



# Chapter 11

## Sophisticated Segments of the Market: Changes in Consumer Dynamics and Behaviors

**Sidney Ornelas**

 <https://orcid.org/0000-0002-6620-4407>  
*Tecnologico de Monterrey, Mexico*

**Jorge Vera-Martínez**

 <https://orcid.org/0000-0002-5090-7829>  
*Tecnologico de Monterrey, Mexico*

### **ABSTRACT**

*Certain industries have developed segments in which both consumers and businesses have attitudes, expectations, and behaviors that differ significantly from those of the industries they are part of. Some of these new dynamics include a heightened interest in quality and the concomitant development of entities and mechanisms designed to ensure certain standards, as well as an increased level of involvement of the consumer with the product. Consumers who show the various characteristics mentioned above are part of what may be considered sophisticated segments of the market. This chapter analyses the relevance of perception of quality, the importance of educating consumers, and the changes in levels of consumer engagement in these segments. The chapter also suggests theoretical and practical implications regarding marketing strategies, as well as some gaps of knowledge that further research might address.*

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## **RECOGNIZING SOPHISTICATED SEGMENTS OF THE MARKET**

Segmentation has been recognized for its role as an indispensable marketing function in the path towards business development. Successful brands and companies are able to define in detail the characteristic of the segment(s) they are trying to reach and serve. However, it has also been recognized that the segments might evolve and change; and certain relevant segments might emerge or disperse according to certain market circumstances (Carvalho, Paiva, & Vieira, 2016). This change and evolution may be accompanied by variations in certain behaviors observed among consumers. How these consumers relate to the products, companies, and brands also tends to undergo a transformation. Therefore, various roles and dynamics among these entities may also be subject to change.

Some industries have developed segments that differ significantly from those of the industries they are part of in the way consumers and businesses interact and behave. These new dynamics include a heightened interest in quality and the concomitant development of entities and mechanisms designed to ensure standards, as well as an increased level of consumer engagement with the product. Furthermore, the circumstances (*e.g.*, the brand's actions) likely to enhance this new level of consumer engagement are different from the level prior to these developments, possibly calling for distinct business and marketing strategies. Consumers who show the characteristics mentioned above are part of what may be termed *sophisticated segments* of the market.

A possible example of such an industry in the food and beverage category is coffee. Throughout this chapter, *coffee* refers to coffee in its final stages of the value chain, when it is made available to the consumer for personal consumption. This includes coffee sold in a cup and ready to drink, and ground coffee consumers buy to brew at home. Within this part of the industry, coffee has been commonly considered a mass consumption product. However, a segment has evolved in recent years implementing new business models requiring that companies analyze and build specific marketing strategies in response to parallel changes in consumer behavior. These changes include alternative schemes to trade coffee, as well as increasing numbers of consumers expecting higher quality coffee (Carvalho *et al.*, 2016). Some consumers who have been used to drinking instant coffee most of their lives may happen to be exposed to higher quality coffee and thus start their journey toward consumer sophistication. Certain global brands have been part of this evolution, and new brands have also been developing in response to this market need. For example, Nestlé group, which has had a long and successful history with Nescafé (its instant coffee brand), has recently launched its highly popular Nespresso brand, whose products are marketed as high quality. Some other brands have emerged, Blue Bottle Coffee, Sightglass Coffee, and Ritual Coffee Roasters,

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