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Managing Market Segmentatıon for Dıfferent Brands of the same Headquarter

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ABSTRACT

Brand management is inevitable for sustainable marketing. Civil aviation companies focus on sustainable marketing, because of their long-term investments. Customer loyalty is one of the most improtant factors of sustainable marketing. It is known that, if there is no certain limit or border, segmentation damages the reputation of the brands and it is one of the most important threats of sustainable marketing. Segmentation can be done by using new brands, but this process has its own constraints. Such constraints are related with the reputability of the company. To evaluate the impact of a new brand on reputability, service quality is taken as a metric and SERVQUAL is used. The customers of two civil aviation companies participated the study. These two aviation companies have the same headquarter, but they have different brand management strategies. One of them is globally reputable and it is the headquarter company. 166 questionnaires of the 83 participants are evaluated. It is seen that the service quality perception on the brand of the headquarter company did not change and the new brand did not effect its reputability. New brand created its own market or took a share from the other civil aviation companies which attract the customers of the headquarter company with their lower prices.

Keywords: Brand management, civil aviation, service quality.
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1.0 INTRODUCTION

Brand is the first impression of the customers on a company. Therefore brand management is vital for the companies. The products are ordered and remembered with their brands. Creating any value which makes a brand different and superior is the main aim of brand management. Because any extra vale, which is added to the brand, will not be easily extracted in the future.

First step of brand management is creating a brand equity. Just like all the other equities, brand equity also has its own costs. Advertisements are the strongest tools of creating brand equity and they have an unlimited cost (Pitta and Katsanis, 1995). But the companies have to make budgeting and decide limit of

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these costs. Besides the advertisements should be creating the expectations which serve the strategies of the brand. For example, a brand using low-cost strategy, would prefer to create the expectation of low-cost. By the way the customers may neglect the quality.

Some companies already have a brand equity and it will be easy for them to manage the strategies. Because consumers recognise their brand and reputation. The views of the other people can also be an indicator for the consumers. By the way changing social values can also affect the reputation of such brands, it is witnessed in USA (Kahle vd, 1988). For this reason, the brands have a limited life and amortization should be used to depreciate the value of the brand on the balance sheet. Brand equity should be defined quantitatively as it cannot be created without using any financial resources and it has a limited life (Farqhuar, 1989). That is why the brand equity is also depreciated, it is depreciated by using amortization just like all the other intangible fixed assets.

Brands also have a qualitative dimension which is not related with the quantitative ones (Blackston, 1995). The qualitative dimensions can be improved by understanding the expectations of the customers and creativity. Sometimes the existing brands cannot meet the expectations of the customers and a new brand can meet the expectations of a all the customers or a group of customers.

2.0 BRAND MANAGEMENT

Brand management includes every process which is related with the product, such as design, packaging, customer relationship service etc. Each process is managed according to the strategy which is chosen for brand management. A brand is expected to give a message. The success of brand management is related with the success of underlying the message. Sometimes a slogan is chosen to give the message, and sometimes all processes are expected to give the message all together.

Brand management focuses on creating value. This value should be something special for the customers and the product should make the people like they pay for some extra value which will satisfy them (Swaminathan vd., 2007). The brand should give the feeling of "being special". "Being special" is related on perceptions. The brands should catch the common perceptions as every society has its own groups with different perceptions (Alesina et al, 2003) and every person has its own cognitive differences (Kohlberg, 1984). Therefore brands should choose their target groups.

Introduction of a brand is implemented by the advertisements. Advertisements should be able to reach as much people as possible (Kirmani and Zeithaml, 1993). This situation is not only related with the attractiveness of advertisement, it is also related with the advertisement techniques and media channels.

Customer relationship management is another important process. This process can be managed by the call centers (Kim, et al, 2003). Call centers evaluate calls, e-mails, internet messages and faxes. Call centers can also sell some products or services. This kind of alternative processes can provide a chance to avoid unutilized capacity, but if they are not controlled properly, they may damage the reputation of the company. Because call center agents directly represent the company.

Customer service management is a critical event for brand management. Because the customers get in touch with customer service department whenever there is a problem, and this situation is a fragile one. The customers may decide to continue with the same company or they may stop working with that company.

The main financial constraint of customer service management is the deviations. Customer service management is responsible of repairs and the necessary amount of the repairs is unpredictable. The average of the historical data will be taken to determine a limit of repairs, but there will be deviations. Deviation means risk of prolonging service periods or unitilized capacity. This may decrease the customer satisfaction together with the brand equity (Berry, 1993) or increase the costs. This event can be managed with a strong cost management ability or by designing a flexible customer service department which can also be used when there is no repair demand.

3.0 SEGMENTATION

Segmentation means classifying the customers according to their different preferences. For example according to the price sensivity of the customers, two main segments are formed: low-cost segment and quality segment. Low-cost segment customers prefer lower costs and pay less attention to the quality. On the other hand quality customers prefer higher quality and pay less attention to the prices.

The brands have a strong relationship with segmentation (Bucklin and Gupta, 1992). Grover and Surnivasan (1992) claimed that brand loyalty plays a great role on segmentation. The segmentation is also related with the market structure (Grover and Surnivasan, 1987).

Some other researches focused on elasticity (Kamakura and Russel, 1989). Determining elasticity is important to eliminate the negative impacts of seasonal demand or temporary demand. For sustainable marketing, temporary demand and temporary customers should be determined. When the segments are defined clearly, then it is possible to realize the temporary customers.

4.0 HEDGING OF THE BRANDS

Hedging is a protection technique of finance. The main aimof hedging is protecting the investments from the fluctations of the markets. The brand equity is a kind of investment, because some of the financial resources of a company is invested to brand equity. It means it has a financial value and it can be defined financially. Actually a brand even has a market price.

The derivatives are the most commonly used financial hedging instruments. But for the brands, derivatives cannot be used for hedging. The hedging of a brand can be done by using some other brands. These brands can be used for segmentation to avoid the ambiguity of customer expectations (Rao and Monroe, 1989). The expectations of the customres are various. For example, some customers prefer low prices and some of them prefer high quality.

Most of the customers do not have time to analyse a company and they use heuristics. Heuristics are the short paths which are used to decrease the time spent on making decisions. The customers who have limited time for shopping, try to find what they need just by checking the brands. The customers expect to get a message with the name of the brand such as quality or low price. By the way, the expectations of the customers take them to some certain brands (MacInnis ve Nakamoto, 1990).

The customer loyalty is also important, once the high trust of the customers is lost, then it will be difficult to get it back (Samuelsen and Sandvik, 1997). But once it is gained, it will increase the life of the company. Some industries have some certain brands which survive wih the customer loyalty (Thomson, 2005). It is difficult to pass beyond this loyalty, which includes strong emotional ties, with the the new brands (Oliver, 1999). In other words, new brands cannot always pass beyond customer loyalty. But the new brands can be a threat, because their mistakes may affect the demand to the products or services of the headquarter company.

The companies need to use new strategies which cannot be harmonized with their existing strategy. There might be some other attractive reasons to use new strategies, such as a better market share. In such situations, companies might prefer using new brands. In fact, this is hedging. Because another brand means a new company taking all the risk of new operations. But hedging is not only for protection, it is also for getting share from high returns.

The need of hedging increases when a threat appears. Especially at the aviation sector, the threat company can capture higher shares in a short period of time. Mostly the new entrant uses low-cost strategy at the beginning. The high quality flight companies face difficulties on changing their strategies and their implementations. Because any change may devastate the customer loyalty. But a new brand means lower risk and more agility. New brand will not have any risk on customer loyalty, therefore they can decide their strategy more easily.

Hedging a brand decreases the risk. Some companies have increased their market share with this technique. The business units can cooperate with each other. This will also bring synergy. On the other hand, the new brands are not considered to be sustainable, because of the possible lacking stability on the strategies and implementations. The strategy of the new brand is something new for the headquarter and they are not used to implement such strategies.

5.0 METHODOLOGY AND FINDINGS

A Turkish civil aviation company, which hedged its brand by using a new brand to implement a low cost strategy, is surveyed. This company has a headquarter company which aims to be the most reputable flight company. In 2008, this company started a new brand with the strategy of low-cost. The new company aims to use less resources to provide a low-cost service. The purpose of this research is determining whether there is any significant impact of brand on the perception of service quality.

166 questionnaires are collected. The semi-structured interview is made with 63 participants. Each of these participants have taken service from both the headquarter company and its business unit. All the participants are aware of that the business unit belongs to the headquarter company.

SERVQUAL is used with 10 dinemsions, but courtesy component is not taken. The other components are the tangibles, credibility, communication, knowing the customer, reliability, tangibles, responsiveness, competence, security and access.

Table 1: Frequency Table

		Frequency	Percent
Gender	Female	43	25.9
	Male	123	75.1
	Total	166	100
Age	18-22	22	12.2
	22-29	108	60.0
	30-39	8	4.4
	40-49	13	7.2
	50-59	14	7.8
	60+	1	.6
	Total	166	100
Income	1-999	10	6.0
	1000-1999	74	44.6
	2000-2999	77	46.4
	3000-3999	5	3.0
	Total	166	100
Education	Primary	9	5.4
	secondary	7	4.2
	high school	117	70.5
	college	15	9.0
	undergraduate	16	9.6
	master+	2	1.2
	Total	166	100
Company	reputable	83	50
	low-cost	83	50
	Total	166	100

Table 1 shows the frequency table of the statistics. 39 questions are used. Question H14 is removed after the factor analysis. It is seen that remaining 38 questions can measure the quality perception with a rate of %75.407.

The nine factors which are tangibles, credibility, communication, knowing the customer, reliability, tangibles, responsiveness, competence, security and access are formed significantly. But some questions of security was perceived as the questions of credibility. They appeared to be a part of credibility component. These two components had close values, which means the participants could not diversify them clearly.

Table 2: Means and ındependent samples T-test Results

		N	Mean	Std. Deviation	Significant difference
Credibility	reputable	83	3.9344	.94728	Doesn't exist
	low-cost	83	3.6747	.89409	
Communication	reputable	83	4.1265	.88636	Exist
	low-cost	83	3.5904	.52337	
Knowing the customer	reputable	83	4.0964	.54045	Exist
	low-cost	83	2.9819	.58436	
Reliability	reputable	83	3.9036	.93775	Doesn't exist
	low-cost	83	3.7590	.82033	
Tangibles	reputable	83	4.1687	.75719	Exist
	low-cost	83	3.8102	.57460	
Responsibility	reputable	83	4.0683	.85976	Doesn't exist
	low-cost	83	4.1245	.47913	
Competence	reputable	83	4.0080	.94421	Exist
	low-cost	83	3.7470	.56451	
Security	reputable	83	3.9157	1.01459	Doesn't exist
	low-cost	83	3.7831	1.08255	
Access	reputable	83	4.1205	.98026	Exist
	low-cost	83	2.6867	.73132	
Quality	reputable	83	4.0380	.46755	Exist
	low-cost	83	3.5731	.24459	

The results are analysed by using independent samples t-test. Independent samples t-test is applicated for each component and for quality. According to the independent sample t-test results, the difference of the means for communication, knowing the customer, tangibles, competence, access and quality are significant at 0.05 level. The mean of the scores for the headquarter company is higher for the mentioned components and quality. On the other hand the mean of the score of the business unit is higher only on the component of responsibility, but this difference is not significant together with the components of reliability, responsibility and security, at 0.05 level.

The headquarter company has a significant difference on the service quality. The brand equity of the headquarter was too strong. Some of the participants, 14 people, admitted that they prefer the business unit more frequently. They are asked why they still keep on flying with the alternative company, why they prefer this spare brand, and they replied that they prefer lower prices. All of them agreed on this opinion. They added that if the flight was paid by any institution or a fund, then they would prefer the headquarter company with no doubt.

6.0 CONCLUSION

A strong brand has a strong impact on the perception of the customers. Psychological impact cannot be neglected. Customers feel relieved when they use the product or services of these brands and they feel themselves more valuable.

The brand equity can be evaporated, if it is not supported and protected. The spare brands means hedging and they can also be successful. This study has shown that a civil aviation company using less financial resources can also satisfy the customers. The new brand may not seem as successful as the original one, but the profit margin is unknown and the new brand keeps the market share.

The service quality of the new brand will be high if the headquarter company can transfer its experiences to this new company. The high trust of the customers might support the success of the new brand when it is known that the new brand belongs to the headquarter brand. But this situation has its own risks. For example any failure of the new brand can be evaluated as a failure of the main brand.

The new brands can be a profit center. They can be used to make investments for the headquarter brand. By the way they can provide synergy. The markets have their own risks. Sudden changes, some new rivals and many other unexpected troubles can arise. In such situations, the new brands can provide agility to the company. Moreover the brand equity can be protected from the mentioned risks. Sometimes the new brands can be wasted to protect the headquarter brand. These kind of situations are used to protect the value of the headquarter brand.

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