IMPACT OF MARKET SEGMENTATION PRACTICES ON THE PROFITABILITY OF SMALL AND MEDIUM SCALE ENTERPRISES: CASE RESEARCH

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ABSTRACT

This study is designed to assess the impact of market segmentation practices on the profitability of small and medium scale furniture manufacturing enterprises in Hawassa city. Market segmentation has been defined as dividing a market into smaller groups of buyers with distinct need, characteristics or behavior, which might require separate products or marketing mixes. Small and medium scale business is a business which is independently owned and operated, not dominant in its field of operation and meets certain standard of number of employee and capital. Profitability for a period in this study is typically defined as the earnings of an investment during the period divided by the capital employed in the investment at that time. In order to achieve the objective of the study, both primary and secondary data sources were employed. The data were collected through a questionnaire which has three parts, i.e. demographic, market segmentation and profitability questionnaires which are developed based on the theoretical assessment of related literatures. The questionnaires were distributed to 60 SMEs in which only 48 were fully completed and returned. The data collected were analyzed using SPSS software such as correlation and multiple Regression analysis. On the basis of the data obtained from the respondents, the study identified that there exists a positive significant relationship between market segmentation practices and profitability ranging from medium to substantial in the selected sample SMEs. The findings of this study also revealed the levels and bases of market segmentation used in the enterprises as well as their relationship with profitability as its major findings. Almost all the enterprises gained moderate and substantial profits by implementing market segmentation practices in their enterprises. However, they were also found with a problem of selecting appropriate levels and bases of segmentation. Moreover, they were facing difficulties in evaluating the effectiveness of their segmentation practices which prohibited them from generating high profits from their segments. Based on the findings of the study, the researcher has forwarded some recommendations

to the owners and managers of small and medium scale furniture manufacturing enterprises which are found in Hawassa city.

INTRODUCTION

Background of the study

Countries all over the world, no matter the stage of their development recognize the importance of promoting small and medium scale firms as the engine of growth and industrialization. It has been observed that small scale businesses play crucial roles in the economic development of countries (Ogundele, 2006) as cited in (Hassan, M. Ayinde and Olaniran, S. Olawale 2011). But, most SMEs face a variety of problems. (Gooderham et al, 2004) argue that with heightened competition a small business is less likely to survive because its narrow resource base does not allow it to adapt its products or services. Therefore, there is a need to identify the segments that SMEs should serve better given its limited resources.

According to Oliver Wyman (2004) The SMEs market is not homogenous on any dimension including profitability. Distinct customer segments exist, with high variance around the factors that drive purchase decisions. Market segmentation involves the grouping of customers with similar needs and buying behavior into segments, each of which can be reached by a distinct marketing program. The concept attempts to reconcile differing customer needs with limited company resources, and allows product and marketing offerings to be adjusted to suit different customer groups (Wind, 1978). Sub-dividing customers into groups with similar needs and wants leads to effective customer service, profitability and also puts a company at a competitive edge against competitors. The main aim of the paper will be to assess the impacts of market segmentation practices on the profitability of small and medium scale manufacturing enterprises, particularly in furniture manufacturing companies.

THE PROBLEM

A company cannot be profitable in serving all customers in a broad market, because customers are too numerous and diverse in their buying

requirements. (Kotler, 2004) Segmentation distinguishes between buyers; it involves identifying the current and potential wants that exist within a market.

Market segmentation is a proven way of improving profitability. (Stewart and Bradley, 2010), appropriate knowledge and awareness of managers on segmentation practices, appropriate selection of segmentation bases, exact level of segmentation and effective and systematic segmentation process leads to organizational profitability.

But, many small and medium scale enterprises face the problem of selecting the right bases and level of segmentation and also difficulties in evaluating the effectiveness of their segments which would limit their profitability. Chak (1998) also argues that no small and medium scale enterprises can pursue all the segmentations in a market rather it is more normal for a firm to choose only a few bases and levels of segmentation to get involved.

Research questions

1. What is the level of market segmentation such as segment marketing, niche marketing, local marketing and individual marketing used in the SMEs and its effect on the profitability of the SMEs?
2. What is the level of profitability of the selected sample SMEs's within the market segmentation bases used among demographic, geographic, behavioral and psychographic segmentation bases?
3. What is the level of profitability of the selected sample SMEs's based on the criteria for effectiveness of market segments such as measurability, accessibility, substantiality, differentiability and actionability?
4. What relationship exists between the implementation of market segmentation practices and profitability at the selected sample SMEs?

Objectives

General objective

The general objective of this study was to assess the impacts of market segmentation practices on the profitability of small and medium scale manufacturing enterprises.

Specific objectives

1. To Identify which level of market segmentation such as segment marketing, niche marketing, local marketing and individual marketing lead to profitability
2. To Identify which base of market segmentation such as demographic, geographic, behavioral and psychographic contribute to the SMEs profitability
3. To Identify how the enterprises' segments effectiveness influence their profitability
4. To Determine how the implementation of market segmentation practices affect the profitability of the SMEs
5. To Present possible suggestions and recommendations to marketing managers of Small and medium scale enterprises to aid in their decisions.

Scope of the study

The scope of this research is limited to assess the impact of market segmentation practices on the profitability of small and medium scale furniture manufacturing companies in Hawassa town, Ethiopia.

Limitations of the study

Assessing the overall impact of market segmentation practices on small and medium scale manufacturing companies' profitability requires exerting a great deal of effort in different aspects.

LITERATURE REVIEW

Market segmentation

Introduction

Market segmentation as a fundamental concept in marketing was first presented by Wendel Smith in 1956 cited in Kuo et al, (2005). Market segmentation strategy plays a significant role in creating competitive advantage Danneels, (1996) Perception of differences between customers according to their needs and their responses to marketing mix plays an important role in customer relationship management (CRM). An effective segmentation might create an appropriate position for products in market, identify diverse segments in order to target the appropriate ones, achieve to new chances in the existent market and competitive

advantage by developing differences in their products in comparison with their rivalries. Definitely, profit is the final outcome (Kim & Ahn, 2008)

Segmentation is a view that not all customers are the same (Kathryn Greengrove) Market segmentation is one of the corer stones of the marketing management approach to marketing. The starting point in this approach is the identification of the relevant market (Guiltinan and Paul 1991) that the company is serving and the partitioning of the market into groups of customers (segments) with similar needs and/or characteristics who are likely to exhibit similar purchase behavior (Weinstein 1994) as cited by (Kaj Storbacka)

Market segmentation is to group customers according to similarities in their needs and priorities.

People in a segment are all homogeneous and likely represent same buying behavior. Therefore, same marketing strategies can be used for them (Kiang et al, 2006).

Levels of market segmentation

Kotler suggest that Regardless of whether any enterprise serve the consumer market or the business market—offering either goods or services—companies can apply segmentation at one of four levels: segments, niches, local areas, and individuals. (2002)

Segment marketing

A market segment consists of a large identifiable group within a market, with similar wants, purchasing power, geographical location, buying attitudes, or buying habits.

Anderson and Narus (1995, p. 75–83) urge marketers to present *flexible market offerings* instead of one standard offering to all members of a segment. A flexible market offering consists of the product and service elements that all segment members' value, plus options (for an additional charge) that some segment members' value.

Segment marketing allows a firm to create a more fine-tuned product or service offering and price it appropriately for the target audience. The choice of distribution channels and communications channels becomes much easier, and the firm may find it faces fewer competitors in certain segments.

Niche marketing

A *niche* is a more narrowly defined group, typically a small market whose needs are not being well served. Marketers usually identify niches by dividing a segment into sub segments or by defining a group seeking a distinctive mix of benefits.

In an attractive niche, customers have a distinct set of needs; they will pay a premium to the firm that best satisfies their needs; the niche is not likely to attract other competitors; the nicher gains certain economies through specialization; and the niche has size, profit, and growth potential. Whereas segments are fairly large and normally attract several competitors, niches are fairly small and may attract only one or two rivals. (Kotler, 2002)

Local marketing

Local marketing involves tailoring brands and promotions to the needs and wants of local customer groups- cities, neighborhoods, and even specific stores (Armstrong, 2000)

Individual marketing

Wedel and Kamakura says there are alternatives to segmentation; one to one marketing in one extreme and mass marketing in the other. The opportunity to market one-to-one leads potentially, but not necessarily, to greater profitability: one-to-one marketing does not preclude segmentation. (2002)

The ultimate level of segmentation leads to "segments of one," "customized marketing," or "one-to-one marketing." (Kotler, 2000) For centuries, consumers were served as individuals: Much business marketing today is customized, in that a manufacturer will customize the offer, logistics, communications, and financial terms for each major account. Now technologies such as computers, databases, robotic production, intranets and extranets, e-mail, and fax communication are permitting companies to return to customized marketing, also called "mass customization." *Mass customization* is the ability to prepare individually designed products and communications on a mass basis to meet each customer's requirements.

Objectives of Market segmentation process

According to (Boyd et al 2002), the market segmentation process entails the following important objectives

1. The process should identify one or more relatively homogeneous groups of prospective buyers with regard to their wants and needs and/or their likely responses to differences in the elements of the marketing mix.
2. Differences within one market segment should be small compared to differences across various segments
3. The segmentation criteria should measure or describe the segments clearly enough so that members can be readily identified and accessed, in order for the marketer to know whether a given prospective customer with advertising or other marketing communication messages.
4. Finally, the segmentation process should determine the size and market potential of each segment for use in prioritizing which segments to pursue.

Market Segmentation Approaches

One of the most important factors to segment market appropriately and comprehensively is to choose appropriate factors for segmentation (Lee et al, 2004; Liu & Ong, 2008). An appropriate segmentation makes it possible to achieve strategic advantages. However, inappropriate variables cause segmentation processes to distort, organizational sources to waste and performances to deviate from defined objectives (Liu & Ong, 2008)as cited by (Parviz Ahmadi, 2010). There are a wide and disparate set of segmentation methods to choose among. Researchers utilize diverse approaches to segment market. Some of the approaches have used individual characteristics, interests, attitudes and etc. as distinguishing variables (Voorhees, 2006), some organizations choose customer value and customer loyalty to segment markets (Binge & Andreu, 2003; Hwang et al, 2004).

Market segmentation and profitability

According to Stewart and Bradley, market segmentation is a proven way of improving profitability by focusing offerings to different groups, a firm is able to meet the needs of those customers who bring the most value and align the appropriate resources to meet those needs. They also argue that the ultimate goal of segmentation is superior deployment and use of corporate resources in meeting the needs and expectations of customers. By doing so, a company can achieve more profit success with less investment. (2010). Market segmentation often helps companies achieving better profitability than expected. Wind (1978), and one of the reasons why segmentation is such an accepted marketing tool is because it

contributes to increased sales compared to mass- marketing approaches. Cross (1999) as cited in Sara et al (2007). Janet et al (1996) explained the usefulness of segmentation by suggesting two options that segmentation should provide to marketers, i.e. a) if it allows them to determine which actions would attract or retain customers, or b) if it enables them to decide which additional products or services they could introduce profitably. Still they questioned the assumption that segmentation is necessarily a logical or profitable approach for all markets. Segmentation has proven to be a very useful concept to managers, even when the final stage of the implementation of the strategy involves one-to-one marketing according to Wedel and Kamakura, the opportunity to market one to one leads potentially, but not necessarily, to greater profitability (2002) in addition they argue that distinguishing segments will be profitable whenever demand is heterogeneous.

Segmenting the market provides fresh perspectives for increased customer identification, selection, profitability and retention (Stewart and Bradley, 2010). A firm that offers a marketing mix precisely matched to the needs of the target market can charge a higher price that produces higher profits. Segmenter's believe that aiming at one or some of smaller markets makes it possible to provide superior value and satisfy them better. This then provides greater profit potential for the firm. (Stewart & Bradley, 2010)

Small and Medium Scale Enterprises

The Concept and Definition of Small and Medium Scale Enterprises

How SMEs are defined usually depends upon the scale and structure of business in the economy and varies from country to country. Small and medium scale business is a business which is independently owned and operated, not dominant in its field of operation and meets certain standard of number of employee and capital. A small and medium business has at least two of the following features:

- Management is independent, since the manager usually owns the business.
- Capital is supplied and ownership is held by an individual or a few individuals
- The area of operations is primarily local, although the market is not necessarily local.
- The business is small in comparison with the larger competitors in its industry. (**US** Congress, Small Business Act 2003):

SMEs and Market segmentation

Many small and medium scale enterprises use niche marketing as a segmentation strategy to serve one or more segments that consist of substantial numbers of customers seeking somewhat specialized benefits from a product or service (Boyd et. al., 2000), this is to avoid direct competition with larger firms that are pursuing the bigger segments. In a more competitive business environment, there is heightened risk that an SME will not survive. Gooderham, et. al., (2004) argue that with heightened competition a small business is less likely to survive because its narrow resource base does not allow it to adapt its products or services. Ming Chak (1998) also argues that no small and medium scale enterprises can pursue all the segmentations in a market rather it is more normal for a firm to choose only a few market segments to get involved. According to Wyman (2004), The SMEs market is not homogenous on any dimension including profitability. Distinct customer segments exist, with high variance around the factors that drive purchase decisions. Channel management is more complicated, and customer acquisition costs can destroy profitability. He suggested that Segmentation based on customers' current profitability to the business is essential for SMEs.

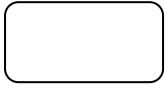**Theoretical framework for market segmentation and profitability**

The theoretical framework for marker segmentation and profitability is presented in the figure below

Figure 2.1 Theoretical framework of market segmentation and profitability
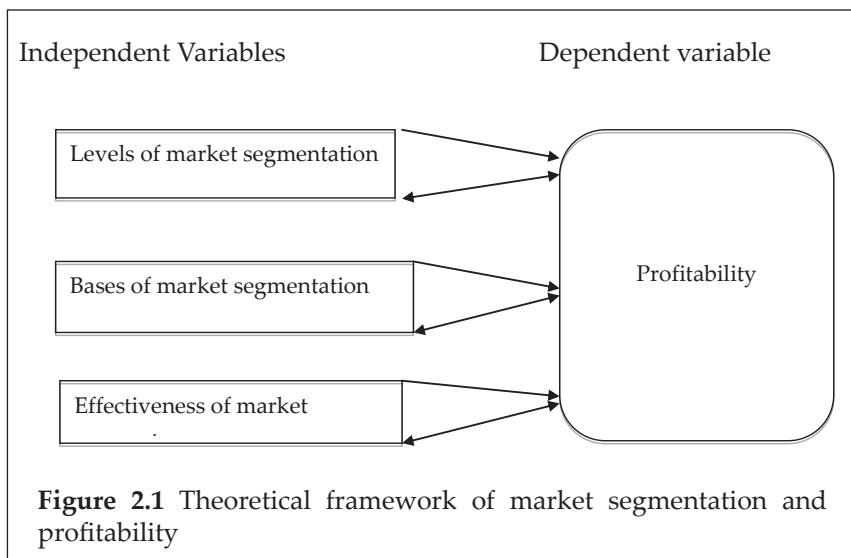
Where
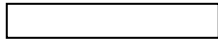
Contains the Independent variables

Contains the Dependent variable

Indicates the effect

Indicates the relationship

Source. Developed for this research

RESEARCH METHODOLOGY

Here, the scholar mentioned the data sources, the sampling technique, measuring instrument, data processing and analysis.

Data sources

In order to attain the objective of the study, the researcher has used both primary and secondary data sources. The primary data was collected directly from the sample respondents through a questionnaire. Secondary data   including different relevant books, manuals, reports, journals, internet which are relevant to the topic under study were also used.

Sampling Technique

The sampling technique employed for the study is probability-sampling technique. This technique was used in order to ensure every item of population has an equal or non-zero chance of being selected. Among the probability sampling techniques the simple random sampling technique was employed.

Data Collection Procedure

Before conducting, the study information was gathered from Hawassa city Trade and Investment bureau regarding the total number and type of

small and medium scale enterprises available in the city. After collecting the information a questionnaire which has three part-demographic questionnaire, market segmentation questionnaire and profitability questionnaire was distributed to the target respondents.

Measuring Instruments

Demographic Questionnaire

A self-administered questionnaire was used to obtain demographic information of respondents relevant to the study. Participants were asked to furnish information with regard to their age, gender, educational level and their job position in the present institution.

Market Segmentation Questionnaire

Market segmentation questionnaire was developed to assess the level of market segmentation used in the sample SMEs, segmentation bases used in the sample SMEs and the effectiveness of market segments in the enterprises. Each of the questions consists of five response choices weighted in the following manner.

Response choices   **Scoring weight**

Very low--1

Low--2

Medium---3

High---4

Very high--5

A percentile score of 75 or higher indicate a high degree of using the mentioned market segmentation practice; a percentile score of 25 or lower would indicate a low level; and, the scores in the middle range that is from 26 to 74 of percentiles indicate average usage.

Profitability Questionnaire

Profitability questionnaire was developed to measure the effects of using market segmentation practices on the profitability of the enterprises based

on the level, base and effectiveness of the sample SMEs's segmentation practices. Each of the questions consists of five response choices weighted in the following manner.

Response choices   **Scoring weight**

Very low-- 1

Low--2

Medium-- 3

High--4

Very high--5

A percentile score of 75 or higher indicate a high degree of profitability; a percentile score of 25 or lower would indicate a low level of profitability; and, the scores in the middle range that is from 26 to 74 of percentiles indicate average profitability.

Data Processing and Analysis

Data Processing

The data processing method for the study will be manual and aided by computer software packages. Editing, coding, classification and tabulation of data was used to detect errors and to summarize bulky data into manageable one.

Data Analysis

The researcher has used both descriptive and inferential statistics to further transform the processed data to look patterns and relationships between and/or among data groups.

Descriptive Analysis

Descriptive analysis was used to summarize the data by tabulation, measure of central tendency and charts. Tabulation was used to arrange the data in a table format. Measure of central tendency was employed to see the minimum and maximum values, the mean and the standard deviation for the sake of explaining level of market segmentation and

bases of market segmentation used in the sample SMEs, and also the effectiveness of market segmentation implemented in the enterprises. Moreover, charts like bar charts, pie charts and histograms were used to describe the demographic characteristics of the respondents.

Multiple Regression Analysis

The equation of multiple regression on this study is formed based on two sets of variables, namely dependent variable (profitability) and independent variables (level of segmentation, bases of segmentation and effectiveness of segmentation). The basic objective of using regression equation on this study is to make the researcher more effective at describing, understanding, predicting and controlling the stated variables.

Independent variables

Segment marketing (X2)
Niche marketing (X3)   Levels of
Local marketing (X4)   market segmentation
Individual marketing (X5)

Independent variables

Demographic segmentation (D)
Geographic segmentation (G)   Bases of market   **Dependent Variable**
Behavioral segmentation (B)   segmentation   Profitability (Z)
Psychographic segmentation (P)

Independent variables

Measurability (Y2)
Accessibility (Y3)   Effectiveness of
Substantiality (Y4)   segmentation
Differentiability (Y5)
Actionability (Y6)

DATA ANALYSIS AND INTERPRETATION

Statistical package for the social sciences (SPSS) version 20 statistical program is used for the analysis and presentation of the data for this study. Sixty questionnaires were distributed to the respondents and out of the 60 questionnaires 51 of them were collected. Among the 51 collected questionnaires 3 of them were incomplete which does not provide relevant data for the study. Accordingly the analysis of this study was done based on the number of questionnaires collected. Total Population is 120 (100%) and sample size is 48 (40%)

Descriptive Statistics

Demographic variables

A profile of 48 sample respondents consisting of marketing managers and owners of small and medium scale enterprises who participated in this study are summarized in the form of frequencies and percentages and presented graphically for each of the variables. This profile was devised to offer background or personal data about the target respondents and to ensure that the right respondents were participated in the study which would be helpful for future researches.

Gender distribution of respondents

Source. developed for this research

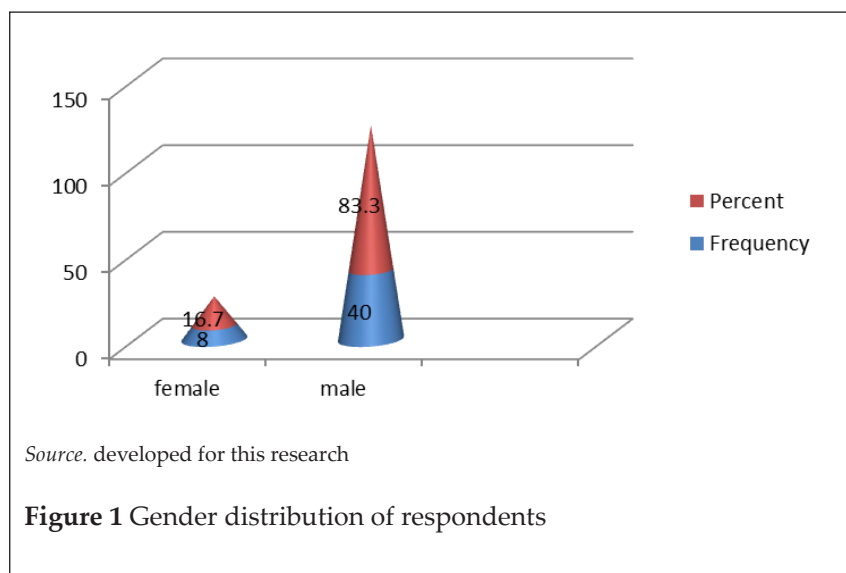**Figure 1** Gender distribution of respondents

Fig 1 above presents a graphical representation of the gender distribution of the selected sample. There are a large number of male respondents (n=40), which is 83.3% of the sample. The female respondents (n=8) comprise 26.5% of the target sample respondents.

Age distribution of respondents

The age distribution of the sample respondents is depicted in the following graph.

	18-30	31-40	41-50
■ Frequency	30	13	5
■ Percent	62.5	27.1	10.4

Source. developed for this research
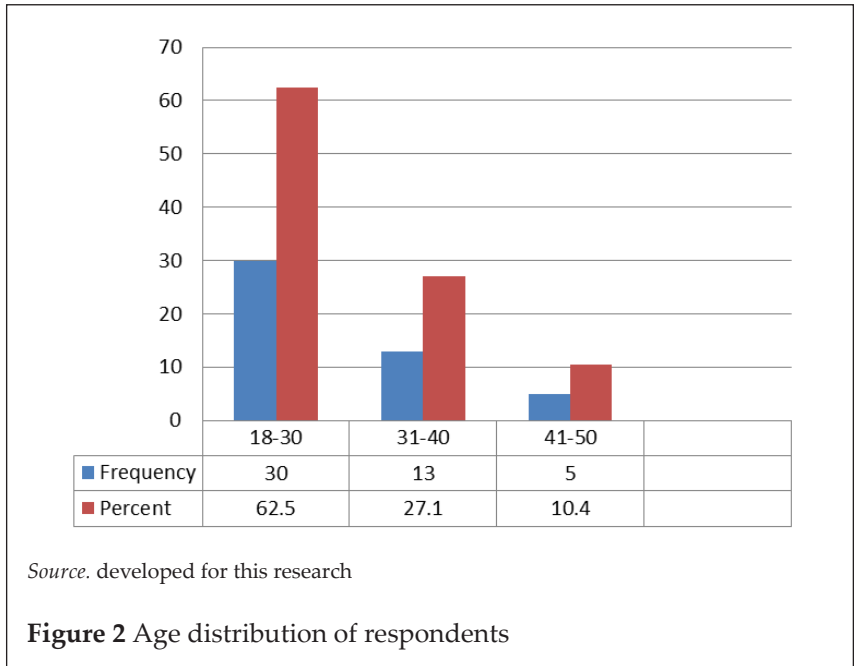
Figure 2 Age distribution of respondents

Fig. 2 above describes how the age of sample respondents were distributed among three age categories. The majority of the respondents (62.5% or n=30) were between 18 and 30 years old. n=13 or 27.1% of the respondents were between the age of 31 and 40 years old. The remaining respondents i.e. n=5 or 10.4% lies between 41 and 50 years of age.

Educational level of respondents

Figure 3 above shows that the educational level of the majority of respondents (25% or n=12) are first degree holders followed by 12 complete and certificate graduates each comprising n=10 or 20% of the
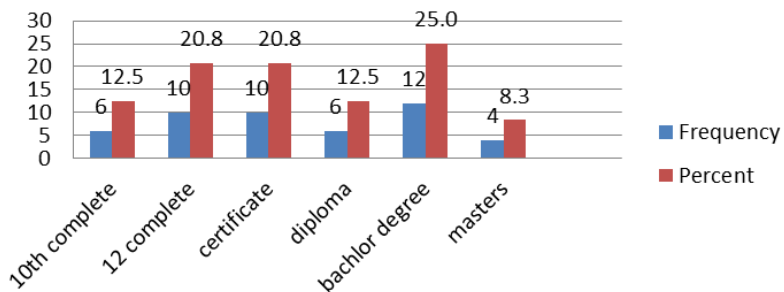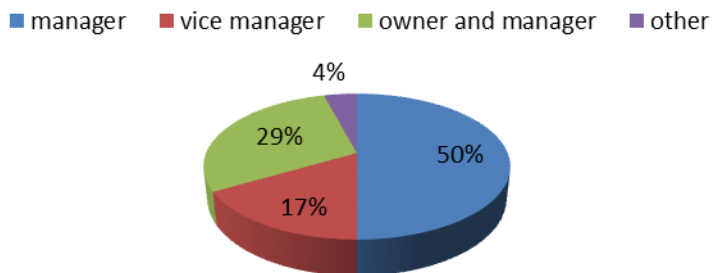
Source. developed for this research

Figure 3 Educational level of respondents

sample respondents. Diploma holders and 10th complete respondents constitute n=6 or 12.5% of the respondents each. The remaining n=4 or 8.3% are second-degree graduates.

Current job position of respondents

Source. developed for this research

Figure 4 Current job position of respondent

Figure 4 above shows the current job position of respondents indicating that most of the respondents are managers and owner and managers of the enterprises comprising 50% or n=24 and 29% or n=14 respectively. 17% or n=8 of the respondents are vice managers and the remaining 4% or n=2 respondents are engaged in other activities of the enterprises.

Table 1 Results of profitability in the sample SMEs within the levels of market segmentation used

	profitability with segment marketing	profitability with niche marketing	profitability with local marketing	profitability with individual marketing
Mean	1.6458	4.1667	1.8125	1.6458
Std. Deviation	.72902	.75324	.93754	.72902
Minimum	1.00	2.00	1.00	1.00
Maximum	4.00	5.00	4.00	4.00

Source. developed for this research

Profitability of the enterprises within the level of market segmentation used was assessed by profitability questionnaire; table 4.1 above indicates the calculated arithmetic means and standard deviations for the profitability of the enterprises under segment marketing, niche marketing, local marketing and individual marketing segmentation levels. Therefore, it is possible to say that most of the enterprises are profitable under niche marketing segmentation level with a mean and standard deviation of 4.1667 and 0.75324 respectively. Table 4.2 also shows that local marketing segmentation level is the less profitable segmentation level for the sample SMEs with a mean of 1.8125. The least profitability of the enterprises was found under Segment marketing and individual marketing segmentation level with a mean of 1.6458 each.

The profitability of the segmentation bases used in the SMEs as indicated on table4.4 above, shows that demographic and behavioral segmentation bases are the most profitable bases for the sample SMEs with arithmetic mean of 4.3125 and 3.7708 respectively. The geographic and psychographic segmentation bases are found less profitable in the sample SMEs with a mean score of 1.6667 and 1.6383 respectively.

Table 2 Results of the profitability of market segmentation bases used in the sample SMEs as obtained from the respondents

	profitability using demographic segmentation base	profitability using geographic segmentation base	profitability using behavioral segmentation base	profitability using psychographic segmentation base
Mean	4.3125	1.5417	3.7708	1.3750
Std. Deviation	.87898	.77070	1.03635	.56962
Minimum	1.00	1.00	2.00	1.00
Maximum	5.00	4.00	5.00	3.00

Source. developed for this research

Table 3 Results of profitability with current Effectiveness of Segments in the sample SMEs

	Average Effectiveness of segments	Profitability with current effectiveness
Mean	2.19726	2.21912
Std. Deviation	.40177	.45725
Minimum	2.00	2.00
Maximum	3.80	4.00

Source. developed for this research

Regarding with the profitability of the sample SMEs with current effectiveness of their segments, as it is clearly shown on table 4.6 above, it can be said that they are less profitable with a mean score of 2.21912.

Table 4 The relationship between levels of market segmentation and profitability

Segmentation Levels used in the sample SMEs		Level profitability
Segment	Pearson Correlation	.189
	Sig. (2-tailed)	.197
Marketing		
segmentation level		

(Continued)

Segmentation Levels used in the sample SMEs		Level profitability
Niche	Pearson Correlation	.689**
	Sig. (2-tailed)	.000
Marketing		
segmentation level		
Local	Pearson Correlation	.338*
	Sig. (2-tailed)	.019
Marketing segmentation level		
Individual	Pearson Correlation	.189
	Sig. (2-tailed)	.197
Marketing segmentation level		

*. Correlation is significant at the 0.05 level (2-tailed).

**. Correlation is significant at the 0.01 level (2-tailed).

Source. Developed for this Research

On the other hand, table 4.7 above, indicates that there is a very low positive, but not statistically significant relationship between individual marketing segmentation level and profitability (r=0.189, p>0.05) and segment marketing segmentation level and profitability (r=0.189, p>0.05). As it is clearly depicted on table 4.5 below, the correlation coefficient results for the relationship between segment effectiveness and profitability, there is low positive relationship between segment effectiveness and profitability (r= 0.240, p<0.01) at 99% level of confidence.

Table 5 The relationship between effectiveness of market segments and profitability

Effectiveness of segments in the sample SMEs	Profitability
Segments	
Effectiveness	
Pearson Correlation	.240**
Sig. (2-tailed)	.000

** correlation is significant at 0.01(2- tailed)

Source. developed for this research

CONCLUSION AND RECOMMENDATIONS

This study was conducted to investigate the impact of market segmentation practices on the profitability of small and medium scale enterprises in Hawassa town. The following conclusions are drawn based on the findings of the study.

- The results of the study showed that most of the small and medium scale enterprises are operating under Niche marketing and individual marketing segmentation levels. In contrast segment marketing and local marketing segmentation levels are used and implemented by few of the sample enterprises.
- The findings of the study also revealed that niche marketing segmentation level used in the sample SMEs results high mean score and substantial relationship with profitability. Regarding with local marketing moderate relationship was found with profitability. But, the profitability of segment marketing and individual marketing segmentation levels resulted in very low mean score as well as very low relationship with profitability.
- The sample small and medium scale enterprises mostly used demographic and behavioral segmentation bases for segmenting their markets. In contrast geographic and psychographic segmentation bases are less used in the sample enterprises.
- Furthermore the results of the study indicate that demographic and behavioral segmentation bases are the best segmentation bases contributing substantial and moderate profits to the SMEs respectively. While geographic segmentation base results in low profitability, psychographic base of segmentation has very low contribution for the profitability of the sample enterprises. Therefore, market segmentation bases can also significantly explain the variation in profitability.
- Moreover, this study showed that the enterprises have lower level of segment effectiveness when they are evaluated in terms of the criteria of measurability, accessibility, substantiality, differentiability and actionability.
- In relation with segment effectiveness, the study further showed that the lower level of the enterprises' segments effectiveness has resulted in low profitability of the enterprises. Thus, segments effectiveness can explain profitability.
- The combined effect of overall market segmentation practices i.e. (levels of market segmentation, bases of market segmentation and effectiveness of market segments) on profitability was found positive and substantial.

- Generally, the findings of this study indicate that the implementation of market segmentation practices in small and medium scale furniture manufacturing enterprises has a significant positive result on their profitability. The result ranges from low to substantial in its contribution to the profitability of the sample small and medium scale enterprises.

RECOMMENDATIONS

Based on the results and findings of the study, the researcher would like to forward the following recommendations to the owners and managers of small and medium scale enterprises found in Hawassa town.

- Most of the sample Small and medium scale enterprises were found operating under niche marketing and individual marketing segmentation levels. While substantial result was found with niche marketing segmentation level, very low result was revealed with individual marketing segmentation level. At the same time, while local marketing resulted in moderate profitability, local marketing was found resulting in very low profitability in the SMEs. One way to avoid this problem is the enterprises should select an appropriate and suitable level of segmentation among the four segmentation levels. Most of the time, small and medium scale enterprises have limited capital and resources, but, Segment marketing and individual marketing segmentation levels require higher investment and capital and are not feasible for SMEs. Thus, SMEs should leave those segmentation levels which require high level of capital and resources and concentrate only in niche marketing and local marketing segmentation levels which are more feasible for small and medium scale businesses. Therefore, by allocating and efficiently utilizing their limited resources in niche and local marketing, the enterprises could their moderate level of profitability to higher level of profit.
- Demographic and behavioral segmentation bases were also found contributing only substantial and medium profitability respectively for the majority of the SMEs. But, still high profits were not generated by using those segmentation bases. Therefore, it is recommended for the enterprises to choose and utilize the appropriate segmentation bases based on their respective situations and capabilities for better enjoyment of profitability in market segmentation. With regard to their size and capacity geographic segmentation base would be difficult to implement

but psychographic segmentation bases especially lifestyle and personality segmentation bases should be used in order to meet their customers' needs and wants.

- The sample SMEs were also found less profitable in relation with their segments' effectiveness. One way to increase their profitability in terms of their segments effectiveness is evaluating their segments effectiveness in terms of the extent to which their segments are measurable, accessible, substantial, differentiable and actionable by conducting market segmentation research.

- Regarding with the overall implementation of market segmentation and profitability of the enterprises, the substantial contribution of market segmentation can be further increased to higher level of profitability through customer data base driven market segmentation. Each enterprise must research on the tastes and preferences of the target segment if they have to offer satisfying products to their customers and get high return. In addition, enhancing prospect identification, matching of customer needs, improving target communications, enhancing customization and customer service, improving innovation and creativity is also recommended to the enterprises to achieve higher profitability.

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