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Market Segmentation: Its Role in Sales Performance in Nigeria Business Environment

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Abstract
Market segmentation is considered as inseparable as well as the key tool in the Practice of Marketing. It is the breakdown of the entire market for effective coverage for a product/service into several specific segments, where each segment comprises of customers with specific features in common. The reason behind Market segmentation is that no one approach to the market can satisfy the numerous buyers, each part of the market represent a unique opportunity. This is as a result of the dissatisfaction with the strategy of product differentiation, marketing researchers and practitioners have come to rely more on the strategy of market segmentation because of its role in sales performance in Nigeria Business environment. For the purpose of this write up, the paper will take the following shape – Introduction, firms, customers and environment, when to segment market, level of market segmentation, strategies, effective conditions, benefits, conclusion and recommendations.
Keywords: Market, Segmentation, Sales, Performance, Business, Environment and Nigeria

INTRODUCTION

Economists were first to introduce the theory of segmentation. The Economists opinion was that profits would be maximised if markets are segmented. Before going on, it is important we understand what Market stands for. According to **Ijewere, A.A.** (2008), Market is a group of customers, sharing particular needs and wants who might be willing to engage in exchange to satisfy their needs or wants. Market should be defined in relation to its customers. Market is not only seen as the geographical location but can also be broken down demographically. Market concept also applies to services, a very powerful concept even in the non-profit sectors.

For manufacturers, producers, sellers and service business providers to have a firm grip of existing and potential customers. They should define and concentrate their attention, externally on the needs that they are meant to address. To be able to achieve effectively their set goal, an efficient and dynamic strategic decision is required- the channels through which the goods and services will pass before it gets to the final consumers, the promotion tools to be employed, among others. The market to be served will be determined by the concept of market segmentation. This enables the seller to select his or her target market(s).

The very essence of the marketing concept itself leads to an inevitable consideration of market segmentation. If marketing is to do with satisfying customers' needs wants as a means to achieving the goals of the organization then we should recognize that human condition might mean that we all have a similar need structure within us, not everyone will have the same needs to the fore at the same point in time. Market Segmentation is the process of dividing a market into distinct groups of buyers with different needs, characteristics or behaviour that might require separate products or marketing mixes. It is the process of dividing the total heterogeneous market for a good or service into several segments, each of which tends to be homogenous in all significant aspects. Management selects one or more of this market segment as the organization's target market. A separate marketing mix is developed for each segment or groups of segments in this target market.

FIRMS, CUSTOMERS AND ENVIRONMENT

When we focus on specific customer groups, whether you are working in a business, a government agency, or a non profit organization, one can carefully analyse the needs and wants, and then develop product marketing programs geared to those wants and needs and establish closer long-term relationships. Used properly, market segmentation offers the following benefits: Opportunities for building and strengthening long-term relationships with key customers, devoting your resources to doing a better job than any rivals in satisfying the needs of customers in a desirable market segment, you are able to develop an enduring bond with those customers.

The more narrowly you focus, the stronger the bond is likely to be. Imagine the loyal relationship you can build by tailoring goods and services to the needs and interests of each customer. Improve marketing efficiency and effectiveness – you would not waste time and money on unprofitable or inappropriate market segments. Because you have a better understanding of who you want to reach and what they need, you can better allocate your resources to satisfy (even delight) your customers.

Better understanding of the competitive marketing environment – one can more easily detect emerging trends, potential problems and marketing opportunities by looking at segments rather than the entire market. In addition, one can see competitive moves clearly, watch how customers react to rival products and determine how one's product and marketing compare to those of other industry players or competitors. Faster responses to the changing needs of customers- customer are a moving target. Their needs, wants and expressions can change from month to month, even from day to day. Market segmentation helps one stay on top of changes in our target market. Instead of marketing to a vague mass market, we are marketing to a well-defined group whose needs one can track and use to drive everything you do.

WHEN TO SEGMENT MARKETS

As powerful as market segmentation, it cannot be appropriate in every situation. In some cases, one will not be able to identify distinct difference between customer groups. In others, the difference one find will not help the market effectively. So when should we segment our market? We should use market segmentation when we can comfortably answer yes to these questions:

(1) Can one find an effective, reliable way to define groups of people that have similar needs or geographic data, for grouping people or organizations that have something in common? We also need to be sure that no two segments are alike. Otherwise, we will not be able to design unique marketing programs for each segment.
(2) Can one measure the sales and profit potential of the segment? Segmenting the market and then developing marketing programs for each segment target takes time and money. Since, however, some segments are too small or unprofitable to warrant separate marketing attention, one will not want to use market segmentation if one cannot gauge the payback in naira or some other measure.
(3) Can these segments be profitably reached using marketing? Identifying a segment is one thing reaching it is another basic issue. How would you design a marketing program to reach people who prefer large, not small, paper clips? Where would one advertise? What would you say? Market segmentation is not meaningful if the segment identified cannot be reached through marketing or if reaching it is not profitable?
(4) Can we expect a different response from the unique marketing plans we offer each segment? The point of identifying segments is to allow one to meet differing needs more effectively and efficiently, if every segment responds the same way to each product or marketing program.

LEVELS OF MARKET SEGMENTATION

Market segmentation represents the efforts to increase a company's targeting precision. It can be carried out at four levels: Segments, Niches, Local areas, and Individuals.

(1) Segment Marketing: A market segment consists of a large identifiable group within a market. A company that practices segment marketing recognizes that buyers differ in their wants, purchasing power, geographical locations, buying attitudes and buying habits. At the same time, though, the company is not willing to customize its offer/communication bundle to each individual customer. The company instead tries to isolate some broad segments that make up a market. For example an auto company may identify four broad segments; car buyers seeking basic transportation, those seeking high performance, those seeking luxury, and those seeking safety.
(2) Niche Marketing: Market segments are normally large identifiable groups within a market for example, non- smokers, occasional smokers, regular smokers, and heavy smokers. A Niche is a more narrowly defined groups typically a small market whose needs are not being well served. Marketers usually identify niches, for example, Wonderfood (makers of Cowbell Milk) discovered some few years back that the common Nigeria could no longer afford milk because of high cost. They came up with the N5 sachet.
(3) Local Marketing: Target marketing is increasing taking on the character of regional and local marketing, with marketing programs being tailored to the needs and wants of local customer groups (trading areas, neighbourhoods, even individual stores). Thus Oceanic bank then (now Eko Bank) provided different mixes of banking services in its branches depending on the bank's neighbourhood demography. Another example is the sponsoring of IGUE festival in Benin by First Bank Plc to boost Western Union money transfer.
(4) Individual Marketing: The ultimate level of segmentation leads to "segments of one" customized marketing or "one- to one" marketing. The prevalence of mass marketing has obscured the fact that for centuries consumers were served as individuals; the tailor made suits, the cobber designed the shoes for the individual, and so on. And much business-to business marketing today is customized, in that a manufacturer will customize the offer, logistics, and financial terms for each major account. It is the new technologies specifically computers, databases, robotic production and instant communication

media such as e-mail and fax-that are permitting companies to consider a return to customized marketing, or what is called "mass customization". Mass customization is the ability to prepare on a mass basis individually designed products and communications to meet each customer's requirements.

(5) Self-Marketing: This is a form of individual marketing in which the individual customer take more responsibility for determining which products and brands to buy. Consider two purchasing agents with two different purchasing styles. The first may see several sales people who each try to persuade him to buy their product. The second sees no salespeople but rather logs onto the internet, looks up information about and evaluations of the available product/service offer, dialogues electronically with the various suppliers, uses, and product critics and in the end makes up his mind about the best offer. The second purchasing agent is taking more responsibility for the marketing decision process, and traditional marketers have less influence over his final decision.

MARKET SEGMENTATION STRATEGIES

(1) Market aggregation: one mass undifferentiated market, an organization treats its total market as a single unit. For example, most convenience goods producers adopt this strategy. Convenience goods are essential goods used by everybody e.g. toilet soaps. While undifferentiated marketing is efficient from a production viewpoint, there exists inherent danger in this strategy. A firm that tries to satisfy everybody in the market with one standard product faces the threats of competitors offering standardized products to smaller segments of the total market and better satisfying each segment.

(2) Single-segment concentration: this involves selecting as one target market one homogenous segment from within the total market. One marketing mix is then developed to reach the single market segment. For instance, Cowbell sachet milk is targeted at people in the low income group. This strategy directs all firms marketing resources towards serving a single market. This approach can be particularly appealing to small firms that lack the financial resources o their competitors and to companies that offer specialized goods and services. Concentrated marketing has its dangers since a firm's growth is tied to a particular segment, changes in the size of that segment result in severe financial problems. Sales may also drop if new competitors appeal to the same segment.

(3) Multiple-segment strategy: here, two or more different groups of potential customers are identified. Then a separate marketing mix is developed to reach other segments. An example is the division of a bank customers into corporate and consumer customers. Firms that produce numerous products use this strategy and different marketing mixes designed to satisfy specific market segments. Differentiated marketing as this strategy is being called is aimed at satisfying a large part of the total market. Instead of marketing one single product with a single marketing program, the organization markets a number of products designed to appeal to individual parts of the total market.

CONDITIONS FOR EFFECTIVE SEGMENTATION

Ideally management's goal should be to segment markets in such a way that each segment responds in a homogenous fashion to a given marketing program.

There are three conditions that could help management move towards achieving the numerous goal of sales performance.

(1) The basis for segmenting-that is characteristics used to categorize customers must and should be measurable, and the data must be accessible. The desire for ecologically compatible products may be a characteristic that is useful in segmenting the market for a given product. But these data are neither readily accessible nor easily quantified.

(2) The market segment itself should be accessible through existing marketing Institutions-middlemen, advertising media, company sales force with a minimum cost and waste. To aid marketers in this regard some national magazines, such as Time and Sports publish separate geographical editions. This allows an advertiser to run an advert aimed at, say a western segment of the market, without having to pay for exposure in other, and non-market areas.

(3) Each segment should be large enough to be profitable. Management could treat each single customer as a separate segment. But in segmenting a consumer market, a firm must not develop too broad an array of styled, colours sizes, and prices. Usually, the diseconomies of scale in production and inventory will put reasonable limits on this type of over segmentation.

SELECTING A STRATEGY

Although most companies adopt the strategy of undifferentiated marketing, there is no single best strategy. Any of the three alternatives may prove most effective in a particular situation.

The basic determinants of a market matching Strategy are (a) company resources, (b) product homogenous, (c) stage in the product life cycle, (d) competitor's strategy.

A concentrated marketing strategy may be a necessity for a firm with limited resources. Small firms, for example, may be forward to select small market segments because of limitations in financing, size of sales force and promotional budget. On the other hand, an undifferentiated marketing strategy should be used for products perceived by customers as relatively homogenous. Marketers of grains sell their products on the basis of standardized grades rather than individual brand names. Some petroleum companies use a strategy of undifferentiated marketing to distribute their gasoline to the mass market.

The firm's strategy may also change as the product progresses through the various stages of the life cycle. During the early stages, an undifferentiated marketing strategy might be useful as the firm attempts to develop initial demand for the product. In the latter stages, however, competitive pressures may result in modified products and marketing strategies aimed at smaller segments of the total market. The strategies used by competitors may also affect the choice of a market matching strategy. A firm may find it difficult to use an undifferentiated strategy if its competitors are actively cultivating smaller segments. In such instances, competition usually forces each firm to adopt a differentiated strategy.

BENEFITS OF MARKET SEGMENTATION

Market segmentation is a customer–oriented philosophy and thus with the marketing concept. We first identify the needs of customers within a sub market (segment) and then satisfy those needs. By tailoring marketing programs to individual market segments, management can do a better job and make efficient use of marketing resources. A small firm with limited resources might compete very effectively in a one or two market segments, whereas the same firm would be buried if it aimed for the total market.

By employing the strategy of market segmentation, a company can design products that really match market demands. Advertising media can be used more effectively because promotional messages and the media chosen to present them- can be aimed specifically toward each segment of the market.

Even very large companies with the resources to engage in mass marketing supported by expensive national advertising campaigns are now abandoning mass marketing strategies. Instead these companies are embracing market segmentation as more effective strategy to reach the fractured fragments that once constituted a mass homogeneous market.

CONCLUSION

Market segmentation is the process of dividing a vast potential market into smaller groups, or segments, each of which is similar regarding some characteristic that is relevant to the purchase or the usage of the product or product category.

Market segmentation is based on designing a specific marketing mix to satisfy the needs and wants of one more distinct segments selected for market targets. If a company is to effectively practice a policy of market segmentation, it must be able to identify, measure, and reach significant Subgroups of its total potential market.
The various categories used as basis for Segmenting markets include geographic, demographic, psychographic, sociological, cultural, and user behaviour variables.

RECOMMENDATIONS

The very essence of the marketing concept itself leads to an inevitable consideration of market segmentation. If marketing is to do with satisfying customers' needs and wants as a means to achieving the goals of the organization then we should recognize that whereas the human condition might mean that we all have a similar need structure within us, not everyone will have the same needs to the fore at the same point in time.

For the role of sales performances of business in Nigeria to be enhanced, the conditions for effective market segmentation should be measurable and the data must be accessible. The market itself should be accessible through existing marketing institutions–middlemen, advertising media, company's sales force with a minimum cost and waste. Finally, each market segment be large to be profitable.

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