INFLUENCE OF MARKET SEGMENTATION ON SALES PERFORMANCE OF SMALL AND MEDIUM SCALE ENTERPRISES TOWARDS NATIONAL DEVELOPMENT

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Abstract

In the dynamic landscape of contemporary business environments, understanding the influence of market segmentation on the sales performance of SMEs is crucial for fostering sustainable economic development. This study was conducted to examine the influence of market segmentation on sales performance of small and medium scale enterprises towards national development in the three senatorial districts (West, Central, East) of Kogi State. Two purposes, two research questions and two hypotheses were formulated for the study. This study used a descriptive survey design. The study's population consists of 41,554 of registered small and medium scale enterprises and their employees in the three senatorial districts (West, Central, East) of Kogi State and the sample size was 381 SMEs and their employees selected using proportional stratified random sampling technique. The instrument for the study was a questionnaire titled "Influence of Market Segmentation on Sales Performance of Small and Medium Scale Enterprises Towards National Development (IMSSPSMSETND)". The data collected were analyzed using mean and standard deviation to answer the research questions and the hypotheses was tested using analysis of variance (ANOVA) and independent sample T-Test at 0.05 significance level. The findings revealed that there was no significant difference on behaviourial market segmentation's influence on sales performance of small and medium scale enterprises towards national development. Furthermore, the finding also revealed that there was no significant difference on demographic market segmentation's influence on sales performance of small and medium scale enterprises towards national development. The study concluded that market segmentation influence sales performance of small and medium scale enterprises. By adopting a comprehensive approach that incorporates behavioural, demographic market segmentation strategies, SMEs can better understand and cater to the diverse needs and preferences of their target customer segments. This nuanced understanding allows for more effective product positioning, tailored marketing strategies, and enhanced customer satisfaction. With respect to the findings recommendations were put forward, among which was that behavioural market segmentation enables SMEs to identify and respond to consumer behaviours, preferences, and purchasing patterns, allowing for the development of targeted marketing campaigns that resonate with specific customer groups, on the other hand, demographic market segmentation helps SMEs to tailor their products and services to the unique characteristics of different age groups, genders, income levels, and other demographic factors, ensuring that offerings align with the specific needs of diverse customer segments.

Keywords: *market segmentation, sales performance, small and medium scale enterprises, national development.*

Introduction

Small and Medium Scale Enterprises (SMEs) are a diverse set of companies that are make up of crucial business sectors that contribute to national socioeconomic growth in both established and developing markets. In addition, SMEs play significant roles in national development SMEs are widely regarded as machines for economic growth and potent sources of wealth creation. In terms of the economy, the existence of SMEs stimulates markets in variety of ways, including the emergence of new businesses and industries, all of which have positive multiplier effect on the economy. SMEs create jobs, advance research and development, produce goods and services for society, implement new technologies, enhance or reduce production costs, and generate foreign exchange through export growth or import replacement. The presence of SMEs is crucial not only for improving the number of employment opportunities but also their variety and quality. SMEs help to improve gross national income (GNI).

National Survey of Micro Small and Medium Enterprises (NSMSMES) (2017) SMEs are micro enterprises with Less than 10 employees; small enterprises 10 to 49 employees; medium enterprises 50 to 199 employees. Micro Enterprises are those enterprises whose total assets (excluding land and buildings) are less than ten million naira with a workforce not exceeding ten employees. Small Enterprises are those enterprises whose total assets (excluding land and building) are above ten million naira but not exceeding one hundred million naira and whose total workforce is above ten but not exceeding forty-nine employees. Medium Enterprises are those enterprises with total assets (excluding land and building) above fifty million naira, but not exceeding one billion naira and a total workforce of between 50 and 199 employees. These classes of enterprises are found in a wide variety of industries and operate in different markets (rural, urban, local, national, and international) and social environments. SMEs have been identified as an important factor in creating new jobs, wealth, poverty reduction, and income generation for both the government and individuals (Eniola, 2014).

European Commission (2020) and World Bank Group. (2018) classify SMEs into manufacturing SMEs, service-based and technology SMEs, Trading (retail and wholesale) SMEs, micro-enterprises, family-owned SMEs, High-tech SMEs and Innovative SMEs. This study focused on the trading (retail and wholesale) aspect of SMEs. Trading-oriented SMEs are small and medium-sized enterprises that focus on the buying and selling of goods or services. These businesses play a crucial role in domestic and international trade, contributing to economic growth and job creation. They can be classified into import-oriented SMEs, export-oriented SMEs, and domestic-market-focused SMEs. Import-oriented SMEs specialize in importing goods or raw materials from other countries for resale or further processing. They establish relationships with international suppliers, handle logistics, and distribute products within the domestic market.

Export-oriented SMEs concentrate on selling goods or services to international markets. They identify foreign markets, establish distribution networks, comply with export regulations, and adapt their offerings to meet international standards and customer preferences. Domestic-market-focused SMEs primarily serve the local market, focusing on meeting the demands of domestic customers. They may have limited international trading activities and focus on building customer relationships within their home country. These trading-oriented SMEs contribute to the development of supply chains, enhance competitiveness, and foster economic resilience. They play a vital role in regional and global trade networks (United Nations, 2017).

Sales performance measure company's financial ability, such as profit and investment level, with both sales and profit growing. Sales performance is the major source of organizational growth; it generates income for the expansion and smooth running of the organization. In addition, good sales performance puts an organization at a competitive advantage. However, sales performance may be influenced by many factors, which include how well the product or service is advertised and the medium of advertisement being used to reach a particular targeted market segment (Emmanuel & Tsegyu, 2018). Without a plan for effective, evolving market

segmentation, good sales performance cannot be attained. Considering the function market segmentation plays in improving sales performance and the potential involved in adopting market segmentation, companies seeking to succeed begins by separating the overall market into groups that may be reached and pleased effectively and at a profit.

Consumers are the most important factor to consider while operating any business. The satisfaction of these consumers now becomes the firm's ultimate goal. To achieve this, market segmentation should be considered. For any firm to effectively produce and market its goods, it must identify a sub-market within the aggregate market, select, and reach with a distinct marketing mix. 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 and wants. However different customers have different needs, and it is rarely 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 its customers. 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 (Sule, 2015). Market segmentation helps determine the sales performance of SMEs. Market segmentation is the process of dividing a large, heterogeneous market into a smaller homogeneous group of people or businesses with similar needs and/or responses to marketing mix offerings (Nwabufo, 2013).

Statement of the problem

SMEs in Nigeria are not without problems. These enterprises are faced with problems ranging from insufficient capital, lack of efficient manpower, poor management, fraud, the inability to analyze and capture market opportunities, marketing problems, research inefficiencies, and production problems such as poor standardization and low-quality products, to mention but a few. These issues, without a doubt, have a negative impact on SMEs' sales performance toward national development, and have resulted in poor initiatives, improper bookkeeping and financial record maintenance, inability to separate business finance from family or personal finance, low level of delegation, an unwillingness to cooperate with employees, poor sales habits, poor customer relations, lack of collateral to secure loan from commercial banks. All these problems have contributed to the poor sales performance of small and medium scale enterprises, hence the need for this study.

Research Questions

The following are the research questions that guide this study:

1. What is the extent of behavioural market segmentation's influence on sales performance of small and medium scale enterprises towards national development?
2. To what extent does demographic market segmentation influence the sales performance of small and medium scale enterprises towards national development?

Research Hypotheses

1. $H_0$1: There is no significant difference in the mean ratings of respondents regarding the extent of behaviourial market segmentation's influence on sales performance of small and medium scale enterprises towards national development based on gender.
2. $H_0$2: There is no significant difference in the mean ratings of respondents regarding the extent of demographic market segmentation's influence on sales performance of small and medium scale enterprises towards national development based on years of experience.

Method

This study adopted a descriptive survey research design. A descriptive research survey according to Shields and Rangarajan (2013) is a design that describes characteristics of a population or phenomenon being studied. Descriptive survey research design is a type of research design used to gather information and describe the characteristics, behaviours, attitudes, opinions, or perceptions of a specific population or group. It focuses on collecting data that provides a

snapshot or summary of the variables being studied at a particular point in time. The population of the study comprised all registered small and medium scale enterprise operators and their employees in Kogi State with the total number of 41,554 according to National Survey of Micro Small & Medium Enterprises (2017).

This study used Research Advisor (2006) sample size table. The sample size of 381 samples was selected from a population of 41,554 small and medium scale enterprises based on the Research Advisor Table. A sample size of 381 of small and medium scale enterprises and their employees from the three senatorial districts in Kogi State (Central, West and East), was used as the respondents for the study with the use of proportional stratified random sampling technique. The respondents were stratified into the three senatorial districts in Kogi State (Central, West and East), as well as SMEs owners and their employees. The instrument for this study was a questionnaire used to obtain data from the respondents. The questionnaire was developed based on the research questions generated to guide the study in relation to the hypotheses.

The questionnaire is tagged "Influence of Market Segmentation on Sales Performance of SMEs". The questionnaire comprises five sections: Section A of the questionnaire was used to elicit the demographic data of the respondents, while section B and C contain five, six items respectively on each market segmentation variables. The questionnaire was made up of 11 items.

Section B comprised four sub-sections. Sub-sections one is on behaviourial market segmentation on sales performance of SMEs and it consists of five items. Sub-sections two is on demographic market segmentation on sales performance of SMEs and it consists of six items. The scale for assessment consists of four points response mode of Very Highly Extent (VHE), High Extent (HE), Low Extent (LE), Very Low Extent (VLE), to which values 4, 3, 2, and 1 respectively are assigned for all the items in the sections.

The data collected was analyzed using frequency count and percentage for demographic data of the respondents in order to know the number of times each possible value of a variable occur in a data set and the proportion of a specific number in relation to all the number in a data set. Mean and standard deviation were used to answer the research questions in order to present the characteristic of sample data and to explain statistical analysis results while independent samples t-test and ANOVA was used to test the null hypotheses at 0.05 level of significance.

Results

Research Question 1: What is the extent of behavioural market segmentation's influence on sales performance of small and medium scale enterprises towards national development?

Table: 1 Mean and standard deviation of behavioural market segmentation's influence on sales performance of small and medium scale enterprises

S/N	Item Statements	$\overline{X}$	SD	Remark
1.	Behavioural market segmentation improves the sales performance of my small business	3.17	0.58	High Extent
2.	Behavioural market segmentation helps my small business to understand customer's needs	3.05	0.53	High Extent
3.	Behavioural market segmentation helps in targeting specific customer segments	2.40	0.68	Low Extent
4.	Behavioural market segmentation contributes to increased customer satisfaction	3.07	0.76	High Extent
5.	Behavioural market segmentation improves small business ability to identify new market opportunities	2.96	0.64	High Extent
Weighted average		**2.93**	**0.64**	**High Extent**

Source: Field Survey, 2024

All the five items have standard deviation ranging from 0.58 to 0.64. This means that the responses of the respondents are not too far from the mean. Table 1 shows a calculated weighted average mean and standard deviation of 2.93 and 0.64, which indicated that all the constructs in the Table are of high extent. This implied that all the behavioural market segmentation's variables listed in Table 1 are of high extent in influence the sales performance of small and medium scale enterprises towards national development.

Research Question 2: To what extent does demographic market segmentation influence the sales performance of small and medium scale enterprises towards national development?

Table 2: Mean and standard deviation of demographic market segmentation's influence the sales performance of small and medium scale enterprises

S/N	Item Statements	$\overline{X}$	SD	Remark
6.	Targeted marketing campaigns through demographic market segmentation increase the sales of my business	3.34	0.66	Very High Extent
7.	Demographic market segmentation enhances small business's competitive advantage in the market.	3.52	0.69	Very High Extent
8.	Demographic market segmentation increased sales conversion rates and marketing strategies of SMEs accordingly	3.16	0.56	High Extent
9.	Demographic market segmentation positively impacts SMEs business's revenue.	3.38	0.64	Very High Extent
10.	Demographic market segmentation helps my small business to understand customer's preferences	3.14	0.55	High Extent
11.	Demographic market segmentation contributes to increase my customer loyalty.	3.02	0.53	High Extent
Weighted average		**3.26**	**0.61**	Very High Extent

Source: Field Survey, 2024

All the six items have standard deviation ranging from 0.66 to 0.53. This means that the responses of the respondents are close to the mean. Table 2 shows a calculated weighted average mean and standard deviation of 3.26 and 0.61, respectively which indicated that all the items in Table 2 are very high extent. This implied that demographic market segmentation influence the sales performance of small and medium scale enterprises towards national development on very high extent.

Hypotheses

$H_0$1: There is no significant difference in the mean ratings of respondents regarding the extent of behaviourial market segmentation's influence on sales performance of small and medium scale enterprises towards national development based on gender.

Table 3: T-test of the extent of behaviourial market segmentation's influence on sales performance of small and medium scale enterprises

Group	N	Mean	SD	t-cal	Df	p-value	Decision
Male	243	14.54	1.68				
				1.49	379	0.14	NS
Female	138	14.80	1.66				
Source:	Field survey, 2024						P>0.05

Table 3 shows the result of the mean ratings of respondents regarding the extent of behaviourial market segmentation's influence on sales performance of small and medium scale enterprises towards national development based on gender. The result indicates that the T-calculated 1.49 at p-valve 0.138 level of significant greater than the fixed p-val of 0.05 level of significant which means that the null hypothesis which states that there is no significant difference in the mean ratings of respondents regarding the extent of behaviourial market segmentation's influence on sales performance of small and medium scale enterprises towards national development based on gender is retained. This further meant that behaviourial market segmentation's influence on sales performance of small and medium scale enterprises towards national development based on gender.

$H_0$2: There is no significant difference in the mean ratings of respondents regarding the extent of demographic market segmentation's influence on sales performance of small and medium scale enterprises towards national development based on years of experience.

Table: 4 One-way Analysis of Variance the extent of demographic market segmentation's influence on sales performance of small and medium scale enterprises towards national development based on years of experience

Years of Experience	N	Mean	SD	F-cal	Df	p-value	Decision
0-5years	192	19.47	1.745				
6-10years	118	19.79	1.517	1.012	377	0.39	NS
11-15years	51	19.51	1.255				
16years and above	20	19.30	1.689				

Source: Field survey, 2024 P>0.05

Since the observed p-value is 0.387 which is greater than the fixed p-value of 0.05 (P>0.05), the null hypothesis which stated that there is no significant difference in the mean responses ratings of respondents regarding the extent of demographic market segmentation's influence on sales performance of small and medium scale enterprises towards national development based on their years of experience was therefore not rejected ($F_{3,377}$ = 1.012; p=0.387). This implied that there was no significant difference in the mean response scores of the respondents regarding the extent of demographic market segmentation's influence on sales performance of small and medium scale enterprises towards national development based on their years of experience.

Discussion of Findings

The study was conducted to establish the influence of market segmentation on sales performance of SMEs towards national development.

Findings from research question one revealed the extent to which behavioural market segmentation's influence on sales performance of small and medium scale enterprises towards national development because all 5 items for this research question received a mean rating of 2.96 and above which means that respondents agreed to high extent that behavioural market segmentation improves sales performance. Overall, it could be seen from the table that behavioural market segmentation's influence on sales performance of small and medium scale enterprises towards national development with a grand mean and standard deviation of 2.93 and 0.64 respectively. This finding is in agreement with Nordin and Yahya (2016) investigated the impact of market segmentation on the sales performance of small and medium-sized enterprises (SMEs) in Malaysia. The study reveal that market segmentation has a significant positive impact on the sales performance of SMEs in Malaysia. Also Ojo and Oladele (2020) discovered that

SMEs that used behavioral market segmentation had higher sales, profits, and customer satisfaction than those that did not use behavioral market segmentation.

. The test of Hypothesis One revealed there is no significant difference in the mean ratings of respondents regarding the extent of behaviourial market segmentation's influence on sales performance of small and medium scale enterprises towards national development based on gender. The result indicates that the T-calculated 1.49 at p-valve 0.138 level of significant greater than the fixed p-val of 0.05 level of significant which means that the null hypothesis which states that there is no significant difference in the mean ratings of respondents regarding the extent of behaviourial market segmentation's influence on sales performance of small and medium scale enterprises towards national development based on gender is retained.

Findings from research question two revealed the extent to which demographic market segmentation's influence on sales performance of small and medium scale enterprises towards national development because all 6 items for this research question received a mean rating of 3.02 and above which means that respondents agreed to high extent that demographic market segmentation improves sales performance. Overall, it could be seen from the table that demographic market segmentation's influence on sales performance of small and medium scale enterprises towards national development with a grand mean and standard deviation of 3.26 and 0.61 respectively. This finding is in agreement with Arshad and Ismail (2015) discovered that demo graphic market segmentation based on age, gender, and income significantly improved sales performance.

The test of Hypothesis two revealed that there is no significant difference in the mean ratings of respondents regarding the extent of demographic market segmentation's influence on sales performance of small and medium scale enterprises towards national development based on years of experience. The calculated value of F is 1.012 (F_{cal} = 1.012). Since the observed p-value is 0.387 which is greater than the fixed p-value of 0.05 (P>0.05) therefore the null hypothesis which stated that there is no significant difference in the mean responses ratings of respondents regarding the extent of demographic market segmentation's influence on sales performance of small and medium scale enterprises towards national development based on their years of experience was therefore not rejected ($F_{3,377}$ = 1.012; p=0.387).

Conclusion

Based on the findings of this study, it was concluded that market segmentation influence sales performance of small and medium scale enterprises. By adopting a comprehensive approach that incorporates behavioral, demographic market segmentation strategies, SMEs can better understand and cater to the diverse needs and preferences of their target customer segments. This nuanced understanding allows for more effective product positioning, tailored marketing strategies, and enhanced customer satisfaction.

SMEs need market segmentation to achieve an increase in sales. Once an SMEs can identify the market segment it wants to focus on all relevant marketing tools and resources can be used and to meet the needs of that customer segment. However, for segmentation to be effective and be utilised the segment must be measure, it must be substantial enough to serve and make enough profit, the segment should be easily access, the segments picked should be distinguishable and effective strategies should be put in place that suits that segment.

Recommendations

The following recommendations were made.

1. Behavioural market segmentation enables SMEs to identify and respond to consumer sbehaviours, preferences, and purchasing patterns, allowing for the development of targeted marketing campaigns that resonate with specific customer groups.
2. Demographic market segmentation, on the other hand, helps SMEs tailor their products and services to the unique characteristics of different age groups, genders, income levels,

and other demographic factors, ensuring that offerings align with the specific needs of diverse customer segments.

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