*Strategic Management*, 9e: Chapter 3 study guide

Two methods of segmenting products in the European ice cream market

Method 1: purchase intention

European ice cream purchases can usefully be segmented into impulse and take-home: the former is bought for immediate consumption, while the latter are usually taken home in bulk for consumption later. Impulse purchases typically take place in small shops such as beach kiosks and newsagents’ stores, whereas take-home products are normally bought in grocers’ and supermarkets. It would be wrong to draw a rigid distinction between the two segments: bulk packs are purchased by retailers to sell as scoops for impulse demand; impulse items such as chocolate bars are sold in multipacks and may then be consumed on impulse later at home.

In practice, detailed segment data are available for some national markets but no true pan-European study has been published. Best estimates from a variety of sources for some leading European markets are shown in Table 3.8.

Interpreting the data in Table 3.8 is complex since there are several factors at work. In France, eating ice cream is sometimes regarded as a luxury and eating occasions may therefore be taken more seriously, rather than on impulse. In Italy, ice cream is also an expensive item, with many luxury ingredients, individual variants and local manufacturers, but it is bought more casually from cafés and *gelaterias*. In the UK, ice cream has traditionally been manufactured using lower-quality ingredients, e.g., vegetable oils in place of real cream. During the 1980s, there was substantial growth across Europe in the take-home trade of economy packs and, more recently, more expensive, higher-quality bulk packs. In Germany, ice cream has traditionally been bought on impulse, and more recently there has been substantial growth in the take-home market: in both market segments, expectations have remained high regarding ingredients and taste.

Within each purchase intention, it is then possible to develop competitive positions for individual or groups of products. For example, the take-home product category will offer competitive positions ranging from the cheap, family category – such as supermarket own brands, to the luxury take-home products – such as Unilever’s Carte d’Or. In the same way, impulse products might be positioned for children or grown-ups.

**Table 3.8 Customer segmentation in ice cream by purchase intention**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Occasion** | **France (%)** | **Italy (%)** | **UK (%)** | **Germany (%)** |
| Impulse | 30 | 40 | 30 | 50 |
| Take-home | 70 | 60 | 70 | 50 |

*Source*: Author’s estimates based on various trade articles.

Method 2: price and quality

During the 1990s, Europe has seen a marked growth in ice creams using expensive ingredients, high prices and exotic flavours; some customers (but not necessarily all) have become more adventurous in taste, more wealthy and more demanding in terms of quality. There has been a new attempt to redefine customers by *price and quality*. Table 3.9 shows the main areas.

The segments in Table 3.9 need to be treated with some caution: no precise information on the four market segments has been published. The categories probably have too much overlap, with customers buying from several segments, depending on the meal occasion. Despite the problem of accuracy, the above segments are certainly large enough to justify separate marketing and distribution activity. Many have been targeted accurately through appropriate media: for example, the use of up-market, young-profile colour magazines to reach potential Häagen-Dazs customers with a sexually suggestive campaign, and the use of TV advertising to present the Mars ice cream branded range to a wider TV audience. Thus, some segments have real marketing potential despite difficulties in precise definition.

**Table 3.9 Customer segmentation by price and quality**

|  |  |  |  |
| --- | --- | --- | --- |
| **Segment** | **Product and branding** | **Pricing** | **Market growth around year 2000** |
| Superpremium | High-quality, exotic flavours, e.g., Häagen-Dazs Mint Chocolate Chip, Ben & Jerry’s Fudge | Very high unit prices: very high value added | Up to 6 per cent per annum from a small market base |
| Premium | Good-quality ingredients with individual, well-known branded names such as Mars and Magnum | Prices set above regular and economy categories but not as high as superpremium: high value added | Up to 3 per cent per annum from a larger base than superpremium |
| Regular | Standard-quality ingredients with branding relying on manufacturer’s name rather than individual product, e.g., Walls, Nestlé | Standard prices: adequate value added but large-volume market | Static in developed countries from a large base – leading brands available in many countries |
| Economy | Manufactured by smaller manufacturers with standard-quality ingredients, possibly for retailers’ own brands | Lower price, highly price competitive: low value added but large market | Static from a large base, particularly in some countries such as the UK – many local brands |

*Source*: Author’s estimates from trade articles.

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