A Study of Consumer Segmentation on the Romanian Coatings Market
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Abstract

Segmentation and efficient execution of marketing campaigns are marketing tactics generally recognised to generate business actions and create measurable value. The process of segmentation and the subsequent call to action provides however no guarantees of success measured in sales volumes, due to numerous influences during the process of implementation. Consumers build their decision-making mechanisms in relation to their cultural and social programming, to their access to brand and product information, on quality and price. Poor information in relation with intense advertisement affects both consumers behaviour and retail market structure. Our analysis examines whether segmentation efforts create value for the business, against the background of the Romanian coatings industry, in times of prolonged recession, unstable political climate that generate particular consumer features. Does segment profitability produce schemes with financial impact? Should differentiation be analyzed in relation with the local cultural and demographic patterns?

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1. Introduction and Research Interest Significance

The main purpose of marketing segmentation is to identify the groups of consumers that seek the same benefits from a product. The segmentation research techniques are used in order to identify and clearly differentiate between the groups Datculescu, 2006. The relation between segmentation and differentiation is set

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by the producers that will be interested in the internal differentiation of their own products (in order to respond to a large variety of customer need) and in the external differentiation (in order to compete with same class of rival products). In order to be fully functional, Wilkie, 1990 and Pop, 2004 conclude that differentiation need only to be real in the consumers’ eye, in order to determine the preference of a particular product as opposed to another. In this respect, the differentiation comes from the product’s distinctive traits while the segmentation refers to the market and the consumer groups interested in purchasing distinct products. The three basic criteria used a priori or a posteriori, for segmentation purposes are: segmentation depending on personal characteristics (geography, demography, psychographic traits, mess media usage), on expected benefits (among which: quality, price, efficiency, economy, resistance, service, prestige, safety) and based on product behaviour and usage circumstances (usage, loyalty, notoriety, expenses, units bought). In addition to the classic segmentation methodologies, Engan and Izaret 2010 add three area of focus: choice of category, segment profitability and action planning, in view of generating specific business action and identifying the segmentation scheme that will have the greatest financial impact. Segmentation efforts being a combination of qualitative and quantitative research data, they should be used to uncover specific attitudes behind consumer behaviour, which drives the consumer to think about the product, to research available information, to shop and to use the product. Engan and Izaret 2010 also point that companies must support their segmentation with a rich set of quantitative data that will support the behavioural and attitudinal factors identified in the qualitative phase.

The richest information environment in terms of quantitative data on customer segmentation and customer acquisition mechanisms is within the Do-It-Yourself retailer’s networks Marginean, 2012. They collect the customer related information in their daily interaction and gather therefore quantitative information in terms of customer preference. A largely indicative category will be their private label products that clearly point out the basic category segmentation. Nevertheless, without accurate data on frequency, depth of use, knowledge or expertise and the amount of money spent by the average customer of coatings, we are unable to produce a valid quantitative analysis. Another issue is related to the degree to which individual consumer preferences differs from one category to the other. In their research, Engan and Izaret 2010 conclude that there are circumstances where some consumers pay top price for one product but also select a private label article to complete the shopping cart. Such shoppers can make up to 20% of the consumers in a category, but may be responsible for as much as 70% to 80% of its sales. Therefore, conclude the quoted study socio-demographic segmentations are most inadequate at predicting consumer spending.

Precise quantitative research is limited related to the Romanian market, especially due to the confidentiality barrier used by producers and local resellers in their attempt to gather and use internal information. Therefore, we have conducted a qualitative research on a selected sample of 65 respondents, all sales representatives of the Do-It-Yourself stores, geographically covering the entire Romanian territory. The sample was selected on a seniority basis, as a minimum 3 years experience in the paint and varnishes sales sector. The research was conducted between 1st April and 1st May 2012, and 45 answers were validated in the analysis process of the data gathered. The research was conducted on a discussion guide form, taking into account the major issues of interest such as: influence of advertisement upon the product sales in the DIY stores, brand preferences, product evaluation criteria, price associations, price-quality associations, safety and promotional mechanisms validation. In terms of environmental marketing traits, we have addressed the demographic and cultural dimensions, which have an important influence on the consumer behaviour in Romania. By undertaking a close analysis of the Romanian building materials industry and especially the coatings industry, we have been able to gather dynamic information related to the impact of marketing environment on consumer decision.

The main objectives of our research was: analyzing the aspects influencing the purchasing decision while the secondary objectives of the research were to identify preferences / expectations influencing customer buying behavior; to analyze the perception of price / product / quality and to analyze the brand preference.

Alongside our research efforts, we are aware of previous work in the area of interest. Correspondently, we consulted and used with the purpose of consolidating our own data, the quantitative and qualitative marketing
researches available, related to the European and Romanian coatings industry, such as:

- “Survey about Social Media and Customer Relationship Management usage within the professional paints and lacquers market”, a qualitative research / Caparol Germany, conducted within the Caparol Group of companies in 29 countries, in September 2012.

- “Buyer behaviour of DIY customers of different ages”, a study commissioned by the German Organization for Occupational Health and Occupational Medicine in 2010. Correspondingly customers of DIY-stores were selected as an examination field. Moreover elevation instruments were developed to examine on the one hand outlasting attitudes as well as aspects of a specific buying decision on the other. More than 1,000 customers of DIY stores took part in this standardized questioning. In addition, more than 300 records have been raised by means of a consumer's web-based questioning. Moreover, within the framework of half standardized interviews more than 20 buyers and market leaders were asked to the same subject but from the producer’s point of view.

- “The Way Romanians Chose the Paint”, a market research performed by Synovate / Ipsos Research Romania between August-September 2011, on a sample of 480 respondents, with the main purpose of thorough understanding of the Romanian’s purchasing habits in relation with paints and varnishes products. The study displays both a qualitative and quantitative research and was published in the Construct Deco Magazine N1/2012.

2. Research findings and data usage

Considering our scientific objective, that of evaluate the usage of consumer segmentation in the Romanian coatings market, we analyzed the data gathered against the international coatings market segmentation, and produced two empirical hypotheses:

- The evolution of the Romanian coatings market was essentially driven by specific demographical and social factors.
- The consumer segmentation based on traditional methodologies, used by Romanian coatings producers, will have a reduced financial impact due to particular market and consumer features.

Our research produced a series of data on the customer structure for the coatings market that we analysed. We were interested in a series of factors influencing the consumer decision such as: the gender of the buyer and the age groups, agents of influence and specific expectations for each category. The research emphasizes the domination of two age segments, between 30-39 years and 40-49 years. Traditionally, the women were considered as the key decision makers in terms of the household products acquisition; nevertheless our research concluded that 86% of buyers are men. The decision making process related to paint acquisition was also approached by the Synovate / Ipsos Research study. According to Synovate / Ipsos, 70% of the buyers decide alone or inside the family circle as to the paint brand used, while 28% are accompanied by the painter/decorator in the search for the best option. Considering the craftsman’s considerable influence (painter, in the present case), producers and distributors of construction and finishing materials may develop loyalty mechanisms dedicated to this influential segment of buyers.

The analysis of the acquisition mechanism was present in our study and the results were confirmed through the benchmarking with the Ipsos 2011 quantitative research. We have precisely envisioned the type of store where customers make their acquisitions, the purchase decision mechanism, the price associations, the safety and promotional mechanisms as well as the purchase motivations. Romanians buy the paint products in the Do-It-Yourself superstores (46%); another 48% prefers vicinity to shop for paint and related decorative materials (small stores, small storages for construction materials and specialized stores.

Additionally, influence of advertisement upon the product sales in the DIY stores is a key issue in our marketing research, as companies search for the best channels that will influence the consumer. Several channels have been discussed during our qualitative research, such as: on-line advertising and Facebook, print advertising (especially the home & deco magazines), TV adds, in-store advertising, shelf positioning, drop mail, word of mouth. The information we processed confirms that television is still the most influential media,
with 71% of the responses, followed by in-store advertising and word of mouth. Unexpectedly, the on-line and print are considered neutral, with low levels of trust and influence. From Caparol Germany survey, we notice how several methods are being used internationally, by companies of the Caparol Group, in order to attract prospect and new customers or retain existing customers, such as Newsletter (customer retention), online advertising (customer attraction), print advertisement in specialized press (customer attraction), point of sale advertising (customer attraction), give-aways, discounts and company events. The Synovate/Ipsos research quantitative study points out that, in case of brand awareness and recognition the most influential media is the television, the in-store advertisement channels and especially promotions are essential in terms of creating measurable value. In 2008, 60% of the consumers would decide upon the acquisition before going to the store, while for 2011 the data gathered points that only 43% would make the same decision, in addition to 48% of the consumers that would make the acquisition decision in-store.

As for brand preferences and evaluation, our study reveals consistent information on brands and especially manages to create a consistent segmentation basis for the competing brands; the basis of the brand research was to select a list of well known paint brands available in all Do-It-Yourself stores from Romania. In addition, the respondents were required to express free opinions related to the selected brands, related to products benefits. Given the level of education, knowledge of the product, price information, volume sales information as well as customer feedback, we consider this information as a rich basis for segmentation. Essentially, this type of segmentation can create great value on the long term, according to Engan and Izaret (2010) and will probably be the basis of further research. While we envision Romania’s consumer experience, we should start with the basic elements that influence the evolution of the shopping behaviour. The marketing environment determine the general features of the market and its consumers; however, local sociologists and psychologists have undertaken in the past years an elaborate discussion on the specific Romanian traits that, for the past decade, have transformed the local market into a golden age of consumption, attempting to clarify if the influences of the communist past or the sudden access to wealth, be that apparent and fragile, has shaped a new market model. Romanians are a peasant culture, urbanized faster, looking with horror to capitalism and market economy Dâncu, 2012. This rather bold and firm approach of the reputed Romanian sociologist, Vasile Dâncu explains the nature of the Romanian economic development by the excessive and forced urbanization accomplished unequally and destructively by the communist system. This implies the partial adoption of rules that are either un-aesthetic or shocking, a powerful dissonance between form and substance Mateescu, 2012.

Conclusions

Several specific features of the Romanian society influence the market structure, consumer sentiment and spending behaviour. The absence of a class determination, class conscience and structure, the Romanian oral and profoundly rural models arouse in terms of luxury shopping and public display of wealth according to Mateescu, 2012. The customers with limited financial possibilities project themselves as “unfortunate”, but still aspire to the middle class status and, with credit and massive debt, attempt to project a false image of well fare. During 2000 and 2008, Romanians experienced a period of the “consumption credits”, of “identity cards-credit” and even of “renovation credit” or “vacation credit”, when individuals with medium and low incomes attempt to outline their economic situation. All the major Romanian cities experimented this accelerated consumption feature, best defined through the increase in sales of the major retail stores, and in the number of store openings throughout Romania, the affluence of banks and openings of small banking agencies in every neighbourhood, small city or village, the opening of a large number of drug stores (pharmacies) and the revenues of the pharmaceutical companies, the growth in the construction sector with an average of 37% per year (between 2004 and 2008, according to Romania Statistics Institute data), last but not least, the growth in the constructions sector, with yearly growth rates for coating of 29% (2006,) and 25% (2007), followed by 15% in 2008 according to Interbiz, 2011.

The deterioration of the economic climate in Romania after the year 2008 has lead to important changes in the attitude towards spending in general and especially related to home improvement. Small renovation or
construction work is preferred, with lower costs and lower quality materials. The Do-It-Yourself retail stores are an important channel for the sale of building materials, especially in the urban areas, while the rural areas are dominated by small general stores that are selling low cost construction materials and coatings.

Between 2002 and 2007, the European DIY Retail had an average increase of 15.7%, mainly driven by particularly high growth rates in emerging markets DIY Central and Eastern Europe Vizjak, 2011. The new economic reality of the recent economic crisis and subsequent recession led to a change in the retail landscape in general, and significant changes to the DIY (do-it-yourself). The relatively small consumption of finished products in Central and Eastern Europe have created for the international players a huge growth potential in these markets. As a result, large European retailers have expanded their positions in a fast pace and the market in Romania reached in 2012 a record number of DIY stores (approximate 120 is the number of DIY stores in Romania, of which 56 belong to local players such as Dedeman, Ambient or Arabesque).

From our research, we conclude that in the post recession environment, customers are willing to accept different levels of compromise in order to pay a lower price for the construction materials, materialized in: the acceptance of a lower quality product, an unknown brand or product with a standardized layout. The most important factor influencing the purchase decision remains the price. The least important factor influencing the purchase decision: the brand. The most important person influencing the buying decision: the craftsman. Regarding the association between product price and different features, its most relevant associations were found in products manufactured in the EU (Germany) and branded products. Conclusions also show that most customers prefer low cost coatings, products that solve an immediate problem and possibly bring another benefit as a gratuity. Promotions or sweepstakes draw are of interest to customers surveyed. The product design is considered less relevant, customers preferring a simpler product layout in association with a lower price. Although customers declare that quality is an important component of choice, a majority of 75 % of the responses indicate that customers are interested in lower priced products, while 82% will chose an average quality product for a lower price. Our conclusions also display a practical part, since they led to implementation of a successful loyalty program within the local coatings and finishing materials producer Caparol. “Caparol Club” is a programme designed for the craftsmen and professional painters. Based on the level of acquisition and customer recommendation, the members of the Caparol Club benefit from a system of awards consisting of working tools, working suits and mesh facade. The club started to recruit members in April 2012, and reports in the first year acquisitions of over 1 mil E. In October 2013, the club counts 650 active members, and reports a 14% increase in sales conducted through this particular channel. The communication with the Club members is considered particularly important for the company. Therefore, aside from the monthly newsletter, the company also provides the Caparol Club members with constant technical communication and sample of the newest products on the market. The Caparol Academy in Romania has developed a specific training program for the Club members. By October 2013, over 400 Club members have benefited from free of charge technical education and practical courses.

Due to the relevant changes in consumer behavior and the negative growth in the DIY retailers’ businesses, companies should be rethinking strategies and make more effective use of information and communications technology Kambil and all, 2007 in order to attract customers lost. Several general trends stand out: a flexible chain retailer, is expected to help retailers sell the right products at the right time, their own branded products provide an opportunity to improve profit margins, an online market is growing, despite the recession - requests for product and sales online purchase are in preparation, as well as environmental objectives, energy efficiency and carbon footprint reduction are the main drivers of growth. In addition, retailers have become increasingly aware of the influence of consumers and their importance in establishing a portfolio of products. Within the mechanism of requesting feedback or questions promotions, retailers have come to involve consumers in the decision-making process, in order to increase the acceptance of certain products Ionescu, 2012. The extent of DIY retail market in Romania cannot be over-looked; therefore consumer profile analysis is very important.

The basic values of society, traditions, preferences and behaviour of citizens, especially environmental factors strongly influence their preferences and distinctly influence the appearance of housing and decoration of public spaces according to Mateescu, 2012. In addition, changes in the cultural environment affects marketing
opportunities and production companies should always take notice of changes in consumer behaviour in order to adapt their product offerings and services. Decorative rural culture transmitted over generations, and transferred from the village environment to the urban areas was, in the case of Romania, suddenly transformed by the introduction of new decorative materials and solutions on the market - products and solutions which had to be assimilated in a very short time by the public. Thus, beyond the chaotic sedimentation of design preferences, the Romanian market became extremely varied and unusual; from the predisposition to aggressive colour preferences to the acquisition of expensive materials, the change in the Romanians system of values has created an attractive market for high quality decorative products. The desire to achieve a higher living standard Mateescu, 2012, Mihăilescu, 2012, Stoica, 2012, Romanians’ need for beauty, but also poor quality of constructions in Romania contributed to the growth of decorative materials market and apparent rising of Romanians living standards. In the field of decorative products, the local market has moved from simple shades of colours, limited choice of shapes and textures available to the exhibition of strong colours and smart materials, smooth or textured substrates, quickly applied with hand-tools for performance or unmistakable effect. Exclusive design requirements can be now achieved through individual software matching colours, textures and features of decorative layers solutions offered by innovative manufacturers of decorative materials.

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