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"Market Penetration as a Growth Strategy for Small and Medium-Sized Enterprises in Nigeria"

John P. Uko
PhD
Department of Management Sciences
Veritas University Abuja
Obehie Campus, Abia State, Nigeria

Fidelis A. Ayatse
Ph.D
Department of Business Administration
College of Management Sciences
University of Agriculture Makurdi
Benue State - Nigeria

Abstract
Small and medium-sized enterprises (SMEs) play a pivotal role as engines of growth in many economies. SMEs are also responsible for driving entrepreneurship, innovation, and competition in many sectors of the economy. They account for a very substantial proportion of all economic activity and employment in most countries of the world. The global crisis has increased the need for SMEs in the developing world, such as Nigeria, to participate in the wider movement for sustainable business growth. While governments build capacities that encourage enterprise growth, the SMEs themselves need to adopt business strategies that promote the growth and expansion of their businesses. This paper discusses one of such growth strategies—market penetration strategy—an intensive growth strategy proposed by Igor Ansoff. This strategy allows the firm to penetrate more deeply into its existing market and increase its share of that market. The paper suggests and describes the strategies of segmenting the firm's product market to identify distinct customer groups that offer the firm an opportunity to select target market(s) for which it could develop a fine-tuned marketing mix. The paper uses the consumer's product purchase patterns and product use-related factors to illustrate the procedures for identifying and targeting profitable segments in the firm's existing market. Given that a small and medium-sized enterprise operating in a product market is most likely a small firm surrounded by large firms, the paper recommends the market nicher strategy as the most appropriate competitive strategy for Nigeria's SMEs.

Keywords: - Market penetration strategy, small and medium-sized enterprises (SMEs), product-market growth matrix, market segmentation strategies, sustainable competitive advantage, market niche strategies.

1.0 Introduction
No nation can afford to ignore the importance of its indigenous small and medium-sized enterprises (SMEs) and the contributions that they make as engines of growth in the national economy. SMEs are also responsible for driving entrepreneurship, innovation, and competition in many sectors of the economy. In Nigeria, the SME sub-sector plays a pivotal role in the overall industrial, commercial, and service economy. Following the introduction of the Structural Adjustment Programme (SAP) by the Ibrahim Babangida military regime in the mid-1980s, which forced many large companies to reduce their work force, the SME sub-sector has been growing in number. The sub-sector as a whole provides, on average, 50 percent of Nigeria's employment as well as 50 percent of its industrial output.

The global crisis has increased the need for SMEs in the developing world, such as Nigeria, to participate in the wider movement for sustainable business growth. The need for SME growth is beyond question because SMEs constitute the dominant form of business enterprises; micro, small and medium-sized enterprises account for over 90 percent of all Nigerian businesses. However, at present, Nigeria's SMEs experience many problems and obstacles to growth and expansion, which are not just an effect of the present economic downturn. SMEs in both developing and the developed world face similar market conditions, which include the lack of competitiveness, high mortality rates, problems with information asymmetry, and vulnerability to market fluctuations. The challenges of managing SME are also similar, namely high-perceived risk, very high administrative costs, and poor management.

On the other hand, successful management of SMEs, as indeed all businesses, depends on the ability of management to develop quality business plans and marketing strategies that get their products to markets and work on opening new markets, conducting market research, and sourcing technology. Yet, these elements are lacking in the management of most of Nigeria's SMEs. While it is desirable that governments and their agencies build capacities that encourage small and medium size enterprises to grow, the SMEs themselves need not rely solely on government policy and the regulatory framework for sustainable growth.

The purpose of this paper is to propose and discuss market penetration as a strategy that can help SME enterprises to expand and grow their businesses. The paper is divided into six sections. This first section serves as the introduction. In section two, we discuss the problems of business expansion and growth in Nigeria's SME sub-sector and present a model of growth strategies proposed by Ansoff (1957). In Section 3, we present market segmentation and describe how its procedures can help businesses identify actionable market segments in the firm's existing market. In section 4, we discuss strategies for targeting profitable segments, while section five discusses the role of market position in determining the choice of an appropriate target market approach in the context of this analysis. The last section, the conclusion, pulls together the arguments for the different strategies and the suggestions that will help indigenous businesses in the SME sub-sector to expand and grow their businesses.

2.0 Challenges of Growth in the SME Sub-sector

Enterprise growth can be defined in quantitative and qualitative terms. Quantitative growth comprises the increase in measurable variables, such as, turnover, profit, and number of employees. Qualitative growth can be defined as a qualitative improvement of the input or output of an enterprise. Examples are an improvement of the product quality, the quality of customer relations, the quality of work places created, and management competences, as well as sustainability in the enterprise's development. High-growth small and medium enterprises are often associated with employment growth. Growing enterprises generate new jobs and offer new products, services, and markets. Frequently, these enterprises are built on and related to creativity and innovation.

Creativity refers to the phenomenon whereby a person or an organization creates something new (such as a product or a service) or a new way of doing something that has value to the society or domain within which the novelty occurs (Mumford 2003). Creativity, therefore, requires newness or novelty as a characteristic of what is created. In business, for something new to be considered an innovation, it must result in the creation of new or altered business processes within the organization, or changes in the products and services provided (Luecke & Katz, 2003). The change must create and deliver new customer value or producer value in a market or create a new dimension of performance and growth through improvements in efficiency, productivity, quality, competitive positioning, and market share (Beswick & Galllagher, 2010). In the case of the SMEs, growing SMEs function as a transformation and diffusion mechanism to turn technical and scientific inventions into product or service innovations contributing to structural economic change and growth (Carree & Thurik 2003).

Many business surveys and the scholarly literature have identified financing difficulties as one of the most important problems hindering the growth of small and medium-sized enterprises in both the developing and the developed countries (UNCTAD 1995, Abereijo and Fayomi, 2005). For example, the subsector is characterized by serious undercapitalisation, which creates difficulties in gaining access to bank credits and other financial markets. Financing difficulties prevent SMEs from undertaking productive investments, acquiring the latest technology, and adopting modern production methods to expand their businesses, thus hampering their competitiveness in the modern economy.

SMEs' failure to grow and expand had been blamed in the past on what was seen generally as the Nigerian governments' lack of interest in and support for the roles that SMEs play in national economic development. However, for some decades now, successive Nigerian governments have made concerted efforts to promote the growth and development of SMEs. For example, the Federal government of Nigeria, with assistance from international financial institutions, has tried to address the financing problems of SMEs by creating subsidized credit programmes and/or providing loan guarantees. Examples of these are the Small Scale Industries Credit Scheme (SSICS), the establishment of the Nigerian Bank for Commerce and Industry (NBCI), the National Economic Reconstruction Fund (NERFUND), the World Bank Loan Scheme (SME I & II), and the Small and Medium Industries Equity Investment Scheme (SMEIES).

Gilmore, Carson, and Grant (2001) have observed that the SMEs do not conform to the conventional marketing characteristics; instead, their marketing is characterised by several limitations. Among these are that SMEs are small and have limited resources (in terms of financing, time, and marketing knowledge). They focus on a small range of products or services sold mainly in local domestic markets. The enterprises operate with simple structures. They depend on a limited number of staff and lack highly experienced employees. Often, the owners are also the managers of the enterprise. The enterprises lack specialist expertise as the owner-managers tend to be generalists rather than specialists. Accordingly, management vision, thinking, and outlook may be bounded by the horizons, skills, experiences, and the knowledge of the owner(s), the pressures of day-to-day management, and tight resource constraints. Potential conflicts may arise between corporate objectives and the personal objectives of the owner. It will be difficult for these enterprises to adapt corporate culture to new situations and challenges.

SMEs have limited funds to finance investments and absorb initial operating losses, while spending for market research and market development would take a much higher proportion of total spending compared to larger businesses. According to Scase and Goffee (1980), SMEs have limited impact in the marketplace—because SME marketing is haphazard and informal—based on the way the owner-manager does business. Decision-making occurs in a haphazard and apparently chaotic way, according to personal and business priorities at any given point in time. Nevertheless, these limitations can be turned into advantage in the sense that the owner-manager may exhibit a high level of identification with his business and commitment to its success. As there is hardly any external pressure for short-term success, the enterprise's owner would be expected to adopt long-term thinking and perspectives on growing the business. Growth, however, does not occur automatically; an important success factor lies in the enterprise following clearly crafted identified growth strategies.

2.1 Model of Growth Strategies: Ansoff's Product-Market Growth Matrix

Ansoff (1957) devised a scheme (shown in Fig. 1 below) that businesses commonly use to pursue growth and expansion. The scheme consists of two dimensions: the *market* and the *product*. Market may be described as a demand-side dimension in which one looks at the size and composition of the product market and the level of the firm's penetration of that market. On this dimension, Ansoff postulated that a company might seek growth opportunities either in an existing market or in new markets. The product dimension is essentially a supply-side dimension in which one looks at the strength of the firm's product lines and the core competencies of the firm in marketing its product offerings in the chosen market (Prahalad and Hamel 1990). On the product dimension, Ansoff also identified two ways of seeking corporate growth—via the firm's existing products or by introducing new products. He juxtaposed the two product-market dimensions to produce a 2 x 2 matrix, which yields four possible product-market combinations that portray alternative corporate growth strategies, as shown in Fig. 1.

Figure 1 Ansoff's Product-Market Growth Matrix for Corporate Growth Strategies
Products

		Existing Products	**New Products**
Markets	**Existing market**	**1** **Market Penetration**	**2** **Product Development**
	New markets	**3** **Market Development**	**4** **Diversification**

As just indicated, Ansoff's matrix produces four quadrants or boxes, 1, 2, 3, and 4. Each box represents a different corporate growth strategy based on market penetration, product development, market development, and diversification. These growth strategies are described as follows:

1. Market Penetration—the firm seeks to achieve growth in its current product-market by further penetrating this existing market with its existing product lines. Kotler and Keller (2006) referred to this approach to growth as an intensive growth strategy.

2. Product Development—the firm seeks growth opportunities by developing new products targeted to its existing product-market. This strategy includes performing new value-generating activities that may result in new products and services that are targeted to the existing groups of buyers or end-users.

3. Market Development—the firm seeks opportunities to grow the company's business, sales, and profits by finding a new group of customers for its current product offerings. The new group of customers may be found by entering entirely new geographical markets within the country (for example, by opening new sales territories within the domestic market) or by entering a new geographical market overseas.

4. Diversification—the firm seeks growth opportunities in diversification. Diversification means that, while holding on to its primary business, the firm seeks expansion to achieve greater sales volume by entering a new line of business in the same, related, or different industry (Uko, 2010). Thus, a diversification strategy often adds new products to the company's product portfolio and new markets to its competitive scope, both at the same time. Kotler and Keller (2006) referred to these growth activities as integrative growth strategies.

In the analysis that follows, we will focus our attention on market penetration—an intensive growth strategy for small and medium-sized enterprises in Nigeria.

2.2 *Market Penetration Strategy*

A small or medium-sized start-up firm typically starts in Box 1, selling its product(s) in its existing product market. According to the Ansoff model, the firm may stay in this box and seek to achieve growth by further penetrating this market to increase its share of the market. Therefore, a market penetration strategy is essentially a market share strategy. Empirical research conducted by the PIMS (Profit Impact of Marketing Strategy) project on the relationship between market share and profitability indicated that firms with a high market share were often quite profitable (Buzzell, Gale & Sultan, 1975; Szymanski, Bharadwaj & Varadarajan, 1993). However, although the firm stays in the existing market and is selling its product lines in this market, to increase market share is not about doing 'business as usual'; rather, it involves much more aggressive marketing effort to penetrate more deeply into its existing market and tapping into all available opportunities for sales growth in that market.

The PIMS project also shows that while firms with high market share were often quite profitable, so were many firms with low market share, and firms with moderate market share were the least profitable. Porter (1980) referred to this phenomenon as the *hole-in-the-middle* problem. He explained this phenomenon as follows: firms with high market share were successful because they pursued a cost leadership strategy; firms with low market share were successful because they used market segmentation to focus on small but profitable market niches, while firms in the middle were less profitable because they did not have a viable generic strategy.

With the large population of Nigeria, one would think that this large population would simply translate into a huge market for any company's products. However, this has not been the case for, in spite of this huge population, a typical small or medium-sized enterprise operating in the Nigerian market, regardless of the industry, most likely is a low market share competitor. Many Nigerian SMEs still complain of lack of customer patronage—partly because many SMEs lack knowledge of their market. Markets are not just large, they are also not homogenous; that is, individuals in this large market differ in their needs and in the way they respond to a company's marketing mix as they go about meeting those needs. Therefore, a small or medium-sized enterprise cannot approach the entire market with a blanket marketing strategy or with one marketing mix targeted to the entire consumer population.

From the findings of empirical research discussed earlier, firms with low market share (as the SMEs are) will be successful and profitable if they use market segmentation to identify small but profitable market niches where they can operate. This suggests that the SMEs must adopt the strategy of market segmentation to divide the total market into smaller subgroups that display similar needs and relevant characteristics that enable them to respond favourably and in the same manner to the firm's marketing strategy. Market segmentation allows for a more focused definition of the market in terms of the buyers' needs and responsiveness to the firm's marketing strategy. With market segmentation, the firm is able to set its marketing objectives more precisely and to allocate its marketing resources more efficiently. For a low market share firm, such as an SME, market segmentation enables it to delimit its marketing focus to narrowly defined market segments where it can create a clearly differentiated market offering and price it appropriately to satisfy its chosen target market and achieve competitive advantage. Having competitive advantage means having a meaningfully better marketing mix or market offering for a firm's product market than its competitors do, that the firm's target market values, and which the firm's competitors have not been able to copy, imitate, or improve upon. Additionally, by focusing on a specific market segment and satisfying segment members' needs very well, a low market share firm can build such close relationships with customers that it faces no real competition in that market segment. This will enable the firm to increase sales by getting a much larger share of the business in the market segment.

3.0 Market Segmentation Strategies for SMEs

In the present circumstance, market segmentation would entail the firm dividing its total product-market first into two subgroups, which differentiate coarsely between the product's current users and non-users. Then, based on their product usage rate, the current users would be segmented further into occasional or light users, moderate users, and regular or heavy users. However, for the purpose of this analysis, we will treat the *light and moderate users* as one actionable market segment. The non-users are all consumers in the existing market who do not buy the firm's product. They could be segmented further into at least two broad groups. The first group comprises the non-users who are unaware of the firm's product and those who are aware of it but have strong negative attitudes towards it. This group includes ex-users who have defected from the company. The second group comprises those consumers who have neutral attitude toward the product or are simply indifferent. We call the first group '*brand rejecters*', while the second group may be called '*potential buyers*'. Both the brand rejecters and the potential buyers constitute separate actionable market segments.

However, the potential buyers may be divided still further into smaller sub-segments based on certain relevant and measurable characteristics. For example, assume that these potential users are at different stages of brand familiarity, that is, the degree to which they recognize or are aware of the manufacturer's brand. They are also at different stages of loyalty to the manufacturer's brand. In this way, four distinct levels of brand familiarity conjoined with loyalty may be identified, as follows:

1. Brand nonrecognition, which comprise potential buyers who are presently unaware of the firm's product.

2. Brand recognition-neutral attitude, comprising potential buyers who are aware that the firm's product exists, but are indifferent to it.

3. Brand *acceptance* and *preference*, comprising potential buyers who are interested in and desire the firm's product, but currently they do not use it.

4. *Brand insistence*, comprising potential buyers who have displayed the highest level of loyalty towards the firm's product—brand insistence; for example , although their recent purchase sequence has not featured the firm's brand, the consumers may intend to buy the firm's brand on their next shopping trip.

From the foregoing analysis, we can identify seven customer segments and sub-segments as follows:

- Heavy users
- Light and moderate users
- Brand rejecters
- Brand non-recognition
- Brand recognition-neutral attitude
- Brand acceptance and preference
- Brand insistence

4.0 Target Marketing Strategies for SMEs

The members of each of these customer groups, except in the heavy user segment, constitute an untapped growth opportunity for the firm. The firm could treat any of these segments and sub-segments as a target market. A target market is a clearly defined customer group in a product market to which a firm directs its marketing efforts. Targeting any particular customer group will require developing a fine-tuned marketing mix for it in terms of product, price, promotion, and distribution strategies.

However, the seven segments and sub-segments most likely will differ in attractiveness, based on the five criteria of *accessibility*, *actionability*, *differentiability*, *measurability*, and *substantiality*. On one hand, accessibility is the ease with which the company can reach the segment's members effectively and serve them. On the other hand, the term refers to the extent to which a consumer or user can obtain a company's market offering at the time it is needed. Actionability is the extent to which effective marketing programmes can be formulated to attract and serve the segment. A segment is differentiable if it is conceptually distinguishable from other segments and if their members are known to respond differently to different marketing mix elements and programmes. Measurability refers to the ease with which the size, purchasing power, and other relevant characteristics of the segment can be measured, while substantiality refers to the segment being large enough and, therefore, profitable to serve (Kotler and Keller, 2009). A segment would be eligible to select as target market if it scores high on these five criteria.

In developing its target marketing strategy in the present case, the company may choose from a number of options: a single target market approach, a multiple target market approach, or a combined target market approach. In a single target market approach, also known as the concentration strategy, the firm selects only one market segment to serve and directs all its marketing efforts to serve that segment with only one marketing mix. This target market approach allows firms with limited resources (such as, the small and medium-sized enterprises) to concentrate on one market segment and seek to achieve a competitive advantage there. However, by ignoring the other actionable market segments, the firm that follows this strategy may find itself missing available market opportunities. The multiple target market approach is a multi-segment strategy in which the firm chooses two or more segments to the exclusion of all others, treats each selected segment as a separate target market, and develops a unique market mix for each. While this strategy recognizes the differences in responsiveness among the market segments, it increases the firm's production and marketing costs—because it may require manufacturing a different product and developing separate and different promotional plans and distribution channels for each segment. The combined target market approach combines two or more distinct market segments into one larger target market and then develops one marketing mix for this enlarged target market. The firm that adopts the combined target market approach looks at various similarities among the segments that form the combination rather than their differences and then tries to extend or modify its basic marketing mix appeal to the now combined customer group. Applying this strategy for the case in hand would mean combining two or more out of the four identified sub-segments of potential users into one market segment having the common characteristic that they all are potential buyers of the firm's product and then devoting the firm's marketing resources to satisfy their needs better than competitors can do. However, a major drawback of this approach is that the marketing strategy the firm develops for the combined segment may be too broad to satisfy the distinctive needs of the sub-segments that make up the combined target market. Additionally, these original sub-segments might be targets already of fine-tuned marketing mix strategies by the firm's competitors; in which case, there will always be a big battle to win them over.

4.1 Targeting the Heavy User Segment

Studies have shown that, for most products, the Pareto 80-20 principle applies, that is, a relatively small group of users (about 20 percent) are heavy users who buy and consume about 80 percent of the company's product output. Applying this principle in financial terms, it states that 80 per cent of the company profits come from 20 per cent of its customers. In the financial services industry, this concept is known as profit risk, where a company derives positive income earnings from 20 per cent or fewer of its customers, while 80 per cent or more are costing the company money (Koch, 2004). In recent years, this profit-generating 20 percent of the company's customers have been referred to aptly as *profitable customers*. Thus, a profitable customer is a person, household, or company that over time yields a revenue stream that exceeds by an acceptable amount the cost the company incurs in attracting, selling to, and servicing that customer.

Given the importance of the heavy user or profitable segment to the firm, targeting heavy users has become the objective of many firms' traditional marketing strategies. In developing an overall marketing strategy toward the heavy user segment, one would assume that the combination of product, price, promotion, and place (distribution) policies and programmes the firm uses currently to reach its heavy user segment has been attractive to this segment and is working. In other words, the firm's current strategy may be considered an adequate and acceptable response to the needs and wants of this segment. Therefore, one would always proffer a *more-of-the-same* successful approach towards the heavy user segment. Nevertheless, a company cannot rest on its oars because it has in its hands a strategy that works; the firm must develop strategies and programmes that maintain and reward its heavy user segment's loyalty and ensure that it wards off their being attracted to competitors' promotions. Furthermore, the firm should encourage loyal customers to stockpile the firm's brand (Mela, Jedidi & Bowman, 1998). This practice has the effect of lengthening their repurchase cycle and, in the interval, killing their interest in competitors' promotions. Similarly, the firm should encourage its current customers to trade up from their regularly purchased sizes to a larger size and also encourage them to increase repeat purchase. Finally, the firm should develop customer relationship management (CRM) programmes that help form tighter bonds that will enable it to hold the company's present customers, keep them from switching, and retain them as repeat customers. Customer retention in the heavy users segment is, therefore, vitally important to the firm, bearing in mind that it is more costly to attract a new customer than to please an existing one, just as it is even far more costly to bring a new customer to the same level of profitability as a lost customer (Kotler & Kelley, 2006).

4.2 Targeting Light and Moderate Users

The objective of increasing the firm's share of its existing market suggests that the firm should take note also of the gaps in market coverage for light and moderate users. Such gaps may be closed by cultivating stronger customer relationships with members of the light and moderate user segment and developing brand-building activities and marketing strategies targeted to them to increase customer loyalty and total sales volume in this segment. The marketing strategies directed to the light and moderate users should be aimed at converting them into heavy users by encouraging them to stick to the firm's product, while buying and using them more frequently (Neslin, 2002). Such policies and programmes would be designed to achieve some specific marketing promotional and distribution outcomes. In particular, they should be designed to obtain the widest possible market coverage for the firm's products at all levels of distribution and maintain a satisfactory level of distribution coverage for the firm's products, particularly at the retail level. In addition, they should arouse and sustain the interest of the trade (dealers, wholesalers, distributors, and retailers) in the firm's product offerings, increase their handling of them, and enhance their attention to them, as well as arouse the retailer's interest in particular and encourage them to give both more shelf space and more conspicuous shelf locations to the company's product offerings. Furthermore, they should encourage the company's sales personnel to intensify their sales calls on the retail outlets, while maintaining and rewarding current consumers' loyalty to the firm's brand and ward off their being attracted to the competitors' promotions. They should encourage loyal customers to stockpile the firm's brand (Mela, Jedidi & Bowman, 1998). As previously noted, this practice has the effect of lengthening their repurchase cycle and, in the interval, killing their interest in the competitors' promotions. Finally, such promotional policies should encourage brand switching behaviour (that is, attract the competitors' customers to try the firm's brand and encourage the firm's current customers to trade up from their regularly purchased sizes to a larger size and to make them increase repeat purchase.

4.3 Targeting Potential Buyers

Our earlier analysis had shown that, based on their brand familiarity and loyalty, the potential buyers segment can be divided further into four actionable sub-segments. Unless the firm adopts a combined target market approach as discussed earlier, each of those sub-segments would be targeted with a differentiated marketing strategy using a variety of techniques. In a mature market, the only way to increase a company's share of the market is to take away sales from competitors. Only aggressive marketing techniques by the firm will convince potential customers that its offer is better than that of other companies. Thus, to increase its marketing share, the firm must come up with some marketing techniques that will catch potential customers' attention and draw their patronage away from its competitors. For example, for the b*rand non-recognition s*ub-segment, the firm should create an awareness of the firm's product among this segment and offer promotional incentives (such as, free product samples, couponing, and demonstrations), which will induce them to try the firm's product. Some manufacturers offer free product samples to consumers to achieve immediate consumer introduction to their products, to break existing customer brand loyalties and consumption habits, and to encourage brand switching in favour of their own brands. Once non-users become first-time buyers, the firm should encourage subsequent repeat purchase behaviour by these first-time users.

For the *brand recognition-neutral attitude* sub-segment, the realisation that the members of this group do not use the firm's product because of indifference to it would suggest that the firm develop strategies that change their neutral attitude to a positive attitude toward its product. This can be achieved through persuasive advertising aimed at creating liking, preference, and conviction leading to purchase of the product. Some research evidence suggests that comparative advertising, which makes explicit comparison of two or more brands, would be more effective in eliciting these cognitive and affective responses at the same time (Petrevu and Lord, 1994; Grewal, Kavanoor, & Barnes, 1997). The firm should also offer price and promotional incentives (such as sampling programmes, couponing, and demonstrations) to induce initial trial of the product, as well as encourage them to switch from competitive brands to the firm's brand.

The members of the *brand acceptance and preference* sub-segment have displayed brand acceptance and brand preference towards the firm's product. However, presently they do not buy it for a number of reasons, which may include that the firm's product are not available in their trading area, the product is highly priced, or these potential buyers are being wooed by the competitors' incessant promotions. Other possible reasons are that they buy competitors' brands out of habit or consumer inertia and there may be high switching costs. Consumer inertia is a feeling of passiveness on the part of the consumer that affects his information processing, brand evaluation, and brand choice. Consumer inertia creates an unwillingness to engage in exploratory behaviour in the marketplace. It leads to passive learning and a desire to save time and energy resulting in routinized response behaviour and repeat purchase of the same brand without any genuine feeling of brand loyalty (Uko, 2011). The consumer's switching costs are the one-time costs the buyer faces when switching from one supplier's product to that of another vendor, for example, in business-to-business (B2B) transactions, the costs incurred in retraining the customer company's employees to use the new supplier's equipment.

On distribution arrangements, companies may follow a push or pull policy (or both); both increase sales by providing extra incentive to purchase. A push strategy is a promotional strategy in which the company relies primarily on its own sales representatives to sell the other channel participants (primarily resellers) on carrying its brands. The company offers incentives and extra values in the form of buying allowance, merchandise allowance, free goods, and trade contests to different types of resellers in the distribution channel to motivate them to push his products through the channel system to the consumer. Trade contests, for example, are staged to reward retailers that sell the most for the company. The retailer's sales personnel are rewarded also with push money. Also called *spiffs*, this is cash payment manufacturers make to the retailers' sales personnel as additional compensation to induce them to embark on an aggressive selling of the manufacturer's products and to give such products special attention in displays, as well as answering shoppers' calls inside the store. In many cases, however, an effective push strategy calls for the careful blending of intensive and well-organized sales efforts by the manufacturers' sales force and by the distributors' sales personnel to achieve favourable consumer reaction. Advertising may be used in conjunction with these sales promotions.

In a pull strategy, the company promotes directly to consumers with the intention to create a strong consumer demand, relying primarily on massive consumer advertising and consumer sales promotions to draw customers into the reseller's establishment to demand its brand by name. The pull strategy involves use of such promotional incentives as samples, coupons, premium offers, and bonus packs. Some companies offer free product samples to introduce their brands to nonusers in order to induce immediate consumer trial, break existing brand loyalties and consumption habits, and encourage brand switching in favour of their own brands. A coupon is a voucher issued by a manufacturer to be presented to a retailer giving the holder a discount of a certain specified amount (or percentage of retail price of the product) on the next purchase of the product, usually with certain conditions attached. Couponing has become a standard consumer sales promotion that manufacturers in the United States and other advanced economies of Europe use to promote both new products and mature products—to induce immediate trial of a new or an improved product, to increase sales volume quickly, to attract repeat buyers, or to introduce new product features, including new package sizes. The conditions commonly involve the voucher being valid only if a certain quantity is bought or only if the customer has certain characteristics, such as being a senior citizen, student, or toddler.

Premium offers are extra products, such as a biro pen, a small toy, or a toothbrush offered free (as a bonus item), or at minimal price, as an incentive to buy a particular product, such as toothpaste, skin lotion, or cigarettes. Sometimes, companies also offer premiums in the form of reusable containers bearing their names and logos in order to help promote other products in their product line. Manufacturers use premium offers to promote established brands by encouraging brand switching (that is, attract the competitors' customers to try the promoted brand), to get current product users to trade up to the larger size from their regularly purchased sizes, and to make them increase repeat purchase. Whether free or at some cost, the extra item that is offered in the premium offer represents a savings to the consumer for buying the brand. A bonus pack is a package containing two items of the same product (or twin pack) that sell for the price of only one. For example, a manufacturer may attach a sample size of a product to a full size of the same product in a bonus pack as an incentive for the consumer to buy the product. Frequently, manufacturers use bonus packs to introduce a new product (made by the same manufacturer), for example, a *new fabric softener* included in a package with a *laundry detergent* made by the same company. Similarly, a manufacturer may offer a bonus pack to make buyers aware of a companion product to one they already use (for example, a new hair conditioner included in a package with shampoo with which the buyer is already familiar).

These incentives—sampling programmes, coupons, premium offers, and bonus packs—must be designed attractively and carefully targeted to the ultimate consumer to induce him to look for the manufacturer's brand in the retail outlet and ask for it by name—because the consumer is aware that something attractive is going on and he too wants to benefit from it. Since the pull strategy draws the consumer to seek the company's product in the retail store, the retailer in turn will go to wholesalers to obtain the product. The company's sales personnel play a pivotal role in the success of a pull strategy. They must intensify their sales calls on the retail outlets to ensure that retailers carry sufficient stock of the company's brands, give them adequate and good shelf space, and cooperate in the company's ongoing sales promotion programmes.

Psychological pricing refers to several promotional pricing methods designed to influence the customer's perception of the value implied by the price he or she pays for the product. Two of the commonest psychological pricing methods used by retailers are *prestige pricing* and *odd number price ending*. Also called *premium pricing*, prestige pricing is a promotional pricing method in which a manufacturer, seeking to capitalize on the buyers' price-quality perception, consistently prices its product at, or near, the high end of the range of acceptable prices in order to attract status-conscious consumers. Careful brand management coupled with a well-crafted advertising campaign create value that often convinces consumers to pay a premium price for products. To the manufacturer, creating value consists essentially of managing the projected image of its brand so that the consumer sees the brand as being worth the amount that the advertiser wants him/her to see and, therefore, be willing to pay a premium price charged by the manufacturer.

The prestige pricing method works best for shopping goods (such as, furniture, jewellery, and household appliances) and specialty goods, such as photographic equipment, high-priced luxury cars, high-fidelity sound equipment, and men and women's high-fashion clothing. This class of consumer products have relatively high unit value. Consumers buy them only after much prepurchase information search and deliberation have taken place and they base their product choices on price, quality, style, brand loyalty, lifestyle, and self-image considerations. The objective of companies that practice prestige pricing (such as, Rolex SA, a Swiss manufacturer of high-quality, luxury wristwatches) is to convey an image of the product's superior value to buyers who believe the high price is an indication of good quality and a sign of self worth, success, and status. Rolex watches are popularly regarded as status symbols. Another objective is that the manufacturer uses the prestige pricing method to enhance the overall image of his entire product line.

The odd number price ending is a pricing practice used widely in retail store price tags whereby suggested retail prices are quoted as odd numbers—mostly a nine-ending number (for example, \$2.99 instead of \$3.00). In this example, the belief is that the nine-ending number will stimulate more purchases than a \$3.00 price tag. This belief is based on the behavioural phenomenon referred to as the left-digit anchoring effect, which suggests that judgments of numbers are anchored on left-most digits. In this example, buyers will subconsciously perceive 2.99 as being closer to 2 than to 3. Many sellers will even seek to enhance this effect by writing the cents in smaller prints, such as, $\$2^{99}$. Another hypothesis is that consumers ignore the least significant digits rather than do the proper rounding. Thus, even though the consumer has seen the cents, he may subconsciously ignore it. Although empirical studies have shown that sales promotions hardly ever turn deal-prone shoppers into loyal customers, Anderson and Simester (2004) suggest that even such consumers may be induced to make subsequent purchases after the initial trial. The firm should also create lower-priced versions of the product targeted to this group and encourage brand loyalty in other ways.

For the *brand insistence* sub-segment, the firm must realize that although the members of this group are loyal to the firm's brand, their recent purchase sequence has not featured the firm's brand. There may be some reasons for this; such reasons include the firm's brand not being always available in their trading area and/or the product's price having gone up beyond the sub-segment members' purchasing power. This suggests that the members of this sub-segment would buy the firm's product if the firm makes the product available and affordable to them.

4.4 Targeting the Brand Rejecters
Researching into the characteristics, attitudes, and purchase and consumption behaviours of the brand-rejecters would reveal their buying preferences, present buying habits, and the reasons why they do not buy the firm's brand, while patronizing competing brands. Such research may also point to ways the firm can use to approach them and convert them into users of its product (or win them back, in the case of defectors). For example, as a first step, it may be necessary for the firm to use the kind of advertising campaigns and promotions that will change their present negative attitude to neutral attitude. With this action, the non-users will be converted into potential buyers of the firm's brand. Once they have developed positive attitude towards the firm's product, this strategy will move them closer to becoming customers. Subsequently, it may require giving the same segment the firm is working on price deals and other non-price incentives to induce trial of the firm's brand and to encourage them to switch from the competitive brands they are currently buying to the firm's brand. However, the costs of converting the brand-rejecters into potential buyers, trial users, moderate users, and ultimately heavy users have to be weighed against the financial gains the firm will make from doing so. This is because more often than not this group turns out to be unprofitable customers.

5.0 The Role of Market Position

Which of the foregoing strategies is appropriate to adopt to increase market share in its existing market will depend on the firm's relative position in this market, that is, is the firm the market leader, market challenger, or market nicher? Market penetration occurs when a growing market already exists and the company has a strong brand with good market acceptance. These conditions enable a company to penetrate its existing product market by gaining competitors' customers (that is, taking part of their market share). Other ways include attracting non-users of if its product or convincing current users to buy and consume more of its products or use more of its services. However, in competitive markets, sustaining current market share and gaining more is for firms with above average performance—sustains profits that exceed the average for its industry. The concept of competitive advantage lies at the heart of understanding a firm's performance in competitive markets. The firm that achieves above average performance is said to possess a competitive advantage over its rivals. A competitive advantage exists when the firm is able to deliver the same benefits as competitors but at a lower cost or deliver benefits that exceed those of competing products. Thus, a competitive advantage enables the firm to create superior value for its customers and superior profits for itself. As Porter (1985) argued, competitive advantage grows fundamentally from the value a firm is able to create. Value is what buyers are willing to pay and superior value stems from offering lower prices than competitors for equivalent benefits or providing unique benefits that more than offset higher prices.

However, having a meaningfully better product or service offering for the firm's product-market does not necessarily guarantee the firm long-term success. For a competitive advantage to be strategically meaningfully, it must be sustainable. Porter argues that the fundamental basis for above average performance in the long run is a sustainable competitive advantage. A sustainable competitive advantage (SCA) is a distinctive competence that a firm has, which is durable and cannot easily be copied or duplicated by its competitors. Three conditions must be met for a competitive advantage to be sustainable. One, customers in the firm's product market must perceive a consistent difference in the firm's important product delivery attributes compared to those of the competitors. Two, the difference in the firm's important product delivery attributes will be a direct consequence of there being a *capability gap* between the producer and its competitors. Three, the difference in the important product delivery attributes and the capability gap can be expected to endure over time

As previously indicated, the choice of a target marketing strategy may differ depending on the firm's market position, its market share in the industry. Firms are classified based on their market share or dominance of an industry. There are four types of market dominance strategies: market leader, market challenger, market follower, and market nicher. A market leader is the firm with the largest market share in the product market. A market challenger is the firm that has the second largest market share position in the product market and is competing aggressively to increase market share in order to come close to or even overtake the market leader. The market follower may be the firm that holds the second largest market share position or is close to the runner-up in an industry or product market. Unlike firms its size or market share position that aggressively seek to match or overtake the market leader, the market follower is content with its share position. It prefers to follow rather than challenge the market leader—for two possible reasons. One, the market follower firm does not want to provoke heavy retaliation by attacking the market leader head-on. Two, the market follower considers that the costs of the competitive battles it needs to wage in order to take market share from a vigilant market leader may outweigh the potential benefits of doing so. A market nicher is a firm that operates on the fringe of an industry or product market dominated by big rivals. A small and medium-sized enterprise operating in a product market is most likely a small firm surrounded by large firms.

In competing in a product market, the large firms always take proactive actions to maintain their dominant position or adopt both offensive and defensive strategies to repulse challenges by smaller firms. In doing so, the large firms often have in-built competitive advantages that smaller firms, such as small and medium-sized enterprises, do not have at all or may be available to them at higher costs. These market leader advantages include having the most reputable brands in the market, and benefitting from the economies of scale in production and other functions of business, as well as cumulative experience effects—all of which translate to a favourable cost position. Other advantages are preferred access to suppliers based on their purchase volumes and access to the best distribution channels based on volume supplies. Finally, the large firms command great resources that make them willing to sacrifice immediate profits, if necessary, to engage in protracted competitive battles to maintain their market position. Nevertheless, small and medium-sized enterprises, as small firms, can still survive and find growth opportunities in product markets dominated by large firms—by following market niche strategies, that is, its looks to exploit a niche market. The market nicher seeks competitive advantage in its own segment.

5.1 Market niche strategies

A market nicher avoids head-on competition with the dominant firms. Instead, it goes after market niches that have little or no appeal to the dominant firms and, therefore, are neglected or overlooked by them. A market niche is a small narrowly defined market segment whose members have distinct needs to satisfy. Because they are small, market niches are usually unattractive to many large firms. In such situations, a small or medium-sized enterprise operating in a product market dominated by large competitors must find a niche that is safe and profitable. However, the market niche must be large enough to sustain growth but small enough that it does not look attractive to the market's bigger players. A market niche can be very profitable and the profit margins are high—because the market niche does not attract many competitors. Besides, customers in the niche often are willing to pay a premium price in order to satisfy their distinctive needs. The market nicher is close to his customers, knows their needs very well, and uses this knowledge to foster a close relationship with customers and to develop a marketing mix that satisfies the distinctive needs better than competitors do. In this way, the market nicher firm is able to reap production and marketing economies based on specialization.

However, there are always dangers in a small or medium enterprise concentrating in a market niche. One, there is always the possibility that its bigger rivals will find ways to neutralize the competitive advantage the market nicher has developed in serving the market segment. Two, segment buyers' needs and preferences may change in the direction of blending with the needs and preferences of the wider market. Such shifts in buyer needs and preferences will erode the distinctive competences the market nicher has acquired in serving the needs of his niche. Three, the profit potential or profitability of the market niche may be so attractive that the large firms become interested in moving into the segment. In the wake of such entry, segment profits will be splintered. Therefore, targeting multiple niches is an option that offers an SME a higher chance of growing its business because the firm will not be dependent on one segment.

6.0 Conclusion

The need for SME growth in the developing world is compelling because SMEs constitute the dominant form of business organization and they play a pivotal role in the overall industrial, commercial, and service economy. SMEs in Nigeria need to participate in the wider movement for sustainable business growth. As the governments tackle the financing difficulties that hinder the growth of small and medium-sized enterprises and build capacities that encourage small and medium size enterprises to grow, the SMEs themselves must adopt strategies for sustainable growth. The successful management of SMEs depends on the ability of management to develop quality business plans and marketing strategies that promote growth.

This paper analysed market penetration proposed by Igor Ansoff as a growth strategy—an intensive growth strategy in which the firm seeks to achieve growth by penetrating more deeply into its existing market, tapping into all available opportunities for sales growth in that market in order to increase its share of the market. The paper described the strategies of market segmentation and targeting as the foundation for understanding consumer markets. Knowing the size of distinct customer groups that make up the total market and their demographic profiles, lifestyle orientations, and other behavioural characteristics that differentiate one group from another presents the firm an opportunity to select target market(s) based on the combination of their product usage rate and brand familiarity and to develop a fine-tuned marketing mix for them. The paper illustrated the procedures for identifying and targeting profitable segments in the firm's existing market. Given that any small or medium-sized enterprise is a low market share competitor in its product market, the paper recommends market nicher strategy as the most appropriate target marketing approach for Nigerian SMEs to penetrate their existing markets.

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