



## Market development strategies and firm's performance a study of selected product organizations in Enugu State

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### Abstract

Effects of market development strategies on firm's performance were evaluated in this study using a sample size of 325 drawn from six product organizations in Enugu State. The basic variables examined are new market segments, New Distribution channels and New Price implementation as the predictive variables, and profitability and customer patronage as the dependent variables. Analysis of the sample was done using the version 20 of the SPSS. The findings are that there is a significant positive relationship between: (i) New Distribution channels and firm's profitability ( $b_1 = 2.313$ ), (ii) New Distribution channels and firm's customer patronage. ( $b_2=1.682$ ), (iii) New Market segments and profitability ( $b_3=1.803$ ), (iv) New Market segments and patronage ( $b_4=2.619$ ), (v) New Price Implementation and Profitability ( $b_5=1.097$ ) and (vi) New Price implementation and patronage ( $b_6=2.225$ ). All beta coefficients in the regression results showed significance at the 5% level, leading to the rejection of the null hypotheses of the study. The standard error of estimate was negligible in each case, with a maximum value of  $\alpha = 0.0622$ , indicating a reasonable degree of accuracy in the estimation. The Durbin-Watson statistic was 1.318 which means that the predictor (independent) variables are not significantly autocorrelated, again, adding to the accuracy of the results. Based on these findings, it was concluded that market development strategy has a significant direct relationship with firm's performance. It was advised that managers should strategically adopt segmentation, new price implementation and search for new distribution channel with a view to impacting positively on the firm's profitability and customer patronages, among other recommendations.

**Keywords:** market development, firm's performance, new price implementation, market segmentation, distribution channels, customer patronage, firm's profitability

### Introduction

#### 1. Background of the Study

Market development is the strategy of reaching new markets with the existing products of the organization. Coleman (2020) [7] defines it as a process by which a company looks for new buyers to sell its products, thereby covering a new segment of consumers. It is the expansion of the total market for a product by entering new segments of the market and converting non users to users. An organization cannot continue to dwell in its old market(s) even when there is an opportunity to introduce its offerings to markets other than those it is serving.

The need for market development stems from the fact that if a business has a single product that targets a single market, sales grow by increasing market penetration and markets share for that product in that market. Eventually, as the market becomes saturated, growth slows down substantially and may stagnate. For this reason, successful businesses are always considering entering new markets for their existing products. A business can also develop new markets for new products (diversification) but this study dwells on market development for existing products.

Many strategies abound for the development of markets segmentation, new price implementation; new distribution channels, branding and promotion are common types (Spacey 2017; Inyanga 1998) [6, 1]. Segmentation is the

grouping of customers according to similarity of needs, characteristics or requirements. The essence is to satisfy the needs of a specifically defined homogeneous group of customers. Developing new distribution channels is a part of segmentations, though it is treated separately in this study. The third strategy evaluated in the study is pricing. Implementing a price strategy (eg penetration) that targets a set of customers is key to market development.

This study tries to examine the market development strategies in relationship with firm's performance, performance in this context is measured in terms of profitability (that is, ability of the firm to make profits) and customer patronage (regular sales attracted by the firm) in some product organizations in Enugu State, Nigeria.

#### 2. Statement of the Problem

The study was made necessary by the current state of diminishing profits and low customer patronage reported repeatedly by some organizations (UkEssays 2020, Albright, 2020 etc) [5]. As competition heightens among firms, it becomes increasingly evident that only companies with strategic approach towards market development will be able to achieve high customer patronage and raise their profits. Therefore, there is a need to examine the effect of identifying new markets and selling the existing products to them on the firm's performance. The quest by many

organizations today to enhance performance may actually be met through strategic approach to market development. This research evaluates markets development in relationship with firm’s performance in Enugu State, Nigeria.

**3. Objective of the Study**

The main objective of this study was to evaluate market development strategies in relation with firms’ performance. The specific objectives are to:

1. Examine the relationship between new distribution channels and firm’s profitability.
2. Evaluate the effects of new distribution channels on customer patronage.
3. Assess the relationship between new market segments and firm’s profitability.
4. Identify the effects of new market segments on firm’s customer patronage.
5. Determine the relationship between new price implementation and firm’s profitability.
6. Ascertain the effects of new price implementation on firm’s customer patronage.

**4. Hypotheses of the Study**

The following are the null hypotheses of the study.

**Ho1:** There is no significant relationship between new distribution channels and firm’s profitability.

**Ho2:** There is no significant relationship between new distribution channels and customer patronage.

**Ho3:** There is no significant relationship between new market segments and firm’s profitability.

**Ho4:** New market segments have no significant effect on customer patronage.

**Ho5:** New price implementation has no significant effect on firm’s profitability.

**Ho6:** New price implementation has no significant effect on customer patronage.

**5. Significance of the Study**

The study is useful to marketing managers, products and services organizations as well as research institutions. The recommendations are useful for implementation by marketing managers. Products and services organizations will benefit from the findings of the study on how segmentation, distribution and pricing can affect profitability and customer patronage of their firms. Scholars and research institutions will find the literature provided by the entire work very useful in the development of further research.

**Literature Review**

**1. Market Development Concept**

Markin (2002) [8] defines market development as a strategic step taken by an organization to develop its market with its existing products. Coleman (2020) [7] defines market development as a process by which a company looks for new buyers to pitch its product(s) to a different segment of consumers in an effect to increase sales. Coleman adds that the essence of market development is to tap the untapped market.

Coleman identifies common types of market development strategy to include pricing, distribution, branding, promotion segmentation and product development. Market development serves to reduce concentration risk and expand revenue. The process involves, identifying a target market

and selling to them. Target markets are flexible concepts that can include factors like location, demographics, customer needs, customer preferences and lifestyle (Spacey, 2017; Markin 2002) [6, 8].

**1.1 New Price Implementation**

Spacey (2017) [6] writes that implementing price structure and strategies to target a set of customer is key to market development. An example is the order of a discount by a transport company for the month of May and June 2020 for groups greater than 15 people for certain domestic routes. This strategy is aimed at attracting the large number of schools that take an excursion trip in May and June.

**1.2 Creating Distribution Channels**

Developing new distribution channels to reach target customers is another key to market development. It includes physical and digital locations. For example, a brand of shirt that would likely sell to tertiary students develops distribution agreements with higher institutions (Spacey, 2017) [6].

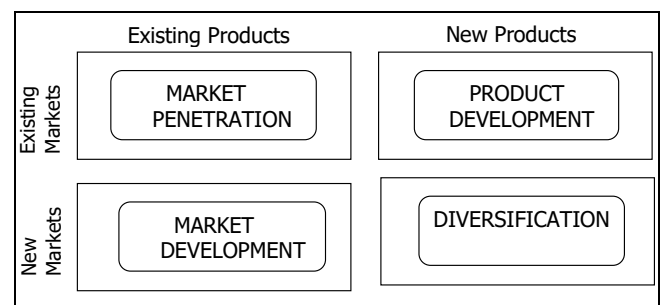
**1.3 Segmentation**

Inyanga (1998) [1] defines market segmentation as the grouping of customers according to similarity of needs, characteristics or requirement, according to McCarthy (1982), cited by Inyanga (1998) [1], a product that fulfills the needs of a specifically defined group is preferable to that which is compromise to suit widely divergent taste. Other strategies to market development identified by spacey (2017) [6] are branding (i.e. developing a new brand for a product to reach a target), promotion (i.e. reaching a new target market with strategic marketing messages) and sales (i.e. developing a stream of opportunities to boost sales in the target market).

**2. Related Theories**

**2.1 The Ansoff Matrix**

The professional marketing academy (2020) describes Ansoff Matrix as a theory invented in 1965 by Ignor Ansoff and used to develop strategic options for businesses.



(Source: Professional Marketing Academy Online 2020)

**Fig 1: Ansoff Matrix**

**2.2 Market Penetration**

This strategy focuses on increasing the volume of sales of existing products to the organization’s existing market. it is directed towards enhancing market share and to grow the market.

**2.3 Product Development**

Product Development strategy focuses on reaching the existing market with new products. By this strategy

managers expand their product portfolio by modifying or creating new products.

**2.4 Market Development**

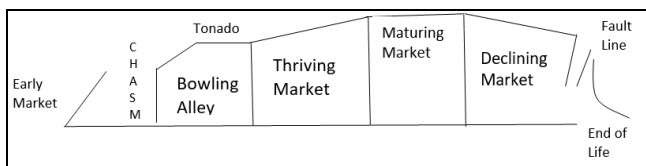
It is a strategy that focuses on reaching new markets with exiting products. It is the answer to the question of how the organization can extend its market. new market segments and new geographical areas can be created or reached.

**2.5 Diversification**

Diversification is a strategy that focuses on reaching new markets with new products. It entails either staying within a market which is already familiar to the organization (related diversification) or the organization takes a higher risk of moving into a market or industry it has no experience with (Unrelated diversification).

**2.6 The Market Development Model**

The market developments model describes the stage in which a product category is and how mature that category is.



(Source: Chasm Institute-Target Market model, 1991)

**Fig 2:** The Market Development Model

The model is derived from the theory of product life cycle (PLC) and consists of the Early Market, (when the product is new), the chasm (a barrier to be broken if the product must succeed, made up mainly of environmental and consumer behavioural factors), Bowling Alley (Market segments to create rapid growth), Tornado (stage of hypen growth), maturity, decline and end of life (Demise) (Mc Allister, 1991) [2].

**3. Empirical Review**

The relationship between marketing strategies and firm’s performance has been well documented and analyzed in previous researches and has been a topic of major discussion by some scholars. (Zarine Wski (2014) studied market development and its relationship with customers. The study involved 416 subject from twelve product organizations in Bulgaria. The results of the statistical analysis showed that market development strategy had a direct significant relationship with customer purchase ( $R^2 = 62.4\%$ ).

Mohammed & Saif (2019) [4] evaluated market development strategies in relation with firm’s performance. The study laid emphasis on promotion and branding strategies as the predictor variables while performance was conceptualized in terms of purchase quantity and referrals. In the methodology of the study, 195 samples were drawn from four leather firms in Puujab, India using structured questionnaire. Analysis of the data by statistical software showed that promotion had a high positive correlation with purchase quantity ( $r = 0.896$ ) and with referrals ( $r = 0.713$ ). branding strategy had a milder relationship with purchase quantity ( $r = 0.536$ ) and a fairly strong relationship with referrals ( $r = 0.722$ ). These results affirm a positive relationship between market development strategy and firm’s performance.

**Methodology**

**1. Research Design**

The research was a survey. It involved the interviewing of a selected group of persons who served as respondents. Their opinion on the subject matter constituted the primary data of the research.

**2. Sample Size**

A sample size of 325 was selected from six organizations in Enugu, Enugu State. The Taro Yamene. Formula was used as a guide to draw the samples from a finite total population of 1733 workers.

**3. Administration of Instrument**

Convenience sampling technique was used to select the six organizations while simple random technique was used to administer the questionnaire to the respondents.

**4. Validity and Reliability of Instrument**

The validity of the questionnaire was established by research professionals in management who evaluated the questions items with respect to their ability to elicit the correct responses. The reliability of the questionnaire was established through test-retest method that involved a pilot study.

**5. Method of Data Analysis**

Version 20 of the statistical package for social sciences (SPSS) was used to analyze the data. The analytic tool applied was multiple regression.

**Results and Discussion**

**1. Results**

**Table 1:** Regression Results

Var	NDC	NMS	NPI	PRO	CUS	VIF
β Coeff.	1.000	1.000	1.000	2.313	1.682	2.14
Const.	2.619	1.803	1.097	3.014	2.225	-0.48
Std Error	0.0010	0.0026	0.0143	0.0622	0.0196	

**Independent Var NDC, NMS, NPI.**

NDC = New Distribution Channels

NMS = New Market Segments

NPI = New Price Implementation

PRO = Profitability

CUS = Customer patronage

**Table 2:** Multiple Determination & Auto Correlation

Coeff of Multiple Determination		Auto correlation
<b>R<sup>2</sup></b>	<b>Adjusted R<sup>2</sup></b>	<b>Durbin-Watson</b>
0.741	0.712	1.318

**2. Discussion**

From table 4.11, the beta coefficients are  $b_0 = 2.619, b_1 = 3.014, b_2 = 2.225$ , leading to the regression model:

$Y = 2.619 + 3.014 \text{ PRO} + 2.225 \text{ CUS} + U$ : all regression coefficients are positive and significant at the 5% level, indicating a significant positive relationship between market development and firm’s performance. The positive and significant magnitude of the beta coefficients led to the rejection of the null hypotheses of the study. Thus the findings of the study are:

1. New distribution channels have a significant positive relationship with firm's profitability;
2. New distribution channels have significant positive relationship with customer's patronage;
3. New market segments have significant positive relationship with a firm's profitability;
4. There is a significant positive relationship between new market segments and a firm's customer patronage.
5. There is a significant positive relationship between new price implementation and a firm's profitability.
6. There is a significant positive relationship between new price implementation and a firm's customer patronage.

The coefficient of multiple determination  $R^2 = 0.712$ , meaning that about 71.2% variations in a firm's profits and customer patronage could be accounted for by creation of new market segments, new distribution channels as well as implementation of suitable new price strategy. These findings are in one accord with these of previous studies by (Zarniewski (2014), Mohammed & Saif (2019) <sup>[4]</sup>, Coleman (2020) <sup>[7]</sup>, Albright (2020) <sup>[5]</sup>, etc. Zerniewski (2014) found out that market development had a significant direct relationship with customer purchase in a study involving 416 respondents in Bulgaria. The coefficient of multiple determination  $R^2 = 62.4\%$  and that of this study is 71.2%. Similarly, Mohammed & Saif (2019) <sup>[4]</sup> found out that promotional strategy (a market development strategy) had a high correlation with sales quantity ( $r = 0.896$ ) and with customer referrals ( $r = 0.713$ ). Branding strategy also boosts firm's performance ( $r = 0.536$ ). Results of other studies such as those of Coleman (2020) <sup>[7]</sup> and Albright (2020) <sup>[5]</sup> all provide impressive body of evidence to support the claim that market development has a significant positive effect on firm's performance.

## Conclusion and Recommendation

### 1. Conclusion

Market development has a significant positive relationship with a firm's performance. Creation of new market segments has the capacity to raise a firm's profits and customer patronage ( $b_1 = 3.014$ ). Similarly, there is a significant positive relationship between new distribution channel and firm's profits as well as with customer patronage. Moreover, new price implementation strategy also has significant effects on profitability and customer patronage. Changes in market segment, distribution channels and pricing strategy can account for up to 71.2% changes in profits and patronage. Therefore, we conclude that market development has significant positive effect on a firm's performance.

### 2. Recommendation

The findings of the study led to the recommendation that:

1. Marketing managers should use the creation of new distribution channels as a strategy towards achieving high customer patronage.
2. To maintain high customer patronage, implementation of a suitable price strategy should be taken as a priority by managers.
3. The pursuit to satisfy customer needs and achieve high patronage should also be achieved through market segmentation, among other development strategies.

4. Managers should know when to segment a market, create new distribution channels or adopt new pricing strategies for high profitability.

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