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

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ABSTRACT

The study looked at how the market affected a company's product sales volume. Market segmentation is essential for any firm attempting to compete in the global economy. Consumer requirements vary, and they must all be met as effectively as possible. As a result, organizations that supply a product or service must understand their diverse target clients and segment their offerings accordingly. This study investigates the segmentation process and how it may be utilized to enhance sales of a company's goods or services. To evaluate data obtained from both primary and secondary sources, trend analysis was used. According to the findings, once products or services are customized to fit the needs of diverse client groups, requirements are satisfied, resulting in satisfaction and, as a consequence, a rise in demand for that product or service. According to the study, good consumer segmentation can increase an organization's demand for a product or service. It has also been recommended that if a profit-making organization want to increase sales, they should always concentrate on segmenting their product or service's clientele.

KEYWORDS: *Market Segmentation, Sales Volume, Product, and Services*

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INTRODUCTION

Market segmentation has been defined as the essence of marketing and is deemed inseparable from the practice of marketing by others, since it has now become the yet another instrument that everyone with something to offer employs to try to outperform other sellers.

Historically, procedures and sellers have had to compete in the marketplace through what has been known as product differentiation, a method in which a manufacturer intentionally differentiates its product from competitors in the view of customers. This product differentiation technique can achieve some success, but not enough to provide optimum benefits to both producers/sellers and customers. The weakness of this approach is most likely attributable to the fact that it was developed haphazardly and without taking into consideration the quirks of the consumer. Following disappointment with the product differentiation method, marketing scholars and practitioners have come to rely increasingly on the market segmentation strategy.

Objectives of the Study

The objectives of the study are to:

1. Determine whether segmenting a product or service's market boosts sales.
2. Look into the aspects that are required for effective segmentation to work.
3. Learn how to segment and choose a prospective segmented market that would boost an organization's revenue.

Literature Review

There is a lot of information available on customer segmentation. The majority of this literature, however, is concerned with client market segmentation rather than industrial market segmentation. The reason for this, according to Bonoma and Shapiro (1984), is that segmenting the former is significantly simpler and easier than segmenting the latter. Despite this, there are a few approaches for properly segmenting customers in B2B marketplaces that may assist firms in a number of ways, such as market analysis, key market selection, and marketing management. Markets may be segmented using criteria including product consumption (Nakip, 1999), market behavior (Dibb & Simkin, 1994), a knowledge of consumer wants (Albert, 2003), and a psychographic method to get insight into motives, attitudes, and values, according to Palmer & Miller (2004). (File & Prince, 1996). In addition to customer and market-based criteria, it has been suggested that segmentation might be based on factors from the firm's strategy (Verhallen et al., 1998) or rivals' strategy (Sollner & Rese, 2001). However, the models created by Wind & Cardozo (1974) and Bonoma & Shapiro (1984), which give solid instructions for industrial marketers to properly segment their clients, predominate in the literature. Vendors will have a much higher chance of delivering value to consumers and receiving maximum benefits by focusing on certain segments rather than the whole market. Furthermore, research suggests that the notion of preferred consumers is included into firms' segmentation operations, indicating that it requires special attention in order to develop a thorough, coherent, and full overview of the literature. A thorough overview of the literature on customer segmentation in industrial markets is presented in the next chapter. Furthermore, the notion of preferred treatment classes is discussed. In addition, this chapter focuses on the notion of market orientation performance as a tool for evaluating the efficacy of market segmentation techniques in businesses.

The Nature of Market Segments

Although academics agree that market sectors may and do exist, they disagree on why they do. Market segmentation strategy is often viewed as an artificial fragmentation of the market caused by providers' efforts, according to research informed by neoclassical, static-equilibrium economics (e.g., Bergson 1973; Cowling and Mueller 1978; Samuelson and Nordhaus 1995; Siegfried and Tieman 1974). Firm marketing activities, according to this approach, cause "market defects" and, as a result, should be considered as attempts to establish monopolistic power. Market segmentation is a variant on the monopolistic price setting theory, and it is generally addressed under the heading of price discrimination (Frank, Massy, and Wind 1972). Articles presenting price discrimination as the purpose of market segmentation techniques show the influence of this school of thought. "Firms generally hunt for distinctive qualities that they may use to price discriminate between segments," according to Anderson and Simester (2001). Market segmentation is commonly regarded in this way as a process that allows businesses to take advantage of customers. Glass (2001), for example, claims that segmentation tactics allow businesses to "collude to price discriminate." According to Glass (2001), because customers perceive quality improvements differently, producers may "establish prices that compel consumers types to separate" (i.e., producers' pricing methods split markets into artificial groups). This form of pricing discrimination is seen as harmful to society by neoclassical economists since it leads in welfare losses (Bergson 1973). For example, estimates of welfare losses owing to pricing discrimination in the United States typically vary from.1% to 13% of GDP (Siegfried and Tieman 1974). As a result, according to this viewpoint, society should prevent companies from employing market segmentation tactics since they encourage pricing discrimination.

Other experts, including the majority of marketing scholars, argue that demand variability is normal (Allenby, Arora, and Ginter 1998). "Demand heterogeneity is a fundamental feature of marketing," say Allenby, Arora, and Ginter (1998). "Lack of homogeneity on the demand side may be based on various cultures, need for diversity, or desire for exclusivity, or may come from underlying variances in consumer demands," according to a seminal paper. He believes it is due to customers' demand for more exact fulfillment of their many interests. "Customers are becoming extremely smart and expecting tailored products and services to meet individual interests and inclinations," writes Sawhney (1998).

Similarly, Lancaster (1990) claims that product variation exists as a result of customers seeking diversity in their own consumption and/or various consumers want different variants due to differing tastes. From this standpoint, companies that use market segmentation techniques help customers and society by delivering market options that better meet individual wants and requirements. As a result, companies who want to deliver better value to their customers should aim to establish market solutions that are tailored to certain market groups. Furthermore, society should promote the use of market segmentation tactics by businesses.

Implications for Marketing Strategy and Public Policy

The argument over the nature of market segmentation (whether natural or manufactured) has important ramifications for marketing strategy and public policy. If, as neoclassical economic theory holds, market segmentation are artificial, then enterprises in the same industry should all create precisely the same market offerings because demand homogeneity necessitates supply homogeneity. If businesses develop market offerings that fulfill homogenous industry demand, the market offerings produced will be fundamentally uniform, and any apparent distinctions between them will be completely fictitious corporate constructs or the consequence of either customer ignorance or irrational consumer preferences (Chamberlin 1950). In line with this viewpoint, Galbraith (1967) contends that company marketing activities (e.g., advertising) distort customer demand. Furthermore, product differentiation caused by distorted customer demand (i.e., false market segmentation) results in welfare losses in the form of higher prices, lower quantities, excess capacity, poorer goods, and exploitation of production inputs (Stigler 1957). 3 As a result, this viewpoint contends that, in order to safeguard the public's welfare, corporations should be discouraged (or, if necessary, prohibited) from employing market segmentation techniques.

If intra-industry demand is heterogeneous, "variances in consumers' tastes, wants, incomes, and locations, as well as differences in the uses which they intend to make of goods, all show the need for diversity." Such variances are normal, according to Chamberlin's (1950) subsequent work, because humans are individuals. Following this logic, organizations in the same sector are capable of manufacturing goods with significant variances. According to Frank, Massy, and Wind (1972), product variety based on significant distinctions arises as a result of better manufacturing procedures and methods of processing information. This reasoning is compatible with the belief that market offerings should be viewed as bundles of qualities, and that customers try to select items that are closest to their "ideal" set of characteristics (Lancaster 1990).

Returning to the B&D example, while the primary utilitarian purpose of a power drill is to bore holes in things, power drills differ in a variety of ways, including dependability, price, torque, and power source (i.e., an electric cord or a battery). Because different bundles of qualities are desired by consumers, different power drills with different bundles are manufactured. Customers look for power drills that have the most of the attributes they want (i.e., sets that contain the desired characteristics in the desired proportions).

Market Segmentation and Firm Performance

When is a certain segmentation method likely to be successful? A market segmentation plan makes sense for a company only if it improves its financial performance. The previously described nine-step process of planning and implementing market segmentation strategies is complicated. As a result, successful market segmentation techniques frequently need significant resources. As a result, certain segmentation tactics will be successful only if the advantages outweigh the costs of implementing them. According to Weinstein (1994), "the goal of segmentation research is to assess markets, identify niche possibilities, and capitalize on a better competitive position." Successful segmentation techniques result in improved planning and more efficient use of business resources because they allow firms to focus their resources on groups of customers who are more likely to acquire their market offers (Rangan, Moriarty, and Swartz 1992). Firms' continuous employment of market segmentation tactics indicates that they feel such strategies are lucrative. As a result, market offerings will change (i.e., include distinct bundles of qualities) not just because of variances in customer demand, but also because enterprises might improve profits by manufacturing a range of market offerings customized to certain market niches.

As a result, segmentation techniques are feasible strategic alternatives for corporations since they enable certain firms to compete more efficiently and/or effectively. The above explanation argues that establishing a theoretical foundation for market segmentation strategy necessitates a theory of competition that allows for the success of a market segmentation strategy and adds to understanding when and why such a strategy will be effective. A grounding theory must, in particular, (1) account for the presence of demand heterogeneity, (2) explain why businesses would prefer to manufacture and advertise a diversity of market offers, and (3) explain how a market segmentation strategy might lead to greater financial performance. We contend that resource-advantage (R-A) theory contains these features.

Methodology of the Study

The study's population comprises of ten (10) Toyota and Nissan automotive distributors. 100 Toyota Distributors workers and 100 Nissan Distributors employees were handed marketing segmentation surveys.

The questionnaire and a study of relevant textbooks, periodicals, and an online search were the primary sources of data. The questionnaire was designed to elicit responses from respondents. While reviewing the papers helps to structure the questionnaires.

The data collected from respondents will be analyzed using descriptive approaches and basic percentages.

Data Presentation & Analysis

These are the results of surveys distributed to Toyota and Nissan automobile consumers; 90 percent being male, with only 10 percent being female. According to the poll, 67 percent of respondents are between the ages of 25 and 35, 21 percent are between the ages of 35 and 45, and 12 percent are under the age of 25. This suggests that the majority of persons working in the motor industry are of a younger generation.

In terms of academic qualification, 79 percent of respondents have a secondary school diploma, while just 21 percent have a first degree or a higher national diploma level.

Table 1: Which of the following client segments do you target while marketing your automobiles?

Answer Options	Toyota (Percentage %)	Nissan (Percentage %)
Individual Men	17	78
Individual Women	5	8
Private Companies	11	0
Government Para- status	67	14
Total	100	100

Source: Field Work, 2022

According to the results of the above study, Toyota vehicles target consumers with Government Para-status the most, with a percentage of 67 percent, opposed to Nissan brand distributors, who mostly target males as their target customer, with a percentage of 78 percent.

Table 2: Which of the following client segments do you believe buys the most commonly from your dealership?

Answer Options	Toyota (Percentage %)	Nissan (Percentage %)
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
Total	**100**	**100**

Source: Field Work, 2022

The data demonstrates that clients with government para-status tend to patronize their dealership significantly more than any other group, with a percentage of 71 percent, followed by private firms with just a percentage of 12 percent. This demonstrates that firms in general have loyal clients. Men from the middle class, on the other hand, account for 37% of Nissan brand buyers, followed by those with government para-status (23%).

Table 3: Approximately how many cars would you say your dealership has sold in the year 2010?

Answer Options	Toyota (Percentage %)	Nissan (Percentage %)
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**

Source: Field Work, 2022

According to the data above, Toyota vehicles do not have a large number of sales in the year 2010. The majority of the Toyota distributors under consideration (91 percent) sold between 20 and 50 vehicles, with only a handful selling between 51 and 80 vehicles. Some Nissan dealers have been able to sell more than double the number of automobiles (81-100) that most Toyota dealers have been able to sell.

Table 4: What options listed below would you say determines why customers buy your automobile brand?

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

Source: Field Work, 2022

According to the results of the above analysis, the main factor that prevents customers from purchasing a Toyota car is primarily 'durability' (55 percent) and performance (31%), whereas the main reason why customers purchase a Nissan brand is because of its affordability (58 percent), followed by its aesthetic appearance (32 percent).

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	Toyota (Percentage %)	Nissan (Percentage %)
Yes, a lot	49	79
Not much	38	21
No difference at all	13	0
	100	**100**

Source: Field Work, 2022

The figure above illustrates that while almost half of Toyota vehicle dealers (49 percent) believe that marketing segmentation would cut expenses in other parts of marketing (personal selling and advertising), the majority of the other half believe it will make little or no effect. 79 percent of Nissan brand dealerships, on the other hand, believe that marketing segmentation will diminish the amount to which personal selling and promotion is done at their dealerships.

Table 6: To what extent do you think marketing segmentation has contributed towards increasing your dealerships market share?

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

Source: Field Work, 2022

According to the data, while the majority of Toyota dealerships feel that marketing segmentation has contributed relatively little (42 percent) to the creation of their market share, nearly a quarter (22 percent) believe that it has contributed significantly. While more than half of Nissan brand dealers (57 percent) think that marketing segmentation has helped them increase their market share significantly.

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	Toyota (Percentage %)	Nissan (Percentage %)
N100 - N150	85	0
N150 - N200	15	6
N200 - N250	0	68
N250 - N300	0	16
N300 and more	0	10
	100	**100**

Source: Field Work, 2022

According to the data, the majority of Toyota automobile dealers (85%) earned between N100,000,000 and N150,000,000 in income in 2010 while the remaining 15% earned between N150,000,000 and N200,000,000. The majority of Nissan car dealers (68 percent) have made sales revenue between N200, 000,000 and N250, 000,000; 6% have made sales revenue between N150, 000,000 and N200, 000,000; 16% have made sales revenue between N250, 000,000 and N300, 000,000; and 10% have made sales revenue between N300, 000,000 and more. This demonstrates the significant disparity in revenue.

Table 8: From the options below, which marketing strategy would be more effective in making sales at your dealership?

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

Source: Field Work, 2022

According to the survey, a large portion of Toyota car dealers (73 percent) rely on sales representatives to sell their goods to their vehicles, whereas 45 percent of Nissan car dealers rely on marketing segmentation to make sales, followed by sales representation (28 percent).

Table 9: Do you believe Marketing Segmentation is necessary for increasing sales or revenue in your organization?

Answer Options	Toyota (Percentage %)	Nissan (Percentage %)
Yes	43	92
No	57	8
	100	**100**

Source: Field Work, 2022

43% of Toyota car dealers believe that marketing segmentation is necessary in increasing sales in their dealerships, and 57% believe it is not necessary. While 97% of Nissan 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.

Conclusion & Recommendation

Based on the facts studied above, it has been established that marketing segmentation has a significant impact on an organization's sales level.

The study also demonstrates that in order to improve sales, firms must shift from mass marketing to marketing segmentation. Once a business has identified the market segment on which it wishes to concentrate its efforts, all applicable marketing tools and resources may be directed toward attempting to fulfill the demands of that customer group.

However, for segmentation to be effective and well utilized, certain elements such as being able to measure the segment; it should be substantial enough to serve and make a sufficient profit; the segment should be easy to access; the segments chosen should be distinguishable; and finally effective strategies that suit that segment should be put in place. The following recommendations have been made to help organizations understand how to use effective marketing segmentation to increase sales and market share:

1. Organizations must hire expert marketers who can educate and teach their entire business on marketing segmentation and marketing methods in general.
2. Second, firms must define who their target consumers are and ensure that their resources are focused on the most viable and lucrative part of those target customers.
3. Finally, firms must recognize that once these client segments are consistently pleased, demand will rise, which means sales will rise, resulting in an increase in income for that organization.

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