

# Market segmentation practices and performance of small and medium scale enterprises in Southwest, Nigeria

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## ABSTRACT

This study investigates the relationship between market segmentation practices and performance of small and Medium –Scale Enterprises (SMEs) in Southwest, Nigeria. The study used descriptive survey research design, with the population of 23, 289 registered small and medium scale enterprises which cut across six (6) States in Southwest, Nigeria namely: Lagos State, Ogun State, Oyo State, Osun State, Ondo State, and Ekiti State. Taro Yamane formula 1968 was used to determine the sample size of 393 registered SMEs in the six States and multiple regression was used to analyze the stated hypotheses at a 5% level of significance. Findings shows that respondents acknowledge the importance of demographic factors, notably gender-based segmentation, in tailoring marketing strategies and identifying new market opportunities. The findings of the study also showed that there is significance relationship between geographical market segmentation and SMEs performance in Southwest, Nigeria ( $F=262.251$ ,  $P=0.00$  and  $R^2=0.634$ ). Also, demographical market segmentation has significant effect on SMEs performance in SouthWest, Nigeria ( $F=77.650$ ,  $P=0.00$  and  $R=0.4072$ ). The study concluded that geographic and demographic market segmentation affect the performance of small and medium sized enterprises in Southwest Nigeria. The study recommended that there is a need to encourage SMEs to develop strategies for adopting market segmentation practices to improve their performance.

**Keywords:** Demographic segmentation, Geographical segmentation, Market segmentation, Performance of SMEs.

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**Transparency:** The authors confirm that the manuscript is an honest, accurate, and transparent account of the study; that no vital features of the study have been omitted; and that any discrepancies from the study as planned have been explained. This study followed all ethical practices during writing.

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**Highlights of this paper:**

- Geographic and demographic segmentation significantly influence the performance of SMEs.
- Demographic and geographic segmentation variables were predictors of sales volume.
- Geographic and demographic segmentation practices contributed to the growth of SMEs in southwest Nigeria.

## 1. INTRODUCTION

Countries all over the world, no matter the stage of their development recognize the importance of small and medium scale as the engine of growth and industrialization (Goyat, 2011). Small scale enterprises (SMEs) play crucial roles in the economic development of countries, with heightened competition in the business environment, small scale business is less likely to survive because its resource base does not allow it to adapt its products or services (Premkanth, 2012). SMEs market is not homogenous on any dimension including profitability (Abeh, 2017). Now a days, business world is being recognized as a global village, marketing has become a vital ingredient for every business to succeed (Babatola, Fabiyi, & Animasaun, 2023). It has almost become difficult for every competitor to survive in market for a prolonged period because competition is at cut throat. Change or perish is the core faith of marketing, that is why development of right marketing strategy over time is required (Babatola et al., 2023). Right marketing strategy is something that helps SMEs achieve marketing objectives. Achieving marketing objectives help achieve business to enhance competitive advantage, relevance, and survival over rival organisations (Babatola et al., 2023).

People and organisation engage in vast number of activities that are referred to as marketing but still, there is one constraint before all companies, that is finding it difficult to connect to all customers at large, broad or diverse market (Babatola et al., 2023). Every company wants to focus on customers within their capacity and with customer's intimacy. Even companies, who have mass marketing phenomena, are now adopting this new world's strategy i.e. segmentation. The purpose of segmentation is the concentration of marketing energy and force on subdividing the organisation to segment to gain a competitive advantage within the segment. Concentration of marketing energy is the essence of all marketing strategies and market segmentation is the conceptual tool to help in achieving this focus (Goyat, 2011).

Epetimehin (2011) asserted that market segmentation is widely regarded as a solution for a variety of marketing barriers. This is because it enables easy marketers to deeply predict and analyse the market as a result of proper segmentation. However, research in the financial services market highlight a number of significant barriers to the implementation of segmentation programmes. The barrier may include the lack of availability of appropriate customer data and an organisational philosophy that is mindful of the differences between customers. Typically, in the small and medium scale business enterprise, the industry competitiveness has become very high. This change has resulted in increased interest in market segmentation from small and medium scale business enterprise who believe that it may help in pursuing new opportunities and ultimately lead to more satisfied customers (Shipra, 2020).

### 1.1. Objectives of the Study

The broad objective of the study is to evaluate the effect of market segmentation practices on the performance of small and medium scale enterprise in Southwest, Nigeria. The specific objectives are to:

- i. examine geographic segmentation on the performance of small and medium scale enterprise in Southwest, Nigeria.

- ii. determine the effect of demographic segmentation on the performance of small and medium scale enterprise in Southwest, Nigeria.

## 2. LITERATURE REVIEW

There are number of management science theories that have been developed to provide a rationale for market segmentation practices of improving organizational performance such as Dynamic Capability Theory and Mosaic Model Theory . Market segmentation theories will be examined in the following process.

### 2.1. *Dynamic Capabilities Theory*

Dynamic capabilities theory was propounded by Teece and Pisano (1994). Dynamic capabilities theory (DCT) is defined as the firm's ability to integrate, build and reconfigure internal and external competencies to address rapidly changing environments (Teece & Pisano, 1994). Dynamic capabilities thus reflect an organisation's ability to achieve new and innovative forms of competitive advantage given path dependencies and market positions. The concept of dynamic capabilities as the ultimate source of competitive advantage is at the forefront of strategy research (Hou & Chien, 2010). Dynamic Capabilities Theory (DCT) emphasizes a firm's ability to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments such as Identifying opportunities and threats in the market. Allocating resources and mobilizing capabilities to capitalize on opportunities and continuously adapting and innovating to sustain competitive advantage. This is widely believed to be done with the aim of improving targeted service delivery to meet specific demands with the ultimate goal of yielding maximum profit and capture the competitive market. Enterprises and managers also believe that the dynamic capabilities theory is too scattered and impractical; however, scholars still call for further discussion (Arndt, Powell, Aguerre, Crump, & Wattiaux, 2015). This theory believed that it can be substitutable and embody strategic choices themselves. The dynamic capabilities are subject to substitution and learning about higher-order capabilities over time (Arndt et al., 2015).

### 2.2. *The Mosaic Model*

The Mosaic model is a segmentation system developed by Webber (1980) and exists in many countries worldwide. It is based on the geo-demographic values. The geo-demographic value combines the variables from the geographic segmentation and the demographic segmentation and thereby the geodemographic segmentation combines the study of the target customers with where they live. The model divides people into broad groups and within these broad groups the target consumers are divided into smaller groups. The Mosaic model is one of the most common used models when segmenting according to the geo-demographic segmentation (Elo, Ringim, & Halima, 2022). This model is appropriate for this study base on its attributes.

Below is the diagrammatic presentation of the independent variable and dependent variable.

### Conceptual framework

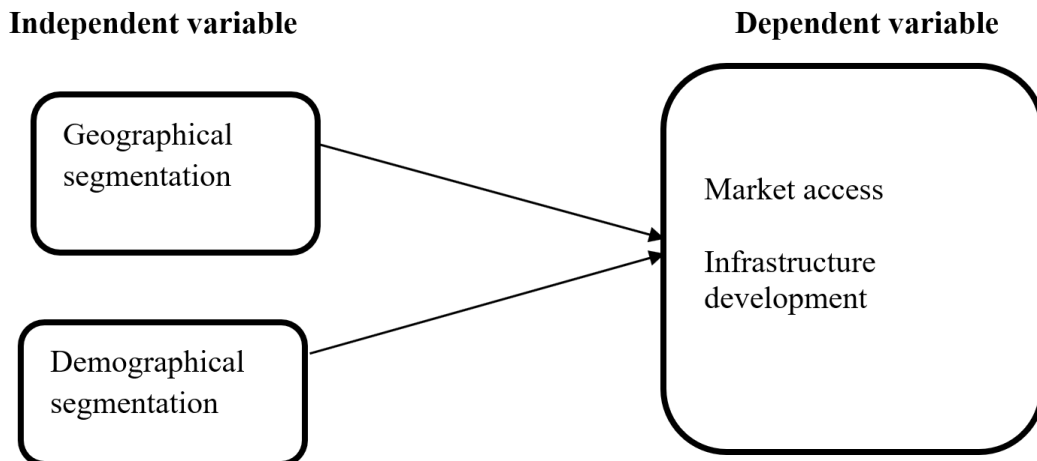


Figure 1. Relationship between market segmentation practices and performance of SMEs.

Figure 1 illustrates the relationship between the independent variables and the dependent outcomes. The framework suggests that both geographical segmentation (where people are located) and demographical segmentation (who people are) can significantly influence market access and infrastructure development. These factors are essential for fostering economic and business growth.

### 3. METHODOLOGY

The research design adopted for this study was descriptive survey research design. Data used for the study was collected through the circulation of carefully designed questionnaire to the various small and medium scale owners in Southwest, Nigeria. The population for the study consists of small and medium scale business owners in all the six states in Southwest, Nigeria which are Lagos State, Ogun State, Osun State Ondo State, Ekiti State and Oyo State. The number of small and medium scale business owners in the six States as revealed by Small and Medium Enterprises Development Agency of Nigeria SMEDAN (2022) in total is Twenty-three thousand, two hundred and eighty-nine (23,289) small and medium scale enterprises.

Table 1. Population distribution.

| S/N | State       | Small scale enterprise | Medium scale enterprise | Total   |
|-----|-------------|------------------------|-------------------------|---------|
| 1   | Lagos state | 8,042                  | 354                     | 8,396   |
| 2   | Ogun state  | 2,394                  | 71                      | 2,465   |
| 3   | Oyo state   | 6,038                  | 92                      | 6,130   |
| 4   | Osun state  | 2,995                  | 12                      | 3,007   |
| 5   | Ekiti state | 926                    | 2                       | 928     |
| 6   | Ondo state  | 2,324                  | 39                      | 2,363   |
|     | Total       |                        |                         | 23, 289 |

Source: SMEDAN (2022).

Table 1 presents the sample size of 393 was derived using Yamane (1967) statistical formula to determine the sample size, primary source of data through a well structure questionnaire was used to gather information for the purpose of this study.

#### 4. RESULT AND DISCUSSION

All the copies of questionnaire given to the respondents ere retrieved back across the six state in Southwest, Nigeria. This shows the 100% retrieval of questionnaire. The response rate is considered enough according to Asika (2004) who stated that the response rate of 30% is acceptable for any survey.

**Table 2.** Socio demographic data of the respondents.

| Primary                         |                    | Frequency | Percent |
|---------------------------------|--------------------|-----------|---------|
| Gender                          | Male               | 191       | 48.6    |
|                                 | Female             | 202       | 51.4    |
|                                 | Total              | 393       | 100     |
| Age                             | Less than 25 years | 113       | 28.8    |
|                                 | 26 - 40 years      | 132       | 33.6    |
|                                 | 41 - 60 years      | 85        | 21.6    |
|                                 | 61 years & above   | 63        | 16      |
|                                 | Total              | 393       | 100     |
| Highest academic qualification  |                    | 146       | 37.2    |
|                                 | School certificate | 93        | 23.7    |
|                                 | Tertiary           | 154       | 39.2    |
|                                 | Total              | 393       | 100     |
| Period of business in operation | 6 - 10 years       | 89        | 22.8    |
|                                 | 11 - 15 years      | 82        | 21.1    |
|                                 | 16 - 20 years      | 91        | 23.4    |
|                                 | 21 & above years   | 131       | 32.7    |
|                                 | Total              | 393       | 100     |

Source: Researcher's Constructs, 2024.

Table 2 provides a comprehensive overview of the socio demographic data of the respondents within the sample population surveyed for the study on market segmentation practices and performance of Small and Medium-Scale Enterprises (SMEs) in the Southwest region of Nigeria. Male 191 (48.6%) and Female 202 (51.4%). The data indicates a nearly balanced representation of gender among the respondents, with a slightly higher percentage of females. This balanced gender distribution is beneficial for ensuring a diverse range of perspectives and experiences in the subsequent analysis. The study has successfully attracted a relatively equal number of male and female respondents, enhancing the potential for a well-rounded analysis that considers gender-specific perspectives on the subject matter. The age distribution showcases a diverse range of respondents across different life stages. The largest proportion falls within the age range of 26 - 40 years, representing a significant segment of the participant pool. This age diversity is crucial for capturing a comprehensive understanding of the experiences and perspectives of individuals at various stages of their professional and personal lives. The age distribution reflects a broad spectrum of respondents, covering both younger individuals and those in the middle and later stages of their professional journeys. This diversity is advantageous for exploring how market segmentation practices may vary across different age cohorts. The Table 2 also provides insights into the educational background of the survey participants, revealing a diverse range of academic qualifications. The majority (39.2%) have attained tertiary education, indicating a relatively high level of formal education within the surveyed Small and Medium-Scale Enterprises (SMEs) community. Furthermore, 37.2% have completed primary education, and 23.3% have accomplished the Secondary School Certificate Examination (SSCE). This diversity in educational qualifications is crucial for comprehending how distinct education levels might impact market segmentation practices and business performance among SMEs. The distribution of respondents based on the duration of their businesses provides insights into the experience within the SME sector. Notably, a significant proportion (32.8%) has maintained their businesses for 21 years and above, indicating a noteworthy level of stability and longevity. Conversely, the

distribution is relatively balanced across other periods, with 17.6% each for less than 5 years, 6 - 10 years, and 16 - 20 years. This variation in the duration of business operation will facilitate a nuanced exploration of how the length of business engagement may influence market segmentation strategies and overall performance.

**Table 3.** Geographic segmentation practices and the performance of small and medium scale enterprise in Southwest, Nigeria.

| S/N          | Statement  | SA            | A             | UN           | D            | SD           | Mean | STD  |
|--------------|--|---------------|---------------|--------------|--------------|--------------|------|------|
| 1            | Geographic segmentation is an essential aspect of market segmentation for SMEs                                     | 132<br>(33.6) | 219<br>(55.7) | 26<br>(6.6)  | 10<br>(2.5)  | 6<br>(1.5)   | 4.87 | 0.78 |
| 2            | Implementing geographical segmentation helps SMEs understand regional customer preferences better                  | 243<br>(61.8) | 111<br>(28.2) | 17<br>(4.3)  | 4<br>(1.0)   | 18<br>(4.6)  | 4.36 | 1.46 |
| 3            | SMEs should use geographical segmentation target specific geographic areas for product distribution                | 157<br>(39.9) | 86<br>(21.9)  | 53<br>(13.2) | 40<br>(10.2) | 58<br>(14.8) | 3.44 | 0.97 |
| 4            | Geographic market segmentation enables SMEs to tailor market strategies based on local market needs                | 154<br>(39.2) | 92<br>(23.4)  | 49<br>(12.5) | 58<br>(14.8) | 40<br>(10.3) | 4.45 | 1.38 |
| 5            | Geographic market segmentation helps SMEs allocate their resources more efficiently and effectively                | 222<br>(56.5) | 89<br>(22.6)  | 39<br>(9.9)  | 16<br>(4.1)  | 27<br>(6.9)  | 4.97 | 1.19 |
| 6            | SMEs may overlook potential customers by not incorporating geographical segmentation in their marketing strategies | 248<br>(63.1) | 101<br>(25.7) | 13<br>(3.3)  | 21<br>(5.3)  | 10<br>(2.5)  | 4.73 | 0.97 |
| 7            | Understanding local competitors is crucial for SMEs and geographical segmentation can aid in this process.         | 157<br>(39.9) | 207<br>(52.7) | 25<br>(6.4)  | 4<br>(1.0)   | -            | 4.46 | 0.68 |
| Average mean |  |               |               |              |              |              | 3.75 | 1.06 |

**Note:** SA=Strongly agree, A=Agree, UN= Undecided, D=Disagree, SD= Standard deviation.  
**Source:** Author's Computational Result (2024).

Table 3 presents results of descriptive statistics of geographic segmentation on the performance of small and medium scale enterprise in Southwest, Nigeria. The results of the descriptive analysis revealed that 33.6% of the respondents strongly agree that geographic segmentation is an essential aspect of market segmentation for SMEs, 55.7% agree, 6.6% were undecided, 2.5% disagree, and 1.5% strongly disagree. On average, the respondents agree that geographic segmentation is an essential aspect of market segmentation for SMEs (mean = 4.87, standard deviation = 0.78). Furthermore, 61.8% of the respondents strongly agree that Implementing geographical segmentation helps SMEs understand regional customer preferences better. 28.2% agree, 4.3% were undecided, 1.0% disagree and 4.6% strongly disagree. On average, the respondents were further in agreement that Implementing geographical segmentation helps SMEs understand regional customer preferences better (mean = 4.36, standard deviation = 1.46).

Furthermore, findings in Table 3 revealed that 39.9% of the respondents strongly agree that SMEs should use geographical segmentation target specific geographic areas for product distribution. 21.9% of the respondents agree, 13.2% were undecided, 10.2% disagree and 14.8% of the respondents strongly disagree. On average, the respondents agree that SMEs should use geographical segmentation target specific geographic areas for product distribution (mean = 3.44, standard deviation = 0.97). Also, the table revealed that 39.2% of the respondents strongly agree that Geographic market segmentation enables SMEs to tailor market strategies based on local market needs. 23.4% agree, 12.5% were undecided, 14.8% disagreed and 10.3% strongly disagree. On average, the respondents agree that geographic market segmentation enables SMEs to tailor market strategies based on local market needs (mean = 4.45, standard deviation = 1.38). The results of the descriptive analysis revealed that 56.5% of the respondents strongly agree that the geographic market segmentation helps SMEs allocate their resources

more efficiently and effectively, 22.6% agree, 9.9% were undecided, 4.1% disagree, and 6.9% of the respondents strongly disagree. On average, the respondents agree that geographic market segmentation helps SMEs allocate their resources more efficiently and effectively (mean = 3.97, standard deviation = 1.19).

Findings also revealed that 63.1% of the respondents strongly agreed that SMEs may overlook potential customers by not incorporating geographical segmentation in their marketing strategies. 25.7% agree, 3.3% were undecided, 5.3% disagreed and 2.5% strongly disagreed. On average, the respondents agreed that SMEs may overlook potential customers by not incorporating geographical segmentation in their marketing strategies (mean = 4.73, standard deviation = 0.97). The results of the descriptive analysis revealed that 39.9% of the respondents strongly agree that understanding local competitors is crucial for SMEs and geographical segmentation can aid in this process, 52.7% agree, 6.4% were undecided and 1.0% disagree of the respondents disagree. On average, the respondents agree that understanding local competitors is crucial for SMEs and geographical segmentation can aid in this process (mean = 4.46, standard deviation = 0.68).

The overall mean score of responses was 3.75 with a standard deviation of 1.06 which indicates that the respondents agree with the statements on geographic segmentation on the performance of small and medium scale enterprise in Southwest, Nigeria

#### 4.1. Test of Hypotheses

##### 4.1.1. Hypothesis One

Null Hypothesis ( $H_0$ ): There is no significant relationship between geographical segmentation (Gs) and the performance (P) of small and medium enterprises (SMEs) in Southwest, Nigeria.

**Table 4.** Regression analysis for hypothesis one.

| Model summary |                           |                               |                           |                              |       |
|---------------|---------------------------|-------------------------------|---------------------------|------------------------------|-------|
| Model         | R                         | r <sup>2</sup> square         | Adjusted R square         | Std. error of the estimate R |       |
| 1             | 0.634                     | 0.402                         | 0.400                     | 0.254                        |       |
| ANOVA         |                           |                               |                           |                              |       |
| Model         | Sum of squares            | Df                            | Mean square               | F                            | Sig.  |
| Regression    | 16.924                    | 1                             | 16.924                    | 262.251                      | 0.000 |
| Residual      | 25.206                    | 391                           | 0.064                     |                              |       |
| Total         | 42.130                    | 392                           |                           |                              |       |
| Coefficient   |                           |                               |                           |                              |       |
| Model         |                           | Unstandardized coefficients B | Standardized coefficients | t                            | Sig.  |
| 1             | (Constant)                | 0.957                         |                           | 4.302                        | 0.000 |
|               | Geographical segmentation | 0.780                         | 0.634                     | 16.202                       | 0.000 |

Table 4 show the regression analysis results presented support the alternative hypothesis. The coefficient for geographic segmentation (Gs) is statistically significant ( $p = 0.00$ ), indicating that there is a significant relationship between geographic segmentation and SME performance in Southwest Nigeria. Additionally, the R-square value of 0.402 suggests that approximately 40.2% of the variance in SME performance can be explained by geographic segmentation, further supporting the idea of a meaningful relationship between these variables. In conclusion, based on the regression analysis results and the interpretation of Hypothesis One, it can be inferred that geographic segmentation has a statistically significant impact on the performance of small and medium-sized enterprises in Southwest Nigeria.



**Table 5.** Determine the influence of demographic segmentation on the performance of small and medium scale enterprise in Southwest, Nigeria.

| S/N | Statement   | SA            | A             | UN          | D             | SD          | Mean | STD  |
|-----|---|---------------|---------------|-------------|---------------|-------------|------|------|
| 1   | Demographic market segmentation is an essential component of market segmentation for SMEs                   | 228<br>(58.0) | 113<br>(28.8) | 37<br>(9.4) | 10<br>(2.5)   | 5<br>(1.3)  | 4.43 | 0.99 |
| 2   | Understanding the age group of the target audience helps SMEs tailor their marketing strategies effectively | 249<br>(63.4) | 102<br>(26.0) | 22<br>(5.6) | 14<br>(3.6)   | 6<br>(1.5)  | 4.47 | 0.87 |
| 3   | Gender-based market segmentation helps SMEs create targeted marketing messages                              | 171<br>(43.5) | 144<br>(36.6) | 25<br>(6.4) | 42<br>(10.7)  | 11<br>(2.8) | 4.90 | 1.08 |
| 4   | Demographic segmentation is crucial for SMEs to reach their local target market                             | 175<br>(44.5) | 60<br>(15.3)  | 37<br>(9.4) | 106<br>(27.0) | 15<br>(3.8) | 4.69 | 1.37 |
| 5   | Income level segmentation allows SMEs to offer products/Services that match customers' purchasing power     | 268<br>(68.2) | 92<br>(23.4)  | 14<br>(3.6) | 10<br>(2.5)   | 9<br>(2.3)  | 4.53 | 0.87 |
| 6   | Educational background influences the preferences and needs of the target audience                          | 208<br>(52.9) | 162<br>(41.2) | 9<br>(2.3)  | 5<br>(1.3)    | 9<br>(2.3)  | 4.48 | 0.80 |
| 7   | Demographic market segmentation helps SMEs identify new market opportunities                                | 281<br>(71.5) | 87<br>(22.1)  | 10<br>(2.5) | 8<br>(2.0)    | 7<br>(1.8)  | 4.44 | 0.79 |
|     | Average mean  |               |               |             |               |             | 4.56 | 0.98 |

**Note:** Key = SA= Strongly agreed, A=Agreed UN= Undecided SD=Strongly disagreed STD= Standard deviation.

Table 5 presents results of descriptive statistics of demographic segmentation on the performance of small and medium scale enterprise in Southwest, Nigeria. The results of the descriptive analysis showed that 58.0% of the respondents strongly agree that demographic market segmentation is an essential component of market segmentation for SMEs., 28.8% agree, 9.4% were undecided, 2.5% disagree, and 1.3% strongly disagree. On average, the respondents agree that demographic market segmentation is an essential component of market segmentation for SMEs (mean = 4.43, standard deviation = 0.99). Further, 63.4% of the respondents strongly agree that understanding the age group of the target audience helps SMEs tailor their marketing strategies effectively. 26.0% agree, 5.6% were undecided, 3.6% disagree and 1.5% strongly disagree. On average, the respondents were further in agreement that understanding the age group of the target audience helps SMEs tailor their marketing strategies effectively (mean = 4.47, standard deviation = 0.87).

Further, findings revealed that 43.5% of the respondents strongly agree that gender-based market segmentation helps SMEs create targeted marketing messages. 36.6% of the respondents agree, 6.4% were undecided, 10.7% disagree and 2.8% of the respondents strongly disagree. On average, the respondents agree that gender-based market segmentation helps SMEs create targeted marketing messages (mean = 4.90, standard deviation = 1.08). Also, the table revealed that 44.5% of the respondents strongly agree that demographic segmentation is crucial for SMEs to reach their local target market. 15.3% agree, 9.4% were undecided, 27.0% disagreed and 3.8% strongly disagree. On average, the respondents agree that demographic segmentation is crucial for SMEs to reach their local target market (mean = 4.69, standard deviation = 1.37). Similarly, the table revealed that 68.2% of the respondents strongly agree that Income level segmentation allows SMEs to offer products/services that match customers' purchasing power. 23.4% agree, 3.6% were undecided, 2.5% disagreed and 2.3% strongly disagree. On average, the respondents agree that Income level segmentation allows SMEs to offer products/services that match customers' purchasing power (mean = 4.53, standard deviation = 0.97). The results of the descriptive analysis revealed that 52.9% of the respondents strongly agree that educational background influences the preferences and needs of the target audience. 41.2% agree, 2.3% were undecided and 1.3% disagree, 2.3% of the respondents strongly disagree. On average, the respondents agree that educational background influences the preferences and needs of the target audience (mean = 4.48, standard deviation = 0.80).



The results of the descriptive analysis revealed that 71.5% of the respondents strongly agree that the demographic market segmentation helps SMEs identify new market opportunities. 22.1% agree, 2.5% were undecided, 2.0% disagree, and 1.8% of the respondents strongly disagree. On average, the respondents agree that demographic market segmentation helps SMEs identify new market opportunities (mean = 4.44, standard deviation = 0.79).

The overall mean score of responses was 4.56 with a standard deviation of 0.98 which indicates that the respondents agree with the statements on demographic segmentation on the performance of small and medium scale enterprise in Southwest, Nigeria

## 4.2. Test of Hypotheses

### 4.2.1. Hypothesis Two

Null Hypothesis ( $H_0$ ): There is no statistically significant relationship between demographic segmentation (Ds) and the performance (P) of small and medium-sized enterprises (SMEs) in Southwest, Nigeria.

**Table 6.** Regression analysis for hypothesis two.

| Model summary |                             |          |                           |                              |       |
|---------------|-----------------------------|----------|---------------------------|------------------------------|-------|
| Model         | R                           | R square | Adjusted R square         | Std. error of the estimate R |       |
| 1             | 0.407                       | 0.166    | 0.164                     | 0.300                        |       |
| ANOVA         |                             |          |                           |                              |       |
| Model         | Sum of squares              | df       | Mean square               | F                            | Sig.  |
| Regression    | 6.980                       | 1        | 6.980                     | 77.650                       | 0.000 |
| Residual      | 35.150                      | 391      | 0.090                     |                              |       |
| Total         | 42.130                      | 392      |                           |                              |       |
| Coefficient   |                             |          |                           |                              |       |
| Model         | Unstandardized coefficients |          | Standardized coefficients | t                            | Sig.  |
|               | B                           |          |                           |                              |       |
| 1             | (Constant)                  |          |                           | 19.500                       | 0.000 |
|               | Demographic segmentation    | 0.310    | 0.407                     | 8.812                        | 0.000 |

Table 6 present Hypothesis Two aims to investigate the relationship between demographic segmentation (Ds) and the performance (P) of small and medium-sized enterprises (SMEs) in Southwest Nigeria. The hypothesis is structured as a null hypothesis ( $H_0$ ) and an alternative hypothesis ( $H_1$ ).

The null hypothesis ( $H_0$ ) posits that there is no statistically significant relationship between demographic segmentation and SME performance in Southwest Nigeria. This implies that any observed correlation between demographic segmentation and SME performance could be attributed to random chance or other factors unrelated to demographic segmentation. Conversely, the alternative hypothesis ( $H_1$ ) suggests that there is a statistically significant relationship between demographic segmentation and SME performance in Southwest Nigeria. This means that the observed connection between demographic segmentation and SME performance is not likely due to chance, indicating a meaningful association between these variables.

The regression analysis results support the alternative hypothesis. The coefficient for demographic segmentation (Ds) is statistically significant ( $p = 0.000$ ), suggesting that there is indeed a significant relationship between demographic segmentation and SME performance in Southwest Nigeria. The R-square value of 0.166 indicates that approximately 16.6% of the variance in SME performance can be explained by demographic segmentation. In summary, based on the regression analysis and the interpretation of Hypothesis Two, it can be

concluded that there is a statistically significant relationship between demographic segmentation and the performance of small and medium-sized enterprises in Southwest Nigeria.

## 5. DISCUSSION OF FINDINGS

The findings of the study indicate that geographic segmentation has a significant impact on the performance of small and medium-sized enterprises (SMEs) in Southwest Nigeria, as evidenced by a p-value of 0.000 ( $p < 0.005$ ). The R-square value of 0.402 suggests that geographic segmentation accounts for approximately 40.2% of the variance in SME performance, highlighting a meaningful relationship between the two variables. This aligns with the study by Benjamin, Adare, Adeola, and Eboha (2021) which found that demographic, geographic, and psychographic segmentation variables were each statistically significant predictors of sales volume, and that segmentation overall had a significant effect on productivity. Additionally, the results show a significant relationship between demographic segmentation and SME performance in Southwest Nigeria ( $p = 0.000 < 0.005$ ), with an R-square value of 0.166. This means that demographic segmentation explains about 16.6% of the variation in performance. These findings are consistent with Adamu (2020) who reported that demographic segmentation had a positive and significant effect on the performance of micro, small, and medium enterprises in Makurdi Metropolis, Benue State, Nigeria. Furthermore, psychographic segmentation was also found to have a statistically significant relationship with SME performance ( $p = 0.000 < 0.005$ ), with an R-square value of 0.591, indicating that 59.1% of the variance in SME performance can be attributed to psychographic segmentation. This supports the findings of Mwati (2020) who concluded that psychographic segmentation, benefit sought, and customer loyalty positively influence sales performance.

## 6. CONCLUSION

The study concluded that geographic segmentation practices of SMEs contributed to the growth of SMEs in southwest Nigeria, there is a clear relationship between marketing segmentation practices and the performance of SMEs in Southwestest Nigeria. While challenges exist, the potential for significant improvements in business outcomes through effective segmentation is substantial. Continued investment in marketing knowledge and skills development is essential for SMEs looking to enhance their market position and sustain long-term growth.

### 6.1. Recommendations

The study recommends that SMEs owners need to maximize the use of market segmentation practices in their region

- i. SMEs should be encouraged to craft tailored marketing strategies based on these insights to target specific consumer groups effectively.
- ii. SMEs should be encouraged to adopt segmentation practices to develop products and services that resonate with customers' preferences and behaviours.

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