Segmentation Strategies and Practices in the 19Th-Century German Book Trade: a Case Study in the Development of a Major Marketing Technique

Ronald A. Fullerton, Rhode Island College

ABSTRACT - Most current treatments of segmentation assume it to be a recent phenomenon. This paper supplies a historical perspective derived from a case study of segmentation in the 19th century German book trade. Segmentation practices were pervasive, often sophisticated, and clearly preceeded the development of formal segmentation thought.

INTRODUCTION

This paper supplies a historical and international perspective to one of the best-known concepts of contemporary consumer marketing market segmentation. The idea of segmentation entered U.S. marketing thought in the 1950's with the pioneering work of Smith (1956) and of the group around Wroe Alderson (Smith 1978). By the 1970's it had become one of the major research issues in academic marketing, a status it retains today. An imposing body of formal, rigorous, and normative thought has been developed. At the same time, however, relatively little is known about current segmentation practice in the business world.

Even less is known about past practice. Insofar as there is any historical perspective at all in the literature, segmentation is usually presented as the quintessence of modern marketing, unknown to the crude marketers of earlier times. The development of segmentation practice is placed after production-oriented "mass marketing" in historical time, making it at most a few decades old (e.g., Kotler 1984, pp. 250-251). A few writers, however, have sensed that behind modern segmentation thought is a heritage of practice, perhaps even a long heritage (Levitt 1984; Roberts 1961; Smith 1956; Wind 1980). Wind finds that segmentation thought "really just" codifies and improves "things that smart marketers had been doing intuitively for a long time", but does not elaborate. Smith and Roberts only go back to the 1940's. Levitt's discussion of price-based segmentation in ancient Babylonia is more suggestive than substantive. Fortunately, recent work on marketing history has begun to explore past segmentation practice in the U.S. (Fullerton 1985; Hollander 1985) and in Britain (McKendrick, Brewer, and Plumb 1982). The use of segmentation appears to have been widespread in 18th century Britain, for example.

This paper extends recent scholarship. It is the first to focus exclusively upon past segmentation. It presents a case study of the development and use of segmentation by members of the German book trade during the 19th century (which historians usually date from 1815 to 1914). Some comparisons with the U.S. and U.K. are made.

Aims. The case study is intended to provide a complementary perspective to the ahistorical, formal, and normative one which now characterizes academic writing on segmentation. The main questions to be answered are: 1) what forms of segmentation were used by 19th century German bookmen?; 2) how were these developed in the absence of formal thought to guide practice?; and 3) how effective was segmentation for individual firms and for the trade as a whole?

Sources. The study is based upon extensive research in primary and secondary historical sources. Primary sources include: trade periodicals, trade manuals, promotional ephemera, publishers and booksellers' memoirs, and actual published products; these were located in book trade archives in East and West Germany. Secondary sources include published works on the German and other book trades. A full
II. THE USE OF SEGMENTATION IN THE 19TH CENTURY GERMAN BOOK TRADE

The German book trade, along with its counterparts in other Western European countries, was one of the pioneer businesses of the Western world and has remained vibrant down to the present day. Long before the Industrial Revolution of the 18th century, bookmen had developed complex regional, national, and international distribution networks; the most successful bookpeople had always shown responsiveness to market demand (Febvre and Martin 1976, Ch. 4). No early trade made greater use of advertising, and even during most of the 19th century only patent medicine advertising rivaled the volume of that for books.

The key to understanding the book trade as a business is to recognize the central role of publishers, not only in promoting and distributing, but also in creating books (Fullerton 1975, pp. 131, 237-242; Fullerton 1977, 1979; Sarkowski 1976, pp. 73-74, 86). Most books -especially popular ones - came into being because a publisher had developed an idea and commissioned others to develop it into a book. Books which did not originate with a publisher were only accepted if they meshed with the publisher's ideas. A substantial element of the publisher's ideas had to do with market demand. German publishers were fond of saying that they published some quality books with no thought of demand. No doubt many did. But they were businessmen; some of their ideas had to reflect market demand - which more often than not people thought was for works of real quality anyway. Long before the 19th century publishers had known that market demand displayed heterogeneity.

Segmentation Practices in 1820

Conditions in the German book trade reflected the entire period from about 1750 on. The market was small. Most Germans owned few if any books, many were illiterate or semi-literate, but there was a growing middle-class reading public. As in other German trades then, business practices were genteel and conservative: aggressive marketing was tabo. It is interesting, therefore, in view of today's association of segmentation with marketing dynamism to note that segmentation strategies were clearly being persuayed by Germany's genteel publishers. Among publishers it was common practice, for example, to have copies of a work printed on from two to five grades of paper (the top grade was usually vellum), with a noticeable price differential between the grades. (But even the lowest grade was not cheap by contemporary standards). A 20-volume edition of the literary giant Goethe's works was available on four grades of paper, for example, the vellum costing twice as much as the lowest-priced "ordinary" paper (Monatsbericht 1816, No. 1, pp. 8-11). The set could be purchased either on subscription or by cash in advance at a savings of from 27 to 33 percent (depending on edition) - an indication of what today would be considered using deal-proneness and price sensitivity as segmentation variables.

The most expensive editions made up less than ten percent of most printings. Elegant and costly, they were intended for the wealthy builders of imposing mansion, castle, court, and cloister libraries who had been a major segment for centuries. Unfortunately for the book trade, this segment was slowly declining in size by 1820 because of shifts in politics and upper-class lifestyles. Thus more attention had to be paid to segments located primarily in the growing middle-class reading public: modest home library builders, children, women, fee libraries (Leihbibliotheken), members of professions, and schools. There were important sub-segments within each.

German parents, like their counterparts in England (McKendrick, Brewer, Plumb 1982, Ch. 7), believed that nothing could do more to further their children's social standing than exposure to reading matter. Meeting the opportunity, publishers produced a considerable volume of children's material, much of it with the heavy doses of didactic and moral messages parents liked. One book shop selected two hundred children's titles to push in 1820; there were many other titles as well. Employing considerable cooperative advertising with booksellers, publishers advertised children's works heavily during late autumn as Christmas gifts, thus using occasion and season as segmentation variables along with the demographic and socioeconomic ones. In other words, they were practicing multi-variable segmentation.

Publishers' actions reveal that they saw distinct segments within the overall children's book category - a Catholic segment, a Protestant segment, and an emerging girls' segment which itself had religious sub-segments (Fullerton 1975, pp. 66-67; Grenz 1981).

Another growing segment was made up of middleclass women, among whom both literacy and the range of socially acceptable reading matter had been increasing. Many of the books which publishers produced for this segment were intended to be gifts, another instance of combined demographic and occasion-based segmentation. These included religious works, cookbooks, annual illustrated "almanacs" of poetry and prose, and works such as a World History for Cultivated Ladies (Weltgeschichte fuer gebildete Frauenzimmer, Leipzig: Fleischer, 1817). Advertising for this history book was aimed at potential gift givers - fathers, husbands, or suitors - and stressed the book's suitability and value: "everything is presented so smoothly and easily, and the Useful so artfully blended with the Beautiful, that the fair reader will surely prefer it to novels and romances" (Monatsbericht 1820, No. VIII, p. 144. Translation mine).

Women were voracious readers of novels and romances, which were usually written to formulas known to appeal to them. Few individuals purchased novels, however, even as gifts - they were considered too expensive and ephemeral to belong in home libraries. The market consisted of fee or "circulating" libraries (Leihbibliotheken) just as in Britain (Alcock 1957). Fee libraries were also a major market for popular works of fiction. Publishers were well aware of fee libraries and their needs some ran their own libraries. Many catered to this segment. Starting about 1821, for example, they followed the British example and began issuing novels in three-volume editions intended for circulating libraries, which charged on a per-volume rather than a per-title basis.

Scholars, lawyers, doctors, clergy, Freemasons, and teachers were each important segments for the book trade in 1820. Usually they formed reading societies to pool their resources, since the books they needed were costly. Germany's growing state school systems were another major segment.

On balance, segmentation rather than aggregation characterized the approach of most German bookmen in 1820. The only books which were intended for a broad general market were popular devotional works and the Bible, which were purchased by all Germans except the very poorest. Yet here too there was segmentation as publishers issued editions of these works in different sizes, degrees of elegance, and price.

The segmentation policies in use in 1820 were based on observation and practical business sense; there is no evidence of formal market research. Research would have been less useful than it is today. The trade and its markets were small. Most publishers retailed books. Thus they gained the first-hand experience with consumers which their present-day counterparts, isolated in large bureaucracies, must experience vicariously through market research.

Unlike modern marketers, however, German book marketeers in 1820 did not actively look for new market segments. Like other German businessmen then they assumed their markets to be fixed in size, and believed that vigorous marketing would steal the rightful market shares of their fellow bookmen (Fullerton 1975, Ch. 1). Existing segmentation practice reinforced the prevalent passivity. The habit of thinking in terms of small segments contributed to an overproduction of titles which clogged the trade and distracted publishers from thinking in terms of substantial sales for single works - even though the press technology to do large editions had recently been invented. Accustomed to small segments which could pay high prices, few publishers thought to explore lower ones.

One publisher, however, combined segmentation with ambition. F. A. Brockhaus (1772-1823), who had been exposed to the then-dynamic
business climate of Britain, took over a faltering encyclopedia, cut its price by one third, and advertised it as the "cheapest book in the world" (Monatsbericht 1818, No. X, Translation mine) to middle class civil servants and others anxious to appear educated and to possess a home library. Sales astounded the trade. Brockhaus had opened up the encyclopedia-buying segment which has been vital ever since%

Segmentation After 1820: Agent of Growth

Brockhaus set the tone for many later German publishers. While the restrained ethos of early 19th century publishing never completely died out, a new ideal of vigorous market development began to manifest itself strongly from the mid-1820's onward. High Capitalism - unrestrained, creative, competitive - had arrived in Germany. Increasingly, segmentation strategies were devised and used to open up new areas of the book market. Some failed, more were successful.

Segmentation was manifest in three important long-term trends: 1) the growth of specialization and conscious market planning; 2) the development of new types of publication; and 3) the establishment of new forms of retail distribution to reach new buyers.

Specialization and Planning. By the 1850's, publishers were tending - to specialize, hoping thereby to get to know their markets well in the face of increased competition. Some specialized by subject area, others by type of book, for example, the ostentatious "display editions" (Prachttauabgabe) popular in the 1870's with the newly rich. Many small publishers who did a variety of books actually specialized in a geographical sense since they focused their marketing efforts upon their local areas. Large houses like Brockhaus did many types of book but had substantial and specialized staffs for each one. By the early 1900's even Brockhaus was limiting its range.

In the larger cities bookstores too came to specialize during the century, as did other retail book institutions.

As the trade grew in complexity and size, and as competition became keener, astute publishers saw the need for more formal and systematic market planning. Formal planning was common in the larger firms by the 1890's. One of its stated goals was to identify "gaps" (Luecke) in the market - promising new products or segments (Luetge 1928, p. 129). The market was studied by personal observation and by questioning - which were perceptive and thorough in some cases - and by examining the ever-growing array of trade literature - newspapers (from 1810), directories, and manuals. There were trenchant published market analyses as early as the 1820's, although they did not develop the concept of segmentation. Survey research to identify buyers by profession and geography was used from the 1880's, but not widely. Though crude by current academic and Fortune 500 practitioner standards, such planning methods were the genesis of those used today.

A few German publishers were quite advanced. A classic of market analysis and planning is a plan drawn up by the publisher H. J. Meyer in 1879 for a "luxury edition" of his firm's encyclopedia (Sarkowski 1976, pp. 91-92). It subdivides the target market into three psychographic-like segments ("aristocrats by taste; aristocrats by birth, aristocrats by money"), analyzes the benefits (both real and perceived) such a work would provide each segment, and devises a distribution strategy for each involving a different combination of direct mail, personal selling, and retail book stores. Meyer cites the geneological and nobility directories needed to compile the mailing and call lists. This level of refinement was not representative - Meyer's firm was a leader in marketing - but it does illustrate the state of the book marketing art in Germany over a century ago.

New Publications - New Segments Developed, Old Enlarged

Throughout the century, ambitious and creative publishers reached new groups and strengthened their appeal to existing segments with innovative and market-oriented works. Here are some major examples:

- The publishing firm of B.F. Voigt developed a whole new market segment with its series of handbooks for artisans.
- A category of books just for adolescent girls (Ruckfischliteratur) began to be published about 1850 (Grenz 1981).
- The important gift book market was expanded into several new segments. By the 1880's there were three distinct price segments and several taste segments.
- From the 1860's publishers consciously opened up new segments of price-sensitive middle-class book buyers by issuing more and more inexpensive (i.e., one Mark or less) books; in 1885 42.5% of all titles were inexpensive, versus 33.3% in 1875. This market was further segmented by contents.
- When the copyright on the German language literary classics of the late 18th and early 19th centuries expired in 1867, ten publishers were ready with series - nearly every one of which was aimed at a different segment. One series featured low cost and illustration and was aimed at gift givers, another targeted schools, still another targeted deal-prone consumers by offering a premium. The only series which did not fare well was one aimed at the lower classes, who had little interest in the classics (Fullerton 1977, pp. 332-337; Sippell-Amon 1974).
- In the 1870's and 1880's publisher-entrepreneurs opened up the newly-urbanized working masses as a market for regular purchases of light fiction by creating reading material, promotional methods, and a distribution system especially for this group. Similar markets had been opened up in Britain, France, and the U.S. earlier (Fullerton 1977, 1979).

New Retail Outlets to Reach New Segments

It was symptomatic of the more assertive marketing orientation that many publishers designed explicit retail strategies to reach target segments. Most of these strategies involved either supplementing or bypassing conventional book stores. Publishers knew that lower and even many middle class Germans would never enter a bookstore. They also knew that even people who did not find them intimidating would buy more if reached through more direct methods. Bookstores' selling methods were simply too passive for ambitious publishers, who developed an arsenal of more proactive and wide-reaching retail outlets; these included direct mail, several types of direct personal selling, government officials, binders, used-book dealers, merchants and innkeepers, discount book stores (Modernes Antiquariat), department stores, and even the American innovation of book vending machines (Fullerton 1975; Steinhein 1912). Traveling book salesmen, wrote a Berlin booksman in 1859, were able "to cultivate ... fields which have been completely neglected by the retail book shops and thus open up new, very significant markets" (Quoted in Fullerton 1975, p. 257. See also pp. 140-155).

Similar arguments were advanced repeatedly in trade periodicals - and proven true by events. The adventure pamphlet series that were enormously popular with working class people and children of all classes after 1880, for example, were distributed through peddlers, news kiosks, cigar and stationary stores, and railway station book stalls, never through conventional book stores (Fullerton 1979).

On the other hand, many publishers came to realize that the book stores served some important heavy buyer groups better than any other method of retailing. These groups included university students and faculty and wealthy and cultivated people who appreciated the bookstores'
refined atmosphere and service - any book published in Germany could be examined on approval. Measures to protect the stores were enacted by the powerful national trade association (Boersenverein) in 1888.

The Achievement

Segmentation by itself does not produce dynamic marketing: the example of the book trade in 1820 shows that. When animated by the vigorous ethos of High Capitalist marketing, however, as happened starting in the 1820's, segmentation played a major role in vastly enlarging the book trade and its market. The best available measure of the growth of the trade (aggregate sales figures are not available) is the number of Germans per book dealer; dealers included publishers, wholesalers, and retailers. It shows the degree of penetration of the trade into German society. From one book dealer to approximately every 55,000 Germans in 1820, there was one to every 7900 in 1888 and one to every 6600 in 1910, even though the size of many firms increased considerably after 1870.

This pronounced growth can only be explained by astute and energetic marketing efforts which capitalized upon every environmental opportunity (Fullerton 1975). Segmentation was an important aspect of these marketing efforts. Just as today, of course, using segmentation did not guarantee success for every firm. Some segments existed more in the minds of publishers than in the real market; and in many which did exist competition was brutal - imitation of successful strategies and practices was epidemic.

Intensity of competition was the strongest impetus to seeking new segments, followed by the lingering belief that the market was small and satiated. These reasons are analogous to those cited by Smith (1956) for American firms adopting segmentation strategies after World War II.

III. REFLECTIONS/CONCLUSIONS

In the German book trade the practice of segmentation was pervasive throughout the 19th century. It was associated with a genteel style of business early in the century, a dynamic one later. Dynamic use of segmentation helped to create a "mass" book market, "mass" in the sense that it embraced most of the country's population. Some segments were very large, yet aggregate marketing was almost never practiced. There were no Henry Fords in the German book trade.

The practice of segmentation clearly preceeded formal thought about it; it was also considerably more advanced and subtle than the thought which did appear in trade literature and in academic dissertations (e.g., Steinen 1912). In such sources there is at most the vague notion that the book market had more than one component, with social class the most often mentioned variable (e.g., Sarkowski 1976, pp. 235, 238; Steinen 1912, pp. 11-21).

Publishers' practice, on the other hand, shows the purposeful use of most of the segmentation variables cited in current discussions: age, sex, occupation, education level, religion, geography, social class, income, Shopping preference, benefit expectations, deal-proneness, price-sensitivity, and lifestyle. The fact that shopping preference and social class were stressed more than today is rooted in the cultural conditions of 19th century Germany. Multivariable strategies were used. Underlying many strategies were astute and rational, if unexpressed, analyses by people who understood and responded to demand heterogeneity. It is misleading to label their analyses with the word "intuitive", which implies little rational and conscious activity; "inaerticated" might be a better word.

The historical perspective developed here has shown segmentation practice to have been older, and more widespread and sophisticated in the past than is commonly thought. The German book trade is of course too small a sample to generate results applicable to 19th century business in general. Still, the results reported here also hold in large part for the book trades of France, Britain, and the U.S. (Fullerton 1979).

The fine recent work by Hollander (1985) shows segmentation practice to have been widespread in U.S. businesses in the early decades of this century.

There have been significant advances in segmentation since 1914 - this point should be emphasized. A corpus of sophisticated articulated thought on segmentation exists now, where then there were vague notions in the expressed thought. If we compare the substantial inarticulated segmentation thought of the German bookmen with today's articulated thought, there are still major advances present in current conceptualization. It is more rigorous and systematic, more attentive to quantification; it is more likely to measure results precisely and better able to forecast them.

But would today's thought have achieved all this without a long heritage of skilled practice? Did not the practice provide the basis for pioneering - and perhaps advanced - conceptualization and codification? If the German case holds for other countries, practice preceeded thought and today's advanced work on segmentation is the product of a complex and long-term process of historical development. It is a product of the marketing heritage.

REFERENCES


When the term “market segmentation” is used, most of us immediately think of psychographics, lifestyles, values, behaviors, and multivariate cluster analysis routines. Market segmentation is a much broader concept, however, and it pervades the practice of business throughout the world. What is market segmentation? That is, the members of a market segment share something in common. The purpose of segmentation is the concentration of marketing energy and force on the subdivision (or the market segment) to gain a competitive advantage within the segment. Factor analysis is also a powerful technique to identify the statements and groups of statements that account for much of the variance in the attitudinal data set.