Is segmentation a theory? Improving the theoretical basis of a foundational concept in business-to-business marketing

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ABSTRACT

Despite segmentation’s importance for marketing in general and the extensive research published on the topic over several decades, business-to-business segmentation is still not fully developed as a general theory—a status that may decrease academic interest in the field. Based on a recent contribution on the definition and typology of theory, this paper explores the degree to which segmentation can be considered a theory and, more specifically, which elements and perspectives are currently underdeveloped. We highlight some fundamental challenges that must be addressed to establish a better theoretical foundation for segmentation’s evolution into a more developed theory. We also present questions for future research to guide the advancement of business-to-business segmentation, which is necessary for a concept so central to business-to-business marketing.

1. Introduction

Segmentation is a cornerstone of marketing. More specifically, it is a central and essential aspect of market strategy, and entails the delineation of relevant customer groups through appropriate segmentation approaches (Chéron & Kleinschmidt, 1985). Although the segmentation of business markets is a foundation of business-to-business (B2B) marketing, academic research on this topic has declined in recent years (Mora Cortez, Clarke, & Freytag, 2021). We attribute this reduced academic interest to the lack of a theoretical foundation for B2B segmentation and, thus, the apparent absence of a general B2B segmentation theory. For instance, Mora Cortez et al. (2021) find not only a large proportion of atheoretical studies in their review of B2B segmentation literature but also that the conceptual anchors in the theoretical studies were predominantly adjacent constructs, such as relationship marketing and organizational buying behavior, rather than segmentation theory itself. Against this backdrop, we argue that the seemingly atheoretical status of such a crucial element of B2B scholarship and practice results in a host of fundamental problems and, consequently, may severely limit future advances in this important domain. As B2B segmentation is a key part of B2B marketing, its theoretical basis must be secured and developed to guide, inspire, and ensure future research in the field. In other words, a stronger theoretical basis is needed if marketing is to “rediscover” segmentation (Yankelovich & Meer, 2006) in both academic research and practice.

In this paper, we contribute to the B2B segmentation literature by providing a systematic analysis and assessment of prior work in B2B segmentation. To do so, we draw on Sandberg and Alvesson (2021a) conceptualization of theory. We critically discuss the extent to which B2B segmentation is indeed a theory. Moreover, we provide the contours needed to see how the theory of B2B segmentation can be developed in the future. In so doing, we seek to advance and rekindle interest in B2B segmentation by explicitly drawing attention to its strengths and weaknesses as a theory, and by addressing the problem of the large proportion of atheoretical studies on B2B segmentation (e.g., Mora Cortez et al., 2021). The assessment of the theoretical status of B2B segmentation and the subsequent discussion of avenues for future research represent a needed theoretical vantage point with important implications for the study of B2B segmentation. As such, we hope our work lays the steppingstones for reviving academic interest in the construct.

While our aim is unique, we draw on some related work. Mintzberg (2005) suggests carefully dividing theory development into two processes: “the creation of theory” and “the testing of theory.” The former is about creatively conceiving ideas, while the latter focuses on rigorous empirical testing of the verisimilitude of those ideas. The establishment
of segmentation as a field of study and of segmentation as a theory is typically attributed to Smith (1956), although the basic idea was expressed earlier (e.g., Frederick, 1934). Hence, following Mintzberg (2005) rationale, Smith’s contribution can be seen as the creation of segmentation theory. Smith (1956, p. 6) defines market segmentation as “viewing a heterogeneous market (one characterized by divergent demand) as a number of smaller homogeneous markets.” As such, segmentation “tends to bring about recognition of several demand schedules where only one was recognized before” (Smith, 1956, p. 5). Since its introduction, the concept has been extensively tested in practice and continuously refined as a methodological tool (e.g., Andersen & Ritter, 2008; Freytag & Clarke, 2001; Haley, 1968; Mora Cortez et al., 2021; Rangan, Moriarty, & Swartz, 1992; Wind, 1978) in line with the theory-testing aspect of theory development (Mintzberg, 2005). As a result, it is now mainly a non-controversial, taken-for-granted marketing practice.

B2B segmentation is central to B2B marketing theory, and theory development is central to academic research. In Gregor (2006, p. 613) words, “developing theories is what we are meant to do as academic researchers and it sets us apart from practitioners and consultants.” Hence, there is arguably a pressing need to assess and advance the theoretical status of a construct so deeply engrained in B2B marketing.

To address this question, we utilize the seven fundamental elements of theories (Sandberg & Alvesson, 2021a, 2021b) as a guiding framework is predicated on the fact that this framework is based on different elements (see Section 3) that can be developed to different degrees. Thus, the framework allows for a multi-dimensional assessment and does not prescribe only one type of theory (see Section 4). It is a relatively exhaustive typology that allows for different realizations of theorizing and, as such, has the potential to advance B2B segmentation research as a multifaceted field of study. We similarly draw on seminal papers on B2B segmentation (see Appendix), all of which have been well-cited and comprise the conceptual foundation of B2B segmentation, and from key literature reviews on B2B segmentation.

The remainder of this paper is structured as follows. First, we examine the general idea of a theory. Then, we describe the elements that constitute a theory and how the B2B segmentation literature contributes in that regard. In other words, we analyze the extent to which a B2B segmentation theory exists. Third, we assess different types of theory (Sandberg & Alvesson, 2021a, 2021b) to illustrate which types of theory the extant B2B segmentation literature has addressed and to guide future research toward promising, currently underdeveloped theory types. Fourth, we outline additional research questions, which form a potential research agenda aimed at developing a better theoretical foundation of B2B segmentation. Lastly, we highlight managerial implications.

2. What is (not) theory and why do we (not) need it

How to define and delimit the nature of theory has long been debated and contested in a multitude of disciplines. According to Merton (1967, p. 39), “like so many words that are bandied about, the word theory threatens to become meaningless,” and the “use of the word often obscures rather than creates understanding” due to diverse applications and definitions. In a similar vein, Sutton and Staw (1995, p. 372) speculate that the lack of consensus on what theory is may explain the difficulty in developing strong theory. While it is beyond the scope of the present paper to settle this long-standing discussion, a review of some of the seminal contributions to the theory discourse is relevant for our analysis and for setting the scene for our argument.

In addressing the lack of consensus on what constitutes a theory, Sutton and Staw (1995) focus on the five features that do not constitute theory according to most editors and reviewers. Specifically, they suggest: (i) references are not theory, as they do not explicitly provide a causal logic; (ii) data is not theory, as it does not in itself explain why empirical patterns are observed; (iii) lists of variables or constructs are not theory, as they do not comprise a theoretical argument on their own; (iv) diagrams are not theory, as good theory is often representational and verbal; and (v) hypotheses (or predictions) are not theory, as they do not contain logical arguments for why empirical relationships are expected to occur (Sutton & Staw, 1995). Although each of these five features comprise important parts of a well-crafted conceptual argument, they are arguably not theory in and of themselves.

Commenting on Sutton and Staw (1995) propositions, DiMaggio (1995) suggests that there is more than one kind of good theory. In this regard, he proposes that there is: (i) theory that covers laws—that is, generalizations that together describe the world as we see it; (ii) theory that offers enlightenment—that is, theory as a “surprise machine” aimed at clearing away conventional notions to make room for exciting insights; and (iii) theory as a narrative—that is, an account of social processes that emphasizes empirical tests of the plausibility of the narrative as well as scope conditions. According to DiMaggio (1995), disciplines must make room for all of these versions of theory (including hybrids) and tolerate their idiosyncratic limitations.

Weick (1995, p. 385) seeks to add nuance to Sutton and Staw (1995) message by suggesting that too much emphasis is placed on theory as a product instead of theorizing, which refers to the process of approximaciones or “interim struggles in which people intentionally inch toward stronger theories.” Consequently, Weick (1995) suggests that ruling out the five “not theory” features may slow inquiries if the academic investigation relates to early-stage conceptual development in a field.

While there are clear differences in these views, there is arguably a near-hegemonic view of theory as being about explanation (Sandberg & Alvesson, 2021a). Although this is a valid perspective, Sandberg and Alvesson (2021a) suggest a broader, more differentiated definition of “theory” that allows for a more complete understanding. In so doing, they present five theory types: explaining, comprehending, ordering, enacting, and provoking.

Beyond discussions of what theory is, we have seen a less prevalent, but growing, debate on whether we even need theory. For instance, Miller (2007) makes a case for atheoretical research, as many insights are lost because they are pre-paradigmatic or pre-theoretic. Krlev (2023) argues that while economics has predominantly moved “beyond theory,” the theory imperative is still held high in management research. However, this imperative has come under attack with the criticism that we have too much theory that explains too little, which hampers our collective ability to address timely issues (Krlev, 2023). While we acknowledge these views, we argue that the problem does not reside in theory itself but rather in very conservative (mis)perceptions of what theory is and can be. Moreover, we believe that scholars and practitioners always have implicit, internalized theories, regardless of whether they are aware of them. In the B2B-marketing setting, research has shown that practitioners have internalized theories (i.e., “theories-in-use,” Zeithaml et al., 2020) that should be updated in accordance with market evidence (Pedersen & Ritter, 2022). Hence, theorizing is an essential element of both industrial marketing research and practice.

In sum, little consensus exists on what theory actually is, as a wide range of research approaches use theories for different purposes and in different ways. This can be seen as a strength for theory development, rather than a weakness, as it ensures that different angles are observed in terms of empirical phenomena and, thereby, more complete theoretical explanations can be derived within a given field. What seems to be generally accepted is that theory development is needed to understand and guide practice as well as advance research.
3. Elements of B2B segmentation theory

As discussed in the previous section, a long-standing, intense debate revolves around what constitutes a theory. This debate has taken various scientific avenues and addressed different topics but has not led to a consensus. In this paper, instead of contributing to this debate, we concentrate on the application of the constitutional elements of a theory, as our interest is in determining the extent to which B2B segmentation can be considered a theory. We apply the seven-element framework of a theory proposed by Sandberg and Alvesson (2021a), which is further detailed in relation to the marketing literature in Sandberg and Alvesson (2021b). Our reasons for doing so are twofold. First, Sandberg and Alvesson (2021a) provide a broad, more precise explanation of what theory is and, thereby, allow for inclusivity in terms of research approaches as well as a more granular analysis of B2B segmentation as a theory. Second, the broad nature of the framework suggests that research should ideally reflect disciplinary diversity in order to thrive and advance—a proposition we believe resonates well with B2B segmentation as a phenomenon and as a practice. In their work, Sandberg and Alvesson (2021a, p. 490) offer a proposal for the minimal defining elements to consider in terms of theory: purpose, phenomenon, conceptual order, intellectual insights, relevance criteria, empirical support, and boundary conditions. These elements can be seen as a form of meta-theory—that is, a theory about theory. In the following, we define these seven elements, and then determine the extent to which the segmentation literature addresses them and, therewith, constitutes a theory.

3.1. Purpose

A theory “needs to have a purpose, indicating what it is for” (Sandberg & Alvesson, 2021a, p. 491, emphasis in original, referring to Jacard & Jacoby, 2010, and Weber, 2012). The purpose of B2B segmentation theory is to understand and explain how differences in business customers’ needs can be described and captured in a way that supports strategic decision-making in B2B firms (e.g., Smith, 1956; Porter, 1996; see also Appendix for selected definitions). In the words of Chéron and Kleinschmidt (1985, pp. 101–102), “the purpose of industrial market segmentation (as in consumer market segmentation) is to identify relevant segments that permit the development of better marketing strategies catering to the specific needs and wants of the selected segment(s).” That is, there is an implicit assumption that business customers differ in their needs, and that the purpose of B2B segmentation is to capture and structure these differences to improve business performance by catering to those differences. Thus, segmentation has had an explicit and clear purpose since its inception. Although this first defining element of a theory is fulfilled, incidences still occur in which the term segmentation is wrongly used in a context that does not relate to this purpose.

3.2. Phenomenon

Relatedly, a theory needs to be directed at a phenomenon, which is defined as “something that exists and can be seen, felt, tasted, etc.” (Cambridge Dictionary, accessed September 2022). According to Sandberg and Alvesson (2021a, p. 493), “the way theories commonly relate to phenomena indicates a continuum: from regarding phenomena as more or less given to regarding them as largely humanly constructed.” The importance of this element is the relation of a theory to some sort of materialization so that the theory makes sense in the human world. Expressed differently, something that does not exist cannot be regarded as a theory.

B2B segmentation theory focuses on the description and utilization of customer heterogeneity in markets to develop differentiated value propositions (including, e.g., products, services, and solutions, which are also called “market offerings”) and value demonstrations (including sales and advertising efforts, and customer-relationship management) (Smith, 1956; for a discussion of value propositions and value demonstrations, see, e.g., Anderson, Narus, & Rossum, 2006; Ballantyne, Frow, Varey, & Payne, 2011; Eggert, Ulaga, Frow, & Payne, 2018; Skålén, Gummerus, Von Koskull, & Magnusson, 2015). Therefore, B2B segmentation theory originates from “something ‘out there’” (Sandberg & Alvesson, 2021a, p. 493), as it neither creates nor alters customers’ needs. Instead, segmentation captures existing differences and makes them applicable. However, the segments that include customers with similar needs are socially constructed and cannot be observed in a physical way (in comparison to, e.g., gravity or lightning). Thus, although the origins of business customers’ needs are beyond the scope of B2B segmentation theory and are treated as a given from a segmentation standpoint, the subsequent identification, description, and treatment of segments are humanly constructed. Likewise, the differentiation of value propositions and value demonstrations based on customer segments is humanly constructed, as humans in organizations craft these positioning devices. Hence, good segmentation captures an external reality—a phenomenon—but by grouping customers into segments and tailoring market activities accordingly, it also influences that phenomenon. This creates an interesting dual tension in this second element of a theory in the study of B2B segmentation.

The central object of interest is differences in customers’ needs and the opportunity to structure such differences into “segments.” As such, any grouping of customers that is unrelated to customers’ needs is not formally included in segmentation theory. This clear delimitation of the phenomenon is a major challenge for segmentation theory—many academic studies and practical implementations use the term “segmentation” even though they rely on supplier turnover, supplier profitability, or the interaction/relationship climate rather than customers’ needs to categorize customers. Ritter and Andersen (2014) highlight three perspectives on customers. They suggest that only the “you perspective” relates to customers’ needs and is, therefore, the sole perspective that should be included in B2B segmentation theory. We view the violation of the phenomenon’s definition as one of the key barriers to the development of segmentation theory, as the resulting conceptual ambiguity hinders the field’s development and consolidation.

3.3. Conceptual order

A theory “must offer some form of conceptual order that makes productive distinctions and discriminations” (Sandberg & Alvesson, 2021a, p. 491, emphasis in original). A theory also specifies relationships among the constructs, thereby creating order through interdependencies. In other words, a theory needs to have logical granularity—within a theory, distinctly different concepts exist that can clearly be identified and that can be positioned relative to one another in some form of order and interdependencies.

A fundamental concept in B2B segmentation theory is customers’ needs. Unfortunately, customers’ needs are rather vaguely defined: “A customer need is an abstract context-dependent statement describing the benefits, in the customer’s own words, that the customer seeks to obtain from a product or service” (Timoshenko & Hauser, 2019, p. 2, referring to Brown & Eisenhardt, 1995, and Griffin, Price, Maloney, Vojak, & Sim, 2009). A need has also been defined as “the job to be done” for a customer, where “by ‘job’ we mean a fundamental problem in a given situation that needs a solution” (Johnson, Christensen, & Kagarmann, 2008, p. 52; see also Christensen, Hall, Dillon, & Duncan, 2016). Alternatively, the B2B value-creation literature mirrors customers’ needs with customer value, which is conceptually defined as desired benefits that can be gained in exchange for a sacrifice (e.g., a payment) (e.g., Anderson & Narus, 1996)—sometimes translated into gains and pains in practice (Osterwalder, Pigneur, Bernarda, & Smith, 2015). Given the central importance of customers’ needs for segmentation, the lack of a more concise definition of the concept as well as the different terms and interpretations are problematic for B2B segmentation theory.
The segmentation literature refers to segments, macro- and micro-segments, segmentation variables, and segmentation processes. “Micro” and “macro” relate to the level of detail achieved in segmentation—with several authors suggesting a two-step approach to segmentation (i.e., defining macro-segments first, followed by micro-segments; e.g., Chéron & Kleinschmidt, 1985; Wind & Cardozo, 1974). Segmentation variables are typically derived from the literature on organizational buying behavior (e.g., Johnston & Lewin, 1996; Sheth, 1973; Webster Jr & Wind, 1972), which has suggested numerous variables as relevant for consideration.

With regard to relationships among constructs, three fundamental axioms central to B2B segmentation theory can be derived from the above discussion:

1) Business customers can be grouped according to their needs and such groupings are referred to as segments;
2) A firm can adapt its value propositions and/or value demonstrations to address different segments and, as such, follow a differentiation strategy; and
3) The active use of B2B segmentation leads to better business performance.

A fundamental conflict, or tautology, is evident in this element of B2B segmentation theory. More specifically, is the claim that different segments should react differently to an organization’s value propositions (e.g., products, services, solutions) and value demonstrations (e.g., sales, advertising, branding) a defining requirement when creating the segments (i.e., all those who react similarly must be in one segment) or a proposed impact (i.e., based on the similarity of their needs, members of the same segment will react similarly to value propositions and value demonstrations)? In order to support conceptual order, we suggest that segmentation is the process of dividing customers into groups with similar needs. As a logical consequence, different segments will have different requirements for offerings and communication—and at different prices. In this interpretation, customers’ different reactions to value propositions and value demonstration serve as a quality measure for segmentation. This view suggests that good segments are groupings of customers that react differently and that such observed differences can be used to judge segmentation quality.

A great deal of conceptual effort has been devoted to structuring segmentation processes. For instance, Freytag and Clarke (2001) differentiate among identifying, selecting, and monitoring segments. Boeijgaard and Ellegaard (2010) focus on the implementation of segmentation. Moreover, segmentation is part of the standard STP (segmentation, targeting, and positioning) process. Yet, there seems to be no consensus on the conceptual order of relevant constructs and the relationships between those constructs. Therefore, although the segmentation literature offers concepts that are of interest in the academic debate and applicable in practice, conceptual clarity is lacking (i.e., What are the definitions? To what extent are those definitions widely accepted?) and there are few conceptual interdependencies (understood as explicit, logically argued, and/or empirically tested relationships between constructs). Thus, conceptual order is not a stronghold of B2B segmentation.

3.4. Intellectual insights

A theory must also offer intellectual stimulation in the form of new views or an interesting structure. In other words, a theory “must move beyond common sense” and “a qualified reader should experience the theory as making her or him able to think ‘better’ or ‘different’ about something” (Sandberg & Alvesson, 2021a, p. 491, referring to Corley & Gioia, 2011). Intellectual insights comprise a type of value created by a given theoretical perspective. One can therefore ask the following question: What value can readers gain from the theory of segmentation?
for investments. It should also reduce complexity. The notion of grouping implies that there are fewer segments than there are customers. As such, segments of one are not good segments.

Thus, three criteria determine B2B segmentation’s relevance:

1. Sufficient reduction of complexity,
2. Sufficient stability, and
3. Different reactions to offerings.

Therefore, the relevance of B2B segmentation can be monitored and managed using these relevance criteria. While it is possible to fulfill these criteria and, thereby, contribute to B2B segmentation as a theory, not all empirical examples score high on all three criteria. In other words, this element of B2B segmentation is rather dynamic, as it differs by case. Again, this could attract non-segmentation examples, which might create ambiguity.

3.6. Empirical support

A theory “typically needs some form of empirical support” (Sandberg & Alvesson, 2021a, p. 491, emphasis in original). Notably, there is plenty of empirical support for segmentation—many cases illustrate how businesses have used segmentation to define segments and drive business results. As such, ample material supports the idea of segmentation and its usefulness (e.g., Abratt, 1993; Rangan et al., 1992). For instance, Dibb (1998) posits that segmentation has well-documented benefits, and she uses published evidence and cases to explore elements that can reduce the chance of segmentation failure. Beyond academic studies, numerous practice-based accounts of the usefulness of segmentation are available (e.g., Yankelovich & Meer, 2006), which point to the relevance of the underlying logic and practice of segmentation. However, both academic studies and practical experience reveal that not all B2B segmentation is equal—that is, the outcomes depend not only on the segmentation process and its content but also on how subsequent segments are (mis)treated by marketers.

Hence, we arguably have “proof-of-concept” support for segmentation as well as an intricate understanding of what works and what does not. The body of empirical evidence suggests that B2B segmentation largely fulfills this element.

3.7. Boundary conditions

A theory “is always constrained by boundary conditions, such as what aspects of a phenomenon it includes and excludes and its range of applications across specific situations and populations” (Sandberg & Alvesson, 2021a, p. 491, emphasis in original). As Bacharach (1989, p. 496) states, a theory is “a statement of relationship among concepts within a boundary set of assumptions and constraints.” Under which circumstances does B2B segmentation apply? When does it not apply?

Explicit treatments of boundary conditions in relation to B2B segmentation are rare. The idea of segmentation seems relevant to firms in all industries and all geographical locations. The only boundary is the number of customers—if there is only one customer, then segmentation does not apply, as customers cannot be grouped together. A notable exception is Freytag and Clarke (2001), who explicitly address this boundary condition and offer a scale for capturing differences in B2B segmentation approaches ranging from “simple market transactions” to “complex market transactions.”

However, as noted in the previous section, not all types of segmentation work equally well or are suitable in all contexts. Segmentation is driven by a contingency argument. In other words, there is general consensus that segmentation works universally, but “what works” is highly dependent on the context, which is determined by the idiosyncrasies of organizations, customers, and market dynamics.

In sum, what can we make of the theoretical status of B2B segmentation? B2B segmentation has a clear purpose, and deals with a concrete phenomenon that is highly relevant and empirically supported. However, it falls short in terms of the “classic academic elements,” as it lacks conceptual clarity and boundary conditions, and has offered only modest intellectual insights since the initial idea of segmentation was accepted. In other words, B2B segmentation appears to be a victim of its own success, as it is taken for granted as a practice and few new intellectual insights are expected. Thus, to advance B2B segmentation as a theory, the development of these three elements (i.e., purpose, boundary conditions, and intellectual insights) must be a priority. We discuss this further in Section 5.

4. Types of segmentation theory

Sandberg and Alvesson (2021a) develop a typology of theories based on the above-discussed seven elements of theories. The claim is that not all elements must be equally developed, but rather that different combinations define the type of theory. Sandberg and Alvesson (2021a) suggest five major types: provoking theory, comprehending theory, ordering theory, enacting theory, and explaining theory. Instead of identifying B2B segmentation as one of these type of theories, in the following we examine the extent to which various contributions to B2B segmentation have relied on different types of theory. In so doing, we seek to create a meta-theoretical view of B2B segmentation—a kind of “super theory” (Sandberg & Alvesson, 2021b, p. 438). This application of theory types is based on the view that a theory does not necessarily have to be of one type but can encompass different approaches by replacing the ‘or’ approach with an ‘and’ one” (Cochoy, 2021, p. 423).

This view is legitimate, as “most theories include some elements of explaining, ordering, provoking, comprehending and enacting” (Sandberg & Alvesson, 2021b, p. 435). Moreover, we allow for theoretical diversity to avoid being myopically selective and normative in our treatment of what constitutes a theory. We regard the different types as complementary rather than exclusive. In fact, we argue that a field becomes theoretically stronger if different theory types co-exist and cross-fertilize each other.

4.1. Segmentation as a provoking theory

The main aim of a provoking theory is not to provide an explanation but to provide alternative, disruptive, and eye-opening ways of seeing phenomena (Sandberg & Alvesson, 2021a). In other words, “provocation is not about distancing from reality but rather about getting closer to it; it is about escaping theoretical bubbles, challenging common wisdom, and opening our eyes to what previous lenses prevented us to see” (Cochoy, 2021, p. 421).

Smith’s (1956) original article was thought-provoking and visionary. It challenged the general understanding that a firm must position itself in one market by suggesting that customer heterogeneity offered a possibility to understand a market as composed of different, smaller markets, which could be called “segments,” and that a firm could position itself in relation to those segments through differentiation. Stated differently, it challenged conventional economic assumptions of demand homogeneity. As discussed above, this view of B2B segmentation is now widely accepted.

Apart from Smith (1956), most contributions are rather logical extensions of B2B segmentation and, as such, not provocative enough to act as a provoking theory. As previously noted, segmentation is relatively uncontroversial and taken for granted. Thus, there are numerous opportunities for new contributions that challenge our understanding of B2B segmentation. More provocative thoughts might help B2B segmentation prosper into a stronger theory, as they could increase attention and dialogue.

One at least slightly controversial debate in the literature concerns “segment instability” (e.g., Blocker & Ritter, 2008) versus “segment stability” (e.g., Andersen & Ritter, 2008). That is, the view that segmentation is not a one-off practice but should be revisited continuously
versus the view that stability is a cornerstone of good segmentation practice. Thus, further clarification of segment stability and segment instability is one promising avenue for future research.

Another aspect of segmentation as a provoking theory relates to the seminal piece by Levitt (1983) on the “globalization of markets” in which he makes a case for converging commonality and emphasizes the need to look for similarities rather than differences among buyers. Levitt (1983) main objective was to provide an alternative to the excessive segmentation that was prevalent at the time, which he referred to as a “perverse practice of the marketing concept” (Levitt, 1983, p. 98), with the aim of spurring discussion and critical reflection. To some extent, Levitt (1983) highlighted the need for reduced complexity in the segmentation discussion, which generally advocates for increased complexity of business models due to the differentiation of value propositions and value demonstrations.

4.2. Segmentation as a comprehending theory

A comprehending theory offers “a qualified understanding of organizational phenomena by determining their meaning” (Sandberg & Alvesson, 2021a, p. 499), and is typically interpretive and qualitative (Sandberg & Alvesson, 2021a, p. 498). In other words, a comprehending theory is preoccupied with understanding specific organizational phenomena. As a comprehending theory, B2B segmentation offers an understanding of what segmentation is and what it means in organizations. This is often achieved through detailed descriptions of the B2B segmentation process that either conceptually detail how that process should occur or document perceived best practices.


4.3. Segmentation as an ordering theory

From an ordering perspective, a “theory is simply a way of imposing conceptual order on the empirical complexity of the phenomenal world” (Suddaby, 2014, p. 407). For instance, the periodic table orders chemical elements into rows and columns. In contrast, ordering theories in marketing often take the form of typologies and taxonomies.

The B2B segmentation literature is rich with ordering contributions. Webster Jr and Wind (1972) suggest a nested approach in which a variety of segmentation variables are ordered along four levels. Freytag and Clarke (2001) propose a dynamic segmentation framework. Andersen and Ritter (2008) develop a three-dimensional segmentation model for distinguishing among buyers according to types, roles, and scenes. Hence, B2B segmentation has value as an ordering theory due to the many contributions in the field and because the very logic of segmentation entails the ordering of customer complexity.

3 Levitt (1983) argument may appear to be more provocative for B2C than B2B markets, as B2B markets have been more global than B2C markets and, therefore, less affected by cultural issues. We are grateful to an anonymous reviewer for raising this point. Yet, in the context of our argument, the provocation is less about national versus global and more about the inherent issue of “customers are heterogenous and must be segmented” versus “customers are becoming more and more homogenous and should be addressed with standardized offerings.” The latter point is also provocative in a B2B context, although it is less explicit in Levitt (1983) argument.

4.4. Segmentation as an enacting theory

Enacting theories are concerned with the evolution of practicing of a theory. They aim “to articulate how phenomena are continuously produced and reproduced: that is, the processes through which they emerge, evolve, reoccur, change and decline over time” (Sandberg and Alvesson, 2021b, p. 502). As such, an enacting theory views a phenomenon as processually constructed and (re)produced.

Some contributions support B2B segmentation as an enacting theory. Clarke & Freytag (2023) discuss changes in B2B segmentation practices in small and medium-sized Danish enterprises. Venter, Wright, and Dibb (2015) conceptualize market segmentation as performative, and study how market-segmentation processes emerge in organizations and why they emerge in that way. Yankelovich and Meer (2006) suggest that the enactment of segmentation should be changed to rediscover the value of segmentation. While this research encompasses a steady stream of contributions, the advent of big data, machine learning, and digitalization is likely to substantially influence how segmentation is enacted (Ritter & Pedersen, 2020). Therefore, efforts in this regard need to be amplified.

4.5. Segmentation as an explaining theory

An explaining theory “is by far the most developed and common theory type” (Sandberg & Alvesson, 2021a, 2021b, p. 497), and the most widely accepted within the academic system. A typical paper has a set of hypotheses that are tested to demonstrate “inner workings” and “causal relations” (Sandberg & Alvesson, 2021a, 2021b, p. 497), which can be conceptually represented with variables that are causally related to each other (Sandberg & Alvesson, 2021a).

Unfortunately, the B2B segmentation literature has little to offer in terms of this type of theory, which we regard as a main driver of the lack of publications and academic effort on B2B segmentation. While many contributions follow an explaining theory logic (Mora Cortez et al., 2021), few (if any) use it to study B2B segmentation as a domain theory. Instead, B2B segmentation is often utilized as a variable or method theory to explain other domain theories. The same rigor is often not applied to the study of B2B segmentation itself. Increased rigor can be ensured through the development of conceptual clarity, common frameworks, and better boundary conditions.

We can sum up the preceding points in order to explicitly answer our research question (see Figs. 1 and 2). In terms of living up to theoretical criteria, B2B segmentation has a clear purpose, and deals with a concrete phenomenon that is highly relevant and empirically supported. However, it falls short in terms of the “classic academic elements,” as it arguably lacks conceptual clarity and clear boundary conditions, and as it has offered only modest intellectual insights since the initial idea of segmentation was accepted. In terms of the types of theory that are covered in the B2B segmentation literature, we find that the field is strongest in terms of comprehending and ordering theory, and the weakest in terms of explaining and provoking theory.

Given this backdrop, to what extent can we consider B2B segmentation a theory? B2B segmentation has a rather limited theoretical anchoring. Therefore, the field needs additional work in order to solidify its theoretical status. Research to date (phase 1— theorizing) has provided empirical evidence for the existence and relevance of segmentation, which has materialized in comprehending and ordering theory. However, in order to strengthen the theoretical status of B2B segmentation in the future (phase 2—theory as a product), we must undertake additional work on conceptual clarity, boundary conditions, and intellectual insights, especially in the form of explaining and provoking theory.

In short, B2B segmentation is rather limited as a theory—it can pinpoint and categorize a relevant, real-world phenomenon, but it cannot do much more than that. Therefore, more work is needed if segmentation is to achieve the status of a recognized theory. While many valuable contributions have been made, B2B segmentation as a theory is
still not sufficiently developed. Ample opportunities remain to contribute to the field. In other words, while B2B segmentation does not completely live up to the criteria of a full-blown theory, the many contributions to B2B segmentation research can be seen as valuable instances of theorizing—that is, the process of approximations or “interim struggles in which people intentionally inch toward stronger theories” often seen in early-stage conceptual development of a phenomenon (Weick, 1995, p. 385). The time is arguably ripe to finally move from theorizing to theory in developing B2B segmentation.

5. Avenues for future research

Based on our discussion of the seven elements of a theory and the five types of theories, we have identified several areas in which contributions are needed to establish a solid foundation for a theory of B2B segmentation.

5.1. Creating conceptual clarity

One major drawback of the segmentation literature is that many approaches claim to contribute to the development of the B2B segmentation field when, in fact, they do not. Although such publications contribute to our general knowledge and to other fields, they fail to enhance a theory of B2B segmentation. There is a strong need to develop a common understanding of B2B segmentation by developing a clearer statement of the phenomenon and by defining relevant boundary conditions. In this regard, we suggest building on Chéron and Kleinschmidt (1985, pp. 101–102) view that “the purpose of industrial market segmentation (as in consumer market segmentation) is to identify relevant segments that permit the development of better marketing strategies catering to the specific needs and wants of the selected segment(s).” This puts “specific need and wants” at the heart of segmentation and it requires, as a quality measure, that segmentation “permit[s] the development of better marketing strategies” (i.e., specific adaptations of value propositions and value demonstrations).
Within this domain, we need to develop a clear set of concepts. Suggestions have been made for “B2B segmentation variables” as well as “B2B segmentation levels” divided into “macro segments” and “micro segments.” Different “segmentation processes” have also been proposed. To advance the theory, we require clear conceptual definitions.

Similarly, the development of testable hypotheses (i.e., relations between concepts) and empirical tests of those hypotheses should be priorities for those wishing to develop the field. As some suggestions have already been made, this part of future research will entail replicating some empirical results as well as creating a stronger foundation based on new and improved analytical methods.

5.2. Uncovering boundary conditions

Few attempts have been made to understand the boundary conditions of segmentation theory. It might be that segmentation can be applied broadly and, thus, no clear boundaries can be defined. However, the development of boundary conditions would help the theory. For example, there is an obvious limit to segmentation in monopolies (i.e., when only one customer exists, as is often the case in business-to-government markets for, e.g., healthcare and defense). Moreover, the extant research includes discussions on the virtues of customization, which is defined as individualized offerings for customers. Does customization build on segmentation or does it make segmentation obsolete? Either way, a boundary condition lies in the nature and number of customers in a market.

Another interesting boundary condition relates to when we should talk about “segments” in a market and when we should consider “segments” as markets in their own right. While there will likely be grey zones in such definitions and delimitations, we have no theoretical basis for such an academic discussion and related managerial decisions.

5.3. Providing intellectual insights

The recent B2B segmentation literature has provided few insights. The first major insight provided by this stream of research focused on the potential in dividing customers into segments (Smith, 1956). A second major insight, or “provocation,” was the potential benefits of use similarities (Levitt, 1983). The high number of publications on the topic as well as the lack of conceptual clarity and theoretical consolidation have left the field in a position where new knowledge is hard to develop and disseminate. What is new? What could be intellectually stimulating?

Moreover, how can segmentation theory help solve society’s grand challenges? How can it provide intellectual insights relevant for, for instance, operations management or biology? As discussed above, the idea of segmentation has inspired other fields and their theoretical development, including “strategic positioning” (Porter, 1996), “disruption” (Christensen, 1997), “blue ocean strategy” (Kim & Mauborgne, 2004), and “diffusion of innovations” (Rogers, 2003). We hope that B2B segmentation can itself become a beneficiary of intellectual insights that can drive it forward.

5.4. Investigating segment stability versus segment instability

As discussed above, the issue of segment (in)stability is thought-provoking. From a conceptual perspective, customer segments must be stable in order to guide differentiation, and to be useful for business-strategy and business-model development. However, contemporary markets are characterized by dynamic change driven by technology (e.g., digitalization), sudden disruptions (e.g., the Covid-19 pandemic), and long-term trends (e.g., climate change). How can these situations be addressed? What are the consequences for B2B segmentation as a theory?

In our view, the literature on B2B segmentation must become more precise, and better able to distinguish between the stable and moving parts. Conceptually, it makes sense to differentiate among segment-

description (in)stability (i.e., the defining characteristics of a segment; e.g., “the environmentally oriented customer”), segment-measurement (in)stability (i.e., the way the existence and relevance of a specific need are measured; e.g., using self-reports or observations), segment-membership (in)stability (i.e., the segment a customer is in and whether customers move between segments), and segment-differentiation (in)stability (e.g., which differentiation suppliers implement for different segments). For example, “environmentally oriented customers” have long existed and this segment has a stable description. However, its measurements have changed. Today, firms publicly report their “going to zero” ambitions, and they increasingly set non-financial ecological, social, and governance (ESG) targets, which can be used to determine segment membership. Moreover, given the focus on climate change, more organizations have increased their environmental orientation and, thus, become segment members, even though the segment’s description has remained stable. Also, suppliers have developed new value propositions to address the “environmentally oriented customer” as new knowledge and new technologies have become available. We need to define (in)stability and discuss segment instability versus segment evolution.

Another promising approach is to distinguish between macro-segments and micro-segments (initially suggested by Wind & Cardozo, 1974). Macro-segments capture stable characteristics (i.e., one customer is in one segment for a considerable period of time; e.g., customer groups based on industry, value-chain position, public or private organization, and action and decision-making preferences; see, e.g., Ritter, 2014). Micro-segments are stable but customers move between them (e.g., the customer has different roles that may be performed at different times and by different people (Webster Jr & Wind, 1972), or the customer is in different “scenes” (Andersen & Ritter, 2008), such as meeting rooms, production sites, or conferences).

5.5. Developing provocative ideas about segmentation

Relatedly, we require thought-provoking ideas. What are the unexpected ideas, results, and implications of B2B segmentation? Are there counterintuitive insights about B2B segmentation that would make us revisit our assumptions about the phenomenon? A lack of “news” does not mean that a theory is outdated and no longer applicable. Instead, it suggests that there are few incentives to invest in research or to be interested in potential results, as limited new insights can be gained and any such insights are unlikely to have managerial implications. Alternatively, it implies that the concept is taken for granted, and that assumptions are not questioned or challenged, creating ample room for provocative studies.

One at least potentially provocative tendency concerns how segmentation is increasingly “botsourced” to machine-learning algorithms instead of being intentionally conceived by marketers. In other words, algorithms are being used to group, classify, and categorize segments based on prior behavior and preferences, thereby not only automating part of the segmentation process but also removing marketers from the process altogether. Such human versus machine (or extended intelligence) perspectives on segmentation demand additional research and, ideally, provocative debate on the implications of this development.

6. Managerial implications of B2B segmentation as a theory

Why should managers be concerned about the theoretical status of segmentation as long as it works in practice? On the one hand, strengthening the theoretical basis of segmentation could improve the field’s rigor—one could argue that if a construct is not rigorous, it cannot be relevant. As such, the deficiencies discussed in this paper suggest the need for some caution with regard to what is reliable knowledge and, thus, recommended for implementation in managerial practice.

On the other hand, managers have implicit theories that inform and guide their behavior (e.g., Zeithaml et al., 2020). Pedersen and Ritter
(2022) argue that industrial marketing itself should be seen as a practice-based process of formulating market theories (i.e., beliefs about the market) and subsequently updating those theories-in-use as new evidence that affects the subjective probabilities of the beliefs being true is collected. From this perspective, B2B segmentation is highly relevant and practical, and practitioners may be instrumental not only for developing their own theories-in-use but also for supporting the development of segmentation theory in general.

In combination, these two points suggest that the theoretical status of B2B segmentation is highly relevant for practitioners, as improved theory will improve their practice and as their practice already reflects inherent theories of B2B segmentation. Hence, as B2B segmentation is so widespread in practice, it is less about changing practices and more about refining them.

Two important challenges must be handled in managerial practice: pseudo-segmentation and constant re-segmentation. Pseudo-segmentation, which refers to a grouping of customers that is not based on customers’ needs but rather on, for instance, demographic variables unrelated to customer needs, does not qualify as segmentation, even if it looks like it on the surface. By calling such groupings “segmentation,” executives fail to take full advantage of the benefits and opportunities of B2B segmentation. Moreover, pseudo-segmentation is a form of managerial self-deception, as the manager believes that she or he is engaging in segmentation but the resulting insights are likely to be highly superficial.

The dangers of frequent re-segmentation (including the redefinition of segments and segment membership) include a loss of customer insights and inefficient resource allocation. When the underlying basis of segmentation changes, efforts to track and learn about customers are hindered, as no comparisons can be drawn.

Most investments in organizations, such as the development of new products and services, the installation of IT systems, or the introduction of new sales initiatives, take time. Re-segmentation leads to situations in which such investment projects cannot be evaluated or connected to the market as the reference points are changing. As a result, the organization misses an important feedback loop from customers. Of course, when realities in business markets change, B2B segmentation must be able to capture those changes. However, we argue that the needs of customers change at a much slower pace than many organizations realize. Therefore, re-segmentation is often a signal of bad segmentation practices rather than a reflection of market changes.

In sum, we argue that theoretical rigor is a prerequisite for practical relevance. Consequently, B2B marketing academics and practitioners should have a common goal of strengthening the theoretical status of B2B segmentation.

7. Concluding remarks

B2B segmentation addresses a relevant real-world phenomenon and there is a great deal of empirical evidence on its practical utility. Yet, as demonstrated in this review of the literature, a host of issues remain unsolved in the development of B2B segmentation as a theory. At present, B2B segmentation may, at best, be seen as an ordering and comprehending theory that entails several critical conceptual issues. There is a pressing need to address these issues to further solidify the theoretical status of this important domain of B2B marketing. As evident from our discussion, B2B segmentation appears to be a victim of its own success, as it is taken for granted as a practice and few new intellectual insights are expected. This status quo is unfortunate given the ample opportunities to solidify the theoretical status of B2B segmentation.

While this paper aims to contribute to the development of B2B segmentation, we suggest that the main thrust of our arguments also applies to consumer segmentation. While these two areas of segmentation differ in some respects, the views on B2B segmentation discussed here may translate rather directly to consumer marketing.

Data availability

No data was used for the research described in the article.

Appendix A. Appendix

Table A1
Publications on B2B segmentation with more than 100 Google Scholar citations (as of September 2022).

<table>
<thead>
<tr>
<th>Author(s) (Year)</th>
<th>Journal</th>
<th>Google Scholar Citations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Smith (1956)</td>
<td>Journal of Marketing</td>
<td>3277</td>
</tr>
<tr>
<td>Wind and Cardozo (1974)</td>
<td>Industrial Marketing Management</td>
<td>448</td>
</tr>
<tr>
<td>Wind (1978)</td>
<td>Journal of Marketing Research</td>
<td>1624</td>
</tr>
<tr>
<td>Choffray and Lüll (1980)</td>
<td>Industrial Marketing Management</td>
<td>128</td>
</tr>
<tr>
<td>Plank (1985)</td>
<td>Industrial Marketing Management</td>
<td>166</td>
</tr>
<tr>
<td>Rangan et al. (1992)</td>
<td>Journal of Marketing</td>
<td>222</td>
</tr>
<tr>
<td>Freytag and Clarke (2001)</td>
<td>Industrial Marketing Management</td>
<td>213</td>
</tr>
<tr>
<td>Blocker and Flint (2007)</td>
<td>Industrial Marketing Management</td>
<td>143</td>
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Table A2
Review articles on B2B segmentation.

<table>
<thead>
<tr>
<th>Author(s) (Year)</th>
<th>Journal</th>
<th>Conclusions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Choffray and Kleinschmidt (1985)</td>
<td>International Journal of Research in Marketing</td>
<td>“Among the limited number of published studies on industrial market segmentation, only two or three have attempted to evaluate the respective merits of the numerous segmentation variables.” (p. 109)</td>
</tr>
<tr>
<td>Plank (1985)</td>
<td>Industrial Marketing Management</td>
<td>“The pursuit of a normative model to guide practitioners in segmenting industrial markets has made some progress with three identifiable models. There are a host of problems with the work done in the area both conceptual and methodological.” (p. 79)</td>
</tr>
</tbody>
</table>

(continued on next page)


Frederick, J. (1934). Industrial marketing. Prentice Hall.


