MARKET SEGMENTATION PRACTICES AND THE PERFORMANCE OF SMALL BUSINESSES IN NIGERIA

By

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Abstract

The place of Market Segmentation in positively enhancing the performance of Small and Medium Scale Enterprises has often attracted mixed conclusions. The purpose of this study therefore is to investigate the "Effect Market Segmentation practices on the performance of Small businesses in Benue state". A cross- sectional survey design was put in place for the study. The unit of analysis was organizations while the owner/managers of Small Businesses were the respondents. The study employed systematic and simple random sampling as well as the snowbell sampling techniques to collect the needed data for the study with a sample size of 401 Small Businesses covering Small Businesses from all sectors that exist in the study area. A combination of descriptive and inferential statistics were thereafter used to empirically and statistically analyze the data collected, with the aid of Statistical Package for Social Science (SPSS) version 20. Hence the regression analysis was used to test the hypotheses. The findings of the study revealed Market segmentation have significant positive effect on the performance of Small Businesses in the study area. The study therefore recommends (among others that) managers and operators of Small Businesses should accord Segmentation practices more attention to derive the benefits that accrue from its usage.

Key Words: Market Segmentation, Performance, Small Business, Benue State, Nigeria

1.1 Introduction

The market is an important and useful human institution for meeting the needs. To this end, people and organizations engage in a good number of marketing activities to satisfy their needs and those of others (usually at a price). Today marketing is everywhere, formally or informally. However, there is one constraint in the process of marketing as companies cannot connect all customers in large, broad or diverse market at the same time especially since all markets are heterogeneous (Tubastuvi & Sobrotullmtikhanah, 2014). Effective marketing and business strategy therefore requires partitioning the target market into homogeneous segments, an understanding of the needs and wants of these segments, the design of products and services that meet those needs and development of marketing strategies, to effectively reach the target segments. Segmentation is widely acknowledged as a fundamental component of understanding and addressing an organization's market (Itodo, 2015). Thus focusing on segments is at the core of organizations' efforts to become customer driven; it is also the key to effective resource allocation and deployment. In today's global economy, the ability to customize products and services often calls for the most micro of segments: the segment of one.

The underlying logic for market segmentation centers on the assumption that customers demonstrate heterogeneity in their product preferences and buying behavior (Puwanenthiren, 2012). This variability is generally explained by differences in product and/or user characteristics (Boshoff, Schlechter & Ward, 2011). Market segmentation help small businesses to deal with this heterogeneity by balancing the variability in customers' needs with the limits of available resources. For most small businesses, it is simply unrealistic to satisfy the entire diverse customer needs in the marketplace. By focusing marketing efforts on certain segments, the impact of limited resources commonly associated with small businesses can be increased.

Segmentation is fundamental to successful marketing strategies. The fundamental belief in the market segmentation strategy is that it enhances customer satisfaction, competitive advantage and superior performance especially for firms that have the expertise to: (1) identify segments of demand, (2) target specific segments, and (3) develop specific marketing “mixes” for each targeted market segment (Dzisu, Smile and Ofosu, 2014). This study seeks to investigate the effect of market segmentation on the performance of Small and Medium Enterprises (SMEs) in Makurdi metropolis of Benue state in Nigeria..

1.2 *O*bjectives of the Study

The main objective of this study is to determine the effect of Market Segmentation on performance of small and medium scale enterprises in Makurdi metropolis of Benue state.

1.3 Research Hypotheses

The following hypotheses have been formulated for this research work in its null form as follows:

Study Hypotheses (H_{o1})

Market Segmentation has no effect on the performance of Small Businesses in Makurdi Metropolis.

2. 0 Related Literature and conceptual clarification.

2.1 Market segmentation

Market segmentation is the process of dividing a market into smaller groups of buyers with distinct needs, characteristics, or behaviours who might require separate products or marketing mixes (Kotler and Armstrong, 2006). Inalegwu, (2014) agrees that Market segmentation is a practice of dividing markets up into homogenous segments of consumers or customers. The author informs further that in marketing theory, segmentation is one step in a broader process which includes the targeting of messages or advertising campaigns to specific segments. To Itodo (2015), Market Segmentation involves the grouping of customers with similar needs and buying behavior into segments, each of which can be reached by a distinct marketing programme. Schiffman and Kanuk (2000), regard market segmentation as the process of dividing a market into distinct subset of consumers with common needs or characteristics and selecting one or more segments to target with a distinct marketing mix. The underlying aim of market segmentation is to group customers with similar needs and buying behavior into segments, thereby facilitating each segment being targeted by a distinct product and marketing offerings to be developed to suit the requirements of different customer segments (Quinn, 2009).

Whatever the needs for embarking on such market partitioning, segmentation can only be practically feasible where the target market segment is easily identifiable, accessible, and respond differently to the different marketing mixes offered (Onaolapo, Salami & Oyedokun (2011). Market segmentation when done properly will maximize returns for a given marketing expenditure (Salami & Adewoye 2006).

In another submission, Sternthal and Tybout, (2001) opine that all market segmentation strategies should be premised on the basic assumptions that many markets are significantly, but not completely, heterogeneous regarding consumers’ needs, wants, use requirements, tastes, and preferences, and, therefore, can be divided into smaller, meaningful, relatively homogeneous segments of consumers.
It is clear that Market segmentation generates superior market knowledge (Piercy and Morgan, 1993), alerts the company to the critically important trends and opportunities (Garda, 1981), allows a firm to identify underserved/growing/least price sensitive segments (Slater and Narver, 2000), identifies the groups most worth pursuing – the underserved, the dissatisfied, and those likely to make a first-time purchase (Yankelovich and Meer, 2006). It also provide insights into opportunities within the existing customer base to expand the share of customer requirements that the firm can exploit (Morgan, Anderson, and Mittal, 2005), enables uncovering innovative product, prices, distribution and service strategies (Hlavacek and Reddy, 1986) and generates insights into how a firm’s product and service

offerings may provide the greatest non-price value to customers and channel members (Slater and Narver, 2000). Market segmentation also lead to more productive resource use by better matching the firm's resource base with market opportunities (Morgan, Vorhies, and Mason, 2009) and allows firms to focus their resources on segments of consumers that are more likely to purchase their market offerings (Mahajan and Jain, 1978).

Adina (2012) informs that the market segmentation concept was officially introduced by Smith (1956) in a seminal paper, where he distinguished between market segmentation and product differentiation as alternative marketing strategies. According to Adina (2012) What Smith (1956) meant by market segmentation was a "more precise adjustment of product and marketing effort to consumer requirements", which is in fact the essence of the marketing concept. In this view, market segmentation is disaggregative as it recognizes several demand schedules where only one was previously recognised. Frank *et al.*, (1972) concludes that Market segmentation originates from economic pricing theory which states that firms can maximise profits by using different pricing levels to discriminate between segments. Kotler, (1994) suggest that segmentation leads to more satisfied customers, because it offers practitioners a number of clear benefits including:

- Improved understanding of customer needs
- More appropriate resource allocation.
- Clearer identification of market opportunities and
- Better turned and positioned marketing programmes.

2.2 Performance

Performance, considered to be a subset of the broader concept of organizational success is a fundamental feature for survival and sustainability as performance factors like appropriate entrepreneurial marketing practices have been found to spur business expansion, sales growth, customer satisfaction and return on investment in all classes of SMEs (Itodo, 2015). Prior research efforts (Eniola & Entebang, 2015) suggest that sound CRM practices are an important contributor to performance in business. To this end, Jegede, (2014) indicates that CRM practices have a significant impact on performance variables as they interact with different components to facilitate performance. It is therefore clear that there is a strong correlation between CRM practices and SMEs performance.

2.3 Small Businesses

A proper definition of Small Businesses is important to distinguish between the different categories of the production units in terms of factors like; number of employees, the value of fixed assets, production capacity, basic characteristics of the inputs, level of technology used, capital employed, management characteristics, etc. (Eniola, Entebang, and Sakariyau, 2015) Scholars have argued that there is no general accepted definition of small or medium businesses because of the classification of businesses into large, medium or small scale is a subjective and qualitative judgment (Eniola, 2014). It is hard to develop a general definition of a small concern because the economies of countries differ, and people take on particular standards for special uses. Different institutions and nations use different standards to define Small Businesses. Because, a lot of their bodily processes depend on the industry in which they operate, also, the personalities and ambitions of those in charge of these businesses.

Despite the lack of consensus on the definition of Small Businesses, Scholars surmise that the performance of Small Businesses is the lifeblood of the economic scheme by contributing to the economic growth of the country. Small businesses play a vital role in the economic growth of countries (Tubastuvi & Sobrotullmtikhanah, (2014). Consequently, the performance of small businesses is closely associated with the performance of the nation

In Nigeria, the contribution and performance of Small Businesses is considered as the spinal column. This class of businesses is extremely important as it contribute significantly to the economic growth in the country. These classes of enterprises comprise about 70% to 90% of the business establishment in the manufacturing sector in Nigeria (Eniola & Ektebang, 2014). Moreover, the potential of Small Businesses is to serve as an engine for wealth creation, employment generation, entrepreneurial skills development, and sustainable economic development. Small Businesses are the creativity and ingenuity of entrepreneurs in the utilization of the abundant non- oil, natural resources of this nation will provide a sustainable platform or springboard for industrial development and economic growth as is the case in the industrialized and economically developed societies (Eniola & Ektebang, 2014, Dzisu, Smile & Ofosu, 2014). Small Businesses provides over 90% of employment opportunities available in the manufacturing sector and account for about 70 % of aggregate employment created per annum (Ediri, 2014, Eniola & Ektebang, 2014).

This study adapt the definition and classification of Small Businesses as any small business that is legal and operates on a full time basis in the study area with a staff strength of between 11 to 49 staff for small business with asset base of 1 to 50 million naira excluding land and buildings, The study believes that whichever way the definition of Small Businesses is put forth, this class of business is the annexation of resources and the overall contribution to the economic wellbeing of developing nations across the globe.

2.4 Market Segmentation and Business Performance

It is important to identify whether market segmentation provides companies with enough value to justify the investment and effort required. Smith (1956) argued that the outcome of market segmentation should be "depth of market position in the segments that are effectively defined and penetrated", indicating a measure of market performance. Many empirical works have been done by researchers to establish the nature of relationship between market segmentation and business performance.

Adina, (2011) conducted an empirical study on market segmentation capability and business performance: A reconceptualisation and empirical validation. The main purpose of this study was to investigate the relationship between market segmentation and business performance. The research was conducted within the critical realism paradigm and adopted a sequential qualitative-quantitative methodology, using 24 in-depth interviews with marketing managers and segmentation experts. The study revealed that implementing market segmentation is perceived to have positive effects on business performance.

Peterson (1991) studied Small business usage of target marketing and finds that firms who employ segmentation strategy have a higher return on invested capital than those who did not pursue this strategy. He notes however that this finding does not prove the efficacy of segmentation strategy but still provides a presumption of effectiveness. Similarly, Verhoef, Spring, Hoekstra and Leeflang, (2002) carried out an empirical study of the commercial use of segmentation and predictive modeling techniques for database marketing in the Netherlands. The study revealed that companies using segmentation have better results and are more satisfied with their marketing performance than those who do not.

Foedermayr and Diamantopoulos (2009) investigated Export segmentation effectiveness: index construction and link to export performance. The study concluded that two dimensions of segmentation effectiveness (cost savings and positioning performance) have the strongest impact on export performance. Panayides (2004) researched the Logistics service providers: an empirical study of marketing strategies and company performance. The study finds market segmentation strategy positively related to market share but not to other measures of performance. These studies bring some empirical support to the argument that market segmentation has a positive influence on performance outcomes. All the above studies were undertaken in developed nations.

Here in Nigeria, Onaolapo, Salami and Oyedokun, (2011) empirically studied "Marketing Segmentation Practices and Performance of Nigerian Commercial Banks". The paper particularly examined the impact of marketing segmentation practices on the performance of selected Nigerian commercial banks in the post consolidation era 2005 to date. Emphasis was on the forms of segmentation practices adopted, the extent to which their performance have been influenced and customers loyalty secured. The study found among others that segmentation has benefited some sections of the industry more than others thus enabling dominance of the market share and customer patronage. It however discovered that there is a threshold point beyond which further commitment of funds into market-segmentation practices by a bank will result in negative result.
It is obvious that researchers and other writers in this field have failed to arrive at a compromise on the effects of market segmentation and business performance. This lack of consensus evidence has given rise to repeated studies including the present one to establish the true position of the effect of Market Segmentation on the performance of Small Businesses in the study area.

3.0 Research Methodology
This study made use of Cross- sectional design and employed the survey method in obtaining the needed data. Given that the study focused on the Effect of market segmentation on the performance of Small Businesses, the survey method is considered more appropriate to realize the goal of the research exercise. The study population consisted of the entire Small Businesses in Makurdi metropolis in Benue State of Nigeria, which numbered about 1,102, (the State Ministry of Commerce and Industries (2014), National Association of Small Scale Industries (NASSI, 2014), Researchers snowbell sampling, 2014), offering various products/services to the general public. The population of the study therefore covers the entire Small Businesses in the study area.

3.3 Sampling, Sample size and technique
A sample is a smaller set of cases a researcher selects from a larger pool and generalises to the population (Neuman 2006). In determining the sample size for this study, Systematic sampling technique was adopted to select 285 respondents using Kriecie and Morgan (1970). However, as a deliberate effort to minimize errors in sampling, effectively take care of the non-response rate issue as well as ensure high sample size, the sample size was doubled or multiplied by two (Aliyu, 2014). Therefore, 570 samples (that is 285 x 2) was the determining factor for the total number of questionnaires that were finally administered. This is in line with Alrech and Settle's (1995) submission that lower sample size has the tendency to attract higher errors. The author argues further that higher samples are more prone to accurate results

3.4 Source of Data collection/ Instrument for Data Collection
Data needed for this study was collected from the primary sources which Valos and Bednall, (2010) defined as data gathered and assembled for a research project at hand. The instrument used to collect primary data for this research is the questionnaire. Moody, (2012) defines questionnaire as any written instrument that produces respondents with a series of questions or statements to which they are to react either by writing out their answers or selecting from amongst existing answers.

3. 5 Validity and Reliability
One important way of ensuring that researchers use the right instruments and have taken correct measurement is to ensure that the research outcome is in consonance with the two major criteria for measuring quality which are validity and reliability (Aliyu, 2014). To achieve good result in a research study, data collected and instruments for collection should be Reliable, Valid, dependable, consistent and reasonably stable over time, and across investigators and methods, which is similar to the concept of quality control that typically rests with replication and yields consistent results if the study is performed on a different subject sample (Cooper & Schindler 2003). Attempts made to ensure that the

instruments used for data collection in this study are both valid and reliable by minimizing bias included a careful examination of existing literature and research. The efforts made help to ensure the appropriateness of the scale used in the study.

3. 6 Method of Data Analysis

Quantitative research approach was adopted for this research study as recommended by Sekaran, Robert and Brain, (2001). Similar previous studies that employed quantitative research method include: Kheng, June and Mahmood (2013), Shehu (2014) Aliyu, (2014) and Yahya, (2014). The decision to use quantitative research design method is also justified on the ground that the study solicited responses from a large number of respondents.

Descriptive Statistics, a statistical tool was used in this study to describe and summarize information and raw data about basic patterns in the population and sample of the research study along side with Inferential Statist which was used to summarise data collected in the research work. To assess the effects of Market Segmentation on the performance of Small Businesses, standard multiple regression analysis using SPSS version 20.0 was used.

Regression analysis is considered a more appropriate technique for this type of analysis because of its ability to predict the "effects of more than one independent variable on one dependent variable using principles of correlation and regression" (Kerlinger, 1979).

4.1 Test of study Hypotheses and Discussion

H_1; *Market Segmentation has no effect on the performance of Small Businesses in Makurdi Metropolis.*

Table 1 Effect of Market Segmentation on SMEs performance

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	12.911	4.083		.738	.465
MSG	.646	.109	.608	.456	.012

a. Dependent Variable: PRF

SPSS 20.0 Output for this study, (2016)

PRF = 12.911 + 0.608MSG

$S(b_i)$: [0.109]

P-value: {0.012}

From the regression equation above we have, $b_5 = 0.608$

Standard deviation of $b_5 = 0.109$

$H_{0:}\ b_1 = 0$

$H_{0:}\ b_1 \neq 0$

½ b_1 equals 0.304

This study sought to know the effect of Market Segmentation on the performance of Small Businesses in Makurdi Metropolis. It aimed to assess whether Market Segmentation can be a good predictor toward the performance of Small Businesses in the study area. This was also represented in the research hypothesis which hypothesized that Market Segmentation has no effect on the performance of Small Businesses in Makurdi Metropolis in Benue. Multiple linear regression was conducted to test the formulated hypothesis as earlier on indicated in the research model specification. Using the standard

error test, S (b_5) < ½ b_1 above, the result of the analysis shows that 0.109 < 0.304. We therefore had no option than to reject the null hypothesis and instead, accept the alternative one. That is, we accept that the estimate b_5 is statistically significant at the 5% level of significance. This implies that Market Segmentation has a positive effect on the Performance of Small Businesses and the relationship is statistically significant ($p<0.05$) and in line with *a priori* expectation. This also means that a unit increase in Market Segmentation will result to a corresponding increase in Performance of Small Businesses by a margin of 60.8 in the study area.
The result of the study is in line with results of many other similar studies including those of Onaolapo, Salami and Oyedokun, (2011), Adina, (2011), Puwanenthiren, (2012), Premkanth, (2012) Who all agree that Market Segmentation has a lot of positive effect on performance. On the contrary, the study contradict the findings of Foedermayr and Diamantopoulos (2008) whose study conclude that Market segmentation practice offers little or no practical help and guidance to marketers who implements it.

5. 2 Summary and Conclusions

This study investigated the effect of Market Segmentation on the performance of Small Businesses in Makurdi metropolis. The research hypothesis of this study was to examine the effect of market segmentation on the performance of Small Businesses in Makurdi metropolis. After a comprehensive relevant analysis, market segmentation marketing practice was found to have .608. This means that a unit increase in market segmentation will have a 60.8% positive effect on the performance of Small Businesses in the study area and is therefore, a good predictor of Small Businesses performance in Makurdi metropolis. The finding shows that Market Segmentation has positive effect on performance of Small Businesses in the study area and is therefore a good predictor of Small Businesses performance in Makurdi metropolis, Nigeria. The implication of this finding is that issues regarding market segmentation should be given further emphasis by Small Businesses owners/managers as it has become clear that the ability of any Small Businesses to give market segmentation the attention it deserves will guarantee its success and hence, the possibility of achieving high and sustained performance as well as gaining competitive advantage.
The finding of this study will be of importance to policy makers such as the Small and Medium Enterprise Development agency of Nigeria (SMEDAN) and other related agencies in designing more realistic policies, programs and operating strategies for Small Businesses in the country. Central bank of Nigeria will equally benefit from the outcome of the present study, as the study findings will serve as a guide in resource allocation and offer a guideline to commercial banks in assisting Small Businesses.

The findings will also help Small Businesses owners/managers as it will give them an empirically tested outcome on some determinants of the performance of Small Businesses so that they can understand the effects of variables under study to improve business performance better. This will also help them to develop good practices regarding the development of their respective Small Businesses so as to be relevant and gain competitive advantage in the market. The findings would also serve as a frame of future reference to managers and operators of Small Businesses, academia, students and other stakeholders; it would equally help in making relevant recommendations.
This study has empirically and statistically proved that market segmentation has positive effect on the performance Small Businesses. Managers and operators of Small Businesses are therefore urged to put in place appropriate and effective market segmentation practices to brighten their chances of effectively winning competitions as well as enhancing their firm's performance.

Recommendations

Arising from the findings of this study and Consequent upon these and other issues examined in the study, the following recommendations are made.

i) Appropriate Small Businesses regulators in the study area should always put in place policies and stable regulations that will help Small Businesses operators to operate easily and freely. They should also create a good conducive environment and needed infrastructures for these classes of enterprises to segment their market in a way that will ensure their performance.
ii) Managers of Small Businesses should always adopt Market Segmentation strategies that will assist the utilization of their strengths to exploit opportunities while avoiding its weaknesses. They should also imbibe investment culture and practice of ploughing back profits. The socio-political ambitions of some Small Business operators may lead to the diversion of valuable funds and energy from business to social waste which in turn will affect their performance.
iii) The successful working of any organization irrespective of its size of operation depends on the people working there. Small Businesses managers should make the training of their staff regular so that they will know and ascertain the cost benefit analysis of every market segmentation practice they employ at any point in time. They should also put in place regular inspection and rectifying measures to correct market segmentation problems.

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