their lifestyles and tastes (Moye & Giddings 2002). In addition to this, the mature market has begun to recognise their own viability as they desire many of the same products and services as younger generations (Moye & Giddings 2002). This was underlined by a recent UK survey which found that older women consider that they are largely disregarded by high-street retailers despite their growing numbers and spending power (Smithers, 2014).

Theory / Practice Divide 2:

The literature on marketing to mature markets reveals a further academic/practitioner divide. A large body of literature exists in relation to the complexities involved in segmenting the mature consumer extending back to Greco 1986, Bone 1991, Carrigan 1998, Doka 1992, the earliest works of Moschis, Lee & Mathur 1997, etc. Common themes emphasised the growing importance of the mature segment, the heterogeneous nature of the “grey market” (Carrigan 1998) and the need to address a number of issues in relation to retail environment and product choice.

Yet by 2005, Birtwistle and Tsim’s study into the UK mature women’s clothing market highlighted the lack of apparel choice available to mature women in comparison to their younger counterparts. Holmlund et al. (2010) corroborated these findings in their research in Finland which confirmed the dissatisfaction of mature women with ready-to-wear ranges. Coupled with the findings of the JD Williams research in the UK (Smithers, 2014) which revealed that 61% of female consumers aged 50 plus feel underserved and forgotten by fashion retailers, these studies would suggest that while academics have been advancing theories advocating the need for greater understanding of the complex and dynamic nature of the mature female fashion consumer, fashion retail practitioners are still practising an “only youth = fashion” approach (Jackson and Shaw 2009). This indicates a potentially ironic twist on the academic / practitioner divide where in this instance, theory appears to be in tune with market and wider environmental developments, while retail practitioners lag behind.

Research Methodology

The research underpinning this paper will explore whether the fashion industry has overlooked or failed to correctly assess the mature female segment, and will also seek to identify more effective bases for segmenting fashion markets which could improve the targeting of this segment and lead to a potential source of competitive advantage for fashion retailers.

The Research Question is: Are mature female consumers well served by fashion retailers?

The Research Objectives are:

- RO 1: To examine *how* fashion retailers segment their markets.
- RO 2: To investigate *to what extent* mature female consumers feel well served by fashion retailers.
- RO 3: To explore the existence and impact of an Academic/Practitioner divide.

The aim of this developmental paper is to focus on RO3 and to explore whether the gaps identified above exist between the rhetoric and reality of market segmentation in fashion retail marketing and whether they lead to or impact on this oversight.

This is a multi-method qualitative study, comprising focus groups with mature female consumers aged 50-59, 60-69 and 70+, followed by interviews with representatives of the fashion retail sector; store managers, marketing managers, buyers, and designers. At time of

writing, the focus groups are underway and it is planned that the interviews will commence in late summer. Preliminary findings will, if available, be addressed at the conference.

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