The Impact of Market Segmentation on the Sales Volume of a Company's Product or Service

Sule Maina

Department of Marketing, Ramat Polytechnic Maiduguri, Born State, Nigeria
sulemaina285@yahoo.com

Abstract
The study investigated the impact of market on the sales volume of a company products or services. Market Segmentation is essential and necessary for any organization trying to survive in the global market. Consumer demands are diverse and all demands have to be met as effectively as possible. Therefore organizations that sell a product or service has to know who their various target markets and segment their product in a way that suits each segment identified. This study looks at the segmentation process and how segmentation can be effectively utilized to improve the sales volume of an organizations goods or services. Both primary and secondary sources of data collection were used and analyzed by trend analysis. The research revealed that once products or services were tailored to suit various types of consumer segments, then requirements will be me; thus satisfaction, therefore increasing the level of demand of that product or service. The research concludes that effective consumer segmentation can increase the level of demand of a product or service, of an organization. It has also been recommended that profit making organization should always work around segmenting customers of their product or service if they want to increase sales in their organization.
Keywords: Market Segmentation, Sales Volume, Product, and Services

1. Introduction

The division of a market into different homogenous groups of consumers is known as market segmentation. The marketing concept calls for understanding customers and satisfying their needs. But different customers have different needs, and it rarely is possible to satisfy all customers by treating them alike. One of the main reasons for engaging in market segmentation is to help the company understand the needs of the customer base. Often the task of segregating consumers by specific criteria will help the company identify other applications for their products that may or may not have been self evident before. Uncovering these other ideas for use of goods and services may help the company target a large audience in that same demographic classification and thus increase market share among a specific sub-market base.

While there may be theoretically 'ideal' market segments, in reality every organization engaged in a market will develop different ways of imagining market segments, and create product differentiation strategies to exploit these segments. The market segmentation and corresponding product differentiation strategy can give a firm a temporary commercial advantage, which is essential to its existence.

2. Objectives of the Study

The objectives of the study are to:
1. Determine if segmenting the market of a product or service increases sales.
2. Evaluate the elements necessary for effective segmentation to be effective.
3. Know how to segment and select a potential segmented market that will increase sales of an organization.

3. Conceptual Framework

Kotler and Keller, (2005) a market segment is a subgroup of people or organizations sharing one or more characteristics that cause them to have similar product and/or service needs. A true market segment meets all of the following criteria: it is distinct from other segments (different segments have different needs), it is homogeneous within the segment (exhibits common needs); it responds similarly to a market stimulus, and it can be reached by a market intervention. The term is also used when consumers with identical product and/or service needs are divided up into groups so they can be charged different amounts. These can broadly be viewed as 'positive' and 'negative' applications of the same idea**.** Ayuba (2005) noted that Nigeria companies marketing effort lack the knowledge and skills of basic marketing ingredients - marketing research, marketing planning and effective distribution network. The outcome of this is poor quality products, unawareness of competitors, poor promotion, poor distribution, and poor pricing methods. In a developing country like ours with low income and high level of poverty, the need for effective marketing segmentation of product is very imperative if an organization hope to achieve any success.

4. Segment Marketing

(Kotler, 2004) A market segment consists of a group of customers who share a similar set of wants. Thus we would distinguish between car buyers who are primarily seeking low-cost basic transportation and those seeking luxurious driving experience. We must not confuse a *segment* and a *sector*. A car company may say that it will target young, middle-income car buyers. The problem is that young middle-income car buyers will differ about what they want in a car. Some will want a low-cost car and others will want an expensive car. Young, middle-income car buyers is a sector, not a segment.

The Marketer does not create the segments, the marketer's task is to identify the segment and decide which one(s) to target. Segment marketing offers several benefits over mass marketing, which includes;

- The company can create a more fine-tuned product or service offering and price it appropriately for the target segment.
- The company can more easily select the best distribution and communication channels.
- It will also have a clearer picture of its competitors, which are the companies going after the same segment.

A flexible market offering consists of two parts; a *naked solution* containing the product and service elements that all segment members' value, and *discretionary options that some segment members' value.*

5. Market Segmentation Procedure

(Kotler, 2004) Market Segments can be identified by classifying consumers demographically. A bank for example, may decide to group its customers by wealth, annual income, and age. Suppose it distinguishes five (5) wealth classes, seven (7) income classes and six (6) age classes. This alone would create 210 market segments (5 x 7 x 6). The real question however is whether the customer in any one segment really has the same needs, attitudes, and preferences. This has led market researchers to advocate a needs-based market segmentation approach. Roger Best proposed the seven-step approach shown below;

SEGMENT PROCCESS	DESCRIPTION
1. Needs Based Segmentation	Group customers into segments based on similar needs and benefits sought by customers in solving a particular consumption problem.
2. Segment Identification	For each needs-based segment, determine which demographics, lifestyles, and usage behaviours make the segment distinct and identifiable (actionable).
3. Segment Attractiveness	Using predetermined segment attractiveness criteria (such as market growth, competitive intensity, and market access), determine the overall attractiveness of each segment.
4. Segment Profitability	Determine segment profitability.
5. Segment Positioning	For each segment, create a 'value proposition' and product-price positioning strategy based on that segment's unique customer needs and characteristics.
6. Segment 'Acid Test'	Create 'segment storyboards' to test the attractiveness of each segments positioning strategy.
7. Marketing-Mix Strategy	Expand segment positioning strategy to include all aspects of the marketing mix: product, price, promotion, and place.

Market segmentation must be done periodically because segments change. At one time the personal computer industry segmented its products purely on speed and power. Later, PC marketers recognized an emerging 'Soho' market, named for small office and home office. Mail-order companies such as Dell and Gateway appealed to this markets requirement for high performance coupled with low price and user-friendliness. Shortly thereafter, PC makers began to see Soho as comprised of smaller segments. 'Small-office needs might be very different from home-office needs, says one 'Dell' Executive.

One way to discover new segments is to investigate the hierarchy of attributes consumers examine in choosing a brand. This process is called **market partitioning.** Years ago, buyers first decided on the manufacturer and then on one of its car divisions (brand-dominant hierarchy). Today many buyers decide first on the nation from which they want to buy a car (nation-dominant hierarchy). Companies must monitor potential shifts in the consumers' hierarchy of attributes and adjust to changing priorities.

The hierarchy of attributes can reveal customer segments. Buyers who first decide on price are *price dominant*; those who first decide on the type of car are (e.g., sports, passenger, station wagon) are *type dominant*; those who first decide on the car brand are *brand dominant. O*ne can identify those who are type/price/brand dominant as making up a segment; those who are quality/ service/ type dominant as making up another segment. Each segment may have distinct demographics, psychographics, and media-graphics.

6. Segmentation by Demographic Characteristics

(Boon & Kurtz, 2004) says that 'As with consumer markets, demographic characteristics define useful segmentation criteria for business markets'. This includes:

1. **Segmentation by Customer Type**

   Another useful segmentation approach groups prospects according to type of customer. Marketer can apply this concept in several ways. They can group customers by broad categories; manufacturers, service provider, government agency, non-profit organization, wholesaler, or retailer, and industry.

2. **Segmentation by End-Use Application**

   This focuses on the precise way in which a business purchaser will use a product. For example a printing equipment manufacturer may serve markets ranging from a local utility to a bicycle manufacturer to the Department of Defence. Each end user may dictate unique specifications for performance, design, and price. Many small and medium sized companies also segment markets according to end use application. Instead of competing in markets dominated by large firms, they concentrate on specific end use market segments.

3. **Segmentation by Purchasing Situation**

   Yet another approach to dividing business markets centres on the purchasing situation. Organizations use a more complicated purchasing procedure than those of consumers. Firms also structure their purchasing functions in specific ways, and for some business marketers, this may be the best way to segment the market. Each of these structures results in different buying behaviour.

   Effective Segmentation

(Kotler, 2004) For segmentation to be useful, it has to be:

- *Measurable:* The size, purchasing power, and characteristics of the segments can be measured.
- *Substantial:* The segments should be large and profitable enough to serve. A segment should be the largest possible homogenous group worth going after with a tailored marketing program.
- *Accessible:* The segments can be effectively reached and served.
- *Differentiable:* The segments are conceptually distinguishable and respond differently to different marketing-mix elements and programs.
- *Actionable:* Effective programs can be formulated for attracting and serving the segments.

Evaluating and Selecting the Market Segments

(Kotler 2004) In evaluating the market segment, the firm must look at two factors: the segments overall attractiveness and the company's objectives and resources. Does a potential segment have characteristics that make it generally attractive, such as size, growth, profitability, scale economies, and low risk? Does investing in the segment make sense given the firms objectives, competencies, and resources? Some attractive segments may not mesh with the company's long-run objectives, or the company may lack one or more necessary competencies to offer superior value. Having evaluated different segments, a company can consider five (5) patterns of target market selection, which includes;

- **Single Segment Concentration:** Volkswagen concentrates on the small-car market and Porsche on the sports car market. Through concentrated marketing, the firm gains a strong knowledge of the segments needs and achieves a strong market presence. Furthermore, the firm enjoys operating economies through specializing its production, distribution, and promotion. If it captures segment leadership, the firm can earn a high return on its investment.

- **Selective Specialization:** the firm selects a number of segments, each objectively attractive and appropriate. There may be little or no synergy among the segments, but each promises to be a money-maker. This multi-segment strategy has an advantage of diversifying the firm's risk.

- **Product Specialization:** the firm makes a certain product that it sells to several segments. An example would be a microscope manufacturer who sells to university, government, and commercial laboratories. The firm makes different microscopes for the different customer groups and building a strong reputation in the specific product area.

- **Market Specialization:** the firm concentrates on serving many needs of a particular customer group. An example would be a firm that sells an assortment of products only to university laboratories. The firm gains a strong reputation is serving this customer group and becomes a channel for additional products the customer group can use.

- **Full Market Specialization:** the firm attempts to serve all customer groups with all the products they might need. Only very large firms such as IBM (computer market), General Motors (vehicle market), and Coca-Cola (drink market) can undertake a full market coverage strategy. Large firms can cover a whole market in two broad ways: through *undifferentiated marketing* or *differentiated marketing*. In undifferentiated marketing, the firm ignores segment differences and goes after the whole market with

one offer. It designs a product and a marketing program that will appeal to the broadest number of buyers. It relies on mass distribution and mass advertising. Undifferentiated marketing is the 'the marketing counterpart to standardization and mass production in manufacturing' the narrow product line keeps down costs of research and development, production, inventory, transportation, marketing research, advertising, and product management. Presumably the company can turn its lower costs into lower prices to win the price-sensitive segment of the market.

In differentiated marketing, the firm operates in several market segments and designs different products for each segment. General Motors does this when it says that it produces a car for every 'purse, purpose, and personality'. Differentiated marketing typically creates more total sales than undifferentiated marketing. However it also increases the cost of doing business.

7.   Methodology of the Study

The population of the study consists of ten (10) Distributors of both Camery and Honda automobiles. 100 employees from Camery Distributors; and 100 from Honda Distributors were given questionnaires in relation to marketing segmentation.

The main sources of data were the questionnaire and the review of relevant textbooks, journals and internet search. The questionnaire was structured to elicit information from the respondents. While the review of the documents aid the structuring of the questionnaires.

The information obtained from the respondents will be analysed using descriptive techniques and simple percentages.

Data Presentation & Analysis

Through the questionnaires administered to customers of both the Camery and Honda car brand, these were the data obtained;

90% are male, and just 10% are female. The study shows that 67% of the respondents are within the age bracket of 25 – 35 years; 21% are in the age bracket of 35 – 45 years; while 12% are less than 25 years of age.

This indicates that majority of those in the automobile business are more of the younger generation.

In terms of academic qualification, 79% of the respondents have a secondary school qualification, while only 21% have a first degree qualification or a higher national diploma qualification.

Table 1

From the options listed below which customer segment do you focus on when trying to market your automobiles?

Answer Options	Camery (%)	Honda (%)
Individual Women	5	8
Individual Men	17	78
Private Companies	11	0
Government Para- status	67	14
	100	**100**

From the analysis made above it can be concluded that Camery automobiles target customers from Government Para-status, which has the highest percentage of 67% compared to Honda brand distributors who mainly focus on men as their target customer with a percentage of 78%.

Table 2

From the options listed below which customer segment would you say buys from your dealership more frequently?

Answer Options	Camery (%)	Honda (%)
Men of Middle Class	6	37
Women of Middle Class	3	11
Government Para-status	71	23
Men of Upper Class	10	17
Private Companies	12	12
	100	**100**

The table shows us that Government Para-status tend to patronize their dealership much more than any other category of customers with a percentage of 71%, followed by Private companies with only 12%. This shows that organizations in general are their loyal customers. On the other hand categories of customers that patronize Honda brands are the men of middle class with 37% followed by Government Para-status with 23%.

Table 3

Approximately how many cars would you say your dealership has sold in the year 2010?

Answer Options	Camery (%)	Honda (%)
20 – 50 Cars	91	15
51 – 80 Cars	9	27
81 – 100 Cars	0	48
110 – 140 Cars	0	10
141 – 170 Cars	0	0
	100	**100**

From the table above it is obvious that Camery automobiles don't tend to have a high number of sales in the year 2010. Most of the Camery distributors being analyzed have only sold 20 – 50 cars (91%) and very few of them have sold between 51 – 80 cars. Some of the Honda dealers have been able to sell more than double (81 – 100 cars) of what most Camery dealers have been able to sell.

Table 4

What options listed below would you say determines why customers buy your automobile brand?

Answer Options	Camery (%)	Honda (%)
Its Affordability	0	58
The Aesthetic Look	14	32
Its Durability	55	0
Its Performance	31	10
	100	**100**

The analysis made above shows that the main factor that hinders customers to buy the Camery car is mainly 'durability' (55%) and its performance (31%), while the main reason why customers buy the Honda brand is because of its affordability (58%), followed by its aesthetic look (32%).

Table 5

If you were to use Marketing Segmentation, do you think it would reduce the level of Personal Selling and advertising in your dealership?

Answer Options	Camery (%)	Honda (%)
Yes, a lot	49	79
Not much	38	21
No difference at all	13	0
	100	**100**

The table above shows that just about half of the population of the Camery automobile dealers (49%) believe that if marketing segmentation is used that it will reduce costs in other aspects of marketing (personal selling and advertising), most of the other half of the Camery dealers feel it won't make much difference or no difference at all. On the other hand 79% of Honda brand dealerships feel that marketing segmentation will reduce the extent of cost, to which personal selling and advertising is done in their dealerships.

Table 6

To what extent do you think marketing segmentation has contributed towards increasing your dealerships market share?

Answer Options	Camery (%)	Honda (%)
A lot	22	57
Fairly	24	29
Very Little	42	16
Barely at All	12	0
	100	**100**

The table shows that most Camery dealerships believe that marketing segmentation has contributed very little (42%) to creating their market share, about quarter (22%) of the Camery dealerships believe that it has contributed a lot. While more than half of Honda brand dealers (57%) believe that marketing segmentation has contributed a lot to increasing their market share.

Table 7

From the options given below what level of revenue (N) would you say your dealership has achieved for the year 2014.

Answer Options (N millions)	Camery (%)	Honda (%)
N100 - N150	85	0
N150 – N200	15	6
N200 – N250	0	68
N250 – N300	0	16
N300 and more	0	10
	100	**100**

The analysis shows that most of Camery car dealers (85%) have made revenue, between N100,000,000 – N150,000,000 in the year 2010 and the other 15%, between N150,000,000 – N200,000,000,. Most of the Honda car dealers (68%) have made sales revenue, between N200, 000,000 – N250, 000,000 in sales revenue; 6% between N150, 000,000 – N200, 000,000 in sales revenue; 16% between N250, 000,000 – 300,000,000 in sales revenue; and 10% between N300, 000,000 and more, in sales revenue. Which shows the large difference in revenue.

Table 8

From the options below, which marketing strategy would be more effective in making sales at your dealership?

Answer Options	Camery (%)	Honda (%)
Mass Marketing	9	11
Segmentation	6	45
Promotional Strategy	12	16
Sales Representatives	73	28
	100	**100**

The analysis shows that a great part of Camery car dealers (73%) rely more on sales representatives in selling their products to their automobiles, while 45% of Honda car dealers rely more on marketing segmentation in making sales followed by, sales representation (28%).

Table 9

Do you believe Marketing Segmentation is necessary for increasing sales or revenue in your organization?

Answer Options	Camery (%)	Honda (%)
Yes	43	92
No	57	8
	100	**100**

43% of Camery car dealers believe that marketing segmentation is necessary in increasing sales in their dealerships, and 57% believe it is not necessary. While 97% of Honda car dealerships believe that marketing segmentation is necessary in increasing sales of their dealership. Only 8% believe it is not necessary. This shows a significant difference in thinking and cultural values, between the two (2) brands of dealerships.

8.   Conclusion & Recommendation

From the data analyzed above, it has been concluded that marketing segmentation has great significance in affecting the level of sales of an organization.

The study further shows that organizations need to move from mass marketing to marketing segmentation to achieve an increase in sales. Once an organization can identify the market segment it wants to focus on all relevant marketing tools and resources can be used towards trying to meet the needs of that customer segment.

However for segmentation to be effective and be utilised well certain elements like; being able to measure the segment; it should be substantial enough to serve and make enough profit; the segment should be easy access; the segments picked should be distinguishable; and finally effective strategies should be put in place that suits that segment. The following recommendations have been made, that will assist organizations on how they can use effective marketing segmentation to increase the level of sales and market share:

1. Organization need to get professional marketers that can enlighten and train their organization as a whole on marketing segmentation, and marketing strategies as a whole.
2. Secondly, organizations need to determine who their target customers are, and make sure that the organizations resources are focused on the most viable and profitable of the target customers from that segment.
3. Finally organizations need to understand that once these customer segments are consistently satisfied; then demand will increase, which intern means sales will increase, therefore an increase in revenue of that organization.

References

Akpan A. B. (2006), Marketing Thoughts and Consumer Behaviour. Zaria, S. Asekome & Co Publishers.

Anyanwu A. (2003), Dimensions of Marketing. Imo, Avan Global Publications.

Ayuba B. (2005), Marketing: Principles and Management. Kaduna, Shukrah Printing and Publishing Company Limited.

Chisnall P. M. (2004), Consumer Behavior. London, Mcgraw-Hill Book Company.

Iyanda O. (2004), Marketing Theory for Practitioners. Lagos, Nigeria Institute of Management Press.

Onah J. O. And Thomas M. J. (2004), The Structure of Distribution: Marketing Management Strategies and Cases.

Kotler P. (2004), Marketing Management. India, Pearson Education Ltd.

Kotler P. And Keller K. L. (2005), Marketing Management. London, Pearson Prentice Hall Publications.

Perreault W. D. (2003), Basic Marketing: A Marketing Strategy Planning Approach. Mcgraw-Hill.

Schiffman L. G. And Kanuk L. L. (2003), Consumer Behaviour. New Delhi, Precnice Hall of India Private Limited.

The IISTE is a pioneer in the Open-Access hosting service and academic event management. The aim of the firm is Accelerating Global Knowledge Sharing.

More information about the firm can be found on the homepage:
http://www.iiste.org

CALL FOR JOURNAL PAPERS

There are more than 30 peer-reviewed academic journals hosted under the hosting platform.

Prospective authors of journals can find the submission instruction on the following page: http://www.iiste.org/journals/   All the journals articles are available online to the readers all over the world without financial, legal, or technical barriers other than those inseparable from gaining access to the internet itself. Paper version of the journals is also available upon request of readers and authors.

MORE RESOURCES

Book publication information: http://www.iiste.org/book/

Academic conference: http://www.iiste.org/conference/upcoming-conferences-call-for-paper/

IISTE Knowledge Sharing Partners

EBSCO, Index Copernicus, Ulrich's Periodicals Directory, JournalTOCS, PKP Open Archives Harvester, Bielefeld Academic Search Engine, Elektronische Zeitschriftenbibliothek EZB, Open J-Gate, OCLC WorldCat, Universe Digtial Library , NewJour, Google Scholar