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MARKET SEGMENTATION BY ETHNICITY: IS IT REALLY FEASIBLE?

Andrew Lindridge

Introduction

Cultural, historical and social differences and similarities between and within ethnic groups present both an opportunity and difficulty for marketers. In this chapter, we relate the topic of ethnicity to the marketing strategy of segmentation. This approach views the market as consisting of heterogeneous groups identified and separated into homogeneous segments by their different needs and benefits sought. By identifying these differing segments, organisations can decide whether to target their resources at these segments in similar or different ways to achieve their marketing objectives.

Applying market segmentation to ethnic groups is not a recent marketing initiative. Indeed the early 1900s North American marketers aimed readily developing market segments based around ethnic differences at encouraging assimilation into American society. For example, Halter (2000) notes how Jewish migrants to America were encouraged to cook and consume pastry orientated foods symbolic of American culture. However, as these recipes often included the prohibited use of pork fat the brand Crisco responded by launching a product offered assimilating Jews a kosher vegetable derived fat substitute.

Where initial market segmentation offerings encouraged ethnic group assimilation, by the 1970s a combination of commercial pressures and environmental changes led to the market encouraging ethnic group differences. The origins of this change partially lied in the demise of the mass market and consumers seeking different products required new, alternative, markets to sustain mass production and deliver profitability. Ethnicity and its related differences offered such a market, resulting in organisations using market segmentation to reach differing ethnic groups. Complimenting this market change were various socio-political changes. First, the introduction of legislation by various countries supported and encouraged ethnic equality. For example, the Ethnic Heritage Act (1974) in the USA supported funding initiatives that encouraged ethnic group distinctiveness through protecting their cultures and histories. Secondly, the 1960s and 70s witnessed an increased politicisation of ethnic groups. As Halter (2002) notes the late 1960s in America witnessed a political outburst of oppressed ethnic
groups starting with the Black Nationalism, followed by the American Indian movement and Chicano militancy. Movements that demanded recognition and self-determination within a White dominated society.

By the 21st century, the allure of market segmenting by ethnicity had become a mainstream part of marketing education, practice and research. Yet this allure is was not without its critics. Fennell, Saegert and Piron (1992) in a scathing review entitled ‘Do Hispanics Constitute a Market Segment?’ argued that many market segmentation variables applied to the Latino market, such as brand loyalty, were not valid. Instead, what marketers were effectively undertaking was product differentiation. Product differentiation relies upon increasing product attractiveness for the target audience by adding value to the consumer experience and/or distinguishing the product from its competitors. The relationship between product differentiation and market segmentation is a problematic owing to their inherent similarities (Dickson and Ginter 1997).

We can understand these similarities through the 2012 announcement by Proctor and Gamble that its ‘Gain’ washing detergent brand had become its 23rd brand to generate annual sales revenue of US $1 billion. Whilst this was a remarkable achievement in its own right, the fact that the brand is solely sold in North America made this result even more outstanding. Originally introduced in 1969 as an enzyme-driven stain removing detergent, its increasing sales success ensured it became America’s second best-selling detergent. As Kevin Burke, P&G Laundry Marketing Director (PR Newswire 2012) noted:

*Gain consumers demonstrate an extraordinary passion for the brand. We work hard to understand our Gain consumers and work even harder to deliver the amazing scent experience they find in Gain. That's the secret to Gain's remarkable growth*

Whilst there may be many reasons for Gain’s success, perhaps the biggest reason is Gain deliberately targeting African-American and Latino market segments through targeted promotions. However, the use of English and Spanish narratives on the packaging also suggests that Gain is using an undifferentiated approach to ethnic differences within the market by ignoring ethnic differences within English and Spanish speakers. An approach suggesting product differentiation is also evident. To what extent then is Gain’s increasing popularity attributable to market segmenting ethnicity or simply undertaking effective product differentiation?

The answer to this question lies within market segmentation principals and their applicability to ethnic groups and forms the remainder of this chapter. In reviewing the feasibility of market segmenting ethnic groups we take a traditional, managerial, perspective. (For those wanting an alternative perspective to ethnic market segmentation, such as using cultural frames, Visconti and Hughes (2011) offers a satisfying read). We begin by reviewing the market segmentation criteria, discussing the appropriateness of various market segmentation variables. Following this is a discussion on the need to consider acculturation in ethnic groups’ market segmentation. We then conclude with the key steps marketing managers should follow for successful ethnic market segmentation.

**The market segment process**

Dickson and Ginter (1987) in a seminal paper on market segmentation lamented the continued inability of marketing academics and practitioners to specifically define with clarity what market segmentation is. Taking a historical perspective, they argued that market segmentation
is identifiable with differing consumer groups having differing needs and levels of demand. These segments are characterised as having minimal within group differences, in contrast to other segments. As each segment has differing needs and demand levels, organisations can allocate their marketing resources more effectively. By segmenting the market, organisations are able to satisfy segment needs by becoming more market orientated (Albert 2003; Freytag and Clarke 2001) and competitive (Wong and Saunders, 1993).

To undertake market segmentation a number of criteria need to be satisfied. These and other relevant issues regarding ethnicity and market segmentation are summarised in Table 15.1 (Dibb et al. 2006; Lancaster and Massingham 2001; Kotler and Armstrong 2008).

[Insert Table 15.1 here]

If an organisation is satisfied it can segment an ethnic group using the previous criteria, it must then decide how to proceed. An organisation can use four groups of variables that to segment ethnic groups: demographic, geographic, psychographic, and behaviouristic. Each of these market segmentation variables, as we shall see, offer opportunities and limitations to segmenting ethnic groups.

**Demographic variables**

Demographic variables represent the most obvious approach to market segmenting ethnic groups. Indeed, Dibb et al.’s (2006) classification of ethnicity and race, within this category, reflects a widely held perspective of their relevance to market segmentation (for example: Donthu and Cherian 1994; Cui 1997; Jamal 2003). Yet using ethnicity and race as marketing segmentation variables is problematic.

The term ‘race’ is widely used, and sometimes inconsistently, to categorise geographically separate populations (such as ‘Africans’), a cultural group (such as ‘Hindus’) and nationality (such as ‘German’) (Singh 1997). Scientific advances in DNA analysis (for example, Hirschman 2008) have discredited the concept of race, with studies indicating greater racial differences within supposed racial groups (such as African) than between differing racial groups (Zuckerman 1990). Indeed the use of the term ‘race’ within cultural dialogues is politically problematic in Western societies (Molnar 1992) largely because external sources often determine racial categorisations (Betancourt and Lopez 1993). One external source would be an organisation determining market segments based upon racial characteristics, which may be prone to accusations of racism (Wilks 2006). For example, racially categorising all Far East Asians as a market segment of ‘rice eaters’ based upon higher rice consumption ignores important cultural differences. Furthermore, when we consider the earlier market segmentation criteria, measurability becomes an issue owing to its reliance on grouping individuals with differing needs into homogenous groups. For example, it is highly unlikely that all Far East Asians, as a racial group, share the same needs for a product, let alone the same religion or national identity. Instead, ethnicity as a market segmentation variable may be more appropriate.

The emergence of ethnicity arose from the belief that differences in humans should be ascribed ethnically instead of racial categories (Huxley, Haddon and Carr-Saunders 1935). The term ethnicity comes from the Greek words ‘ethnos’ referring to a nation or a tribe, and ‘ethnikos’, referring to a national (Betancourt and Lopez 1993). These two words form the basis of typical definitions of ethnicity as a nation or a group who share one or all of the following shared variables: culture, nationality, language, religion or common descent. Alternative definitions of ethnicity locate the individual from a minority perspective and status.
Researchers such as Weber (1968) and Venkatesh (1995) note that ethnicity is an ideologically fashioned term describing a group that is culturally or physically outside the dominant group. Yet applying ethnicity to categorise and segment a market is problematic owing to such categorisations being imprecise and arbitrary “social constructions rather than natural entities that are simply ‘out there’ in the real world” (Waters and Eschbach, 1995 p. 421). The need to categorise ethnic minorities by natural entities recognises changes that may reflect wider societal changes, such as differing education levels, geographical regions, generation of migration, and the size and composition of the ethnic community (Harrison et al 1990). This argument prohibits then the use of ethnicity as a market segmentation variable using the stability criteria.

Whilst organisations ideally should not use race and ethnicity as a segmentation variable it may still be relevant for some products. Products associated with religious beliefs or cultural festivals may still find some value in demographic segmentation. Foods specifically produced for religious festivals like Eid, or cultural ones, such as Thanks Giving, may discover that consumer shared needs and values take precedence over ethnic differences.

**Geographic variables**

Differing geographic regions may result in differing needs and benefits sought from a product. At its most simplistic level, segmenting geographic regions according to population needs, such as India consuming skin lightening creams and European countries consuming sun tan lotion. Alternatively, differing ethnic groups’ concentration in geographic regions, such as inner-cities, may offer small market segmentation opportunities. For instance, research indicates that many ethnic groups in the UK tend to experience lower levels of income, higher levels of unemployment, and live in areas of higher socio-economic deprivation in inner-city areas (Clark and Drinkwater 2007; Modood et al. 1997). Whilst poverty and its concentration in geographic areas may not initially appear to be an attractive market segmentation variable, it may offer some organisations a marketing opportunity.

Alternatively, countries and Governments may actively create geographic areas that lend themselves to market segmentation of ethnic groups. For example, London’s China Town based around Gerald Street arose partially from Chinese businesses locating there and local Government’s desire to develop a commercial and Tourist attraction. Geographic concentration offers then opportunities for market segmentation measurability, with segments potentially being of a substantial size, accessible because of their concentration and relatively stable (as ethnic minorities may choose to remain in a similar area); satisfying the earlier segmentation criteria.

**Psychographic variables**

Psychographic variables segment the market based upon differences regarding consumer lifestyles and / or ethnocentrism.

Consumer lifestyle refers to the activities, attitudes, opinions and values that an individual or a group identify with and is typically measured using the Activities, Interests, Opinions (AIO) Scale (Wells and Tigert 1977). An ethnic group that has differing AIO’s will consume products for differing reasons therefore constituting a separate market segment and warranting the attention of marketers. For example, African-Americans are disproportionately more likely to suffer from smoking related diseases then White Americans, even though they smoke less (HHS 1998). A difference attributed to African-Americans differing AIO’s leading
to a higher tendency to smoke menthol cigarettes; a combination of tobacco mixed with mint oil, i.e. menthol, which anesthetises the throat from the burning effect of inhalation. The reasons for these lifestyle differences and why they represent a psychographic segment lies in a combination of historical / cultural factors and savvy marketing by tobacco organisations.

The cultural / historical associations with menthol cigarettes and African-Americans lies in the latter’s history of poverty and their inability to purchase medicines. The tobacco industry deliberately misclassifying Menthol cigarettes not as a tobacco based product but instead, owing to its anesthetic and cooling properties, as a cough suppressant (MentholKillsYou 2014). Poverty stricken African-Americans in the 1920s unable to purchase expensive medicines were encouraged through marketing to positively view menthol cigarettes as a cheaper medicinal substitute. Smoking then served a medicinal need.

Complimenting this deliberate misclassification of menthol cigarettes was the tobacco industry’s classification of African-Americans as a market segment. Cigarette brands such as B&W and Kool produced advertisements targeting African-Americans located in poor socio-economic environments. For example, a study into Californian neighbourhoods with secondary schools found that as the proportion of African-American secondary school students increased so did the increase in menthol cigarette advertising (Henriksen et al. 2011). In particular, the Newport menthol cigarette brand was most likely to undertake promotional activities, including a lower selling price for a packet of cigarettes in these areas (ibid). The effectiveness of using Africans-Americans differing AIO’s towards menthol cigarettes and tobacco organisations marketing activities is evident in Dauphinee et al.’s (2013) study revealing that African-American youth are three times more likely to recognise the Newport menthol cigarette brand that youths from other ethnic groups.

Ethnic groups’ relationship with food represents another important lifestyle difference to White society. For example, Delva, Johnston and O’Malley (2007) in a study amongst American youths noted how non-White ethnic groups had a greater propensity for obesity. This lifestyle difference may be attributable to cultural differences, where higher body weight is not only associated with wealth but also femininity and sexual attractiveness (Ghannam, 1997; Tovee et al. 2006). Consequently, Black ethnic groups drawn from Africa and the Caribbean tend to have more favourable attitudes towards body fat than their White counterparts (Furnham and Baguma 1994). Whilst obesity may represent negative market segment variables for some ethnic groups, research also indicates some positive lifestyle variables. For instance, research has indicated that ethnic minorities tend to have healthier eating patterns compared to the White majority (Gibbens and Julian 2006; Sharma and Cruickshank 2001). A lifestyle difference that may be reflected in religious differences, such as Hindu religious doctrine discouraging meat consumption in favour of vegetarianism, amongst South Asians.

In contrast, ethnocentrism, which is associated with lifestyles, assesses the extent that an individual or their group judges, through comparing and contrasting, another culture or ethnic group. This judgement allows a group to define their own unique cultural identity (Andersen and Taylor 2006). From a marketing perspective, consumer ethnocentrism represents an individual and their group’s attitudes and behaviours towards purchasing domestic versus foreign products (Shimp and Sharma 1987). Ethnocentrism, as a market segmentation tool, can be encouraged directly by organisations or through socio-economic and cultural factors affecting consumers. An example of the former would be nationalistic marketing campaigns with products featuring labels stating ‘Proudly made in America.’

Previous studies reflecting consumers’ socio-economic and cultural factors support the use of lifestyle and ethnocentrism to segment a market, with two studies from Turkey illustrating their relevance. Kavak and Gumuslouglu (2007) researching the Turkish food market identified numerous ethnocentric market segments regarding food consumption. For example, when income was considered, the segment with a higher income were more likely to be pro-Western
(lifestyle) and less ethnocentric in their food consumption choices. In a similar study, Kucukemiroglu (1999) also identified differing market segments based upon lifestyle, with consumers belonging to the ‘Liberals / trend setters’ having lower ethnocentric tendencies, resulting in purchasing behaviours that were similar to consumers in Western societies.

In a rare study on ethnocentrism within a contrasting ethnic group, Goldberg (2012) studied the role of ethnocentrism amongst middle class Blacks living in South Africa (hence forth called ‘Black Diamonds’. A term used to describe South Africa’s fast-growing, affluent Black middle class consumer segment (Ndanga, Louw and Van Rooyen 2010)). This choice of population is interesting because Black Diamonds represent a small, but important, growing segment in a society where White South Africans still predominately hold wealth. Unlike Kavak and Gumuslouglu (2007) and Kucukemiroglu’s (1999) studies in Turkey where higher levels of wealth equated to more Western centric behaviours, Goldberg’s results differ markedly. Instead, Goldberg argues that moderately high levels of ethnocentric behaviour are evident with a consumption preference for South African products, over imports. Although Goldberg (2012) provides no explanation for the reasons for this, one possibility may lie in feelings of Black Nationalism arising from South Africa’s historical context of apartheid, with Black Diamonds asserting their new found socio-economic status, as a minority group, through identification with a Black South African identity.

The use of psychographic variables to market segment ethnic groups presents the recurring problem of within group heterogeneity. Quite simply individuals within an ethnic group will have differing AIO’s that will affect their consumer behaviour. Consequently, the marketer once again encounters the problem of identifying sufficient similarities within an ethnic group to ensure the market segment meets the earlier stated criteria. Consequently, psychographic variables infer a high level of heterogeneity within and between ethnic groups that fail to address the earlier market segmentation criteria.

**Behaviouristic variables**

Behaviouristic variables segment the market by assessing levels of price sensitivity, brand loyalty, benefits sought and how the product is used. Research supports using price sensitivity to market segment an ethnic group. In a study from the US, Latinos were found to be more sensitive to price increases in cigarettes than Whites, suggesting that the higher the price the less likely they were to smoke (Myers et al. 2012), whilst a lower price for internet providers is likely to encourage greater uptake from ethnic minorities (Joshi et al. 2012). Ackerman and Tellis (2001) in their study on the relationship between ethnicity, culture and price sensitivity amongst American Chinese and Whites, found that American Chinese cultural needs to handle food prior to purchase created an affiliation not only with the need to shop in Chinese owned stores, but also encouraged by lower price offerings. The authors attribute this price difference to cultural differences, with Chinese shoppers, regardless of their affluence, more willing to spend time undertaking searches for the lowest prices.

In a similar vein, brand loyalty may also offer a valuable means of market segmenting ethnic groups. For example, in 2006 the American research firm ‘Yankelovich’ declared that “The ability to reach African Americans and Hispanic consumers in a way that truly strikes a chord and connects with their deep-seated cultural values and beliefs is critical… brands must show that they understand the ethnic consumer by crafting culturally appropriate and targeted messaging that speaks directly to them” (c.f. from Reyes 2006). Part of this understanding lies in the need for brands to reflect differing ethnic groups needs and identities. Indeed Yankelovich claim that 58% of Latinos and 55% of African-Americans were brand loyal and
were less inclined to purchase private label brands. Using brand loyalty as Rickard also supports a market segmentation variable (1994) who noted that American Latinos and Asians were not only brand loyal but tended to purchase higher priced brands than their White counterparts.

The extent that ethnic groups are brand loyal may depend on how strongly they identify with their own culture. In two similar studies, Donthu and Cherian (1994) researched Latino brand loyalty, whilst Podoshen (2006) investigated American Jewish brand loyalty towards automobiles, both researchers identified strength of ethnic affiliation to be important. For instance, Donthu and Cherian (1994) noted how Latinos who strongly identified with Latino culture would seek out Latino retailers, whilst remaining loyal to brands that their family and friends used. Similarly, Podoshen (2006) noted how American Jews who strongly identified with their Jewish culture tended to be more brand loyal than their counter-parts who had a weaker Jewish identification. These findings suggest we should not assume brand loyalty amongst ethnic minorities, but instead considered differing sub-segments within the respective ethnic group’s segment.

Benefits sought from consuming a product may also represent a means of segmenting ethnic groups. Health provides a good example, with many ethnic groups experiencing lactose intolerance (the natural occurring sugar found in milk and related products that not always digested easily) (National Dairy Council 2011). Market offerings such as lactose free diary milk or non-dairy alternatives, such as soya or almond milk, effectively segment ethnic groups through health benefits.

A wider review of the literature on ethnic minorities and benefits sought again returns to the issue of brands, ethnic identification and acculturation (discussed later). In two related studies, Wallendorf and Reilly (1983/4) undertook an analysis of Latino garbage (rubbish) to identify products purchases noting how Latinos extensively consumed products identifiable with White American consumers. A consumer behaviour they concluded arose from the Latino sample identifying with and attempting to acculturate into American White culture. However, whether these participants were also expressing their own sense of modernism and / or social mobility embodied in American society and reflected in the consumption of particular brands.

Another benefit sought, and one that presents an attractive segmentation variable for prestige brands, is the concept of the collective self. The collective self represents the ‘need to gain a favourable evaluation from a reference group by fulfilling one’s role in a reference group and achieving group goals’ (Yamaguchi et al. 1995, p. 659). Inherently identifiable with collectivist cultures, such as India, individuals within these cultural systems tend to have a stronger affiliation with a group to derive their sense of identity from (Wong and Ahuvia, 1995), such as the family (Kitayama et al 1997). Indeed ethnic minority studies by Joy and Dholakia (1991) – Indian immigrants to Canada, and Lindridge et al. (2004, 2005, 2006) – Indians living in Britain, noted how the Indian diaspora actively purchased brands that enhanced their collective self. However, these studies did not particularly look at acculturation’s influence on these behaviours, and the extent this variable affected their sense of collective self remains unclear. However, the role of the collective self does offer an attractive means of market segmentation for prestigious brands that are dependent on exclusivity and wider public recognition as a means to increase their market share.

The final behaviouristic segmentation variable refers to how a product’s consumption may represent a more global perspective but also be reinterpreted and consumed by local communities to suit their specific needs (Ger, Kravets and Sandicki 2011). Whilst research has tended not to investigate this area, sufficient anecdotal information is available to illustrate this variable. For instance, in the 1980s Smith and Nephew, the then owners of the skin cream brand – Nivea – noted as part of their regular monthly sales analysis disproportionate sales of Nivea hand cream in specific British cities. Repeating this consumption pattern on a monthly basis,
Smith and Nephew undertook market research to understand further these localised sales increases. The results indicated that the sales were attributable to African-Caribbean’s purchasing Nivea hand cream to use as an all-over body skin cream. Apparently, Nivea Hand Cream was thicker and more suitable for African-Caribbean skin than the standard Nivea or other competitors body cream products, which targeted a predominately White audience.

In a different but related example, the launch of Cola Turka in Turkey was attributable to opposition to Americanisation of cultures and a need to develop a cola drink that represented and benefited Turkish society (Ger, Kravets and Sandicki 2011). After initial commercial success, sales began to fall in response to the brands Islamic associations ensuring that loyal drinkers identified with both the brands Turkish and Islamic associations. Both examples, of how product usage can offer a means to market segment ethnic groups through behaviour variables satisfies the earlier segmentation criteria of being substantial and accessible.

**Market segmentation and the need to consider acculturation**

The approaches to market segmenting ethnic groups discussed so far have relied upon a fundamental assumption – that an ethnic group represents a homogenous group who demonstrate similar behaviours. An assumption supported by the three segmentation criteria presented at the beginning of this chapter:

- Differentiability - a segment requires group homogeneity.
- Stability - the population forming the segment does not radically change over time
- Exhaustiveness - only ascribing a population to one segment only.

Yet this assumption, along with these segmentation criteria, is unrealistic when we consider acculturation as a variable (Palumbo and Teich 2004). The Social Science Research Council gave one of the oldest and still most relevant definitions of acculturation (1954, p. 974) who defined acculturation as:

*Culture change that is initiated by the conjunction of two or more autonomous cultural systems. Acculturative change may be the consequence of direct cultural transmission; it may be derived from non-cultural causes, such as ecological or demographic modification induced by an impinging culture; it may be delayed, as with internal adjustments following upon the acceptance of alien traits or patterns; or it may be a reactive adaptation of traditional modes of life. Its dynamics can be seen as the selective adaptation of values systems, the process of integration and differentiation, the generation of developmental sequences, and the operation of role determinants and personality factors.*

Acculturation then generates changes amongst ethnic groups in three different ways:

**Behavioral** - the types of clothes and foods bought and consumed, along with what cultural festivals are celebrated, for example, will begin to differ between and within ethnic groups and wider society

**Affective** - how emotions are demonstrated and experienced towards other people, communities and products will change. Ethno-consumerism, as discussed
earlier, may produce varying levels of emotional attachment towards products and brands from the ethnic minority’s country of origin in contrast to their new society.

Cognitive - language choice, between their ancestral and societal choices, has been shown to affect ethnic groups’ beliefs and values in how they perceive a situation (Farb 1975).

We can illustrate these themes and the importance of acculturation to ethnic groups’ market segmentation through a number of studies undertaken amongst the Latino market in the United States. O’Guinn and Thomas (1986) noted how less acculturated Latinos compared to those who were highly acculturated, were more brand loyal and price conscious. In a similar study undertaken in 2012, IRI found that less acculturated Latinos, when compared to their highly acculturated counterparts, were less influenced by promotional sales (8% vs. 52%), demonstrated higher levels of ethno-consumerism (27% compared to 6%) and were more likely to seek out bilingual signage on packaging (22% compared to 1%). The latter finding is supported by the Cheskin Research (cited from Malaghan, 2003), which found that amongst 6,000 Latinos, 76% favoured communicating in Spanish.

If varying levels of acculturation affect ethnic groups’ consumer behaviours then instead of perceiving them as a homogenous market segment, we should perhaps view them as a collection of sub-segments. For example, Cheskin Research (cited from Malaghan, 2003), analysed the 2002 Hispanic Opinion Tracker Study to segment the American Latino market by acculturation level identifying three segments: Latino Dominant (56%), Bicultural (20%) and English Dominant (23%). In another report, using similar categories, Lokpez (2010) identified that Latinos, and we argue ethnic groups per se, can be segmented on the basis of how their acculturation affects their consumption, into three categories:

Unacculturated Latinos
- ‘Are Spanish-dominant (language)
- Have recently arrived in the United States
- Reside in neighbourhoods with a high density of Hispanics
- Conduct business in Spanish
- Rely on Spanish media
- Purchase products that are familiar— i.e., available in their homeland
- Practice Hispanic traditions’

Bicultural Latinos
- ‘Are bilingual
- Are born in the United States or have been in the country for several years
- Live in metropolitan areas
- Use English as their primary language for business
- Are comfortable with Spanish and English media
- Purchase products that are not exclusive or distinctive to Hispanic consumers
- Remain loyal to Hispanic traditions and customs’
**Acculturated Latinos**

- ‘Are English-dominant
- Are born in the United States or have been here for 10 or more years
- Live in suburban areas
- Conduct business in English
- Prefer English media
- Have similar purchase behaviour as the general market
- Observe few or no Hispanic traditions’

Classifying an ethnic minority group as ‘unacculturated, bicultural or acculturated’, whilst offering some value to the marketer, also makes a number of fundamental assumptions. First, Lokpez’s (2010) segment criteria fails to consider socio-economic and demographic criteria. For example, under the ‘acculturated’ segment the only demographic criterion given is propensity to speak English. To understand the relationship between these variables and the importance of acculturation to segmentation we need to return to the academic literature. Secondly, and most importantly, is the assumption that an individual’s ethnic identity and their acculturation are static.

Using Lokpez’s (2010) segment categorisations, an acculturated Latino should identify with the dominant American culture, effectively ignoring their Latino identity and associated behaviours; an acculturation proposition that is widely disputed within academic literature. For instance, Szapocznik, Kurtines and Fernandez’s (1980) bi-directional acculturation model, identifies an ethnic minority individual’s behaviours and identity with both their own ethnic and the dominant culture. Ethnic minority and dominant cultural behaviours and identities are not apparent on either side of a bi-directional scale, but instead represent dimensions that are interdependent and orthogonal of each other (Zak 1973, 1976). An individual then can identify with either / or their ethnic culture or dominant culture, and demonstrate (or otherwise) behaviours reflective of their identity. In other words, an individual who identifies as a Latino but may demonstrate behaviours indicative of American White society.

Developing Szapocznik, Kurtines and Fernandez’s model further, Berry (1990, 1992, 1997) proposed a 2 x 2 matrix that categorised individuals into four distinct categories based upon the retention of their cultural identity and their behaviours relative to the dominant society. This comparison then produced four acculturation outcomes: (1) integration – the individual is equally interested in engaging with both their ethnic and dominant cultures, (2) separation – the individual rejects the dominant culture and accepts the ethnic culture, (3) assimilation – in contrast to the previous point, the individual rejects their ethnic culture in favour of the dominant culture, and (4) marginalization – where both cultures are rejected.

Berry’s acculturation model offers an attractive proposition for market segmenting ethnic groups, recognising that ethnic identity may not necessarily reflect acculturation related behaviours. Rudmin (2003) argued that those ethnic groups from a culture similar to the dominant culture were more likely to reflect Berry’s integrated categories, compared to those who are from less similar cultures. Indeed, in a study into Latino acculturation, Maldonado and Tansuhaj (2002) using Berry’s acculturation categories assessed their relevance in determining brand loyalty towards brands indicative of Latino and American culture. Indeed, they concluded Berry’s acculturation categories did explain variances within Latinos brand loyalty. In particular, the individuals within the ‘assimilation’ category (identity and behaviour reflecting American society)
demonstrated low ethno-consumerist traits, with 73% choosing US brands. In comparison, those individuals who demonstrated ‘separation’ were more ethno-centric with only 32% choosing American brands instead of a Latino brand. Of interest, is the ‘Integration’ category, where identities and behaviours were reflective of both their Latino and their American cultures, reflected in 48% choosing US and 52% choosing Latino brands.

However, Maldonado and Tansuhaj make no mention of ‘marginalisation’ as a category in their research (nor offer any explanation as to why). Indeed, the limited research into marginalised ethnic minorities does suggest the appropriateness of this category as an ethnic minority sub-segment. In a study undertaken by Lindridge, Dhillon and Shah (2005) amongst second-generation Punjabi Sikh alcoholics living in Britain, compensated for their rejection of both their Sikh and British cultures through constructing an identity around alcoholism. Linked to this, and not mentioned in the paper, was how the local alcohol shops had effectively recognised this group as a sub-segment, amongst the wider Sikh community, offering these participants exclusive price discounts for larger quantities of alcohol purchases.

Maldonado and Tansuhaj (2002) further expand and contradict Lokpez’s (2010) acculturation categories by introducing generational differences into segment categorisations. Assuming that being born in a country is more likely to result in ethnic groups, becoming more ‘assimilated’ than say ‘separated’ this was not borne out by Maldonado and Tansuhaj. Once again applying Berry’s (1990, 1992, 1997) acculturation categories they found that 34% of individuals belonging to the ‘Integrated’ and ‘Separation’ categories were born in the United States. A finding suggesting not using generational level as a segmentation measure, whilst supporting the use of Berry’s acculturation categories as a tool to market segment ethnic groups.

Berry’s (1990, 1992, 1997) acculturation model has been criticised by Turner et al. (1994) for assuming that acculturation categories represent static, fixed states. Instead, they argue ethnic groups and their members exist in a constant state of flux, often alternating in their positions regarding their cultural identity and related behaviours. Indeed, such behaviour is identifiable with Stayman and Deshpande’s (1989) situational ethnicity, where the environmental context experienced by an individual with a different ethnicity to the majority adapts their consumer behaviour to conform. Developing this perspective further Bhatia (2002) proposed the Dialogical Model of Acculturation, arguing that individuals from minority ethnic groups move continuously between opposing cultural values, whilst holding simultaneously positions of assimilation, marginalisation and separation. Consequently, the ethnic minority individual creates multiple identities depending on the situation and other individuals encountered (Phinney 1996). From a consumption perspective, Lindridge, Hogg and Shah (2004) noted how second generation Indians living in Britain selectively used culturally value laden consumption to assist them in constructing appropriate acculturated identities for differing contexts encountered. Consequently, the Dialogical Model of Acculturation raises issues surrounding the segmentation criteria of ‘stability’. After all, if the ethnic group being segmented continuously shifts in how it perceives its own identity and behaviour, reflected in what they consume, then segmentation will have to be undertaken on a product by product basis.

The introduction of acculturation into our discussion on the feasibility of market segmentation amongst ethnic groups presents a challenge. By recognising that acculturation ensures ethnic groups are not homogenous, we must recognise the need for sub-market segments. Whilst Maldonado and Tansuhaj (2002) offer us a way forward, their reliance on Berry’s (1990, 1992, 1997) acculturation categories also assumes a level of in-group homogeneity, that situational ethnicity, encapsulated within the Dialogical Model of
Acculturation, claims does not exist. How then should marketers market segment ethnic groups? We posit that the approach to undertake should accept the need for sub-segments primarily based around acculturation. Acculturation variables such as language and media usage offer a means to initially categorise an ethnic group by their behaviours, with further investigation required to assess an individual’s sense of ethnic identity. From here organisations could then assess the extent and reasons why situational ethnicity may affect how product consumption. Finally, once these acculturation categories have been determined, these could be applied to more traditional market segmentation approaches. For example, an ethnic minority sub-segment identifiable with Berry’s ‘separated’ acculturation category may live in certain geographical areas, lending themselves to Geographic segmentation.

Resolving the market segmentation of ethnic groups?

How, if at all, can ethnic groups be market segmented? Throughout this chapter various researchers have questioned fundamental assumptions about ethnic groups and their related consumption (for example, Furnham and Baguma 1994; Lindridge et al. 2004, 2005, 2006; Podoshen 2006). These assumptions that ethnic groups represent a homogenous group, with cultural differences only being evident when compared to others. Yet as we have noted, acculturation recognises cultural differences exist within ethnic groups. Considering this potential lack of group homogeneity amongst ethnic groups then acculturation may offer an appropriate approach to market segmentation.

Acculturation previously identified as the interaction between two cultures, with ethnic minority individuals differing in their identification with their native and dominant culture. This identification may be relatively fixed (as suggested by Berry) or more fluidic depending upon the context the individual encounters (as suggested by Bhatia). Yet these differences, as noted earlier, may be problematic for market segmentation. The question then arises ‘How then can this dilemma be resolved?’

In resolving this dilemma, it is important to recognise that some ethnic groups are not a homogenous group ensuring their market segmentation remains a challenge. Whilst Maldonado and Tansuhaj (2002) offer us a way forward, their reliance on Berry’s (1990, 1992, 1997) acculturation categories also assumes a level of in-group homogeneity, that situational ethnicity, encapsulated within the Dialogical Model of Acculturation, claims does not exist. How then should marketers market segment ethnic groups? We posit that the approach to undertake should accept the need for sub-segments primarily based around acculturation. Acculturation variables (that space does not permit to discuss here) such as language and media usage, offer a means to initially categorise an ethnic minority group based upon their behaviour, with further investigation required to assess an individual’s sense of ethnic identity. From here, organisations could then assess the extent and reasons why situational ethnicity may affect how their product consumption. Finally, once these acculturation categories have been determined, more traditional market segmentation approaches are applicable. For example, an ethnic group’s sub-segment identified with Berry’s acculturation category as ‘separated’ may live in certain geographical areas, lending themselves to Geographic segmentation.

For those individuals whose ethnic identity and behaviours are indicative of assimilation than a different approach is required. Dickson and Ginter (1987) offer one such approach – ‘segment-based product differentiation’. In this approach, using product differentiation increases the organisation’s competitive advantage, within an existing market segment. Such an approach addresses previous researchers’ criticisms (for example Fennell, Saegert and Piron 1992) where ethnic groups’ identification with the dominant culture results in no difference in behaviour (and hence demand) from the dominant majority. In such instances, organisations
may wish to pursue a product differentiation strategy offering certain cultural symbolisms in their marketing activities are likely to resonate to vary degrees with different ethnic groups (such as language, along with culturally relevant colours, imagery and so on) but not recognised by the dominant ethnic group.

At this point, we can return to our earlier example of Gain washing powder – an example of effective market segmentation or product differentiation? The answer lies in the various targeted ethnic groups acculturation. For those consumers who can be identified as assimilated (whose identity and behaviours are similar to the dominant culture) we can identify Gain’s use of Spanish, on its packaging, as an example of ‘segment-based product differentiation’ (Dickson and Ginter 1987). However, Gain is demonstrating a market segmentation strategy for ethnic minorities identifiable with ‘integrated’ or ‘separated’ or who need to demonstrate their ethnicity (within situational ethnicity, such as other ethnic minorities visiting the consumer’s house). Perhaps most importantly is Gain’s ability to target Latinos and African-Americans has delivered strong financial results.

Separating ethnic minorities into sub-segments, mediated through demographic, geographic, psychographic and behaviour variables mediated, however, raises feasibility problems. For most countries, differing ethnic group populations tend to be small and geographically diverse. For an organisation to segment, an already small heterogeneous population into smaller sub-segments may render those ethnic groups market segments unviable.

Having identified a possible resolution on how to market segment differing ethnic groups, future research should explore further the relationship between acculturation and consumer behaviour within, as well as between different ethnic groups. In particular, to what extent is market segmentation viable for these groups or are organisations likely to leave them as a diverse, heterogeneous group who whilst different do not represent a financially viable segment.

**In conclusion, the key steps marketing managers can undertake in ethnic market segmentation**

This chapter concludes by discussing how marketing practitioners can undertake effective market segmentation through a seven step process.

**Step 1: Why do you want to market segment an ethnic group?**

Market segmenting an ethnic group is a difficult undertaking therefore an organisation should ask ‘What do we wish to achieve from segmenting this ethnic group?’ The reasons may vary but may include:

- Increasing the organisation’s competitiveness
- Identifying new marketing opportunities
- Defending market share
- Encouraging customer brand loyalty
- Attracting new customers

**Step 2: Take some time to understand your own customers**
An organisation’s existing customer base is likely to include a range of different ethnicities. Using available information organisations should undertake an in-depth analysis to identify which ethnic groups are purchasing your products, how often, where from and in what quantities. If you have access to Mosaic you may wish to apply this marketing research tool to further elaborate upon your customers.

By identifying which ethnic groups are purchasing your products and their characteristics the organisation will potentially be able to develop this information into profitable market segments.

**Step 3: Now focus on the value of these ethnic groups to your organisation**

Having recognised the reasons for undertaking marketing segmentation of ethnic minorities and identified which ethnic groups are already purchasing your product, we now need to calculate their value to the organisation. After all, regardless of which ethnic groups purchase your products if they do not represent a current or future profit source or positively contribute towards the organisation’s marketing objectives then the organisation should not consider developing them into a market segment.

In assessing the value of an ethnic group to an organisation, it is important to consider three variables:

- **Financial value** - what is the financial value offered by each individual ethnic customer on a monthly and annual basis? In particular, consider profit and sale levels.

- **Customer potential** - to what extent is the individual ethnic customer susceptible to purchasing different organisational products? The greater their propensity to purchase related products the higher their financial value to the organisation.

- **Customer loyalty** – what is the customer loyalty for this ethnic group? The greater the loyalty the more profit and value they offer the organisation increasing their commercial attractiveness.

**Step 4: Now undertake some marketing research**

Whilst step 2 involved collecting secondary data to identify potential market segments, this step now requires the organisation to undertake some primary research. Step 3 should have identified which potential ethnic market segments offer the organisation opportunities for increased profit and achieving marketing objectives. In this step the organisation now needs to understand what are the needs, wants and benefits sought from the potential ethnic market segments.

**Step 5: Recognise which segmentation approaches will work**
In this step, the organisation reviews the marketing research data gathered previously and identifies whether demographic, geographic, psychographic and behaviouristic variables will be effective in targeting ethnic market segments. In some instances, more than one variable may be applicable. For example, where an ethnic group living in a country (demographic) is geographically dispersed (geographic) with differing lifestyles (psychographic). In these instances, the organisation needs to evaluate which segmentation variable is most likely to achieve the profit and marketing objective outcomes sought.

We should also consider at this step whether acculturation is relevant and what the implications of this would be.

*Step 6: Implement marketing activities that will appeal to your ethnic market segments*

This step involves developing a marketing strategy and tactics that address the ethnic market segment needs. For example, a less acculturated segment is likely to be more ethnocentric. Consequently, the marketing strategy would need to draw upon symbolisms indicative of that group’s cultural values to ensure the strategy’s success.

*Step 7: Evaluate*

The final stage involves evaluating the effectiveness of the ethnic market segments to the original aims agreed upon in step 1. In this step, the organisation needs to decide what changes to the ethnic market segments will improve their effectiveness.

**Summary**

This chapter reviewed the feasibility of market segmenting ethnic minorities. Market segmentation relies upon the premise a heterogeneous group can be categorised into separate homogenous sub-groups. An approach that lends itself to ethnic minorities who as a group either self-identify or have an ethnic identity imposed upon them by wider society. Yet market segmentation variables when applied to ethnic minorities have been criticised for effectively undertaking product differentiation. To resolve this criticism careful consideration must be undertaken to ensure that different behaviours required to justify market segmentation are evident.

For effective market segmentation of ethnic minorities requires two themes to be considered. First, is the ethnic minority group’s behaviour truly different from the dominant ethnic group? Second, if the ethnic minority’s behaviour is different, then acculturation needs to be considered. In particular, how does the ethnic minority group’s acculturation affect their behaviour and their related consumption? Only if different behaviour arises from acculturation should market segmentation be undertaken.

**References**


