CHAPTER II

LITERATURE REVIEW

II.1 Market Segmentation

Technically, market segmentation is the process of dividing the population of possible customers into distinct groups. Those customers within the same segment share common characteristics that can help a firm in targeting those customers and marketing to them effectively (Lovelock and Wirtz, 2011).

Segmentation is one of the most important concepts in marketing. Firms vary widely in their abilities to serve different types of customers. Hence, rather than trying to compete in an entire market, firms should segment the market. Through the process of market segmentation, firms will identify those parts, or sections of the market, that they can serve best.

There are many ways to segment the market, including the following common ways and these approaches can be used in combination:

a) Demographic segmentation, such as age, gender, income, has been widely used. That works well, when demographics are highly associated with needs and wants. However, such an association may often not be the case, as two people with the exact same demographic characteristics may have very different needs and therefore exhibit different buying behaviours.

b) Psychographic segmentation has become more popular as it reflects people's lifestyles, attitudes and aspirations. Psychographic segmentation can be very useful in strengthening brand identity and creating an

emotional connection with the brand, but may not necessarily result in sales.

c) Behavioural segmentation is based on product consumption-related behaviours and can include frequency, volume and type of product usage. This type of segmentation can be very powerful for firms that have a membership-type relationship with customers, for example, via a contract such as banks and telecommunications providers, or via loyalty programmes. Here, firms can exactly observe consumption behaviour. A drawback is that firms typically can only observe the behaviour with regard to their own products, but not those of their competitors.

d) Needs-based segmentation groups customers based on similar needs and wants, or benefits sought, with regards to a particular product or consumption context. Needs-based segmentation is perhaps the segmentation truest to the marketing concept, that is, satisfying customers' needs and wants. For companies to increase their sales, segmentation requires understanding customer needs, including those that are underserved or even unmet.

II.2   Brand Community

A brand community is a community formed on the basis of attachment to a product or marque. Recent developments in marketing and in research in customer behavior result in stressing the connection between brand, individual identity and culture. Among the concepts developed to explain the behavior of customers, the concept of a brand community focuses on the connections between customers.

A brand community is a specialized, non-geographically bound community, based on a structured set of social relationships among admirers of a brand. It is specialized because at its center is a branded good or service. Like other communities, it is marked by a shared consciousness, rituals and traditions, and a sense of moral responsibility. Each of these qualities is, however, situated within a commercial and mass-mediated ethos, and has its own particular expression. Brand communities are participants in the brand's larger social construction and play a vital role in the brand's ultimate legacy.

The research on brand community and brand loyalty has been developed and some might have been well-implemented. In a study of Jeep and Harley Davidson community, McAlexander*et al.* (2002) said that community-integrated customers serve as brand missionaries, carrying the marketing message into other communities. By proactively providing the context for relationship to develop, marketers can cultivate community in ways and increase the customer loyalty. Customers who are highly integrated in the brand community are emotionally invested in the welfare of the company and desire to contribute to its success.

In area of brand community and virtual community, Ouwersloot and Odekerken-Schröder (2008) argues that heterogeneity within communities does exist and treating them as a single, homogenous group may be a serious mistake. Both suggest that communication with members should be differentiated and the communication strategy used to promote the community also should be adapted to the prime purpose in which the community is built.

Brand communities in general provide brand ability-related information and integrity-level experiences. This in turn motivates customers themselves to improve the brand with which they associate, since they strongly believe that their opinions will be reflected in the brand management (Hur, W-M *et al.*, 2011).

Muniz and O'Guinn (2001) who have carried out a lot of studies about the brand communities focus on the three important elements of brand communities; (1) Consciousness of Kind: Collective consciousness is about strong connection feeling between community members. Members feel like they know each other, although they have never met. Legitimacy and oppositional brand loyalty concepts are important in collective consciousness. Legitimacy is about usage of the brand with the "right reasons". For instance, the community members do not find the reason of "using the brand just because it is popular" legitimate. Oppositional brand loyalty is about the thought that possession of that certain brand makes members special and different. Brand loyalty is so critical for continuity of collective consciousness (Muniz and O'Guinn, 2001:418). (2) Shared Rituals and Traditions: The rituals and traditions are also among the elements, important for the collective consciousness to develop and continue. These are generally formed by "celebrating the history of the brand" and "shared brand stories". Stories about brand and celebration of noteworthy days of the brand contribute to create and hear shared values amongst community members. One of the stories about the brand history is logo or label of the brand. While current logo or label has a commercial value, older one has a nostalgic value. Stories in exchange are the elements that is shared and talked about by community

members. (3) Moral Responsibility: To insure the long-term survival of brand communities, it is necessary to retain old members and integrate new ones. To provide this, responsibility consciousness should be developed. A brotherhood sense is created and the idea of "if you use another brand, you betray the community" is developed. In this process, if some errors occur, community members try to overcome them by helping each other. In this respect, brand communities perform limited and specialized moral responsibility (Muniz and O'Guinn, 2001: 415).

II.3   Consumer Motives In Joining Communities

Customer centric relationship model proposed by McAlexander*et al* (2002)is an extension of Muniz and O'Guinn (2001) brand community triad model as well as a shift of perspective. In this model, there are four relationships produced such as: customer to company, customer to product, customer to customer, and customer to brand relationship. According to McAlexander:

> "Construing brand community as a social aggregation of brand users and their relationship to the brand itself as a repository of meaning overlooks other relationships that supply brand community members with their commonality and cultural capital (McAlexander*et al.* 2002, p. 39)"

Communities, in Ouwersloot and Odekerken-Schröder (2008), might be classified according to whether and to what extent they help customers to reach their objectives. There are four objectives proposed by Ouwersloot and Odekerken-Schröder in their study and segmented the community population on the basis of the importance the members attach to the four relationships of the

customer-centric brand community model (McAlexander*et al*., 2002). They contend that such differences originate in the different motives consumers have to join communities.

Table 2.2

Correspondence of Motives to Dominant Relationships in Community

Motive	Dominant relationship
Assurance for credence good	Customer-company relationship
High involvement in product category	Customer-product relationship
Joint consumption	Customer-customer relationship
Brand symbol	Customer-brand relationship

Source: Adapted from Ouwersloot and Gaby Odekerken- Schröder (2008)

First, consumers may participate in a brand community because of their need for quality reassurance. Quality assessments of search goods can be made on the basis of visible cues that can be inferred a priori, whereas experience goods allow for assessment immediately after consumption. For credence goods, however, quality may be assessed only after continued consumption. In line with this distinction, brand communities may function as groups of consumers that provide reassurance about a credence product's quality. Furthermore, the link a community provides to the company may reduce consumer uncertainty. On a more practical level, the community may serve as a platform for exchanging experiences regarding the maintenance, repair, adaptation, or even basic usage of the product. Within a community, members feel a responsibility (Muniz and O'Guinn, 2001) to share this knowledge.

H₁ Customers aims for customer to marketer/company relationship

Second, consumers may participate in a community to express their involvement with the branded product. High-involvement product categories typically are those with which the consumer wants to feel connected even beyond the moment of consumption. Brand communities in general can help consumers share their experiences with high-involvement products. In this sense, the community serves to intensify or elongate the consumption experience.

H₂ Customers aims for customer to product relationship

Third, consumers may require joint consumption and therefore join a brand community. In line with Muniz and O'Guinn's (2001) contention that communities are more likely for publicly consumed goods, Ouwersloot and Odekerken-Schröder note that some products must be consumed jointly rather than individually.

H₃ Customers aims for customer to customer relationship

Fourth, consumers may decide to participate in a brand community because they want to live up to the brand's symbolic function. The concept of brand identity, as proposed by Aaker (Ouwersloot and Odekerken-Schröder, 2008), suggests that one dimension pertains to symbolic meaning. This identity goes beyond a basic set of associations, in that some brands, such as Nike, reach iconic status. For brands with important symbolic meanings, such as Harley-Davidson, a community may strengthen that meaning and offer a meeting place where members can express their devotion to the symbol.

H₄ Customers aims for customer to brand relationship

In the other condition, customers joins communities because the need of being a part of the communal feeling by understanding the value of the brand, get involved in the product, and reassuring the quality of product used. It shows that customers embrace all the four relationships elements as important, valuable, or appreciated. Customers in this state are the ideal community members, for they like everything related to the brand – the product, the brand, the company behind the brand, and other community members (Ouwersloot and Gaby Odekerken-Schröder, 2008).

> *H_5 Customers aims for all aspects (customer to brand, customer to customer, customer to product, customer to marketer/company) relationship*

As well as the high enthusiasm, there is also possibility of low even zero enthusiasm. At first, customers join due to the curiosity of community. Eventually, they end up feeling that becoming the member of this community is just part of socializing and they seek of no further relation.

> *H_6 Customers aims for no specific relationship*

The last hypothesis created based on comparison made in matters of consumer motives between communities.As both communities are randomly picked by researcher, there are questions such as "what kind of person joins car communities; Is this type of community dominated by men only?"and "does people in Blazer community differs from people in Jazz community, in matters of socio-demographic variables or their consumer motives?" that emerges.

These different motives to join a brand community may lead to different levels of appreciation of the aspects of community life. The customer-centric community model, which proposes four relationships consumers may have with a brand community – product, brand, organization, and other consumers – provides an effective means to understand and measure key aspects of communities (McAlexander*et al.*, 2002). Later on, researcher will try to analyze how both communities differ in a matter of valuing the four relationships.

H$_7$: There is a significant join motivation differences between Jazz community and Blazer community

Ashypotheses are built upon the customer relationships theory, researcher is eager to find significant results and segmentation possibilities which available in both communities.

II.4   Customer Centric Model of Brand Community

The framework proposed in this study implies the customer-centric approach model McAlexander*et al.* (2002) has proposed, which in that, the existence and meaningfulness of the community inhere in customer experience rather than in the brand around which that experience revolves. The framework in this study overlooks the relationship between brand users to the brand itself and other relationship that supply brand community members with their commonality and cultural capital (Holt, 1998). The relationship continues to customers that value the brand the possessed, the marketing agents, and the institutions that own and manage the brand (McAlexander*et al.*, 2002).

Figure 1. Research Framework
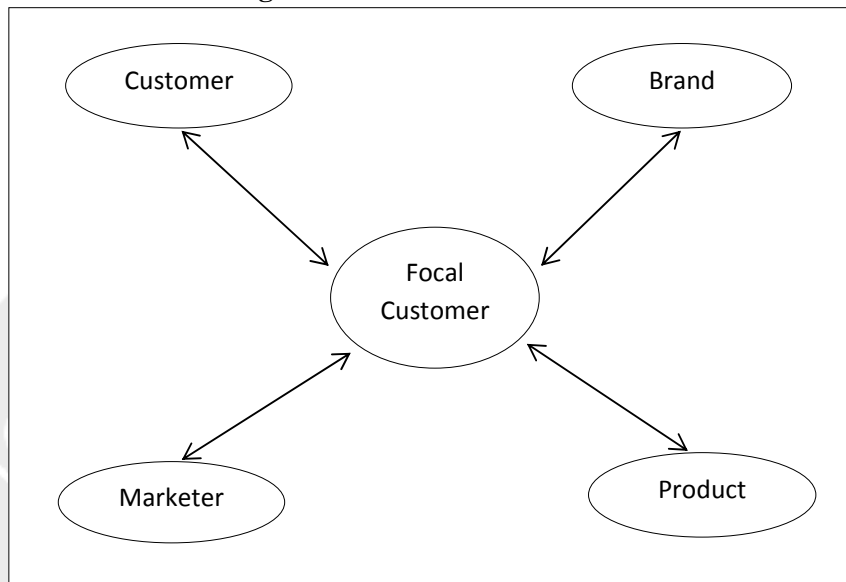
Source: Adapted from McAlexander*et al* (2002)

In Ouwersloot and Odekerken-Shcröder's study, they investigate whether the strength of customer-centric relationship' bonds are equally strong for every community member; whether difference exist among community members with respect to the importance they attach to the four links of those relationships. So in the beginning they have proposed four motivations customers might have when they join a community such as reassurance of quality for products, high involvement with the branded product category, opportunity for joint consumption and to live up the brand's symbolic function.

II.5   Previous Research

This research is written as the replication of study by Hans Ouwersloot, who is an Associate Professor of Marketing at Maastricht University, and Gaby Odekerken-Schröder, who is an Associate Professor in Marketing at Maastricht

University. The research title is "Who's Who in Brand Communities and Why?", written in 2008. The research aims to explore whether a community population can be meaningfully segmented on the basis of different motivations to join.

Second, with the title "Building Brand Community" was written in 2002 by James H. McAlexander and Harold F. Koenig, who are the Associate Professors of Marketing, College of Business Administration, Oregon State University. John W. Schouten is Associate Professor of Marketing, School of Business Administration, and University of Portland. This research is about analyzing brand community through its crucial relationships; including those between the customer and the brand, between the customer and the firm, between the customer and the product in use, and among fellow customers and yields a deeper study from the previous research.

The third journal written in 2002 by Albert M. Muniz, Jr and Thomas C. O'Guinn with the title "Brand Community".This article introduces the idea of brand community, which exhibits three traditional markers of community: shared consciousness, rituals and traditions, and a sense of moral responsibility. Brand communities reveal the socially situated nature of brands as something more than a summation of attitudes or impoverished critical stereotypes.