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Utilization of Market Segmentation as a Tool for Improving Customer Satisfaction

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Abstract

The main objective of this study is to investigate the utilization of market segmentation as a tool of improving customer satisfaction among customers of Nigeria Brewery Plc in Ogun State. The research is developed with three research objectives, questions and hypotheses. A cross-sectional survey research design was employed to. The population of this study include all registered Nigerian Brewery customers in Abeokuta North local government area and Ado-Odo Ota local government area, Ogun State, Nigeria who are 20,010(Nigeria brewery PLC customers record, 2024) using a sample size of 200. A researcher designed questionnaire was used to elicit responses from the customers of Nigeria brewery Plc. Data were analyzed using Chi-Square statistical analysis tool. The study findings of the three hypotheses shows that; X^2 is 7.78 while the critical value is 3.91 accepting the alternative that there is a significant effect of market segmentation on customers' satisfaction among the customers of Nigeria brewery in Ogun State in hypothesis one. Also, hypothesis two shows the calculated X^2 statistics is 7.63 while the critical value is 3.76 at 0.05% level of significance, implying that there is a significant roles of market segmentation strategies and techniques on the distribution of Nigeria Brewery Plc., products in Ogun State. Finally, the third hypothesis alternative was accepted with X^2 as 7.78 while the critical value is 3.91, i.e. there is a significant impact of market segmentation on customers' retention among customers of Nigeria Brewery Plc., in Ogun State at 0.05% level of significance respectively. The study concludes that ideas and techniques that one can use in measuring customers' retention and satisfaction are price, quality of service, speed of service which foster the relationship between the customers and organizations. Finally, the study recommended among others that companies, should investigate the distinctive resources that are required for the different segmentation approaches and there are needs for all organisations to segment their markets on behavioral basis to position and target customers of like attitudes and minds.

Keywords

Utilization, Market Segmentation, Customer Satisfaction,

Introduction

Many businesses spend a considerable portion of their time, energy, and resources pursuing new customers. While acquiring new business is essential for replacing lost clients, expanding operations, and entering new markets, a primary goal should be to retain existing customers and strengthen customer relationships. Conventional wisdom suggests that acquiring a new customer costs at least five times more than retaining an existing one (Festus, 2021).

Customer satisfaction is crucial for business survival. It measures how well a company's products or services meet or exceed customer expectations. High customer satisfaction fosters client retention, builds loyalty, and drives long-term success. Businesses typically assess satisfaction through surveys, feedback,

and performance evaluations, focusing on factors such as product quality, service efficiency, pricing, and overall customer experience (Shankar, Raghunathan, & Suri, 2021).

As market growth slows or competition intensifies, companies are more likely to prioritize retaining existing customers rather than solely focusing on acquiring new ones. Customer satisfaction has been widely advocated as a key retention strategy. To enhance satisfaction and loyalty, businesses implement various initiatives (Festus, 2021). Increasingly, more firms are recognizing the advantages of emphasizing defensive strategies (designed to retain existing customers) over offensive strategies (designed to attract new customers). Existing customers are already familiar with a company's products and services, and a portion of this group is likely to have a positive predisposition



toward them. Therefore, the focus shifts from traditional market share expansion to individual customer engagement, aligning with the principles of market segmentation.

Market segmentation is a strategic process of dividing a broad target market into smaller, more defined subsets of consumers with shared characteristics, needs, or behaviors (Amoah et al., 2018). This approach enables businesses to identify and target specific customer groups, tailoring their products, services, and marketing strategies to effectively meet the unique demands of each segment. By understanding and addressing these distinctions, companies can enhance customer satisfaction, optimize resource allocation, and gain a competitive edge in the marketplace. According to McDonald and Dunbar (2022), market segmentation involves categorizing consumers into distinct groups with similar needs, characteristics, or behaviors, enabling businesses to refine their marketing strategies and offerings accordingly. This targeted approach improves resource allocation and enhances marketing efficiency (Oxford Reference, 2023).

A firm must evaluate the various segments and determine how many to serve by assessing their profit potential and estimating present and future sales within each submarket. Businesses can adopt one of three market coverage strategies: undifferentiated marketing, differentiated marketing, or concentrated marketing (Kotler, Kartajaya, & Setiawan, 2019). In undifferentiated marketing, a firm ignores market segment differences and targets the entire market with a single offering. This strategy involves designing a product and marketing program that appeals to the broadest number of buyers. In contrast, differentiated marketing entails operating in multiple market segments, with tailored offerings for each. For example, General Motors in the U.S.A. follows this approach by producing cars that cater to different customer preferences, aligning with its philosophy of offering a vehicle for every "purse, purpose, and personality" (Chen et al., 2022).

The ability to identify and target specific market segments has proven to be a successful strategy for businesses seeking to better serve their customers. Market segmentation allows firms to adjust their marketing mix to meet the distinct needs of different customer groups. By tailoring products, services, and promotional efforts to various segments, businesses can maximize customer satisfaction, optimize marketing efficiency, and maintain a competitive advantage in an increasingly dynamic marketplace (Farris et al., 2020).

Statement of the Problem

In today's highly competitive business environment, organizations are increasingly recognizing the importance of customer satisfaction as a critical

driver of success. However, many companies still struggle with effectively meeting the diverse needs of their customer base. A key challenge lies in the inadequate application of market segmentation to tailor products, services, and marketing strategies to specific customer groups. This lack of segmentation limits a company's ability to deliver personalized experiences that align with the expectations of different consumer segments. The problem arises from companies often adopting a one-size-fits-all approach, which may lead to dissatisfaction among certain customer segments who feel that their unique preferences and needs are not being addressed (Smith, 2021). Additionally, the rapid evolution of consumer behavior, driven by technological advancements and shifting market dynamics, has made it increasingly difficult for businesses to keep up with the nuanced demands of distinct market segments (Kotler et al., 2020). This underutilization of market segmentation limits the potential for enhancing customer satisfaction and loyalty, ultimately impacting the long-term profitability of businesses.

Moreover, a gap exists in understanding the operational challenges and barriers that companies face when implementing segmentation strategies, especially in highly competitive or saturated markets. Current literature lacks detailed insights into how firm like Nigeria breweries can overcome these challenges to optimize their segmentation efforts for long-term customer satisfaction improvements. This research seeks to fill these gaps by examining how different market segmentation strategies are applied in the organization, exploring the relationship between segmentation and customer satisfaction, and identifying potential challenges or barriers to effective implementation. Understanding this connection is crucial for businesses aiming to enhance their competitive edge and foster customer loyalty through personalized and targeted approaches.

Research Objectives

The General objective of this study is to investigate the utilization of market segmentation as a tool for improving customer satisfaction among customers of Nigeria Brewery Plc in Ogun State. To achieve this main objective, the following specific objectives will be of great assistance.

1. to determine the effect of market segmentation on customer satisfaction of Nigerian Brewery product, in Ogun State.
2. to examine market segmentation strategies adopted by Nigeria Breweries in the distribution of products to customers in Ogun State.
3. to analyze the impact of market segmentation on customer retention of Nigeria Breweries product in Ogun State



Research Question

1. What are the effect of market segmentation on customer satisfaction of Nigerian Brewery product in Ogun State?
2. What are the market segmentation strategies adopted by Nigeria Breweries in the distribution of products to customers in Ogun State?
3. What are the impact of market segmentation on customer retention of Nigeria Breweries product in Ogun State?

Research Hypotheses

- H0₁:** There is no significant effect on the opinions of customers from Abeokuta North and Ado-Odo Ota local government areas on market segmentation and customers' retention of Nigeria Breweries product in Ogun state
- H0₂:** There is no significant roles on the opinions of customers from Abeokuta North and Ado-Odo Ota local government areas on market segmentation and customers' retention of Nigeria Breweries product in Ogun state.
- H0₃:** There is no significant impact on the opinions of customers from Abeokuta North and Ado-Odo Ota local government areas on market segmentation and customers' retention of Nigeria Breweries product in Ogun State.

Market Segmentation

Market segmentation is the actual process of identifying segments of the market and the process of dividing a broad customer base into sub-groups of consumers consisting of existing and prospective customers (Homburg, Jozić, & Kuehnl, 2021). Market segmentation is a consumer-oriented process and can be applied to almost any type of market. In dividing or segmenting markets, researchers typically look for shared characteristics such as common needs, common interests, similar lifestyles or even similar demographic profiles (Camilleri, 2018). So, market segmentation assumes that different segments require different marketing programmes, as diverse customers are usually targeted through different offers, prices, promotions, distributions or some combination of marketing variables. For example, Southwest Airlines' single-minded focus on the short-haul, point-to-point, major-city routes, allowed them to prosper as their competitors floundered. The airline's focus on specific segments allowed them to do a better job of deciding what their target segment really valued (for example, convenience, low price, on-time departures and arrivals, among other things).

Customer Satisfaction

Customer satisfaction is a measure of how well a company's products or services meet or exceed the expectations of customers. It is a fundamental aspect of business success, as satisfied customers are more likely to return, engage in repeat business, and recommend the company to others. The concept encompasses a range of factors, including product quality, customer service, pricing, and the overall shopping or service experience (Kotler *et al.*, 2021). Customer satisfaction is typically assessed through direct feedback mechanisms such as surveys, customer reviews, and net promoter scores (NPS). It is influenced by both tangible elements, like the quality and features of a product, and intangible factors, like the emotional connection between the customer and the brand (Homburg *et al.*, 2021). In the context of market segmentation, customer satisfaction becomes even more important. Companies that use segmentation effectively can tailor their offerings to meet the unique needs and desires of specific customer groups, thereby increasing the likelihood of satisfaction. Personalized experiences, based on segment-specific preferences, can greatly enhance satisfaction levels by ensuring customers feel understood and valued (Shankar *et al.*, 2021).

Methodology

The study employed a cross-sectional survey research design in which data was collected with a short period of time to examine the effects of using market segmentations as a tool on improving customers' satisfaction among the Nigerian Brewery PLC customers. The population of this study include all registered Nigerian Brewery customers in Abeokuta North local government area and Ado-Odo Ota local government area, Ogun State, Nigeria who are 20,010(Nigeria brewery PLC customers record, 2024). The sample size for this study was obtained according to Mugenda (2023) formula who recommend using 10% of the accessible population. Therefore, 200 respondents were drawn from the two local governments using a purposive sampling technique was used to select the research participants. Primary source of data collection was utilized using a self-structured questionnaire data was validated by research expert for gathering relevant information. The data were analyzed using Chi-Square statistical analysis tool.

Decision Criteria:

The rule of thumb guiding the acceptability of a particular hypothesis in chi-square states that when the X^2 calculated is greater than X^2 critical, we are to accept the alternative hypothesis and reject the null hypothesis. On the other hand, if the critical value is greater than the calculated value, we accept the null hypothesis and reject the alternative hypothesis



Result

Hypotheses Testing

Hypothesis One:

H0₁: There is no significant effect on the opinions of customers from Abeokuta North and Ado-Odo Ota local government areas on market segmentation and customers' retention of Nigeria Breweries product in Ogun state

Responses to questions number 1,2,3,4, & 5 was used to test this hypothesis.

Items	Questions					Total	Ave./ Mean	O	E	(o-e)	(o-e) ²	<u>(o-e)²</u> E
	1	2	3	4	5							
SA	118	88	120	96	114	536	107.2	107.2	50	57.2	3271.84	3.27
A	60	108	70	80	74	392	78.4	78.4	50	28.4	806.56	0.81
D	10	2	10	16	6	44	8.8	8.8	50	-41.2	1697.44	1.70
SD	12	2	0	8	6	28	5.6	5.6	50	-44.4	1971.36	2.00
Total	200	200	200	200	200	1000	200					7.78

$x^2_{cal} = 3.27+0.81+1.70+2.00 = \underline{7.78}$ df = 3 at 0.05 level of significant $x^2_{tab} = \underline{3.91}$

From the above chi-square summary table, it shows that the calculated X² statistics is 7.78 while the critical value is 3.91 at 0.05% level of significance with 3 as the degree of freedom. Therefore, since the first condition is certified as the calculated value is greater than the critical value i.e. X²_{cal} > X² critical, hence we have to accept the alternative which states that there is significant effect on the opinions of customers from Abeokuta North and Ado-Odo Ota local government

areas on market segmentation and customers' retention of Nigeria Breweries product in Ogun state

Hypothesis Two:

H0₂: There is no significant roles on the opinions of customers from Abeokuta North and Ado-Odo Ota local government areas on market segmentation and customers' retention of Nigeria Breweries product in Ogun state.

Responses to questions number 6,7,8,9 & 10 was used to test this hypothesis.

Items	Questions					Total	Ave./ Mean	O	e	(o-e)	(o-e) ²	<u>(o-e)²</u> E
	1	2	3	4	5							
SA	108	90	86	88	102	474	94.8	94.8	50	44.8	2007.04	2.01
A	84	82	100	100	96	462	92.4	92.4	50	42.4	1797.76	1.80
D	4	20	12	6	2	44	8.8	8.8	50	-41.2	1697.44	1.70
SD	4	8	2	6	0	20	4.0	4.0	50	-46.0	2116.0	2.12
Total	200	200	200	200	200	1000	200					7.63

$x^2_{cal} = 2.01 + 1.80 + 1.70 + 2.00 = \underline{7.63}$ df = 3 at 0.05 level of significant $x^2_{tab} = \underline{3.76}$

From the above chi-square summary table, it shows that the calculated X² statistics is 7.63 while the critical value is 3.76 at 0.05% level of significance with 3 as the degree of freedom. Therefore, since the first condition is certified as the calculated value is greater than the critical value i.e. X²_{cal} > X² critical, hence we have to accept the alternative hypothesis which states that there are significant roles on the opinions of customers from Abeokuta North and Ado-Odo Ota local government areas on market segmentation and

customers' retention of Nigeria Breweries product in Ogun state.

Hypothesis Three:

H0₃: There is no significant impact on the opinions of customers from Abeokuta North and Ado-Odo Ota local government areas on market segmentation and customers' retention of Nigeria Breweries product in Ogun State.

Responses to questions number 11,12,13,14 & 15 was used to test this hypothesis.

Items	Questions	O	e	(o-e)	(o-e) ²	<u>(o-e)²</u>
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	1	2	3	4	5	Total	Ave./ Mean						E
SA	92	82	114	96	100	484	96.8	96.8	50	46.8	2190.24	2.19	
A	96	102	86	92	98	474	94.8	94.8	50	44.8	2007.04	2.01	
D	8	8	0	6	0	22	4.4	4.4	50	-45.6	2079.36	2.08	
SD	4	8	0	6	2	20	4.0	4.0	50	-46.0	2116.0	2.12	
Total	200	200	200	200	200	1000	200						8.40

$\chi^2_{cal} = 2.19+2.01+2.08+2.12 = 8.40$ $df = 3$ at 0.05 level of significant $\chi^2_{tab} = 4.36$

From the above chi-square summary table, it shows that the calculated X^2 statistics is 7.78 while the critical value is 3.91 at 0.05% level of significance with 3 as the degree of freedom. Therefore, since the first condition is certified as the calculated value is greater than the critical value i.e. $X^2_{cal} > X^2_{critical}$, hence we have to accept the alternative, there is significant impact on the opinions of customers from Abeokuta North and Ado-Odo Ota local government areas on market segmentation and customers' retention of Nigeria Breweries product in Ogun State.

Discussion of Findings

The result of hypothesis one shows that the effect of market segmentation on customer satisfaction among the customers of Nigeria Breweries Plc. was statistically significant at $p = positive$. This aligns with the findings of Adirika, Ebue, and Nnolom (2017), who assert that market segmentation is relevant to customer satisfaction, highlighting its impact on tailoring marketing efforts and improving organizational profitability. Mugenda (2023) also emphasizes the significant role of market segmentation in achieving customer satisfaction by dividing customers into homogeneous groups, thereby facilitating targeted marketing efforts. Similarly, Edoga and Ani (2020) discuss the importance of segmentation in Nigerian industries, including breweries, underscoring its statistical significance in aligning services with customer needs.

Research hypothesis two indicates that market segmentation strategies and techniques play a significant role in the distribution of Nigeria Breweries Plc. in Abeokuta North and Ado-Odo Ota Local Government Areas in Ogun State. This finding supports the work of Nguyen et al. (2018), who argue that customer satisfaction in business-to-business segmentation remains a growing area of interest. NBRI (2015) further proposes various methods for measuring customer satisfaction, including factors such as price, quality of service, speed of service, trust in employees, additional services needed, complaints, brand positioning in the minds of clients, and the overall customer-company relationship.

Research hypothesis three demonstrates a significant impact on the opinions of customers from Abeokuta North and Ado-Odo Ota Local Government Areas regarding market segmentation and customer retention of Nigeria Breweries products in Ogun State. This aligns with the findings of Dapper et al. (2015), who concluded that benefit segmentation is a valuable concept in consumer grouping and patronage. Customers are drawn to specific market segments based on the benefits they seek (Bhardwaj & Kim, 2018). Since different customers have varying needs, benefit segmentation plays a crucial role in determining customer retention. Organizations that effectively meet these needs are more likely to retain their customers.

Conclusion

Consequent upon the findings of the study it was concluded that the utilization of market segmentation as a tool for improving customer satisfaction and repeat purchases is primarily related to strategies and techniques, consumer behavior, participation skills, and team collaboration. Every aspect of business decision-making requires support at various levels to drive repeat purchases, particularly by understanding consumer behavior, responses, and other marketing components. Market segmentation emerges as a key marketing strategy, recognizing that markets—and the individuals within them—are not homogeneous. Therefore, no single market offering can satisfy all individuals. Customer satisfaction is a crucial aspect of business success. Beyond helping businesses evaluate their performance, it also enhances overall organizational efficiency and contributes to increased revenue.

Recommendations

Based on the findings of the study, it was recommended that:

1. There is need for all organisations to segment their markets on behavioral basis through specification recommended by customers taste to position and target customers of like attitudes and minds. The benchmarking of competitors



should not be over looked in order to retain existing customers and attract potential ones.

2. The success of any organization lies on customers, and this can only be achieved if the customers are satisfied with the organisation's marketing segmentation strategies. To make further recommendations for companies, it would be necessary to investigate the distinctive resources that are required for the different segmentation approaches.
3. Additional research into strategy-specific knowledge, competencies and capabilities promises valuable perceptions for a better understanding of the different segmentation strategies. Also, further research on the required conditions for different segmentation strategies could provide promising insights.
4. Finally, there is still an enormous need for more research to bridge the implementation gap between normative market segmentation approaches and business practice.

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