MARKET SEGMENTATION PRACTICES, ORGANIZATIONAL CHARACTERISTICS AND PERFORMANCE OF CEMENT MANUFACTURING FIRMS IN KENYA

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A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF A MASTER OF SCIENCE DEGREE IN MARKETING, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

NOVEBER, 2014

DECLARATION

I, the undersigned, declare that this research project is my original work and that it has not been presented in any other university or institution for academic credits.

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This project has been submitted for examination with my approval as the university supervisor

Signature……. Date……

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DEDICATION

This project is dedicated to my parents: Mr. and Mrs. Matipei for their support and encouragement during this research period. A special dedication also goes to my fiancé: John Rono, my brother: Edward Saisa my sisters: Juliet Matipei and PenninahSaisafor their support during my academics.

ACKNOWLEDGEMENTS

My first gratitude goes to the almighty God for enabling me throughout my academic achievements. I am grateful to the University of Nairobi Msc. Marketing Teaching staff for the knowledge I have acquired from them. My vote of thanks goes to my supervisor, Dr. J.M Munyoki for his objective criticism, feedback and friendly guidance throughout the entire period of proposal writing, research process to the final report writing. I also thank my fellow students and friends who through their interaction, companionship and experiences shared helped broaden my knowledge while undertaking my studies. I wish to also acknowledge the immense contribution of employees of all the cement firms whose responses, publications and materials shaped the entire research project.

ABSTRACT

The study sought to establish market segmentation, organizational characteristics and performance of cement manufacturing firms in Kenya. This study used a descriptive research design and targeted a population of all the six cement manufacturing firms in Kenya. Target respondents included the marketing managers and production managers of cement firms. The study made use of a questionnaire with open ended and closed questions. Quantitative data collected was analyzed by the use of descriptive statistics while qualitative data was analyzed using content analysis. The study established that the cement industry in Kenya use industrial market segmentation practices to segment their market. The study established that market segmentation practices within the cement industry have had a positive impact on performance. 80% of the respondents agreed that segmentation improved the competitive position of their organization. The study revealed that organizational characteristics have an effect on firm performance. Ownership of firms, board of director characteristics and size of the firm were reported as the organizational characteristics that majorly affect performance. The study concluded that there have been improvements in the industry especially with improved efficiency when serving customers, increased cross selling opportunities for the organization and provision of insight into new product/ market opportunities for the organizations. The study also concluded that Organizational structure, an organizations behavior and an organizations internal environment are the determinants of firm performance that majorly affect a firm's performance. The study also concludes that both financial and non-financial performance measurement practices are used by all the cement manufacturing firms.

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ABBREVIATION AND ACRONYMS

ARM	Athi River Mining Kenya
BCL	Bamburi Cement Limited
B2B	Business to Business
B2C	Business to Consumer
CDF	Constituency Development Fund
CET	Common External Tariffs
EAPCC	East African Portland Cement Company Limited
NFPM	Non-Financial Performance Measures
ROA	Return on Assets
ROE	Return on Equity
SLEPT	Social-cultural Environmental Political and Technical factors
STP	Segment target position process
US	United States of America

CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

Today's business environment requires firms to embed in relationships with other actors in order to gain access to resources needed. Hakansson and Snehota (2007) argue that "no business is an island" indicating that companies are involved in long-term relationship and that the atomistic company does not exist. They must understand how changes in their competitive environment are unfolding. They should actively look for opportunities to exploit their strategic abilities, adapt and seek improvements in every area of the business, building on awareness and understanding of current strategies and success. Organizations must be able to act quickly in response to opportunities and barriers.

An organization that decides and acts on plans to achieve objectives does not do so in a sterile environment. Its success largely depends on the knowledge and quality of the relationships it maintains with the external environment and its own internal environment. To maintain the quality of relationships implies that the organization's management truthfully assess the state of the relationships with the external and internal environments, constantly monitor the dynamics that affect the relationship over time in order to achieve the organizational goals. This demands constant environmental scanning to recognize trends that affect the workplace. Those trends include the changing face of the workforce, the technological environment, the legal environment and the economic environment (Buhler, 2007). Managers must not only examine the way in which the company is competing, but also the basis on which they are competing; this includes assessment of the internal strengths and weaknesses in skills and competences that may affect systemic growth (Aaker,2006).

Organizational characteristics refer to those aspects of the firm that have a negative or positive effect on performance of a firm. They range from size of the firm, age of the firm, ownership, organizational culture and board of director characteristics, all of which have an impact on the overall performance of the firm. The definition of 'organizational performance' is a surprisingly open question with few studies using consistent definitions

and measures (Kirby, 2005). Performance is so common in management research that its structure and definition is rarely explicitly justified; instead its appropriateness, in no matter what form, is unquestionably assumed (March & Sutton, 1997). Performance is one type of effectiveness indicator, with some advantages and disadvantages. Hence, the need is to distinguish between organizational performance and the more general construct of organizational effectiveness (Venkatraman&Ramanujam 1986). Organizational effectiveness is a broader construct that captures organizational performance, but with grounding in organizational theory that entertains alternate performance goals (Cameron &Whetten 1983).Performance itself is likely to be somewhat firm specific: as the strategic choices a firm makes will dictate which performance measures will reflect the latent performance construct (Steers, 1975). The relationship between measures and performance is also influenced by which measures the firm uses internally and how these are embedded into incentive and control systems within the firm. In other words, the internal measurement systems used will influence performance at the individual and organizational level (Levenson et al., 2006).

Kenya's cement manufacturing industry is poised for major changes as a result of the competition it is facing especially with the entrance of new competitors and cheaper alternatives to construction. The cement industry is product oriented and therefore the customer is at the center of production. To enhance the value that these customers derive from their products, cement firms are now realizing the need for market segmentation practices that will be of help in determining who their target market is, what their needs wants and preferences are thereby developing products, services and better tuned positioning for their products .

1.1.1 Concept of Market Segmentation

Howard and Sheth (1969) have noted market segmentation depends on the idea that the company should segment or divide the market in such a way as to achieve sets of buyers. These sets of buyers, or sub segments of the market, would then become targets for the company's marketing plans. Some have perceived it as the process that a company adopt to divide the market into distinct group on the basis of needs, wants, behavior or taste for

its different products or services; (Day 1984). Rather than offer the same marketing mixes to vastly different customer, segmentation enables a firm to design product for specific target market and thus satisfy customers' needs better. Kotler et al. (1999) defined market segmentation asdividing a market into distinct groups of buyers with different needs, characteristics or behaviors, who might require separate products or marketing mixes, and Dibbet al. (2001) defined it as a process of grouping customers in markets with some heterogeneity into smaller, more similar or homogeneous segments; the identification of target customer groups in which customers are aggregated into groups with similar requirements and buying characteristics.

The underlying aim of market segmentation is to group customers with similar needs and buying behavior into segments thereby facilitating each segment being targeted by a distinct product and marketing offerings to be developed to suit the requirements of different customer segments (Wind, 1978). Another primary aim of segmenting a business sales program is to focus on the subset of prospects that are mostly likely to purchase its offering. According Salami and Adewoyi (2008), market segmentation when done properly will maximize returns for a given marketing expenditure. Essentially business needs for segmentation are often determined by the needs to match the benefits offered by the product and requirements of the prospects (customers).

1.1.2 Organizational Performance

Organizational performance refers to the degree of achievement of the mission at work place that builds up an employee job (Cascio, 2006). Organizational performance encompasses three specific areas of firm outcomes; financial performance, market performance, and shareholder return. Organizational performance has become an important part of empirical research in the field of business policy. Researchers often take into account organizational performance when investigating organizational phenomena such as structure, strategy and planning. Ford and Schellenberg (1982) examined three major frameworks that are frequently used to conceptualize organizational performance. *The goal approach* seeks a definition based upon explicit goals which can be implied from the behavior of organizational members. *The system resource approach* (Yuchtman and

Seashore, 1967) provides a framework to assess organizational performance in terms of the key internal and external factors upon which organizations depends on survival. *The constituency approach* views the organization as existing to benefit numerous constituencies both internal and external to the organization, with OP assessment focused on fulfillment of constituent needs (Thompson, 1967).

1.1.3 Concept of Organizational Characteristics

Organizational characteristics refer to those aspects of the firm that have a negative or positive effect on performance of a firm. They range from size of the firm, age of the firm, ownership, organizational culture and board of director characteristics, all of which have an impact on the overall performance of the firm. The definition of 'organizational performance' is a surprisingly open question with few studies using consistent definitions and measures (Kirby, 2005). Performance is so common in management research that its structure and definition is rarely explicitly justified; instead its appropriateness, in no matter what form, is unquestionably assumed (March & Sutton, 1997).

1.1.4Cement Manufacturing Firms in Kenya

The Kenyan cement sector consists of six operating cement manufacturing firms, in which four companies namely; Athi River Mining, Mombasa Cement National Cement and Savannah Cement are privately owned, while Bamburi Cement Ltd is owned by Lafarge (multinational company) and East African Portland Cement is a parastatal controlled by the Government of Kenya. The industry has a current installation of 5 rotary kilns with a capacity to produce 3.3 million tons of clinker in a year and 14 cement grinding mills with an annual grinding capacity of 5.1 million tons of cement. Bamburi Cement Company leads other local firms in cement production and sales. The industry plans to increase capacity due to current and future high demand of cement. Firms in the industry are also seeking cost reduction options for power, raw material, and logistics, with a strategic focus. More firms are targeting regional markets like Sudan, Uganda, Tanzania, Rwanda and Burundi in their growth and expansion prospects. The effort is in place towards product diversification and target value added and application specific products.

Kenya has been on the recovery path after the post-election violence of 2008. The Kenyan economy grew by 5.6% in 2010 compared to a growth of 2.6% in 2009 and 1.7% in 2008. Before the violence, the growth rate was 7.1% in 2007. The manufacturing sector grew by 4.4% in 2010 compared to 1.3% in 2009 (Oparanya, 2009). The Building and Construction sector growth was reflected in cement consumption which grew by 16.2 % to 3.1 million tonnes in 2012. The cement industry gained in sales revenue mainly due to increased demand occasioned by the increased government expenditure in infrastructure construction, rehabilitation activities and Constituency Development Fund (CDF) projects. The rising middle-class and interest from foreign investors continues to spur real estate sector.

The country also being an economic hub in the region; attracts variousmulti-nationals due to its strategic geographical positioning. The Government of Kenya in its Vision 2030 envisages massive infrastructural development involving a wide range of sectors including ports, railways, special industrial zones, general housing for human settlement and undertaking road construction and rehabilitation estimated at Kes 20 billion per annum over a ten year period (2005-2015). So far various road projects are completed; like the Nairobi-Thika super highway, Mombasa-Nairobi Highway andAthi River - Namanga Highway. The National Housing policy envisages150,000 units per year to bridge the housing shortfall. These trends will definitely call for increased cement production.

Kenya thus continues to record significant growth in infrastructure-led consumption. However since most of the capacity additions by the firms are for cement grinding, the country will continue to import the key cement ingredient - clinker. This presents additional opportunities for growth. However the economy still remains vulnerable to global forces such as the increase in international commodity prices, high international fuel prices, fluctuations in the exchange rate, rainfall patterns and rising global food prices. For instance, the Kenyan economy faced considerable turmoil for the last one year, chiefly due to severe drought, food shortages, spiraling inflation, and currency

depreciation. This led to increased food prices and reduced purchasing power in the economy. The increase in fuel, power and transport costs particularly impacted negatively to the cost of cement manufacturing and distribution.

1.2 Research Problems

Many institutions spend a lot of time in trying to remain relevant as a result of changes in the environment. According to Kotler (2003), firms often pursue a market segmentation approach to meet today's market realities. Michael et al says that a company cannot serve all customers in a broad market, because the customers are too numerous and diverse in their buying requirement. Segmentation distinguishes between buyers for instance who want low cost basic items and those seeking luxurious items. To segment a market, firstly, it involves identifying the current and potential wants that exist within a market.

Wind et al (2003) researched on market segmentation cycle and concedes that marketers have to further research on every new prospective customer to know their service requirements in order to assign those segments. They argue that segmentation is very important and should be researched on all aspects as ongoing process. The marketing literatures (Kotler, 1994; Wind, 1978) suggest that segmentation leads to more satisfied customers, because it offers practitioners a number of clear benefits including; improved understanding of customer needs, more appropriate resource allocation, and clearer identification of market opportunities and better tuned and positioned marketing programs.

The cement industry in Kenya has seen intense competition as many firms enter the industry to get a stake of the market. The market is widespread as the firms not only serve local demand but also that of neighboring countries such as Uganda, Rwanda, Burundi, DRC and most recently South Sudan. The industry has both local and international players. With heightened competition the firms within the industry need to device strategies that will help them remain relevant in the long run.

In Kenya, market segmentation has also received a considerable focus from researchers. Various scholars have reviewed market segmentation in various contexts. Nganga (1992) investigated market segmentation practices by medium and large scale manufacturing firms in Kenya. Gitau (2012) conducted a study on the effect of market segmentation on manufacturing firms in Kenya. Otike et al (2013) studied market segmentation on manufacturing firms. From their findings, it emerged that market segmentation is an important tool in effective provision of products and services. Though these researchers touched on market segmentation in the manufacturing sector, none focused specifically on the cement industry. Given the gap existing in this area of market segmentation and performance in cement firms, this study aims to answer the following question; do market segmentation practices affect performance in the cement manufacturing firms in Kenya?

1.3 Objectives of the Study

The objective for this study is to establish the relationship between market segmentation practices and performance in cement manufacturing firms.

1.4 Value of the Study

It is expected that the study will be important in a number of ways. Management and policy makers of cement firms in Kenya may use the findings in crafting strategies to assist in identifying customer needs and market opportunities that will help them remain competitive in the industry. It is anticipated that this study will also help management and leaders of cement firms to become aware of the market segmentation practices and their effect firm performance. Importantly, it is expected that when these suggestions are made and applied in the organization, they would enhance improvement in performance.

In addition, it is hoped that the research findings will help the Government in formulating strategic policies for effective management and shaping of the industry. This study will help formulate policies which will help promote local cement industry and reduce entry of cheap cement producers.

It is expected that the study will be of importance to academicians in that the knowledge generated will enable other researchers to improve and develop a better understanding of market segmentation in the cement industry and its effect on performance.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This chapter will review the theory guiding this study as well as importance of market segmentation, basis of market segmentation, challenges of effective market segmentation strategy, market segmentation, organizational characteristics that affect firm performance and performance as well as determinants of performance and performance measures.

2.2 Theoretical Foundation

Consumer behavior is a complex process involving the activities people engage in when seeking for choosing, buying, using, evaluating and disposing of products and services with the goal of satisfying needs, wants and desires (Belch & Belch, 2004). A range of factors; both internal and external have been found to influence consumer behavior. These factors range from short-term to long-term emotional concerns (Hirschman, 1985; Hoch &Loewenstein, 1991). Understanding the process of how a purchase decision is reached is fundamental as this forms the foundation that can be used to analyze any given product or service.

Consumer decision making has long been of interest to researchers. Beginning about 300 years ago early economists, led by Nicholas Bernoulli, John von Neumann and Oskar Morgenstern, started to examine the basis of consumer decision making (Richarme 2007). This early work approached the topic from an economic perspective, and focused solely on the act of purchase (Loudon and Della, 1993). The most prevalent model from this perspective is 'Utility Theory' which proposes that consumers make choices based on the expected outcomes of their decisions. Consumers are viewed as rational decision makers who are only concerned with self-interest (Schiffman and Kanuk 2007, Zinkhan 1992).

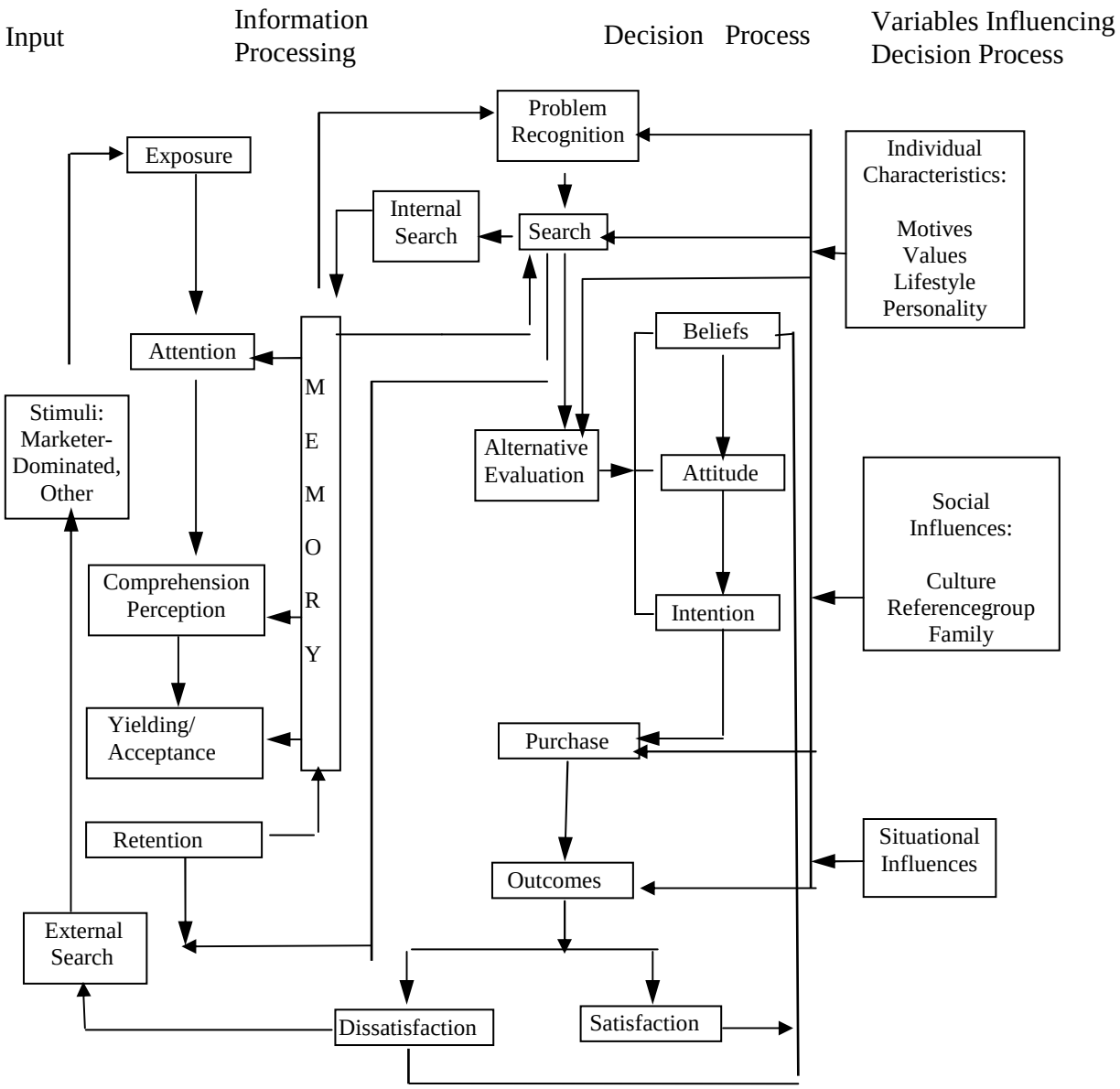
Where utility theory views the consumer as a 'rational economic man' (Zinkhan, 1992), contemporary research on Consumer Behavior considers a wide range of factors influencing the consumer, and acknowledges a broad range of consumption activities

beyond purchasing. These activities commonly include; need recognition, information search, evaluation of alternatives, the building of purchase intention, and the act of purchasing, consumption and finally disposal. This more complete view of consumer behavior has evolved through a number of discernable stages over the past century in light of new research methodologies and paradigmatic approaches being adopted.

2.2.1 The consumer decision model

The Consumer Decision Model (also known as the Engel-Blackwell-Miniard Model) was originally developed in 1968 by Engel, Kollat, and Blackwell and has gone through numerous revisions. It can be seen that many of the elements of the model are similar to those presented in the Theory of Buyer Behavior (Howard and Sheth 1969), however the structure of presentation and relationship between the variables differs somewhat. As shown in figure 2.1, the model is structured around a seven point decision process: need recognition followed by a search of information both internally and externally, the evaluation of alternatives, purchase, and post purchase reflection and finally, divestment. These decisions are influenced by two main factors. Firstly stimuli is received and processed by the consumer in conjunction with memories of previous experiences, and secondly, external variables in the form of either environmental influences or individual .The environmental influences identified include: Culture; social class; personal influence; family and situation. While the individual influences include: Consumer resource; motivation and involvement; knowledge; attitudes; personality; values and lifestyle (Blackwell, Miniardet al.2001).

Figure 2.1 Decision Making Model



Source: (Blackwell, Miniard*et al.* 2001)

Entry to the model is through need recognition when the consumer acknowledges a discrepancy between their current state and some desirable alternative. This process is driven by an interaction between processed stimuli inputs and environmental and individual variables. After a need has been acknowledged the consumer embarks on a

search for information, both internally through the consumers' memory bank of previous use in explaining situations involving both extended problem solving and limited problem solving by modifying the degree to which various stages of the model are engaged in by the consumer (Loudon and Della Bitta 1993). The depth of information search will be highly dependent on the nature of problem solving, with new or complex consumption problems being subjected to extensive external information searches, while simpler problems may rely wholly on a simplified internal search of previous behavior. Information is said to pass through five stages of processing before storage and use, namely: exposure, attention, comprehension, acceptance and retention (Blackwell, Miniardet al.2001).

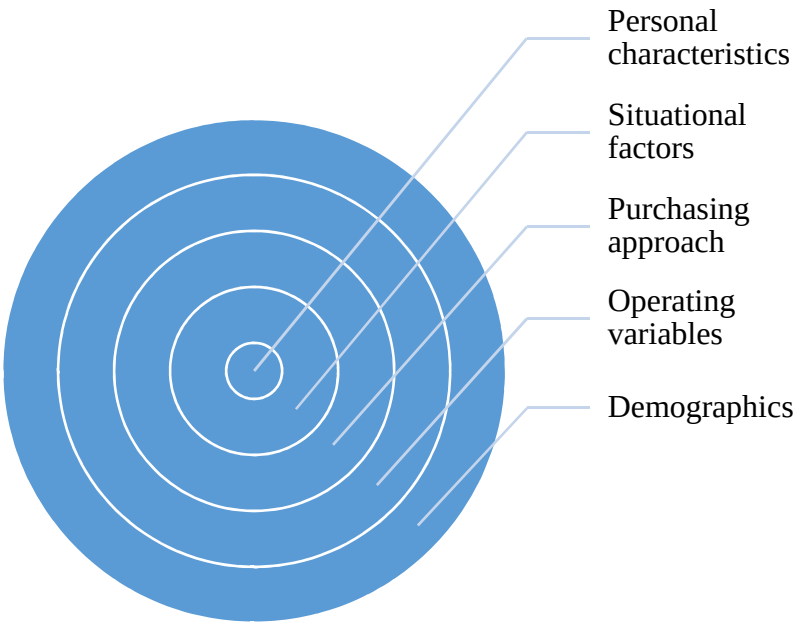
The alternative consumer choices are evaluated by the establishment of beliefs, attitudes and purchase intentions. This process of evaluation is influenced by both the environmental variables and the individual variables. Intention is depicted as the direct antecedent to purchase which is the only outcome tolerated by the model. Situation is listed as an environmental influence, and while this factor is not clearly defined, it could include such factors as time pressure or financial limitations which could serve to inhibit the consumer from realizing their purchase intentions (VanTonder 2003). Consumption is followed by post-consumption evaluation which serves a feedback function into future external searches and belief formation. Divestment is depicted as the final stage in the consumption process acknowledging that the product purchased is likely to be disposed of at some point post consumption.

2.2.2 Criteria for Effective Market Segmentation

Shapiro and Bonoma (1984), state that consumer markets are much easier to segment than industrial ones. Both authors agree that the different applications that an industrial product could have and how greatly organizational customer differs from each other, are the important differences with B2C markets. On other hand, they believe that B2B marketers do not count with good instruments to determinate the best variables to segment the markets. As shown in figure 2.2, the Nested Approach is a "Multi Step" market segmentation model divided in five different layers or steps according to the

amount of investigation and information required by the company to identify and evaluate different market segmentation criteria (Shapiro and Bonoma, 1984).

Figure 2.2 The Nested Approach Criteria



Source: Adapted from Shapiro and Bonoma (1984)

The Nested Approach has an established hierarchy. The principal idea of this model is to segment the market from the outer layers to the inner ones. The outside layers require less information than inner ones. As a consequence, the marketers can move from easily observable information to the more specific one, depending on the company´s capabilities to gather information of the market. Evidently, it may not be necessary to use every stage and is possible to skip irrelevant criteria (Shapiro and Bonoma, 1984).

Figure 2.3 Nested Approach criteria, description and variables

Criteria	Description	variables
Demographics	General and easy information of the company, customers and Industry. Do not need to visit the customer or other complicated information sources.	Industry Information Company Size Customer Location
Operating variables	Enables more precise information of customers within demographics categories.	Technology Product and brand-use status Customer Capabilities
Purchasing Approach	Involves the company philosophy, their purchasing method and Buyer Center.	Purchasing function organization Buyer-seller relationship General purchasing policies Purchasing criteria
Situational factors	In this point is important the buying situation. These are operating variables, but are temporary and need a better understating of the customer	Urgency of order Product application Size of order
Personal characteristics	Segment the market according to the individuals involved in the purchasing process.	Buyer motivation Individual perception Risk management strategies

Source: **Adapted from Shapiro and Bonoma (1984)**

Shapiro and Bonoma (1984) confirm that "Our approach using a hierarchical structure is easy to use. Marketers can, in most cases, work systematically from the outer nest to the inner nest hrough the whole set of criteria and identify important factors that otherwise might be neglected". There isn´t a specific way to use this model. Managers can start in segmenting the market in any layer or, less probably, going from inside out.

However, some authors have different opinions about this model. Mitchell and Wilson (1998) declare that the Nested Approach "pays very little attention to customer needs (except perhaps in the catch-all phase labeled situational factors) and is clearly driven by supplier convenience", but they also state that such illustrative models are helpful in providing some structure to the segmentation process and remind the different issues and aspects involve in the segmentation process (Mitchell and Wilson, 1998). In some way, the model provides a conceptual starting point for a market research plan. On the other hand, Plank (1985) considered that this model just assume that the markets can be segmented and that is not real in all markets.

Nevertheless, these models give a good starting point for market segmentation. The outer layers help to have a good overview of what is happening in the market. At the same time, it is important to conduct an economical evaluation of the segments arising during the process (Wind and Thomas, 1994). This way, managers will know when to stop segmenting, avoiding going further to the inner nest where the information required is more complicated and expensive to get.

2.2.3Benefits of Market Segmentation

As already stated, segmentation is the basis for developing targeted and effective marketing plans. Furthermore, analysis of market segments enables decisions about intensity of marketing activities in particular segments. A segment-orientated marketing approach generally offers a range of advantages for both, businesses and customers as discussed below; According to Kotler (1994), market segmentation is important in understanding the needs of customers as it offers firms knowledge on how to improve the understanding of customer needs, to allocate resources appropriately, to identify market opportunities and to come up with better positioning strategies. It is often difficult to increase prices for the whole market. Nevertheless, it is possible to develop premium segments in which customers accept a higher price level. Such segments could be distinguished from the mass market by features like additional services; exclusive generally higher price level in big cities is evidence for this.

Targeted marketing plans for particular segments allow to individually approach customer groups that otherwise would look out for specialized niche players. By segmenting markets, organizations can create their own 'niche products' and thus attract additional customer groups. Moreover, a segmentation strategy that is based on customer loyalty offers the chance to attract new customers with starter products and to move these customers on to premium products. It is necessary to communicate in a segment-specific way even if product features and brand identity are identical in all market segments. Such a targeted communications allows stressing those criteria that are most relevant for each particular segment. An undifferentiated marketing strategy that targets at all customers in the total market necessarily reduces customers' preferences to the smallest common basis.

Segmentations provide information about smaller units in the total markets that share particular needs. Only the identification of these needs enables a planned development of new or improved products that better meet the wishes of these customer groups. In contrast to an undifferentiated marketing strategy, segmentation supports the development of niche strategies. Thus marketing activities can be targeted at highly attractive market segments in the beginning. Market leadership in selected segments improves the competitive position of the whole organization in its relationship with suppliers, channel partners and customers. It strengthens the brand and ensures profitability.

2.4 Organizational Characteristics and organizational performance

Organizations are entities that exist for a purpose that is to get things done. They are composed of people who ensure that such purpose is achieved. Task responsibilities and decision making is given to individual members' and teams and arrangements are made to plan, direct, coordinate and control them (Armstrong and Stephens, 2008). According to Armstrong and Stephens (2008), organizations are open systems which transform input into outcome and are continuously dependent on and influenced by their environment. Basic issues faced by organizations are those relating to structure, ownership of firms,

size of firms, age of firms, and board of director characteristics and culture of the organization.

2.4.1 Ownership of Firms

Ownership (public versus private versus co-operative versus mutual, etc.), which determines property rights within an organization and hence its internal power distribution, resource control and internal incentive systems; and the openness of information and decisions to scrutiny. The pertinent literature on corporate governance pays much attention to the issue of shareholder identity (Shleifer and Vishny, 1997; Welch, 2000; Xu and Wang, 1997). The cited authors argue that the objective functions and the costs of exercising control over managers vary substantially for different types of owners. The implication is that, it is important, not only how much equity a shareholder owns, but also who this shareholder is, that is, a private person, manager, financial institution, non-financial institution enterprise, multi-national corporation or government.

Investors differ in terms of wealth, risk aversion and the priority they attach to shareholder value relative to other goals. In their analysis of political control of state-owned firms' decision making processes, Shleifer and Vishny (1997) argue that transferring control rights from politicians to managers (i.e. increasing managerial discretion) can help improve firm performance largely because managers are more concerned with firm performance than are politicians. Banks and other financial institutions are most likely to be risk averse because of their concern with profit maximization. An organization that is heavily leveraged lacks the capacity to pursue risky investment options as these would jeopardize their chances of honoring loan repayment schedules, especially in loss making situations. Banks will also try to discourage further indebtedness as more loans might lead to liquidity problems and perhaps insolvency (Hansmann, 1988)**.** Public companies, on the other hand, can support further indebtedness, if it promises to improve the financial position of the firm and shareholder value in the long-run.

Regarding government (state) ownership, there is much more unanimity in the academic circles. State ownership has been regarded as inefficient and bureaucratic. De Alessi (1980, 1982) defines state-owned enterprises as "political" firms with general public as a collective owner. A specific characteristic of these firms is that individual citizens have no direct claim on their residual income and are not able to transfer their ownership rights. Ownership rights are exercised by some level in the bureaucracy, which does not have clear incentives to improve firm performance. Vickers and Yarrow (1988) consider the lack of incentives as the major argument against state ownership**.** Other explanations include the price policy (Shapiro and Willig, 1990), political intervention and human capital problems (Shleifer and Vishny, 1994).

2.4.2 Board of Directors Characteristics

There are six board of directors' characteristics being studied, including managerial ownership, board size, board independence, CEO duality, gender diversity and ethnic diversity.Morck, Shleifer and Vishny (1988) found evidence that firm performance increase when the managerial ownership that is provided by the director shareholder increase. Thus, if the managers hold more shares in the company, there will be less conflict of interest and the managers will be more likely to properly manage the business operation. Therefore, when more shares being held by the manager, the performance of the company will improved and at the end, will increase the company's profit. Druckeriv (1992) claimed that larger board possessed expertise in information and knowledge over smaller board and therefore improves the firm performance. The study claimed that larger board is tougher to manipulate other members and better monitoring on firm financial performance. They argued that larger board size has more external linkage, ability to extract critical resources such as funding, and expertise or experience in running the business and these attributes could lead to higher performance.

Separation of role is to ensure the balance of power of the two designations as well as to avoid conflict of interest to arise. The absence of separation of decision management and decision control, the board will be unable to effectively monitor and evaluate the CEO (Mary, 2005). The CEO is more likely to use his power as board chairman to select

directors of his favor. In addition, a board controlled by the CEO is likely lead to more agency problems and poor performance. Fama and Jensen (1983) claimed that the management problem can be avoided with the adoption of outsiders in the board since they do not hold active role in the company except for their directorship which puts them in the best position to judge managerial decisions objectively. Higher proportion of outsiders on a board can better monitor and control the opportunistic behavior of the incumbent management, thus, minimizing the agency problem and maximizing shareholders' wealth. A study conducted by Sanda, Garba and Mikailu (2008) examined board independence on 205 Nigerian public listed companies from 1996 to 2004 by using only financial based measurement included ROA and ROE. The findings showed both positive effects of independent directors to firm performance. The results provide evidence that outside director representation is positively related with return on assets and on risk-adjusted stock returns by investigation on 300 Germany public listed companies.

Smith, Smith and Verner (2005) stated that woman directors may better understand particular market condition than man, which brings more creativity and quality to board decision making. Larger gender diversity may generate a better public image of the firm and improve firm performance. Hambrick, Cho and Chen (1996) discussed advantages of having ethnic diversity in board. Ethnic diversity broadens knowledge, idea and experience through the range of information resources of different cultural background among the board members. An organization with high level of cultural heterogeneity in management able to share ideas and reach ultimate decision based on the various thinking and thus, will improve management performance through a common consensus among the multiracial group of the boards.

2.4.3 Size and age of firms

The size of a firm affects performance in manyways. Key features of a large firm are its diverse capabilities, the abilities to exploit economies of scale and scope and the formalization of procedures. These characteristics, by making the implementation of operations more effective, allow larger firms to generate superior performance relative to smaller firms (Penrose, 1959). Large firms are more likely to exploit economies of scale

and enjoy higher negotiation power over their clients and suppliers (Serrasquero and MacasNunes, 2008; Mansfield, 1962; Singh and Whittington, 1975). In addition, they face less difficulty in getting access to credit for investment, have broader pools of qualified human capital, and may achieve greater strategic diversification (Yang and Chen, 2009). On the other hand, smaller firms exhibit certain characteristics which can counter-balance the handicaps attributed to their smallness. They suffer less from the agency problem and are characterized by more flexible non-hierarchical structures, which maybe the appropriate organizational forms in changing business environments (Yang and Chen, 2009).

Small economy size may limit the capacity of managers to implement a growth strategy and to some extremes challenge the long-term viability of the firm (Amstrong et al., 1998). Small economies are characterized by market sizes and their lack of economies of scale affects firms particularly in sectors where substantial fixed and sunk costs are prerequisites for operation. Moreover, their limited scope of skilled labor substantially reduces firms' procurement options (Castello and Ozawa, 1999). Small economies may sustain only a very small number of large firms, relative to the overall market size. Hence they exhibit a predisposition towards monopolistic markets.

With respect to the impact of age, one stream of research suggests that older firms are more experienced, have enjoyed the benefits of learning, are not prone to the liabilities of newness (Stinchcombe, 1965), and can, therefore, enjoy superior performance. Another stream of research, however, suggests that older firms are prone to inertia, and the bureaucratic ossification that goes along with age; thus, they are unlikely to have the flexibility to make rapid adjustments to changing circumstances and are likely to lose out in the performance stakes to younger, and more agile, firms (Marshall, 1920).

2.4.4 Culture and structure of the organization

Organizational culture is a set of shared values, beliefs, and norms that influence the way employees think, feel, and behave in the work place (Schein, 2011). Culture has four functions: gives members a sense of identity, increases their commitment, reinforces

organizational values, and serves as a control mechanism for shaping behavior (Nelson ad Quick, 2011).Organizational culture facilitates the acceptable solution to know the problems, which members learn, feel and set the principles, expectations, behavior, patterns and norms promote high levels of achievements (Marcouldies& Heck, 1993; Schein, 1992).Strong culture has almost considered as a driven force to improve the performance of employees. It enhances self-confidence and commitment of employees and reduces job stress and improves the ethical behavior of employees (Saffold, 1998). Further, he states that studies on culture tend to focus on a single organizational culture.

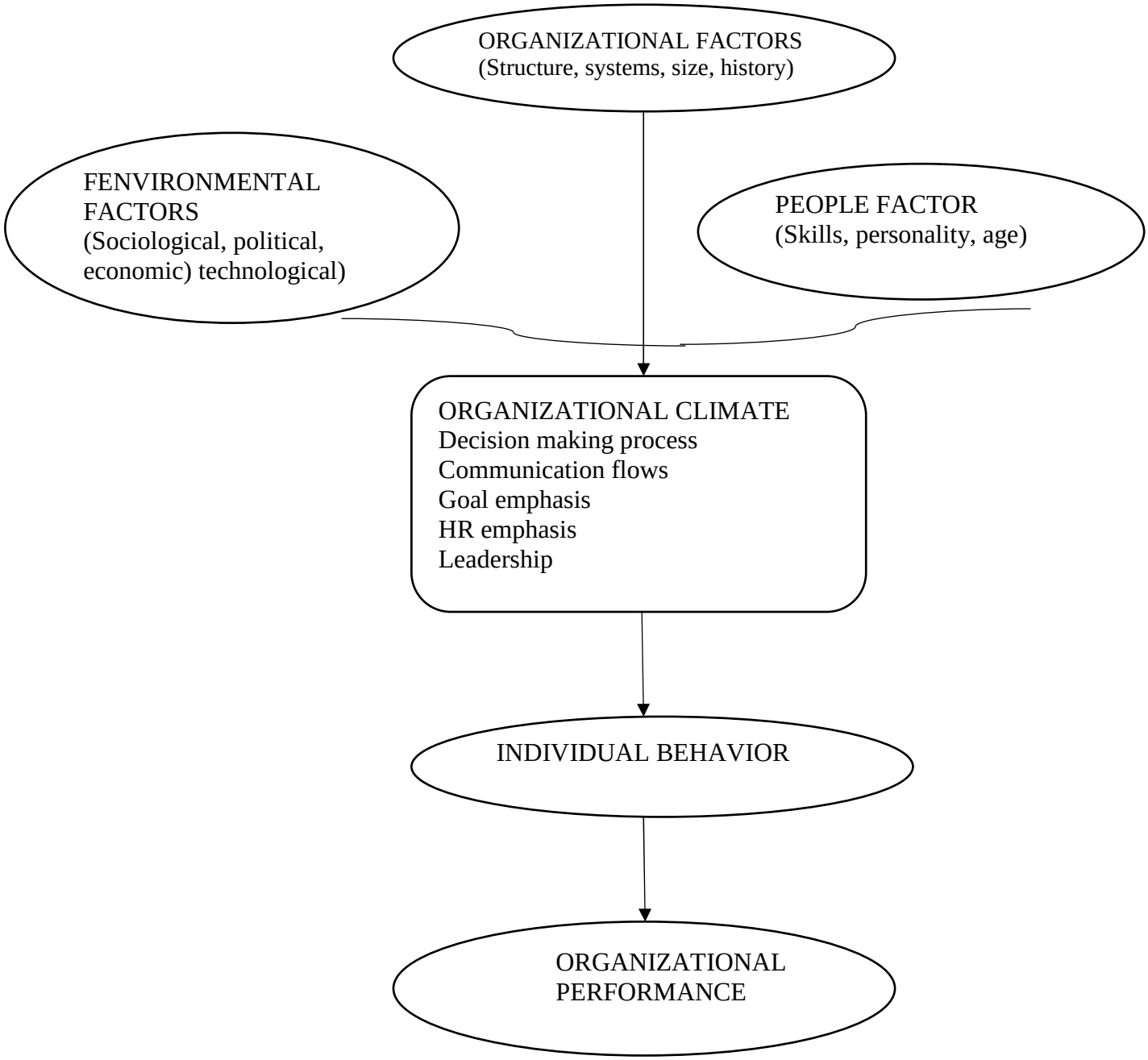
Organizational culture has a boundary-defining role; that is it creates distinctions between one organization and others. It conveys a sense of identity for organization members. Culture facilitates the generation of commitment to something larger than one's individual self-interest. Culture is the social glue that helps hold organizations together by providing appropriate standards for what employees should say or do. Culture serves as a sense making and control mechanism that guides and shapes attitudes and behavior of employees. Culture is a liability when the shared values do not agree with those that will further the organizations effectiveness. This is most likely to occur when the organizations environment is dynamic. When the environment is undergoing rapid change, the organizations entrenched culture may no longer be appropriate.

Child (1977) defines organizational structure as comprising all the tangible regularly occurring features which help shape the behavior of its members.' According to Armstrong and Stephens (2008), organizational structures provide the framework for the activities registered to achieve organizational goals. Moreover, they define and clarify the manner by which the activities required are grouped together into units, functions and departments, the lines of responsibility power and authority emanating from the top of the organization. Basically, organizational structures can be classified as unitary, divisionalized, centralized, matrix and process (Armstrong and Stephens, 2008).

2.5 Determinants of firm performance

Performance is a set of financial and nonfinancial indicators which offer information on the degree of achievement of objectives and results (Lebans&Euske, 2006). There are various factors that have an effect on performance in that they negatively or positively influence the overall performance of firm. These determinants of firm performance vary from organizational factors, people factors, environmental factors, individual factors, organizational climate to individual behavior.

Figure 2.4 Determinants of Firm Performance



Source, Hansen and Wenerfelt (1989)

Organizational factors such as structures and systems placed-In organizational theory, the term 'structure' is used, depending on context, to refer to either or both (Fombrun, 1986) of the physical structures associated with an organization (Donabedian, 1980) and the social structures by which an organization produces collective action. Anorganization's environment restricts what action it can take what structures and processes it can establish to accomplish that action, and what outcomes that action can produce.

According to Watkin and Hubbard (2003), high-performing organizations have climates with particular measurable characteristics, which have shown how organizational climate can directly account for up to 30% of the variance in key business performance measures. This is supported by research that examined the relationship between the way in which employees describe their work environments and the relative performance success of these environments (Wiley & Brooks, 2000).Individual behavior may actively obstruct an organizations operations or activities. For this reason, it requires legitimization in the eyes of others. This legitimization occurs through 'value' systems, of which the most powerful for practical purposes is the law.

According to Cardy and Dobbins (as cited in Williams, 2002), 'people factors' are the abilities and personalities of an individual that may influence his or her performance level. This is evident in a study by Motowidlo and Van Scotter (1994), which reported that personality influences employees' contextual behavior while experiences and abilities relate significantly to employees' task performance. Person factors can be enhancing if employees have relevant motivation. People factors include skills, personality and age of employees among other. These factors influence the performance of an organization as employees effectiveness is reliant on the skills they bring on board, each individuals personality, their age and other human factors.

2.6 Organizational Performance Measures

Performance measurement is traditionally viewed as an element of the planning and control cycle that captures performance data, enables control feedback, influences work behavior

(Flamholtz, Das and Tsui 1985) and monitors strategy implementation (Simons 1990).Performance measurement is based mainly on financial measures and nonfinancial measures. Financial measures express results of decisions in a comparable measurement unit and capture the cost of trade-offs between resources as well as the cost of spare capacity (Epstein and
Manzoni 1997).

Nonfinancial performance measures (NFPM) are parameters used to evaluate nonfinancial performance aspects of an organization. Researchers have found NFPM are important value drivers for organizations and they are predictive of financial performance. Many intangible assets are not well accounted for on the balance sheet, especially when they are internally developed; organizations track them using NFPM.

2.7 Market Segmentation and organizational performance

It is important to identify whether market segmentation provides companies with enough value to justify the investment and effort required. Conceptually, Smith (1956) argued that the outcome of market segmentation should be "depth of market position in the segments that are effectively defined and penetrated", indicating a measure of market performance. On the other hand, Wind and Douglas (1972) and Elrod and Winer (1982) describe market segmentation as a means for price discrimination, which leads to higher profits which is a measure of financial performance. Another financial implication of segmentation is cost. Bonoma and Shapiro (1984) underline marketing cost reductions due to selectively and systematically allocating resources to different marketing mix elements according to the idiosyncrasies of target segments. On the other hand, Wind and Cardozo (1974) highlight the increased costs of targeting different segments as comprising product/service modification, selling and advertising costs.

Dibb (2005) argues that businesses have found market segmentation useful as customer needs are too diverse to be satisfied by a mass marketing approach, hence focusing on satisfying the needs of selected segments should lead to higher purchase rates, customer satisfaction and loyalty which are measures of customer performance. Thus these conceptual arguments seem to suggest that implementing market segmentation can have

an effect on market, customer and financial performance of a firm. These three particular dimensions of performance have been considered as dimensions of firm performance in the marketing literature (Hooley *et al.*, 2005).

Evidence is found in practitioner journals and publications that some firms consistently have seen performance improvements from adopting segmentation strategies (Waaser, 2004; Jacques, 2007; Harrington and Tjan, 2008), leading to the suggestion that pursuing a segmentation strategy should enhance an organization's performance (Hunt and Arnett, 2004; Christensen *et al.*, 2007). In addition, descriptive studies show that the criteria most commonly applied to evaluate the impact of market segmentation strategies are financial performance measures such as sales volume/growth, profit, cost and market share (Craft, 2004). Other, non-financial, evaluation measures used by practitioners include: successful brand building, reputation (Craft, 2004), customer feedback (Schuster and Bodkin, 1987) and the ability to meet customers' needs (Wind and Cardozo, 1974). On the other hand, Bailey *et al.* (2009) found that the large organizations considered did not evaluate the effectiveness of the segmentation schemes adopted and that any assessments of effectiveness were likely to be based on subjective managerial perceptions, which may or may not be accurate.

Peterson (1991) finds that firms who employ segmentation strategy have a higher return on invested capital than those who did not pursue this strategy. He notes however that this finding does not prove the efficacy of segmentation strategy but still provides a presumption of effectiveness. Similarly, Verhoef*et al.* (2002), find that companies using segmentation have better results and are more satisfied with their marketing performance than those who do not. Dibb*et al.* (2002) find that practitioners consider segmentation to lead to greater customer understanding, better matching between the firm and its customers, better identification of gaps and better new brand development. Panayides (2004) finds market segmentation strategy positively related to market share but not to other measures of performance. These studies bring some empirical support to the argument that market segmentation has a positive influence on performance.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the method that was used in carrying out the study. It includes the research design, population, instruments of data collection and data analysis.

3.2 Research Design

The study adopted the descriptive survey research design Descriptive survey design is used in preliminary and exploratory studies to allow the researcher gather information, summarized, present and interpret it for purposes of clarification (Orodho, 2002). Kothari (2003) also recommends descriptive research design as it allows the researcher to describe, record, analyze and report conditions that exist or existed.

3.3 Population

A population is a group of objects, individuals or items from which samples are taken for measurement (Kombo and Tromp, 2006). This study used a census approach and thus the participants will consist of the six cement manufacturing firms in Kenya. (See Appendix 3).

3.5 Data Collection

The study collected primary data using a questionnaire. The questionnaire had four parts; Section A covered a background of the cement industry, section B covered market segmentation in cement manufacturing firms, section C covered organizational characteristics and section D covered market segmentation and performance in the cement manufacturing firms from all the cement manufacturing firms in Kenya. Respondents for the study comprised of the marketing managers and production managers from each cement company. The drop-and-pick method was used to administer the questionnaire.

Secondary data was useful in the study. The data was derived from company records, sales records as well as company bulletins.

3.6 Data Analysis

After collecting the data, the researcher edited the raw data to free it from inconsistencies and incompleteness. This involved a scrutiny of the completed instruments in order to detect and reduce as much as possible errors, incompleteness, misclassifications and gaps in the information obtained from the respondents. Collected data was coded to establish how possible answers would be treated by assigning numerical values to them. The data was captured and stored in soft and hard copy formats. Data was tabulated into sub-samples for common characteristics with responses being coded to facilitate basic statistical analysis. The simplest way to present data is in frequency or percentage tables, which summarizes data about a single variable. Descriptive statistics was used to analyze the data. The researcher purposely sought to measure the objectives by conducting a correlation analysis to establish the relationship between dependent and independent variables. The results was presented using frequency tables, and percentage charts.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the analysis of data and discussion of the research findings. The chapter outlines the findings based on the research objectives. The purpose of this study was to establish market segmentation practices, organizational characteristics and performance of cement manufacturing firms in Kenya. The research findings were presented in form of tables, graphs and charts. Tabulation helped to summarize the data whereas graphs and charts were used to present the study results. The researcher targeted a sample size of 6 respondents from which 5 filled in and returned the questionnaires making a response rate of 83 %. This response rate was good and representative and conforms to Mugenda and Mugenda (1999) stipulation that a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent.

4.2 Background Information

The study sought to establish the demographic information of the respondents including the duration that the number of years the organization has been in existence, ownership of the organization and production capacity of the organization.

The respondents were asked to identify the number of years that their firms have been in existence. The results are shown in table 4.1

Table 4.1: Number of years the organizations has been in existence

Number of years	Frequency	Percentage (%)
Below 5 years	1	20
Between5-10 years	1	20
Between 10-20 years	0	0
Over 20 years	3	60
Total	5	100

Source: Research data, 2014.

Table 4.1 shows that only one organization has been in existence between 6-10Years representing 20%, 1 has been in existence between 5 and 10 years representing 20% and 3 in existence for over 20 years representing 60%.

The respondents were asked to identify the ownership of cement firms. The results are shown in Table 4.2

Table 4.2: Form of ownership of the organizations

Ownership form	**Frequency**	**Percentage (%)**
Government	1	20
Locally	3	60
Foreign ownership	1	20
Total	5	100

Source: Research data, 2014.

Table 4.2 shows that only one organization is owned by the government representing 20%, 1is owned by a multinational company representing 20% and 3are locally owned representing 60%.

The respondents were asked to identify the cement production capacity of their firms. The results are shown in Table 4.3.

Table 4.3: Cement production capacity of the organizations

Production capacity (tones)	**Frequency**	**Percentage**
Less than 1 Million	1	20%
1.1-1.5 Million	3	60%
1.6-2 Million	0	0
Above 2 million	1	20%
Total	**5**	**100%**

Source: Research data, 2014

Table 4.3 shows that one firm has a cement production capacity of less than 1 million tonnes, representing 20%, three firms have a cement production capacity of 1.1-1.5 miliontonnes representing 60% and one firm has a production capacity of over 2million tonnes representing 20%. This shows that the demand for cement is higher than the production capacity. According to the National Bureau of Statistics an increase has been reported in cement consumption over the first five months of this year of more than 400 000 t, bringing total consumption to 2 million tonnes.Existing players are expanding capacity to meet this new demand, while new players, such as the CemtechSanghi Group and Nigeria's Dangote Cement, are entering the market in a significant way. In addition to housing, infrastructure projects such as highways and rail lines, as well as private construction projects, are driving demand.

4.3Market Segmentation Practices in the Cement Firms

The study sought to identify market segmentation practices among the cement manufacturing firms in Kenya. Respondents were asked to identify the criteria used by their firms to segment the market and the bases used in segmentation.

4.3.1 Criteria used by Cement Firms to Segment their Market

Respondents were asked to identify criteria used by their organizations to segment the market. The results are shown in Table 4.4.

Table 4.4: Criteria used by cement firms to segment their markets

Criteria	Frequency	Percentage (%)
Size of the market	5	100
Characteristics of consumers	4	80
Differentiating users	4	80
Stability of the market	3	60
Accessibility of consumers	5	100
Responses of consumers to the products	3	60

Source: Research data, 2014.

Table 4.4 shows that all the five firms use size of the market to segment their market this represents 100%. Four firms use characteristics of the consumers and differentiating users to segment their market representing 80%. Al the five firms use accessibility of consumers as a criterion to segment their market representing 100%.

4.3.2 Bases Used by Cement Firms to Segment their Market

The respondents were asked to identify the bases used by their firms to segment the market. The results are shown in Table 4.5.

Table 4.5: Bases used by cement firms to segment their markets

Bases	To a very great extent 5		To a great extent 4		To a moderate extent 3		To a small extent 2		To no extent 1		Total	
	Frequeny	%	Frequeny	%	Frequeny	%	Frequeny	%	Frequeny	%	Frequeny	%
Demographic variables	1	20	2	40	2	40	0	0	0	0	5	100
Operating variables	3	60	2	40	0	0	0	0	0	0	5	100
Purchasing approach	4	80	1	20	0	0	0	0	0	0	5	100
Situational factors	2	40	1	20	1	20	1	20	0	0	5	100
Personal characteristics	0	0	2	40	1	20	2	40	0	0	5	100

Source: Research data, 2014.

Table 4.5 shows majority of the respondents use demographic variables to segment their markets. 20% agreed that they use demographic variables to a very great extent, 40% use demographic variables to a great extent. While the other 20% use demographic variables to a moderate extent to segment their markets. 60% of the respondents agreed to using operating variables to a very great extent to segment their market, while 40% agreed to using it to a great extent indicating that majority of the firms use operating variables as a basis for market segmentation. 80% of the respondents use purchasing approach to a very great extent while 20% use it to a great extent indicating that a majority of respondents use purchasing approach as a basis for market segmentation. 40% of the respondents

agree to using situational factors to a very great extent to segment their market, 20% use it to a great extent, 20% use it to a moderate extent, and 20% use it to a small extent. This shows that all the cement firms use situational factors to segment their market although some view it as being an important basis compared to others. 40% use personal characteristics to segment their markets, 20% use it to a moderate extent while the other 20% use it to a small extent.

4.4 Organizational Characteristics and Firm Performance

The respondents were asked to indicate which organizational characteristics affect their firm's performance. Results are shown in Table 4.6.

Table 4.6: Organizational characteristics and firm performance

Organizational characteristics		
	Mean	**Std. Deviation**
Ownership of firms	4.3576	.61392
Board of Director Characteristics	4.3333	.64550
Size of the firm	4.0606	.65857
Age of the firm	3.9394	.65857
Culture of the firm	3.7879	.85723
Structure of the firm	3.5455	.90453

Source: Research data, 2014.

As shown in table 4.6, majority of the respondents indicated that organization characteristics impact the performance of organization. These organization characteristics include ownership of firms as shown by a mean score of 4.3576, board of director characteristics as shown by a mean score of 4.3333, size of the firm as shown by a mean score of 4.0606, age of firm as shown by a mean score of 3.9394, culture of firm as shown by a mean score of 3.7879, and structure of the firm as shown by a mean score of 3.7576.

4.5 Determinants of Firm Performance

The respondents were asked indicate determinants of firm performance that apply to their institutions. The results are shown in Table 4.7.

Table 4.7: determinants of firm performance

Determinants of firm performance	Frequency	Percentage (%)
Organizational structure	5	100
Organizations internal environment	4	80
Organizations external environment	4	80
People factor	4	80
Organizations behavior	5	100
Individual behavior	4	80

Source: Research data, 2014.

Table 4.7 shows that all the five firms felt that organizational structure affects firm performance this represents 100%. Four firms felt that organizations internal environment affects firm performance representing 80%. Four firms felt that organizations external environment affects firm performance representing 80%. Four firms felt that organizations people affect firm performance representing 80%. Al the five firms felt that organizations behavior affects firm performance representing 100%. Four of the firms felt that individual behavior affects firm performance representing 80%.

4.6 Effect of Market Segmentation on Performance of Cement Firms

The study sought to establish the effect of market segmentation on performance of cement firms. The respondents were asked to indicate to which extent each statement applied to their firm. The results are shown in Table 4.8.

Table 4.8: Effect of Market Segmentation on Performance of Cement Firms

Statement	Stronglyagree 5		Agree 4		Not sure 3		Moderately disagree 2		Strongly disagree 1		Total	
	Frequeny	%	Frequeny	%	Frequeny	%	Frequeny	%	Frequeny	%	Frequeny	%
Market segmentation has improved efficiency when serving customers	5	100	0	0	0	0	0	0	0	0	5	100
Market segmentation has improved competitive position of the organization	3	60	2	40	0	0	0	0	0	0	5	100
Market segmentation has increased cross selling opportunities for the organization	4	80	1	20	0	0	0	0	0	0	5	100
Market segmentation has provided the organization with insight into new product/ market opportunities	4	80	1	20	0	0	0	0	0	0	5	100
Market segmentation has provided the organization with more accurate forecasts (future market trends)	3	60	2	40	0	20	0	0	0	0	5	100

Source: Research data, 2014.

Table 4.8 shows majority of the respondents strongly agree that market segmentation has improved efficiency when serving customers. 60% strongly agreed that market segmentation has improved competitive position of the organization; while 40% felt that it has improved competitive position of the organization to a great extent.80% of respondents strongly agree that market segmentation has increased cross selling opportunities for the organization, while 20% agree to the statement.

80% of the respondents strongly agreed market segmentation has provided the organization with insight into new product/ market opportunities, while 20% agreed to the statement. 60% of the respondents strongly agreed to the statement that market segmentation has provided the organization with more accurate forecasts (future market trends), while 40% of the respondents agree to the statement.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a discussion of the findings, and conclusions drawn from the findings and finally recommendations for practice and further research on the problem. The purpose of this study was to establish market segmentation practices, organizational characteristics and performance of cement manufacturing firms in Kenya.

5.2 Summary

This study sought to find out market segmentation practices, organizational characteristics and performance of cement manufacturing firms in Kenya. The study targeted the marketing managers and production managers of the firms. It used primary data which was collected using questionnaires that were hand delivered to the respondents. Secondary data was also used to guide in reaching the objectives of the study. An analysis of the respondent's profiles indicated that only one firm has been in existence for less than five years. Three of the firms are locally owned while one is government owned and the other one owned by Lafarge which is a multinational company. The cement production capacity has increased over the years with only one of the firms having a production capacity of less than a million tonnes annually.

The research outcome showed that majority of the respondents used size of the market as a criteria to segment their market, most of the cement firms use Characteristics of consumers as a criteria to segmentation. Most of them use differentiating users as an effective criterion; other firms use characteristics of consumers. All the cement firms use accessibility of the consumers as a segmentation criterion. However, a significant number of respondents felt that stability of the market and responses of consumers to the products were not as much effective a criteria to use while segmenting their markets. The survey shows that all the five firms cement manufacturing firms use demographic variables to segment their market. Operating variables are also considered when a firm decides on whom to target their products. Purchasing approach is also considered as an important basis for segmentation in the cement industry. Most of the firms use situational factors as a basis to

segment their market (s). Most of the cement firms felt that personal characteristics are not so important and therefore they do not use this basis for segmenting the market.

Majority of the respondents indicated that organization characteristics impact the performance of organization. These organization characteristics include ownership of firms, board of director characteristics, size of the firm, age of firm, culture of firm, and structure of the firm. These organizational characteristics have had an influence in each of the cement manufacturing firms, with some being affected by some of the characteristics more than others. Organizational structure, an organizations internal environment, its organizations external environment, people factor, organizational behavior and individual behavior have all been noted as determinants of firm performance as seen by the outcome of this survey. The effect of these determinants varies from one firm to another as indicated by this study.

Market segmentation practices are seen to have an effect on performance of cement firms. Most of the respondents felt that market segmentation has improved efficiency when serving customers, it has improved competitive position of the organization, it has increased cross selling opportunities for the organization, it has provided the organization with insight into new product/ market opportunities and that it has provided the organization with more accurate forecasts (future market trends).

5.3 Conclusion

From the findings of the study, the study concludes that there has been an improvement in the cement industry as a result of effective market segmentation by the industry players. The study also concludes that all the firms within the industry practice market segmentation. These firms use industrial market segmentation practices to segment their markets as other institutions form a larger share of their clientele base. The study concludes that cement firms in Kenya use Kotler's criteria to segment their market. The organizations use size of market, differentiating users, and market accessibility to a great extent.

From the findings, the study concludes that there has been an improvement in the cement manufacturing industry as a result of effective segmentation practices. 80% of the respondents agreed that segmentation improved the competitive position of their organization. The study also concludes that market segmentation practices have improved cross selling and provide insight to new product/ market for the cement firms. The study also concludes that the cement manufacturing firms sell their products to other firms such as hardware's, and other construction institutions and as a result, they focus on B2B market segmentation.

The study further concludes that organizational characteristics also influence firm performance and as a result, cement the performance of these firms are different in as much as they all practice market segmentation. The study also conclude that organizational structure, board of director characteristics, ownership and size of firm are the organizational characteristics that affect cement firms to a large extent. The study finally concludes that the firms use both financial and non-financial performance measures.

5.4 Limitations of the Study

The study was faced with various challenges which the researcher endeavored to overcome. Obtaining full cooperation and appropriate responses from respondents pose was difficult. This is because most respondents felt that giving information may lead to victimization. Some heads of the targeted offices were also suspicious of the researchers' motives and wanted to withhold information. The researcher overcame the limitation by having a letter of introduction from the university that assured the respondents that the information provided would be used for academic purpose and would thereby be treated with confidentiality.

5.5 Recommendations

Foremost the study established that market segmentation has an effect on performance therefore, the study recommends that to enhance performance, the management should understand market segmentation and explore on how to effectively utilize this strategy so

as to remain relevant to their customers. The management should ensure that they are aware of who their market is and how best to serve it. Secondly, the study has established that organizational characteristics affect performance of cement manufacturing firms. This study therefore recommends that the organizations should conduct an audit to determine each organizational characteristics contribution to performance. By doing so, they will be in a better position to effect changes within their respective organizations that will result in increase in performance. Finally, the study established that other factors like organizations factors, environmental factors, people factor individual behavior and organizational climate affect performance. The study therefore recommends that the management of these firms establish which of these determinants of firm performance largely affect their firm and embark on measures to ensure that they come up with strategies to reduce their effect on performance.

5.5.2 Suggestions for Further Research

This study concentrated on market segmentation, organizational characteristics and performance of cement manufacturing firms in Kenya. However, this is not conclusive for Kenya considering that there are other major manufacturing companies. This makes the findings of the study to be limited to the cement industry in Kenya. Further studies should be undertaken in all other manufacturing companies so as to come up with exhaustive findings on market segmentation, organizational characteristics and performance in Kenya and thus give conclusive recommendations that would be adopted countrywide. Secondly, further studies should also be done on the factors that affect performance among manufacturing companies in Kenya.

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APPENDICES

APPENDIX 1

Letter of Introduction

Rachael Nashipai Matipei
University of Nairobi, School of Business
P.O Box 30197-00100
Nairobi,
Mobile Number; 0731081432

Dear Respondent,

RE: Collection of Survey Data

I am a post graduate student at The University of Nairobi, school of Business pursuing a Master's degree in M.Sc. Marketing- Brand and Sales Management. Part of this course entails undertaking a research study in order to fulfill the requirements of the degree program.

My research topic is **"MARKET SEGMENTATION AND PERFORMANCE IN CEMENT MANUFACTURING FIRMS IN KENYA'.** This is to kindly request your assistance in collection of data by filling out the accompanying questionnaire.

The information that you will provide will be used exclusively for academic purposes and as such will be treated with total confidentiality.

Your cooperation will be highly appreciated

Rachael Matipei

D65/80340/2012

APPENDIX 2

Research Questionnaire

Instructions

This questionnaire is designed to provide general information about **Market Segmentation and performance in Cement Manufacturing Firms in Kenya.** Your department has been selected for this study. Be assured that your answers are **confidential.** Please answer all the questions in the questionnaire.

SECTION A; Background information

Please select the appropriate option (tick as applicable)

1. What is the name of your company?

……
……

2. How long has the organization been in existence?

Less than 5 years ☐

Between 5-10 years ☐

Between 10-20 years ☐

More than 20 years ☐

3. What is the ownership form of the organization?

Locally owned ☐

Government owned ☐

Foreign owned ☐

4. What is the range of cement production of your organization per year?

Less than 1 Million tonnes ☐ 1.1-1.5 Million tonnes ☐

1.6- 2 Million tonnes ☐ Above 2 Million tonnes ☐

SECTION B; Market segmentation practices in cement firms

1. Market segmentation is defined as the process of dividing a total heterogeneous market into submarkets or divisions that are homogeneous in nature.

1. Do you segment your market?

Yes ☐

No ☐

2. When segmenting your market, which of the following criteria do you use?

Size of the market ☐

Characteristics of the consumers ☐

Differentiating users ☐

Stability of the market ☐

Accessibility of consumers ☐

Responses of the consumers to the products ☐

Others please specify _____

_____

_____

3. To what extent has your organization used the following variables to segment the cement market?

Please tick the variables applicable to your organization.

5 - To a very great extent **4** - To great extent**3** - To a moderate extent **2** - To a small extent**1**- To no extent

Variables	**1**	**2**	**3**	**4**	**5**
Demographic variables					
Operating variables					
Purchasing approach					
Situational factors					
Personal Characteristics					

SECTION C; Organizational Characteristics and firm performance

1. To what extent do the following organizational characteristics influence your organization?

Please tick the characteristics applicable to your organization.

5 - To a very great extent **4** - To great extent**3** - To a moderate extent **2** - To a small extent**1**- To no extent

Organizational characteristics	**1**	**2**	**3**	**4**	**5**
Ownership of firms					
Board of Director characteristics					
Size of the firm					
Age of the firm					
Culture of the firm					
Structure of the firm					

Other please specify _____

_____

_____

SECTION D; Market Segmentation and organizational performance

1. Firm performance refers to a set of financial and nonfinancial indicators which offer information on the degree of achievement of objectives and results. Which performance measure does your organization use?

Please tick the appropriate answer.

Financial measures only ☐

Non-performance measures only ☐

A balance of financial and non-financial measures ☐

2. The following are determinants of firm performance. Please indicate by ticking which apply to your firm.

Organizational structure ☐

Organizations internal environment ☐

Organizations external environment ☐

People factor ☐

Organizational behavior ☐

Individual behavior ☐

3. The following statements refer to the effect of market segmentation on performance of cement firms. Kindly rate them on the given scale with reference to your organization.

Please tick the correct answer in each section:

1. Strongly Disagree **2.**Moderately disagree **3.** Not sure **4.** Agree **5.** Strongly agree

	1	**2**	**3**	**4**	**5**
Market segmentation has improved efficiency when serving customers					
Market segmentation has improved competitive position of the organization					
Market segmentation has increased cross selling opportunities for the organization					
Market segmentation has provided the organization with insight into new product/market opportunities					
Market segmentation has served as an eliminator of products/services/ marketing programs which don't create customer value					
Market segmentation has provided the organization with more accurate forecasts (future market trends)					

In your own view, has the adoption of market segmentation practices had an effect on performance in cement manufacturing firms?

Yes ☐ No ☐

APPENDIX 3

List of Cement Manufacturing Firms in Kenya

Bamburi Cement

East Africa Portland Cement Company

Mombasa Cement

National Cement

Athi River Mining

Savannah Cement