FROM MARKET SEGMENTATION TO CUSTOMER LOYALTY: STRATEGIC TARGETING OF LOCAL BOTTLED WATER CONSUMERS IN RURAL INDONESIA

Nor Hasan[1]
Institut Agama Islam Al-Khairat, Pamekasan, Indonesia
hjhasan950@gmail.com

Haridah[2]
Institut Agama Islam Al-Khairat, Pamekasan, Indonesia
haridah10@gmail.com

Abdul Bari[3]
Institut Agama Islam Al-Khairat, Pamekasan, Indonesia
abdulbari8236139145@gmail.com

Aang Kunaifi[4]
Institut Agama Islam Al-Khairat, Pamekasan, Indonesia
akunaifi@gmail.com

Abstract

This study examines how market segmentation contributes to customer loyalty through strategic targeting in the local bottled water industry in rural Indonesia. The study focuses on AMDK AMT Plakpak, a local bottled water enterprise operating in Pagantenan, Pamekasan, where competition with established regional and national brands creates challenges for sustaining customer relationships. Using a qualitative descriptive approach, data were collected through non-participant observation, unstructured interviews, and documentation involving company management and customers. The findings indicate that AMDK AMT applies market segmentation based on customer characteristics, geographic location, and consumption needs. The company prioritizes segments with relatively stable and repetitive demand, particularly pesantren, retailers or agents, food stalls, schools, and institutions. Strategic targeting enables the company to customize marketing and service approaches, including stock availability, timely distribution, responsive communication, product quality, and competitive pricing. These practices contribute to customer satisfaction and trust, which are reflected in repeat purchases, continued brand preference, and customer recommendations. The study highlights that segmentation is not merely a market classification tool but a strategic mechanism for strengthening long-term customer relationships in rural markets. The findings contribute empirical insight into how local bottled water enterprises can transform contextual market knowledge into sustainable customer loyalty and competitive advantage.

Keywords: Market Segmentation; Strategic Targeting; Customer Loyalty; Local Bottled Water; Rural Marketing

INTRODUCTION

The bottled drinking water industry has become an increasingly competitive consumer market in Indonesia, driven by growing concerns about health, convenience, product safety, and the accessibility of packaged drinking water. Recent market evidence indicates that Indonesia remains one of the important bottled water markets in Southeast Asia, with continued expansion supported by urbanization, changing lifestyles, health consciousness, and increasingly sophisticated distribution networks. The Indonesian bottled water market was estimated at approximately USD 3.92 billion in 2025 and is projected to continue growing during the coming years (Gadal, 2025). Although still water remains the dominant category, functional and differentiated water products are also expanding as consumers increasingly respond to health-oriented product positioning. At the same time, the competitive landscape remains highly concentrated around established national brands, particularly Aqua, whose market leadership is supported by strong brand equity and extensive distribution capabilities (Puspita et al., 2023).

These developments create a particular strategic challenge for local bottled water enterprises operating outside major urban markets. Unlike large national brands, local producers generally compete with more limited financial resources, distribution networks, promotional capabilities, and brand recognition. Consequently, competing through mass marketing alone may be inefficient. Local firms need to understand the specific characteristics of their customers and identify market segments that provide stable demand and opportunities for long-term relationships (Fransiskus & Rakhman, 2023). This makes market segmentation increasingly important, not merely as a conventional marketing classification technique but as a strategic mechanism for allocating limited resources toward customers with distinctive needs, purchasing patterns, and relationship potential.

The contemporary importance of segmentation is also associated with changes in consumer decision-making. Consumers increasingly evaluate bottled water not only according to price and basic product functionality but also according to perceived quality, health and safety, brand reputation, accessibility, packaging, and convenience. Recent research on bottled water labels, for example, demonstrates that visual and informational elements of packaging can influence consumer preferences, perceived healthiness, and purchase intentions. Similarly, research on bottled water consumers in Indonesia indicates that demographic characteristics such as occupation, income, and education are associated with perceptions of price, quality, health benefits, packaging, taste, and brand prestige. These developments suggest that treating bottled water consumers as a homogeneous market may overlook meaningful differences in expectations and purchasing behavior (Novendra et al., 2025).

The challenge becomes even more significant in rural and semi-rural markets. In such settings, consumer decisions can be shaped not only by conventional demographic and behavioral characteristics but also by geographical proximity, distribution accessibility, interpersonal trust, community relationships, and familiarity with local producers. The research setting of this study, AMDK AMT Plakpak in Pagantenan, Pamekasan, illustrates this contextual reality. The enterprise, operated by CV. Laa Tansa, began production in 2017 and initially emerged from the practical need to supply bottled water within the Al-Mujtama' Islamic boarding school environment before expanding into surrounding areas. The company

subsequently developed its market beyond the pesantren environment into several surrounding districts. This development illustrates how a local bottled water producer can transform a community-based consumption need into a broader commercial market.

The empirical context further demonstrates that AMDK AMT does not simply distribute its products indiscriminately. The company identifies customer groups according to their characteristics, location, and consumption needs, including households, retailers or agents, food stalls, pesantren, schools, and institutions. More importantly, the company prioritizes customer groups with relatively stable and repetitive demand, particularly pesantren, retailers or agents, food stalls, schools, and institutions (Kunaifi & Syam, 2021). This approach represents a practical form of strategic targeting in which market segmentation is connected directly to resource allocation, distribution management, communication, and customer service (Kunaifi, 2016).

The relevance of this strategy becomes clearer when segmentation is connected to customer loyalty. Customer loyalty in the bottled water industry is particularly important because the product is characterized by frequent and repetitive consumption. The findings of the underlying study indicate that AMDK AMT adapts its service to different customer segments by maintaining product availability, ensuring timely distribution, strengthening communication, and responding to the specific requirements of institutional and commercial customers. Such differentiated treatment is perceived by management as contributing to customer satisfaction, trust, repeat purchases, continued brand preference, and recommendations to other consumers. The study therefore suggests that segmentation may function as an upstream strategic process through which customer value is created and relationships are strengthened (Alvaro Cuadros & Victoria Eugenia Domínguez, 2014).

Several previous studies provide important foundations for understanding this relationship. First, Yafi and Wardi (2025) examined brand image, customer satisfaction, and customer loyalty in Indonesia's mineral water industry. Using a quantitative causal design with 150 respondents in Padang and Partial Least Squares analysis, they found that Aqua's brand image positively and significantly influenced customer loyalty both directly and through customer satisfaction. In contrast, the brand image of competing bottled water brands negatively affected loyalty. This study demonstrates the importance of satisfaction and brand-related perceptions in loyalty formation, but its focus remains primarily on brand image rather than the strategic segmentation of consumers.

Second, Warpindyastuti et al. (2024) analyzed brand loyalty toward Aqua bottled mineral water using switcher, habitual buyer, satisfied buyer, liking-the-brand, and committed-buyer dimensions. Their findings indicated particularly strong levels of satisfaction and brand liking, with 98% of respondents falling into these categories. The authors recommended relationship marketing and loyalty rewards to strengthen customer commitment. While this research provides valuable evidence concerning loyalty formation in the AMDK sector, it concentrates on an established national brand and does not explain how local enterprises can use segmentation and targeted service strategies to compete with stronger brands.

Third, Fasyni, Najib, and Kirbrandoko examined consumer segmentation of refilled drinking water in Padang using behavioral characteristics and the CHAID approach. Their study aimed to identify consumer segments and formulate strategies to increase sales for a local water-refilling business. This research is highly relevant because it demonstrates that

water consumers are heterogeneous and that segmentation can provide a basis for marketing strategy. Nevertheless, its primary concern is consumer classification and sales development rather than the process through which segmentation contributes to customer loyalty. It also focuses on refilled drinking water rather than packaged bottled water.

Fourth, Karel, Sari, and Winahyu (2025) investigated the role of digital marketing, market segmentation, and customer experience in increasing consumer loyalty at Cafe Kopi Boss Jember. The study is important because it explicitly connects segmentation with loyalty and introduces customer experience as a complementary mechanism. However, its context is a coffee business in an urban/regional service environment rather than a rural bottled water enterprise with highly repetitive consumption and geographically dependent distribution.

Fifth, Salminen et al. (2023) conducted a systematic review of 172 studies on customer segmentation and found that algorithmic approaches have become dominant, with numerous clustering algorithms and evaluation metrics being employed. This literature demonstrates the increasing sophistication of segmentation research, particularly through data-driven and computational approaches. Yet such approaches may not fully capture the relational and contextual dimensions of segmentation in small local enterprises where customer knowledge is often generated through direct interaction, observation, and community relationships.

Taken together, these studies reveal an important research gap. Existing research has largely examined customer loyalty through brand image, satisfaction, brand attachment, or loyalty measurement, while segmentation studies tend to emphasize consumer classification, statistical profiling, or sales optimization (Kunaifi et al., 2023). Limited attention has been given to how a local bottled water enterprise in a rural Indonesian setting translates contextual knowledge of heterogeneous customer groups into targeted marketing and service practices that subsequently strengthen loyalty. This gap is particularly important because local enterprises operate under different competitive conditions from national brands and often rely on proximity, trust, responsiveness, and repeated interpersonal interactions (Kunaifi & Qomariyah, 2021).

Accordingly, this study investigates how market segmentation becomes a strategic targeting mechanism for building customer loyalty among local bottled water consumers in rural Indonesia, using AMDK AMT Plakpak, Pamekasan, as the empirical setting. The study contributes by moving beyond the conventional understanding of segmentation as a process of dividing markets and examining its practical transformation into differentiated targeting, customized service, customer satisfaction, trust, repeat purchasing, and recommendation behavior. The findings therefore provide both contextual and managerial insights into how local bottled water enterprises can convert market heterogeneity into sustainable customer relationships and competitive advantage.

Table 1
Comparative Analysis of Previous Studies and the Present Study

No.	Previous Study	Research Focus	Context/Object	Method	Main Findings	Limitation / Research Gap	Position of Present Study
1	Yafi & Wardi (2025) – *Brand Image, Customer*	Examines the relationship between brand image,	Bottled water consumers, Padang City, particularly	Quantitative; 150 respondents; purposive sampling; PLS-SEM	Aqua's brand image positively affects	Focuses on brand image and satisfaction as determinants of	Moves upstream from brand image toward market

No.	Previous Study	Research Focus	Context/Object	Method	Main Findings	Limitation / Research Gap	Position of Present Study
	Satisfaction, and Loyalty in Mineral Water Industry	customer satisfaction, and customer loyalty	Aqua and competing brands		customer loyalty directly and through customer satisfaction; competing-brand image negatively affects loyalty.	loyalty; does not explain how consumer heterogeneity is segmented and strategically targeted	segmentation and strategic targeting, explaining how local firms identify priority customer groups and customize services to generate loyalty
2	Fasyni, Najib & Kirbrandoko – *Consumer Segmentation of Refilled Drinking Water in Padang*	Identifies heterogeneous consumer groups based on consumption behavior and formulates sales strategies	Salju refill drinking-water depot, Padang	Quantitative survey; cluster analysis and CHAID	Identified five family segments and four non-family segments based mainly on consumption level and duration; recommended targeting high-consumption segments while maintaining price, quality, and service.	Concentrates on consumer classification and sales optimization; focuses on refill water rather than bottled water and does not directly examine customer loyalty	Extends segmentation from classification to relationship building, examining how segmentation becomes targeting, differentiated service, satisfaction, trust, repeat purchase, and recommendation
3	Warpindyastuti et al. (2024) – *Brand Loyalty of Aqua Bottled Water*	Measures levels and dimensions of brand loyalty	Aqua bottled drinking water consumers	Quantitative consumer survey	Finds strong levels of customer satisfaction and brand liking; recommends relationship marketing and loyalty programs to strengthen commitment	Examines loyalty largely as an outcome to be measured, while the strategic process that creates loyalty through differentiated market treatment receives limited attention	Treats loyalty as a strategic process, linking segmentation → targeting → customized service → satisfaction/trust → repeat purchase and recommendation
4	Karel, Sari & Winahyu (2025) – *Digital Marketing, Market*	Examines the contribution of digital marketing, segmentation, and customer	Cafe Kopi Boss Jember	Quantitative/empirical marketing study	Demonstrates the relevance of segmentation, digital marketing,	Context is a café/service business, while the characteristics of rural bottled-water distribution	Applies segmentation-loyalty analysis to a rural local bottled-water enterprise,

No.	Previous Study	Research Focus	Context/Object	Method	Main Findings	Limitation / Research Gap	Position of Present Study
	Segmentation, and Customer Experience in Increasing Consumer Loyalty	experience to loyalty			and customer experience in strengthening consumer loyalty	and repetitive consumption are substantially different	emphasizing geographical proximity, stable institutional demand, distribution, communication, and relational service
5	Salminen et al. (2023) – *How Can Algorithms Help in Segmenting Users and Customers?*	Reviews contemporary approaches to algorithmic customer segmentation	172 studies across customer segmentation research	Systematic literature review	Finds algorithmic segmentation to be dominant; identifies 46 algorithms and 14 evaluation metrics, with K-means among the most frequently used approaches.	Strong emphasis on data-driven/algorithmic segmentation; less attention to contextual, relational, and qualitative segmentation in small rural enterprises	Provides a contrasting contextual and qualitative perspective, demonstrating that local managerial knowledge, direct customer interaction, geographic considerations, and service adaptation can function as practical segmentation mechanisms

Source: (Yafi & Wardi, 2025), (Warpindyastuti et al., 2024), (Karel, Sari & Winahyu, 2025), and (Salminen et al., 2023) processed.

The comparison according to table 1 reveals that previous studies generally fall into three streams. First, research on bottled-water loyalty predominantly emphasizes brand image, satisfaction, price, product quality, and repurchase intention. For example, recent bottled-water research has demonstrated the continuing importance of price, brand awareness, and loyalty in explaining repurchase behavior (Panjaitan & Waluyo, 2026). Second, segmentation research tends to concentrate on identifying consumer groups, often using quantitative clustering or algorithmic approaches, as demonstrated by Fasyni et al. and the broader systematic review of algorithmic customer segmentation (Fasyni & Najib, n.d.). Third, studies explicitly linking segmentation and loyalty tend to emerge from contexts such as cafés and other service businesses rather than local bottled-water enterprises in rural markets.

The specific gap therefore lies not simply in the absence of research on segmentation or loyalty, but in the limited understanding of how segmentation is translated into strategic targeting and differentiated customer treatment, and how this process contributes to loyalty within a rural local-business context. This distinction is important for the present study.

AMDK AMT does not merely classify customers. Its management identifies households, retailers/agents, food stalls, pesantren, schools, and institutions; subsequently, it prioritizes segments characterized by relatively stable and repetitive demand. The company then adapts its service according to segment characteristics, including stock availability, timely distribution, communication intensity, and responsiveness to large-volume institutional demand.

Consequently, the conceptual contribution of this paper can be formulated as:
Market Segmentation → Strategic Targeting → Differentiated Service → Customer Satisfaction & Trust → Customer Loyalty

The empirical evidence further indicates that loyalty is manifested through repeat purchasing, continued preference despite competing brands, and customer recommendations. Thus, the novelty of this research is stronger when framed as the transformation of market segmentation from a static classification activity into a strategic targeting mechanism for building relational customer loyalty in rural local markets.

REVIEW OF LITERATURE

Market Segmentation and Strategic Targeting

The manuscript underlying this study identifies four major bases of consumer segmentation: geographic, demographic, psychographic, and behavioral variables. These dimensions provide a multidimensional framework for understanding consumers beyond simple demographic classification. Geographic segmentation considers location and accessibility; demographic segmentation considers characteristics such as age, gender, income, occupation, and education; psychographic segmentation emphasizes lifestyle and personality; while behavioral segmentation examines usage, purchasing occasions, benefits sought, and loyalty status (Alvaro Cuadros & Victoria Eugenia Domínguez, 2014).

Contemporary marketing scholarship increasingly emphasizes that segmentation should not be understood merely as a technical exercise for dividing customers. A recent editorial in **Industrial Marketing Management** argues that segmentation has strategic implications for differentiation, marketing activity, resource allocation, and competitive advantage. It also highlights segmentation as a theory, practical process, and managerial activity rather than merely a classification procedure (SE, 2014). Similarly, recent reviews of customer segmentation demonstrate increasing movement toward personalized targeting, particularly through data-driven techniques and behavioral analysis.

The second stage of the STP framework is targeting, through which firms evaluate identified segments and select those considered most attractive and compatible with organizational capabilities. Targeting therefore transforms segmentation into managerial action. In the context of local bottled water enterprises, targeting is particularly important because limited resources make it difficult to serve every market segment with equal intensity (Grigsby, 2016). The AMDK AMT case demonstrates this principle: the company prioritizes pesantren, retailers or agents, food stalls, schools, and institutions because these segments demonstrate relatively stable and repetitive demand.

Thus, segmentation and targeting should be viewed as interconnected strategic processes. Segmentation identifies meaningful differences among customers, whereas targeting determines where managerial attention, distribution capacity, communication, and

service resources should be concentrated. This distinction provides the conceptual foundation for the present study's argument that local bottled water firms can transform customer heterogeneity into strategic targeting and, subsequently, stronger customer relationships.

Customer Loyalty, Satisfaction, Trust, and Relationship Marketing

Customer loyalty represents a customer's sustained commitment to a product, brand, or company, manifested through repeated purchasing, continued preference, resistance to competitors, and positive word-of-mouth behavior. The manuscript conceptualizes loyalty through both attitudinal and behavioral dimensions, including cognitive loyalty, affective loyalty, conative intention, and behavioral loyalty. It further identifies repeat purchase, continued brand preference, positive attitudes, and recommendations as important manifestations of loyalty (Ambak et al., 2025). This multidimensional perspective is important because repeated purchasing alone does not necessarily indicate genuine loyalty; customers may repurchase because of convenience, habit, price, or limited alternatives.

Recent scholarship reinforces this distinction. A 2024 study in the Journal of Retailing and Consumer Services refined customer loyalty into four distinguishable phases and demonstrated that higher loyalty phases generate stronger behavioral outcomes, including advocacy and share-of-wallet. This suggests that loyalty should be understood as a developmental process rather than a binary condition of loyal versus non-loyal customers (Carlianti et al., 2024).

Customer satisfaction and trust are central mechanisms in this process. Satisfaction emerges when perceived product and service performance meets or exceeds customer expectations, while trust reflects confidence in the firm's reliability, integrity, and ability to deliver promised value. A large-scale review of four decades of research demonstrates that customer satisfaction is closely associated with loyalty behaviors and ultimately with firm financial performance. Similarly, a systematic literature review of relationship marketing identifies satisfaction, trust, commitment, and communication as important mechanisms through which firms strengthen customer retention (Kunaifi et al., 2024).

Relationship marketing therefore provides a useful theoretical bridge between segmentation and loyalty. Rather than focusing exclusively on acquiring new customers, relationship marketing emphasizes maintaining and strengthening existing customer relationships through communication, personalization, trust, and commitment. A systematic review of Scopus-indexed studies concludes that personalization and customization are fundamental for building long-term relationships and improving customer satisfaction. Moreover, a second-order meta-analysis identifies trust, commitment, loyalty, satisfaction, and word-of-mouth as interconnected dimensions of customer relational benefits (Hadi & Indradewa, 2019).

This theoretical perspective corresponds closely with the AMDK AMT findings. The company adapts service according to customer segment, maintains product availability, provides timely distribution, communicates intensively with institutional customers, and responds to customer feedback. These practices are reported to contribute to satisfaction, trust, repeat purchases, continued preference, and recommendations. Therefore, customer loyalty in this study is conceptualized not simply as an outcome of product consumption but as the result of a relational process in which appropriate targeting enables firms to deliver differentiated value.

Rural Marketing, Local Embeddedness, and Contextual Customer Relationships

The rural market context provides an important theoretical dimension for understanding the relationship between market segmentation and customer loyalty. Rural consumers cannot necessarily be treated as a simplified version of urban consumers because purchasing decisions may be influenced by geographic accessibility, community relationships, social familiarity, local reputation, trust, and recurring interpersonal interactions (Ekure, 2024). Consequently, marketing strategies designed for highly standardized national markets may not fully capture the relational and contextual characteristics of rural consumption.

This perspective is particularly relevant to local enterprises whose competitive advantage may originate from proximity and embeddedness rather than large-scale advertising or extensive distribution infrastructure. Recent research on rural SME marketing emphasizes the importance of local resources, community-based marketing, and digital integration. It finds that community engagement can strengthen trust and loyalty, while the use of local resources can enhance authenticity and alignment with rural consumers' cultural values (Kunaifi et al., 2025). Thus, local embeddedness can function as a strategic resource rather than merely a geographical characteristic.

The relevance of trust becomes even stronger when local brands compete against nationally recognized brands. Research on localized brands in Indonesia found that brand trust has a positive and significant effect on brand loyalty, highlighting the importance of reliability, intentions, and reputation in maintaining customer commitment. Recent Indonesian research also suggests that trust, satisfaction, and cultural context interact in shaping repeat purchase intentions, with cultural relevance strengthening consumers' connection with products and services (Bhojane L. Y. & Dr. Kapote S, 2025). These findings support the proposition that customer loyalty in local markets may be shaped not only by functional product attributes but also by relational and contextual value.

The AMDK AMT case provides a concrete illustration of this contextual mechanism. The enterprise originated from the need to fulfill bottled-water requirements within the Al-Mujtama' Islamic boarding-school environment and subsequently expanded into surrounding communities and districts. Its current market includes households, retailers, food stalls, pesantren, schools, and institutions, while its priority segments are characterized by relatively stable consumption and repeated purchasing. This configuration demonstrates that geographic proximity and recurring institutional demand can become important segmentation criteria.

Accordingly, rural marketing in this study is conceptualized as a contextual marketing approach in which firms integrate geographic accessibility, customer characteristics, community relationships, trust, and differentiated service. Market segmentation becomes strategically meaningful when it reflects the actual social and economic structure of the local market. For AMDK AMT, the ability to recognize different customer requirements and respond through appropriate distribution, communication, and service may convert local embeddedness into customer satisfaction, trust, repeat purchasing, and recommendation behavior. This perspective strengthens the paper's novelty by positioning rural context not merely as the research location but as a substantive factor shaping how segmentation and targeting generate customer loyalty.

RESEARCH METHOD

This study employed a qualitative descriptive approach to examine how market segmentation is transformed into strategic targeting and contributes to customer loyalty at AMDK AMT Plakpak, Pagantenan, Pamekasan. A qualitative approach was selected because the study seeks to understand the practices, perceptions, experiences, and managerial considerations underlying segmentation and customer relationships rather than to statistically test causal relationships. The research was conducted in a natural business setting, allowing the researcher to examine the actual marketing practices implemented by the company. This approach is consistent with the original research design in the underlying manuscript, which explicitly identifies the study as qualitative and descriptive.

Data sources and data collection in this study used primary and secondary data. Primary data were obtained directly from AMDK AMT management and selected customers through field research. Secondary data consisted of relevant company documents, records, and supporting literature concerning market segmentation and customer loyalty.

Data were collected through three techniques: observation, interviews, and documentation. Non-participant observation was used to examine marketing activities, customer interactions, distribution practices, and service implementation without directly intervening in the activities observed. Interviews constituted the principal mechanism for obtaining in-depth information concerning segmentation practices, priority customer groups, differentiated services, customer loyalty indicators, and challenges encountered by the company. The original study employed unstructured interviews to provide sufficient flexibility for exploring information in greater depth. Documentation was used to strengthen empirical evidence and provide supporting information concerning the research setting and organizational activities.

Data credibility was strengthened through qualitative validation procedures covering credibility, transferability, dependability, and confirmability. Credibility concerned the consistency between reported findings and the actual conditions observed in the field. Transferability was addressed by providing sufficient contextual description so that readers can assess the relevance of the findings to comparable rural business settings. Dependability concerned the consistency and traceability of the research process, while confirmability emphasized transparency regarding how interpretations were derived from empirical evidence (Ahmed, 2023).

Data analysis followed an interactive qualitative process consisting of data reduction, data display, and conclusion drawing and verification. Raw interview, observation, and documentary data were first reduced by selecting information directly relevant to market segmentation, strategic targeting, service adaptation, satisfaction, trust, repeat purchase, loyalty, and recommendation behavior. The reduced data were then organized into thematic categories and presented narratively to identify relationships among the emerging themes (Susanto et al., 2023). Finally, conclusions were developed through continuous comparison and verification of empirical evidence.

The findings were subsequently structured around the study's central analytical pathway: **market segmentation → strategic targeting → differentiated service → customer satisfaction and trust → customer loyalty**. This structure enables the study to move beyond simply describing customer segments and instead explain how segmentation is

operationalized as a strategic marketing mechanism for strengthening long-term customer relationships in a rural bottled-water market.

RESULTS AND DISCUSSION

Market Segmentation as a Strategic Response to Rural Market Heterogeneity

The findings demonstrate that AMDK AMT Plakpak does not approach the market as a homogeneous customer base. Instead, the company identifies differences among customers according to customer characteristics, geographic location, and consumption needs. The identified segments include households, retailers or agents, food stalls, pesantren, schools, and institutions. This segmentation enables management to determine which customers require particular forms of service and which segments provide relatively stable demand.

This finding is important because the bottled-water industry is increasingly characterized by competition not only among products but also among distribution systems, brand perceptions, convenience, and customer experience. Current Indonesian market estimates indicate that still bottled water continues to dominate the market, while functional and differentiated water categories are also expanding, reflecting changing consumer preferences and increasing health consciousness (Kunaifi et al., 2023). In such an environment, a local producer cannot realistically compete with large national brands solely through brand scale or mass promotion. The strategic alternative is to identify customer groups whose needs can be served more effectively through local capabilities.

The AMDK AMT case illustrates this logic. Management observes local consumption patterns before determining its target market rather than immediately attempting to reach every consumer. The company recognizes that different customers generate different forms and frequencies of demand. Retailers and agents require product availability and reliable delivery because they resell the product; pesantren and schools require relatively large and repetitive quantities; institutions may require rapid responses for particular activities; while household consumers have different purchasing characteristics.

Thus, the principal result is not simply that AMDK AMT uses segmentation, but that segmentation functions as a resource-allocation mechanism. The company concentrates attention on segments capable of generating recurring demand while continuing to serve the broader market. This is consistent with contemporary customer-segmentation research, which increasingly views segmentation as a means of providing appropriate treatment to different customer groups rather than merely categorizing them. Recent studies also demonstrate that segmentation is increasingly associated with personalized customer journeys and differentiated experiences.

The finding therefore extends the conventional STP perspective. In a rural market, segmentation is closely connected with geographical accessibility, social relationships, consumption routines, and distribution efficiency. The company is effectively converting local market knowledge into strategic targeting. This contextual form of segmentation is particularly valuable for small and medium-sized enterprises because it does not necessarily require sophisticated analytical systems (Dynda Prista et al., 2025). Direct observation, customer interaction, and accumulated managerial experience can constitute valuable market intelligence.

Strategic Targeting: Why Repetitive-Demand Customers Become Priority Segments

A particularly significant finding is the company's decision to prioritize *pesantren*, retailers or agents, food stalls, schools, and institutions. These segments are considered strategically important because their demand for bottled water tends to be relatively stable and repetitive. The company therefore does not treat all segments equally, even though it remains open to serving the general public.

This finding provides an important distinction between market coverage and strategic targeting. Market coverage means making the product available to many consumers, whereas strategic targeting means allocating greater managerial attention to segments that offer stronger economic and relational potential. For AMDK AMT, customers with recurrent consumption provide a more predictable basis for production and distribution planning. This is particularly relevant for a product such as bottled water, for which purchasing is inherently repetitive.

Recent research supports the strategic value of customer differentiation. Customer-segmentation studies increasingly emphasize behavioral indicators such as purchase frequency and customer value because firms need to determine which customers require retention-oriented strategies. Meanwhile, contemporary loyalty research demonstrates that stronger levels of loyalty generate increasingly valuable behavioral outcomes, including advocacy and a greater share of customer spending.

The AMDK AMT findings suggest that this logic can operate even without sophisticated algorithmic segmentation. The company identifies high-potential segments through practical knowledge of consumption patterns. In other words, repetitive demand itself becomes a targeting signal. This is a valuable insight for rural SMEs, where formal customer databases may be limited but managers often possess substantial tacit knowledge of customer behavior.

The strategic significance becomes even clearer when considering competition with established bottled-water brands. A newly emerging bottled-water brand in Indonesia may face difficulties associated with low brand familiarity, established competitors, pricing pressures, and consumer concerns regarding product quality and water-source credibility. Recent research on bottled-water loyalty confirms that price and repurchase behavior remain critical competitive considerations. Under these circumstances, a local firm can strengthen its competitive position by offering something that large competitors may find difficult to replicate at the same local scale: responsive, relationship-based, segment-specific service.

Consequently, AMDK AMT's targeting strategy can be interpreted as a form of relationship-oriented competitive positioning. Rather than attempting to win every consumer, the company builds depth within strategically valuable customer groups. This provides a more sustainable foundation for customer retention because repeated transactions create opportunities for trust, familiarity, feedback, and relational reinforcement.

Differentiated Service as the Mechanism Linking Segmentation to Loyalty

The findings indicate that segmentation alone does not automatically generate loyalty. The critical mechanism is the company's ability to translate identified differences among customers into differentiated service. AMDK AMT adjusts its marketing practices according to customer characteristics. For retailers and agents, the company emphasizes ordering convenience, stock availability, and timely distribution. For pesantren, schools, and

institutions, the company emphasizes intensive communication and rapid responses, particularly when customers require large quantities.

This finding is theoretically important because it explains "how" segmentation contributes to loyalty. If segmentation merely produces categories without changing managerial action, its strategic value remains limited. In the AMDK AMT case, however, segmentation is followed by service adaptation. The resulting process can be conceptualized as:

Market Segmentation → Strategic Targeting → Differentiated Service → Satisfaction and Trust → Loyalty

This mechanism is consistent with recent evidence that personalization and customer-specific treatment can strengthen loyalty. Contemporary research on personalization identifies customized recommendations, offers, and experiences as mechanisms through which firms seek to retain customers in increasingly competitive markets. Similarly, recent research on personalized customer journeys demonstrates that different customer segments require different experiences rather than standardized treatment.

However, the AMDK AMT case adds an important rural-market dimension. Differentiation does not depend on sophisticated digital personalization. Instead, personalization is implemented through availability, delivery reliability, communication, responsiveness, and relationship continuity. This demonstrates that personalization should not be equated exclusively with artificial intelligence, CRM platforms, or algorithmic recommendation systems. In resource-constrained rural enterprises, personalization can emerge through human interaction and organizational responsiveness.

This is particularly significant because the product itself is relatively standardized. Bottled water offers limited opportunities for radical functional differentiation. Therefore, competitive differentiation may increasingly occur through the service surrounding the product. For AMDK AMT, reliable distribution, responsiveness, communication, and customer recognition become relational value propositions.

Customer Satisfaction and Trust as Intermediate Outcomes

The findings further indicate that customers who receive services appropriate to their needs tend to experience greater satisfaction and trust. Management reports that customers who feel properly served are more likely to remain with AMDK AMT, purchase repeatedly, and recommend the product to family members, neighbors, colleagues, or other consumers. This finding suggests that loyalty should not be interpreted simply as repeated purchasing. Repetition may arise from convenience, habit, or lack of alternatives. Genuine loyalty requires a stronger relational component. Recent research proposes that customer loyalty develops through distinguishable phases, with stronger loyalty producing greater advocacy and other valuable behavioral outcomes.

The AMDK AMT findings correspond with this multidimensional understanding. Management identifies three practical indicators of loyalty: regular repeat purchasing, continued preference for AMDK AMT despite competing brands, and recommendations to other consumers. The third indicator is particularly meaningful because recommendation represents a transition from individual consumption to customer advocacy. This finding also demonstrates why trust matters for local bottled-water producers. Bottled water is a product directly associated with health and safety. Consumers therefore need confidence not only in the taste and price of the product but also in its quality, consistency, and reliability. A local

producer that consistently delivers the expected product and responds to customer problems can gradually transform transactional relationships into trust-based relationships.

The result is therefore consistent with the broader argument that satisfaction and trust are important foundations of customer loyalty. Yet the AMDK AMT case suggests that these outcomes are partly constructed through appropriate targeting and service adaptation, rather than being independent consequences of product quality alone.

Loyalty Manifestation: Repeat Purchase, Retention, and Recommendation

The empirical findings provide three particularly visible manifestations of customer loyalty: repeat purchase, continued brand preference, and recommendation. Management observes that customers who regularly order without being actively persuaded demonstrate a stronger level of confidence in the product. Customers who continue choosing AMDK AMT despite numerous competing brands demonstrate preference, while customers who introduce the product to others demonstrate advocacy.

These indicators are important because they connect behavioral and attitudinal dimensions of loyalty. Repeat purchasing represents behavioral loyalty, continued preference represents attitudinal commitment, and recommendation represents advocacy. Recent loyalty research similarly emphasizes that higher-order loyalty can generate stronger advocacy behavior.

The finding also suggests a potentially powerful feedback loop: segmentation creates appropriate service; appropriate service strengthens satisfaction and trust; satisfaction and trust encourage repeat purchase; repeated positive experiences strengthen preference; and preference may generate recommendation that brings new customers into the firm's market segments.

This mechanism can help explain how a small local producer can expand without relying entirely on expensive promotional campaigns. Existing loyal customers become informal communication channels. In a rural community, where interpersonal relationships and local familiarity can be influential, recommendations may carry substantial persuasive value.

Competitive Constraints and the Need for Continuous Evaluation

Despite these positive outcomes, the findings do not suggest that segmentation automatically eliminates competitive risks. AMDK AMT faces competition from better-known bottled-water brands with wider distribution networks. The company also faces the practical difficulty of responding to different requirements across customer segments.

This finding is strategically important because segmentation can itself increase managerial complexity. The more differentiated the market becomes, the greater the need to coordinate inventory, distribution, communication, and service. Consequently, the company must continuously evaluate whether the benefits of differentiated treatment justify the resources allocated to each segment.

The company's response is continuous planning, stronger coordination, communication with customers, acceptance of criticism and suggestions, and ongoing service evaluation. This indicates that segmentation should be understood as a dynamic managerial process, rather than a one-time decision.

Integrative Discussion and Theoretical Contribution

Overall, the findings support a more nuanced interpretation of the relationship between market segmentation and customer loyalty. The contribution of this study does not

lie simply in confirming that segmentation is associated with loyalty. Rather, it demonstrates a strategic pathway through which segmentation becomes meaningful in a rural local-business environment.

The pathway begins with recognition of heterogeneous customers and proceeds to strategic targeting based particularly on recurring consumption. Targeting is then operationalized through differentiated service, including stock availability, distribution reliability, communication, responsiveness, and relationship maintenance. These practices generate satisfaction and trust, which are subsequently reflected in repeat purchases, continued preference, and customer recommendations.

This interpretation extends existing segmentation research, which increasingly uses sophisticated analytical and algorithmic approaches to identify customer groups. Such approaches are valuable, but the AMDK AMT case demonstrates that segmentation can also emerge from contextual intelligence, direct observation, customer interaction, and local relational knowledge. In this sense, the study contributes a complementary perspective: effective segmentation does not always require sophisticated technology; it requires the capacity to understand meaningful differences among customers and convert those differences into appropriate managerial action.

The most important theoretical implication is therefore the proposition that strategic targeting mediates the practical relationship between market segmentation and customer loyalty. Segmentation identifies who differs, targeting determines who should receive priority, differentiated service determines how value is delivered, and relational outcomes determine whether customers remain, repurchase, and advocate. This integrated perspective provides a plausible explanation for how local bottled-water enterprises can develop competitive resilience in rural markets despite operating against stronger national brands.

Accordingly, the central finding of this study can be summarized as follows: AMDK AMT's competitive advantage is not derived solely from selling bottled water, but from knowing which customers matter most, understanding why they matter, and serving them in ways that make continued patronage meaningful. This is precisely where market segmentation moves beyond classification and becomes a strategic foundation for customer loyalty.

Figure 1. From Market Segmentation to Customer Loyalty: Key Findings from AMDK AMT in Rural Indonesia

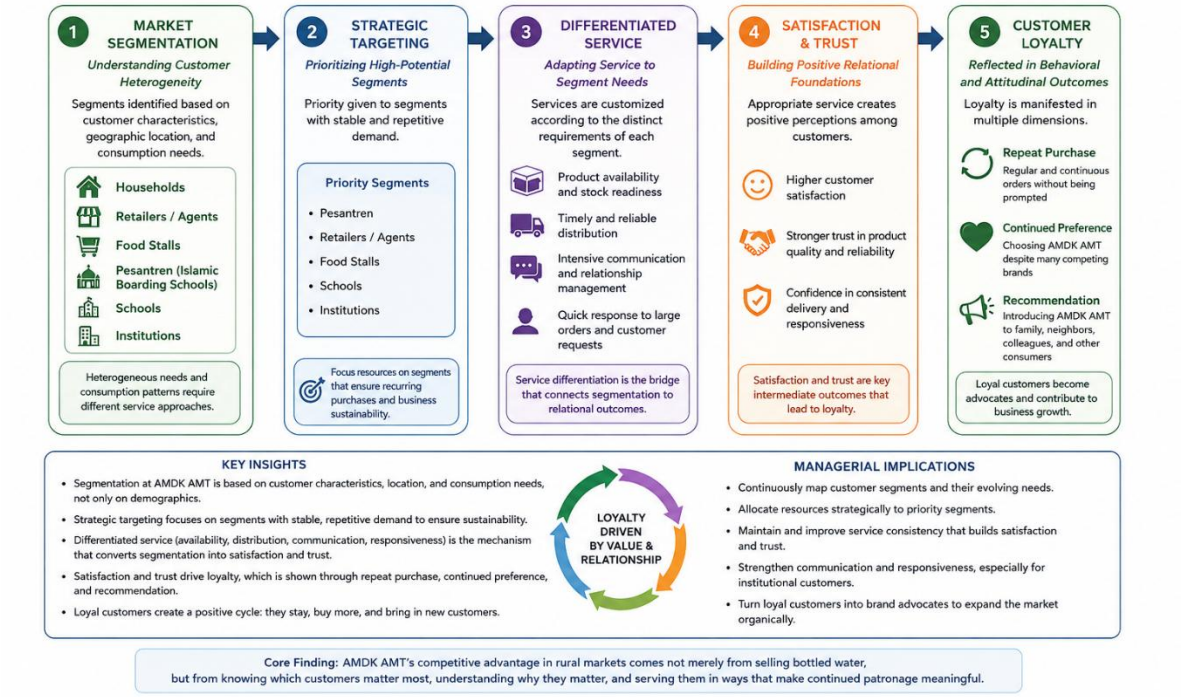


Figure 1 illustrates the strategic pathway through which market segmentation contributes to customer loyalty at AMDK AMT in rural Indonesia. The process begins with identifying heterogeneous customer groups according to customer characteristics, geographic location, and consumption needs. The company then applies strategic targeting by prioritizing segments with stable and repetitive demand, particularly pesantren, retailers or agents, food stalls, schools, and institutions. These priority segments receive differentiated services, including product availability, timely distribution, responsive communication, and attention to specific customer requirements. Such service adaptation strengthens customer satisfaction and trust, which function as important relational foundations for loyalty. Customer loyalty is subsequently reflected in repeat purchases, continued preference despite competing brands, and recommendations to other consumers. The figure therefore demonstrates that segmentation alone does not create loyalty; its strategic value emerges when customer knowledge is translated into appropriate targeting and differentiated service. This process enables a local enterprise to transform market heterogeneity into sustainable customer relationships and competitive advantage.

CONCLUSION

This study concludes that market segmentation at AMDK AMT Plakpak, Pagantenan, Pamekasan, functions not merely as a mechanism for classifying consumers but as a strategic foundation for developing customer loyalty in a rural market. The company identifies customer segments according to characteristics, geographic location, and consumption needs, including households, retailers or agents, food stalls, pesantren, schools, and institutions.

Among these groups, customers with relatively stable and repetitive consumption receive greater strategic attention.

The findings further demonstrate that the contribution of segmentation to loyalty occurs through strategic targeting and differentiated service. AMDK AMT adjusts its marketing and service practices to the characteristics of each customer segment by maintaining product availability, providing timely distribution, maintaining product quality, offering competitive prices, and sustaining customer communication. These practices enable the company to deliver value that is more closely aligned with customer expectations.

Customer loyalty subsequently emerges through several observable outcomes, particularly increased numbers of regular customers, repeat purchases, customer satisfaction, continued product preference, and willingness to recommend the product to others. Although the company faces competition from similar products and differences in the requirements of individual segments, continuous service improvement, communication, and evaluation help sustain customer confidence.

The central contribution of this study is therefore the proposition that market segmentation creates customer loyalty when it is converted into strategic targeting and appropriate customer-specific service. In this sense, segmentation is a dynamic managerial process rather than a static categorization exercise.

The findings have several managerial and theoretical implications. Managerially, local bottled-water enterprises should continuously map customer segments and identify those with stable purchasing patterns and stronger relationship potential. Resource allocation should then be concentrated on priority segments without neglecting other customers. Particular attention should be given to distribution reliability, product availability, communication, service responsiveness, and product quality because these factors enable segmentation to generate tangible customer value.

For rural SMEs, the findings demonstrate that effective segmentation does not necessarily depend on sophisticated digital analytics. Local knowledge, direct customer interaction, geographic understanding, and observation of purchasing behavior can provide valuable market intelligence. This is especially relevant for enterprises operating with limited financial and technological resources.

Theoretically, the study extends the conventional STP perspective by connecting segmentation and targeting with relational outcomes. The proposed pathway—Market Segmentation → Strategic Targeting → Differentiated Service → Satisfaction and Trust → Customer Loyalty—offers a contextual explanation of how local firms can transform customer heterogeneity into sustainable relationships.

Finally, the findings suggest that loyal customers should be viewed not only as retained buyers but also as potential brand advocates. Their recommendations can support organic market expansion and strengthen the competitive position of local enterprises against larger brands. Future research can test this qualitative framework quantitatively and incorporate additional variables such as brand image, perceived quality, customer experience, digital marketing, and switching costs.

REFERENCES

Ahmed, S. K. (2023). *The Pillars of Trustworthiness in Qualitative Research*. Open Science Framework. https://doi.org/10.31219/osf.io/se58y

Alvaro Cuadros, & Victoria Eugenia Domínguez. (2014). *Customer segmentation model based on value generation for marketing strategies formulation*. https://doi.org/10.60692/QEYGB-76B57

Ambak, A., Hamat, Z., Awang, N., Alwi, A., Zahri, M. A., & Zahri, F. 'Alia. (2025). Beyond Products: Trust, Value, and Digital Strategy as Drivers of Muslim Consumer Loyalty. *International Journal of Academic Research in Business and Social Sciences*, *15*(8), Pages 1496-1506. https://doi.org/10.6007/IJARBSS/v15-i8/26351

Bhojane L. Y. & Dr. Kapote S. (2025). *The Emotional Connection: How Emotional Marketing Influence Consumer Purchasing Decisions*. AMIERJ. https://doi.org/10.5281/ZENODO.15252692

Carlianti, I., Syahyunan, S., & Fauzan Azhmy, M. (2024). Building Customer Loyalty Through Customer Satisfaction Influenced by Social Media Marketing, Service Quality and Experiential Marketing. *JMET: Journal of Management Entrepreneurship and Tourism*, *2*(2), 133–154. https://doi.org/10.61277/jmet.v2i2.84

Dynda Prista, Nur Afika Fitriani, Satrio Ahmadtul Firdaus Romadhoni, Nazwan Suharsono, & Sudarmiatin Sudarmiatin. (2025). Survival Strategy Through Segmenting, Targeting, Positioning Approach: A Study On Warung Lucau Angkringan in Facing Market Competition. *Global Leadership Organizational Research in Management*, *3*(2), 29–41. https://doi.org/10.59841/glory.v3i2.2585

Ekure, M. (2024). Rural Entrepreneurship: Interrogating the Deeper Issues, Reconciling Conflicting Shadows Through a Systematic Review. *International Journal of Economics, Finance and Management Sciences*, *12*(6), 526–541. https://doi.org/10.11648/j.ijefm.20241206.25

Fasyni, A., & Najib, M. (n.d.). *Consumer Segmentation Of Refilled Drinking Water In Padang*. (10).

Fransiskus, C., & Rakhman, A. (2023). The Influence of Product Quality and Price Perception on The Repurchase of Aqua in Jakarta Mediated by Brand Image. *Journal of International Conference Proceedings*, *6*(1), 282–294. https://doi.org/10.32535/jicp.v6i1.2266

Gadal, N. (2025). The Impact of Packaged Drinking Water on Consumer Health, Environment, and Market Trends. *Interantional Journal Of Scientific Research In Engineering And Management*, *09*(02), 1–9. https://doi.org/10.55041/IJSREM41822

Grigsby, M. (2016). *Advanced customer analytics: Targeting, valuing, segmenting and loyalty techniques*. Kogan Page.

Hadi, D. P., & Indradewa, R. (2019). The Service Quality Effect on Corporate Reputation, Customers Satisfaction, and Loyalty. *JOMA: Journl of Multidisciplinary*, *3*(3), 51–57.

Isbahi, M. B., Zuana, M. M. M. ., & Mariana, E. R. . (2022). The Technology Strategy in Website Communication Media in Improving Business Activities. *Majapahit Journal of Islamic Finance and Management*, *1*(2), 126–138. https://doi.org/10.31538/mjifm.v1i2.17

Kunaifi, A. (2016). *Implementasi Pemasaran Syari'ah Berbasis Human Spirit Dalam Islamic Finance (Studi Kasus Strategi Pemasaran di BPRS Bhakti Sumekar Kabupaten Sumenep)*. *7*.

Kunaifi, A., Aris Saputra, T., & Subri, S. (2023). Kewirausahaan dalam Pemberdayaan Pesantren: Best Practice pada Pondok Pesantren Mambaul Ulum Sampang. *Istithmar*, *7*(1), 66–78. https://doi.org/10.30762/istithmar.v7i1.654

Kunaifi, A., Djamaluddin, B., Fauzia, I. Y., Ritonga, I., Nurhayati, N., Syam, N., Widiastuti, T., & Ahsan, M. (2024). Islamic Entrepreneurship Identity In The Indonesian Hijrah Community. *Multifinance*, *2*(1), 60–72. https://doi.org/10.61397/mfc.v2i1.140

Kunaifi, A., Djamaluddin, B., Fauzia, I. Y., Ritonga, I., Nurhayati, Syam, N., Widiastuti, T., & Ahsan, M. (2025). Conservative-Political Global Islamic Economy Movement, Face of Entrepreneurship Constructivism of The Indonesian Hijra Community. *IQTISHODUNA: Jurnal Ekonomi Islam*, *14*(2), 531–550. https://doi.org/10.54471/iqtishoduna.v14i2.3192

Kunaifi, A., & Qomariyah, L. (2021). Developing Company Images Through Spiritual Public Relations Facing Covid-19 Outbreak. *Jurnal Iqtisaduna*, *1*(1), 13. https://doi.org/10.24252/iqtisaduna.v1i1.15808

Kunaifi, A., & Syam, N. (2021). Business Communication in Developing the Halal Tourism Industry. *Indonesian Interdisciplinary Journal of Sharia Economics (IIJSE)*, *4*(1), 1–17. https://doi.org/10.31538/iijse.v4i1.1305

Novendra, H., Helmi, S., & Gunarto, M. (2025). The Influence of Brand, Price, And Product Quality on The Purchase Decision of Packaged Drinking Water at The Regional Office VII of BKN Palembang. *Proceedings International Conference on Business, Economics & Management*, (2), 46–53. https://doi.org/10.47747/icbem.v2i2.2580

Panjaitan, J. P. U., & Waluyo, M. (2026). Price Dominance on Loyalty and Repurchase of Bottled Water. *Academia Open*. https://doi.org/https://doi.org/10.21070/acopen.11.2026.14085

Puspita, T., Dharmayanti, I., Tjandrarini, D. H., Zahra, Z., Anwar, A., Irianto, J., Rachmat, B., & Yunianto, A. (2023). Packaged drinking water in Indonesia: The determinants of household in the selection and management process. *Journal of Water, Sanitation and Hygiene for Development*, *13*(7), 508–519. https://doi.org/10.2166/washdev.2023.050

SE, M. (2014). *90 DAY PLAN TO MARKETING YOUR BOOK: A powerful day to day proven strategy to implement, maximize... exposure and explode sales of your book*. EISENBRAUNS.

Susanto, D., Risnita, & Jailani, M. S. (2023). Teknik Pemeriksaan Keabsahan Data Dalam Penelitian Ilmiah. *Jurnal QOSIM Jurnal Pendidikan Sosial & Humaniora*, *1*(1), 53–61. https://doi.org/10.61104/jq.v1i1.60