Table 11.3 (continued)
Some common segment bases used in RM.

Basis	*Comments*
Group discounts	Groups are generally considered leisure customers. Beyond the segmentation aspect, it is volume discounting as the firm lessens the risk of unused inventory by selling a large block.
Package	Package holidays (e.g., airline, hotel room, and car) combined with some trip restrictions limit the product to leisure customers.
Business and individual	Used in retail, telecommunication, and energy industries. Identifiable at the time of the contract.
Size of business	Used in retail (e.g., PCs). Segmented as small, medium and large. The service requirements and sales effort vary by size of the client, so the firm can customize the product (or discounts).
Spend amount	Casinos and hotels track customer spend on food and beverages, gambling, and other services. Discounts may be tailored based on this quantity.
Loyalty	Repeat customers have a higher lifetime value for the firm. By using store discount cards or frequent-flyer cards, customers can be separated based on their loyalty.
Frequency	Frequent customers are not only loyal; they also provide more information about their preferences. Based on past purchasing habits and the frequency of purchases, the firm can separate frequent buyers from infrequent buyers.
Delivery time	Used in manufacturing, freight and package Delivery Industries. Customers with express orders are willing to pay more. The value of the service to the customer in a rush is much higher than normal. This is a easily implementable segmentation in most cases.

Table 11.2. Such segmentation is equivalent to third-degree price discrimination as discussed in Section 8.3.3.1.

The second approach is to use *self-selection segmentation.* This is necessary if a firm cannot observe or control which segment buys which product. It must attempt to induce customers to self-select the product targeted at them, which is the essence of second-degree price discrimination as discussed in Section 8.3.3.1. To give an everyday example, in