An Exploratory Analysis of Market Segmentation and Young Mobile Phone Consumers in Nigeria

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Abstract

Purpose - The subject of market segmentation with respect to the use of mobile phones is an area that offers promising insights to strategic marketing decisions. The principles of market segmentation as established and grounded in marketing theory contain a multi-dimensional task of segmenting, targeting and positioning. Since telecommunications has inevitably transformed the entire well – being of man, of whom the young people are an interesting category, there has been a rising interest on various patterns of mobile phone usages among young consumers. This study therefore focuses on identifying various segments inherent within the younger consumers' category in order to aid the formulation and implementation of adequate strategic marketing decisions.

Design/methodology/approach - This study adopts the exploratory research approach as it attempts to get a general grasp of issues revolving around target market segmentation, as it relates to mobile phone usage patterns among young consumers. Secondary data was used and analysed vis-à-vis the outcome of a segmentation exercise previously conducted by a field expert.

Findings **-** This study has adapted the six very important segments inherent among young mobile phone users vis: 'talk n texters', 'gaming youths', 'talkative trendies', 'aspiring to be accepted', 'sophisticated careerists', and 'international business users' and practically related them to the Nigerian younger consumers context.

Practical Implications **-** The implication of this study for marketing practice is that organizational decisions are better guided as it becomes a lot easier to make target marketing decisions. Besides, the differing characteristics among the young mobile phone users category have been made more visible, necessitating the design of a more focused product offering suitable to each consumer category.

Originality/Value – This study is a unique effort directed at an area of concern in marketing with very little or no attention accorded to it within the Nigerian market. It captures an interesting segment of the Nigerian mobile technologies market and presents a framework that offers a good basis for much more complex research activities in the nearest future.

Keywords: Segmentation, Targeting, Positioning, Mobile phones, Young consumers, Target market, Market segment

1. Introduction

The use of mobile phones has become an integral part of life even in developing countries like Nigeria. The rapid trend of globalization has made ICT a major tool of information dissemination and national integration. Most activities in the world are now being carried out across national boundaries. Infact, almost every aspect of human activity has gone *electronic*, thus, we hear of e-mails, e-commerce, e-marketing, e-business, e-learning, e.t.c. The application of ICT in different areas of human endeavour (Onwuemeke, 2011) has brought about many benefits not

only to the individual but also to the community whether in urban or rural areas. Mobile phone as an integral part of ICT has become one of the most important media of information communication of our time. It is a common saying that 'not to be informed is to be deformed'.

These days, mobile phones are not just used for voice calls and text messages only; rather, advanced models have come to replace the traditional models thereby, offering consumers varieties of features to enjoy. The influence of mobile phones on young consumers cannot be undermined. According to Ericsson Mobility Report Sub-Saharan Africa (2014), mobile users within the region *(Nigeria inclusive)* have shown a preference for using their device for a variety of activities that are normally performed in laptops or desktops. The relatively low cost of mobile phones and the continuum drop in prices has led to them becoming attainable for consumers. The broader access to mobile phones by consumers from different backgrounds has created the potential for subscriptions to increase in the region.

The Africa Telecoms Outlook (2014) reports that smartphones and other data capable devices are becoming increasingly affordable as a result of competition, technological developments and economies of scale in the device business, as well as the marketing efforts of operators and others. As a result, the number of smartphone connections in Africa will rise from about 79 million at the end of 2012 to 412 million by 2018. The report added that as African Telecoms market develops, operators are not only experiencing and seeking to further encourage a burgeoning demand for data, they are also looking to develop new offerings in areas such as mobile financial services; e-commerce; digital media, such as music, gaming and video; and enterprise services.

The task of identifying various segments among young mobile phone users is what this study is focusing on. Inasmuch as it seems that not sufficient attention has been given to this issue, the fact remains that noticeable characteristics and attributes exist among these consumers. Market segment according to Baker and Saren (2010) refers to a group of individual consumers or business customers sharing one or more similar characteristics that cause them to have relatively similar product needs and buying behaviour. The literature on strategic marketing planning places a premium on market segmentation because it gives a definite sense of direction to all marketing activities. Thus, it would not be fair to marketing practice to ignore the central role of segmentation, nor would it be appropriate to approach it in an unprofessional manner. In Nigeria, the marketing practice still appears to be in its developmental stages which to a very great extent could be the reason why very important issues like market segmentation are ignored or done haphazardly.

Smart phones today have been embedded with highly amazing features ranging from educational to social networking to entertainment, etc. Although many young consumers (specifically students) know that smart phones are integrated with applications, including computing and communication, they seldom use these smart phones for learning purposes only (Jambulingam & Sorooshian, 2013). This suggests that it is important to find out the different categories of mobile phone users among young consumers so that producers would be able to make wise and profitable target marketing decisions. Thus, this study seeks to provide mobile phone producers and markets with the categories of segments existing among young consumers, so that they would be able to align their strategies appropriately.

2. Statement of the Problem

GSMA Intelligence (2014) reports that the use of mobile communication technologies offers relatively promising opportunities. Siddique et.al (2013) also noted that the younger generations are the leading users of mobile communications. This study focuses on the younger category of consumers since they form a higher percentage of active users of mobile phones for various purposes. A report presented by DAE Scoreboard (2013) asserted that young people tend to use mobile internet more often than people aged 55 to 74; and that 84% of individuals who used the internet on the move aged 16-24 do so at least once a week with a handheld device, which is definitely a mobile phone.

The importance of information and communication among young consumers has increased the demand and use of different kinds of mobile phones. The typical young consumer category is composed of different classes of individuals from varied ethnic groups and social status; as such mobile phone users among this group reveal differences in social backgrounds and economic status. Even amidst younger consumers from similar socio-economic category, personality, psychographic and other inherent related factors affect their decision on mobile phone usage. Given the importance of segmentation to consumer satisfaction, marketers cannot but focus on determining the right segment(s) to serve with their mobile technologies. Previous studies carried out with respect to mobile phones have been carried out across other dimensions such as impact of mobile phones on economic development, the youth and mobile phones, impact of mobile phone on students' learning, mobile phones and people's health etc. Quinn (2009) rightly observed that not much work in existing literature has specifically dealt on mobile phones in relation to identifying segments. Practical attempts to categories mobile phone users into different

segments in existing literatures is very sparse. That is why this study wants to bridge this gap by attempting to deal with segmentation issues with specific reference to mobile usage among younger consumers.

As there presently exists a dearth of literature on market segmentation with specific reference to use of mobile technologies in Nigeria, it is hoped that that this study would contribute to the body of knowledge on this subject, as it attempts to strongly give segmentation the place of priority it deserves to enable manufacturers and marketers effectively serve this special group of mobile phone consumers. This study is therefore focused on identifying inherent differences existing among young mobile phone users, as they relate to the different segments, thereby helping marketers identify the different segments in order to make and implement strategic target marketing decisions.

3. Research Objectives

The broad objective of this study is aimed at identifying the various market segments inherent among young mobile phone users in Nigeria. Specifically, the study seeks to:

- Identify the different market segments among young mobile phone users in Nigeria
- Evaluate the nature of similarities and disparities existing among the various segments of young mobile phone users in Nigeria

4. Research Questions

The following are research questions guiding this study:

- What are the various market segments among young mobile phone users in Nigeria?
- What are the inherent similarities and disparities of the various market segments of young mobile phone users?

5. Literature Review

5.1 Conceptual Review

Generally, market segmentation forms the basis for target market selection. Segmenting markets is a grand leap away from mass marketing and in recent times, greater emphasis has been on the former rather than the latter. Kotler et.al (1999) put it this way:

"…For most of the twentieth century, major consumer-products companies held fast to mass marketing… the traditional argument for mass marketing is that it creates the largest potential market, which leads to the lowest costs and can in turn translate into either lower prices or higher margins. However, many factors now make mass marketing more difficult… it is *(now)* very hard to create a single product or programme that appeals to diverse groups… the proliferation of advertising media and distribution channels has also made it difficult to practice 'one size fits all' marketing… not surprisingly, many companies are retreating from mass marketing and turning to segmented marketing."

The role of market segmentation attracts great concern and interest from the Henry Ford's story of resistance to market segmentation. Tedlown (1990) narrates the case of the Ford Motors Model T versions which Ford believed contained all the benefits that consumers generally would want in a car. Because he never felt any need for designing alternate models, General Motors' Alfred P. Sloan made a dynamic move which overtook them when they worked towards designing different models that could appeal to different groups of consumers. Boone and Kurtz (1992) reflected further on this scenario when they asserted that the world is too large and filled with too many diverse people and firms for any single marketing mix to attract everyone. They further noted that except in the case of an unbranded, descriptive-label product aimed at the mass market, an attempt to attract everyone may doom the marketer to failure. Like Sloan, marketers have recognized for many years that a single marketing mix seldom is adequate to address the wants and needs of an entire market for a product. Buyers learn about products from different sources such as friends, and co-workers. From the marketer's standpoint, serving only a portion of the total market is often the most efficient strategy (Churchill and Peter, 1998).

Brassington and Pettitt (1997) opined that the overall concept of segmentation applies equally to both consumer and organizational markets, but the variables by which they are segmented do differ. For the purpose of this study, the focus would be on the segmentation of consumer markets since mobile phones are consumer products. Thus, consumer markets can be segmented on the bases of:

- Behavioural characteristics (benefits sought e.g. convenience; purchase occasion e.g. gift; purchase behaviour e.g. brand switching; usage e.g. heavy user e.t.c.)
- Psychographics (lifestyle e.g. conservatives; personality e.g. extrovert)
- Demographics (age, gender, income, ethnic group, e.t.c). *(See Jobber, 1998; Lamb et.al, 2004)*
- The literature contains several criteria considered very vital for the successful implementation of market segmentation which include:
- Homogeneity of segment – each segment being distinctive in terms of customer profile and needs.

- Substantiality – the size of the segment must be sufficient enough so that resource allocation can be justified and future profitability judged adequate.
- Identifiability and measurability – this concerns the ability to predict size and profitability
- Accessibility – there must be the possibility of designing suitable and distinctive marketing programmes for emerging segments.
- Responsiveness – this refers to the ability of the segments to respond favourably towards the firm's offering. The firm must also have the resources and capabilities to serve emerging segments.
- Heterogeneity – this has to do with similarity within segments reflecting the basis of being categorized as a group (See Lamb et.al, 2004; Pride and Ferrell, 1995).

The process of target market strategy is illustrated below:

Step 1: Identify the appropriate targeting strategy

Step 2: Determine which segmentation variables to use

Step 3: Develop market segment profiles

Step 4: Evaluate relevant market segment

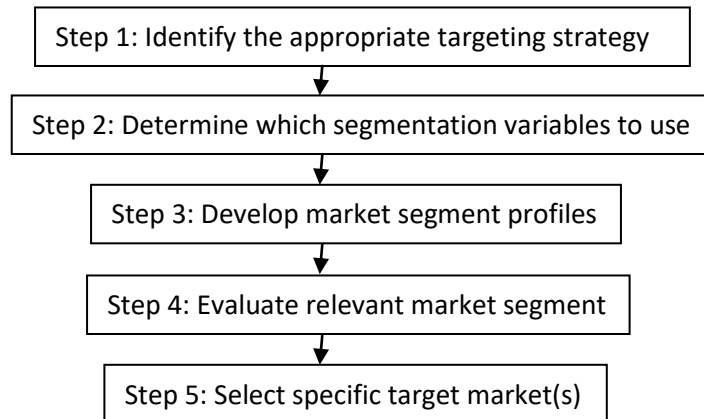Step 5: Select specific target market(s)

Figure 1: Target Market Selection Process

Source: Pride and Ferrel (1995). Marketing: Creating Value for Customers. 9th edition. USA: McGraw-Hill Company

Various studies have been conducted on mobile phone usage among different classes of people such as children, teenagers, young adults and old people. Ransford (2009) conducted a survey in a foreign university and reported that 62% of the students admitted to having used their mobile phones to send text messages while in class. The peculiarity of the use of mobile phone by young people is a pointer to the importance of segmentation of this peculiar market as it helps to be able to design appropriate strategies suitable to this segment. Campbell (2006) pointed out that young people tend to have very positive perceptions of mobile phones and regard the technology as an important tool for social connection. Head and Ziolkowski (2012) rightly noted that despite the fact that a good number of mobile phones have certain common features, manufacturers are also attempting to differentiate their products in one way or the other; which has resulted into the development of single product containing several features such as calculator, games, camera, alarm clock, internet browsing, e.t.c.

Consumers can access the internet, send or receive text messages, check emails, and even video chat with others quite literally from the palm of their hands. In addition, students can access a variety of social network sites from their mobile phones (Jeffrey and Scott, 2013). This ability to socialize has allowed today's consumers to remain constantly connected to other people, something that was not the case several years ago.

This study basically revolves around the concept of market segmentation which incorporates the dimensions of targeting and positioning. *See diagram below:*
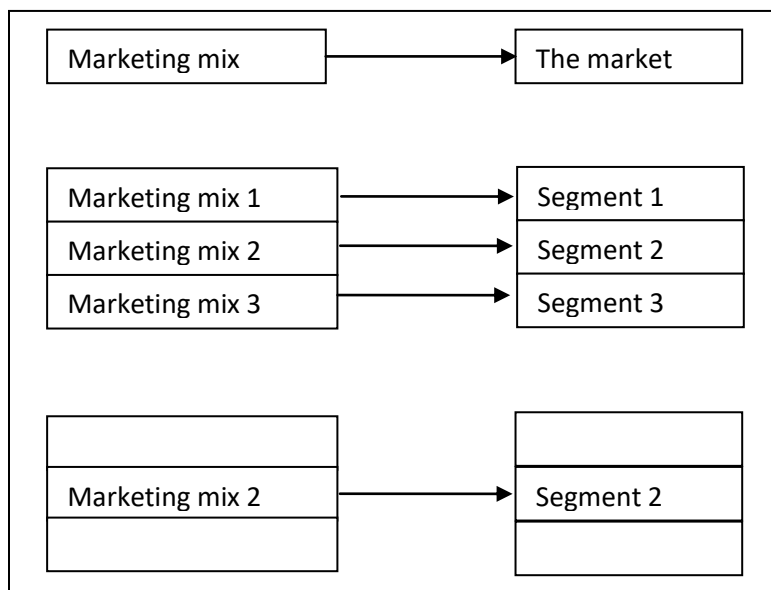

Figure 2:Segmentation Targeting Strategies

Source: Brassington and Pettitt (1997). Principles of Marketing. London: Pitman Publishing

Dibb et.al (1997) identifies two major targeting strategies: Concentration strategy and multi segment strategy. They distinguished between the two by pointing out that concentration strategy directs marketing efforts towards a single market segment by creating and maintaining one marketing mix; while multi segment strategy directs marketing efforts at two or more segments by developing a marketing mix for each selected segment. Brassington and Pettitt (1997) elaborated more on targeting strategies. They described the concentrated approach as the most focused of the three since it involves serving one specific segment; differentiated strategy as involving the development of a number of individual marketing mixes, each of which serves a different segment; and the undifferentiated approach as the least demanding of the three approaches since it assumes that the market is one great homogenous unit, with no significant differences between individuals within the market.Wind (1980) relates positioning as the place a product occupies in a given market, as perceived by the relevant group of customers, known as the target market.

5.2 Review of Empirical Literature
A study by Soomro and Ghumro (2013) focused on analysing consumer behaviour towards mobile phones in Singh. They studied university students in that region and their findings revealed that students prefer the purchase of mobile phone handsets with value added facilities like camera, large screen, familiar brand and low price. Adikari (2013) conducted a study in Sri Lanka on determinants of mobile phone demand among university students with the aim of discovering possible market segments existing among them by identifying different behavioural profiles. Their findings show different groups of consumers who have similar characteristics of choice in aspects such as taste (fashion), features (phone facilities), monthly income and expenditure. Siddique et.al (2013) carried out a study on product features that affect buying decision of mobile phones by tertiary students segment. They reported that features such as performance, memory capacity, brand name, multiple use option and outlook views form major considerations of their purchase of certain brands of mobile phones.

5.3 Gap in the Literature
It is worthy of note to state here that these studies are foreign to Nigeria. As a matter of fact, empirical studies that focus on target market strategy of mobile phones users in Nigeria are rare. As a result, not much work has been done in the area of identifying segments inherent among young mobile phone users in Nigeria. James and Versteeg (2007) observed that the only data readily available on mobile telephone in Africa are data on the number of subscribers, provided by mobile phone companies. Other reports show mobile phone usage but they do not capture the different

categories of mobile phone users and the segments' composition. This study would bridge that gap and as such, bring about a notable contribution to research in Nigeria in this regard.

6. Research Methodology

The exploratory research design was used for this study. Secondary sources of data were examined and extracted from standard and official statistical reports. The target population of this study comprises of all young mobile phone consumers. Baker and Saren (2010) presented the outcome of a segmentation exercise undertaken by a mobile phone company revealing eight main customer segments *(as highlighted in the next section)* among mobile phone users which this study has adopted in lieu the consumer survey report as shown below.

The table below shows a distribution of consumers' use of mobile phones for various purposes in Nigeria.

Table 1. Nigeria, Mobile Service Usage, Consumer Survey (2013)

Service	Events (per week)
Video streaming	0.8 hours (48 minutes)
Video downloads	3.0 downloads
Music streaming	0.8 hours
Music downloads	3.0 downloads
Games online	1.5 hours
Games downloads	2.0 downloads
Location-based services	0.8 hours (48 minutes)
Browsing	2.5 hours
VoIP	1.5 hours
E-Commerce	3.0 transactions
Instant messaging	30 messages
Social Networking	2.5 hours
E-mail	25 messages
E-Publications	2.0 downloads

Note: Figures are for median average, based on a survey of 619 mobile data users in Nigeria
Source: Informa Telecoms & Media (2013)

7. Qualitative Analysis of Result and Findings

A further critical look at the table above shows some striking features. The data shows that on the average, consumers spend about 13 minutes playing games on a daily basis, more than 20 minutes browsing every day, about 13 minutes on VoIP (such as skype), more than 21 minutes on social networks (such as facebooks, twitter) on a daily basis. It also reveals that on the average, consumers send more than 4 instant text messages every day, and send more than 3 e-mails every day. Going by statistical reports that young people constitute the highest percentage of mobile phone users for internet purposes, the data presented in the table above suffices for young mobile phone consumers who form the focus of this research.

Out of the number of segment profiles presented by Saren and Baker (2010), the following constitutes different customer segments as seen from the table above:

- Talk 'n' Texters ('I just have a mobile phone because it is practical.') – Instant messaging. This group comprises of the conservative customer, not immersed in technology but with a few practical needs that can be fulfilled by technical appliances. The consumer relies on mobile phones for practical reasons only. Also, usually interested in basic functions, especially SMS, but not attracted at all by more sophisticated or fun services, be it via mobile phone or the internet.
- Talkative Trendies ('Talk around the clock') – Social Networking, VoIP (Voice over Internet Protocol), e-mail, browsing. This group comprises of the modern, fun-and fashion-oriented socializer. This customer needs a mobile phone to keep in constant touch with the social scene and fulfill a strong need for communication. Also, usually interested in all applications and services.
- Aspiring to be accepted ('Would like to have it but is not really up to it.')- Video streaming, video downloads, music streaming, music downloads. This group is composed of consumers who want to be part of the in-crowd, but are not there yet, and possibly may never will. These customers have a mobile phone

because they just want to have it (show off) and seek to have trendy handsets they believe are adopted by peer sets they aspire to join. They also show a special affinity towards photo, video and MP3 applications.

- Gaming Youths ('Game oriented mobile world addict') – Games downloads, games online. This group is made up of young and very technology-oriented people, belonging to the mobile generation, who need a mobile phone in order to maintain a fast-living fun life. They are mostly concerned about games, games, games! And music. These customers search for image and brands that help them keep track of the modern world.

- Sophisticated careerists ('Be successful with mobile technology.') - Location-based services, E-Publications. These are career-oriented individuals with lots of contacts, and highly immersed in technology and very mobile. They demand on value for money, quality customer care and respect. They need a mobile phone to organize their life and business, but they are not emotionally attached.

- International business users ('Frequent connected business travelers.') – E-commerce. These are consumers that appreciate easy quad-band roaming and smooth data transfer that place much greater emphasis on functionality and flexibility of at-destination services.

8. Conclusion

The research has already identified six segments of mobile phone users among young people vis: 'talk n texters', 'talkative trendies', 'aspiring to be accepted', 'gaming youths', 'sophisticated careerists', and 'international business users'. Studying the composition of these different segments would guide organizations in determining which of these target segments to serve; making effective resource allocation decisions; developing persuasive propositions for targeted customers; and helping to ensure that an organization 'goes to market' with clearly differentiated propositions and positioning. This makes the marketing task a lot easier according to Baker & Saren (2010) as all customers allocated to a particular market segment should respond to the same marketing strategy and marketing programme in a similar fashion.

9. Limitations of Research

There is severe dearth of literature on the subject of segmentation as it relates to mobile phones. Several attempts at surfing the internet only brought about plain data, facts and reports that merely throw a spotlight on the issue but do not particularly address the problem at hand.

10. Areas for Future Research

This research is fundamentally exploratory. However, it has provided a strong basis around which future research in Nigeria could be built. Future research could attempt to conduct a firsthand survey using primary data on young users of mobile phones in order to be able to generate some descriptive statistics that could be useful in making some inferences. Future studies could also try to analyse comparative differences or similarities on the use of mobile phones by incorporating the gender dimension for young mobile phone users. These are emerging areas of interest that necessitate attention considering the dynamic changes relatively facing the telecommunications industry in Nigeria.

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