

**BUSINESS MARKETS SEGMENTATION PRACTICES AND MARKET
SHARE IN LARGE SCALE ICT ORGANISATIONS IN KENYA.**

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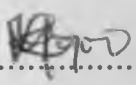
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**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT
OF THE REQUIREMENTS FOR THE MASTERS IN BUSINESS
ADMINISTRATION (MBA) DEGREE OF THE SCHOOL OF
BUSINESS, UNIVERSITY OF NAIROBI**

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DECLARATION

This research proposal is my original work and has not been presented for any award in any other university or examination body

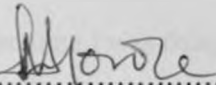
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This research proposal has been submitted with my approval as the University Supervisor

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DEDICATION

I dedicate my study to my dear father Isaiah Kanyogoro Kabaiku.

ABSTRACT

ICT is the World's fastest growing economic activity. The sector has turned the globe into a village by the interconnection of organisations. This has enhanced business transactions across all borders in the continents. The ICT sector is competitive globally and it is therefore important to segment the market in order to concentrate in a few submarkets owing to scarce resources.

The concept of market segmentation is important in modern marketing, marketers must make use of several products and services decision with respect to targeting if they are to operate effectively. Market segmentation thus entails the development and pursuit of different market programmes by the same firm, for essentially the same product but for different components of the overall market. Business markets consists of all organisations that buy goods and services for, manufacturing other goods or conduct business operation

This study was carried out on business markets segmentation practises and market share in large scale ICT firms in Kenya. Six large scale ICT firms were identified: HP, IBM Computech, Copycat, Dimension data and First Computers. Primary data was collected through questionnaires addressed to Marketing managers working in these organizations. The data collected was analysed using descriptive statistics such as mean, standard deviation, frequencies and Pearson correlation.

From the findings all the large scale ICT organisations used market segmentation as a strategy in their marketing. In terms of ways of understanding potential clients all the organizations adopted strategies of targeting particular market and profiling each target group according to its distinguishing characteristics. The Large scale ICT firms in Kenya practise market segmentation as a marketing tool which has resulted into better allocation of resources, fine tuning of the products to meet the market needs and better competitive advantage, higher returns and higher profits. The key variables for segmentation are industry type, end user application, industry size and purchase situation and the commonly used are industry type and size. There was a positive correlation between segmentation variables and market share.

LIST OF ACRONYMS

- ICT** Information and communication Technology
- IT** Information Technology
- BPO** Business process outsourcing
- TV** Television
- HIV** Human immunodeficiency virus
- AIDS** Acquired immunodeficiency syndrome
- CCK** Communications Commission of Kenya.
- DANIDA** Danish international development Agency

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CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Business has become very competitive in every industry. This is occasioned by readily available information about every product which is at the click of a button coupled with very informed customers. Markets consist of buyers who are too numerous, widely scattered and have varied needs and therefore differ in their wants, purchasing power and buying practises and attitudes (Kotler et al 2001). The customers' tastes and preferences are changing very fast and therefore marketing is changing to meet the needs of a changing world. The goal of marketing is to create customer satisfaction while making profits.

It is also not possible for a company to be alone in a market. It is certain that there are competitors in every market and the attractiveness of the market depends on the competitiveness. When there is a high intensity of competitors it may not be worth a while to enter such a market as it would not be possible to obtain a profitable market share. Companies recognise that they cannot appeal to all buyers in the markets and at least not to all buyers in the same way. The resources each organisation has will determine whether they can serve the whole market or they can identify a few submarkets and concentrate on them. It is therefore important for an organisation to identify the different clusters of buyers in order to classify them together (Berkowitz et al 1989). By organisations going after segments instead of the mass market, they have capacity to deliver value to customers and receive maximum profits.

Organizational segmentation focuses on the organisation and individual buyers within it, and reflects group buying which is involvement of more than one person in

the purchase process (Bransington and Pettit 1997). Basic requirement of operational segmentation is that it exhibit homogenous characteristics which allow identification and fulfilment of specific needs and wants and therefore resulting in greater profits than would have otherwise been possible. The concept of market segmentation is important in modern marketing, marketers whether small or large must make use of several products and services decision with respect to targeting if they are to operate effectively. Marketers must meet their customers' needs. A company that meets its customer's needs has a higher competitive advantage.

1.1.1 Business Markets

Business markets consist of all organisations that buy goods and services for, manufacturing other goods conduct business operation; for example hospitals buy supplies to use in surgical operations. Business marketing is marketing of goods and services to business users. This also includes wholesalers and retailers.

Half of all manufactured products are sold to business markets (Eztel et al 2007). Business markets are similar to consumer markets as they involve people who take part in buying roles and make purchase decisions. For consumer markets there are many small buyers while in business markets there are few bulk buyers.

Business marketing entails assessing the organisation, the competitor and customer with a view to identifying opportunities where the firm can deliver superior value. Business to business marketing can therefore be viewed as this defining, developing and delivering value to the customers. Marketing endeavours to demonstrate the superior value they provide compared to their rivals.

Organisation buying behaviour is affected by environmental conditions such as technology, economic, political and legal. Economic growth, coupled with good political climate is a strong indicator of growth in demand for goods and vice versa (Blythe 2008). Technological advancement of the 21st century has allowed businesses to engage with customers with online interactions and content such as web, email, broadband and blogs.

According to Kotler and Armstrong (2001) business markets demand is relatively inelastic and the demand is derived from the final consumer and the customers are geographically concentrated. The nature of buying involves more buyers and more professional purchasing effort while the decisions are more complex and formalised. In business buying buyers and sellers work more closely together and build close long run relationships. Purchasing is done by professionally trained personnel. There are buying committees comprising of technically qualified personnel in case of complex goods and top management is involved in major purchasing decisions.

In business markets the sellers endeavour to meet the business current needs and helping them succeed with their own customers. In this the seller need to understand the business of the customers and therefore help them meet their objectives. At this point the sellers are viewed as partners to customer businesses.

1.1.2 Market Segmentation practices.

Market segmentation is division of mass market in submarkets with distinct characteristics. The overall concept of segmentation applies equally both consumer and organisational markets, but variables by which they are segmented differ.

One major feature of organizational segmentation is that it can focus on both the organisations and individual buyers within it.

According to Brassington and Pettitt (1997) There are two stages of segmenting organisational markets; Identify subgroups within the whole market which share common general characteristics. These are called macro segments. Select target segments from within the macro segments based differences in specific buying characteristic. These are organisation characteristics and broader purchasing content which they operate. The assumption is that the organization will exhibit similar patterns needs which will be reflected in similar buying behaviour and responses to marketing stimuli. Organisational characteristics are the size, location and usage rate. Product or service application– this approach allows for customer groupings either within specific industries as defined by standard industrial classification. Micro segmentation bases :- In this one need to understand the industry, organisation size Product, Application, Technology, Purchase policies, Power structure, Decision Making process, Buyer – seller relationship.

According to Kotler & Armstrong (2001) business markets can be segmented geographically, demographically (Industry, company, size) or by benefits sought, user status, usage rate, and loyalty status. Other variables are such as customer operating characteristics, purchasing approaches, situational factors and personal characteristics. Within a chosen industry a company can further segment by customer size or geographic location. For segments to be useful they have to be measurable, actionable, accessible, substantial and differentiable.

Market segmentation allows the marketer to understand the unique needs of customer segments, which in turn allow the business to focus on product

development efforts, product pricing, selection of appropriate distribution channels, develop advertising messages that will appeal to the target market. Market segmentation offers guidelines on best profit opportunities which results in efficient allocation of company resources. This is an important tool in marketing as it allows the company to discriminate buyers at its own advantage. Effective market segmentation results to some segments of the market being served extremely well.

1.1.3 Market share

Market share is the total sales earned by a particular company over a period of time. One of the most important objectives of the firm is increase its market share, this can be achieved by attracting customers from competition or creating new customers. To achieve this, the company must understand their own customers buying patterns, attitudes, purchasing power and the business needs, on the other hand they need to know the base of their competitors, their strengths and weaknesses. Knowledge of competition and understanding of industry rivalry forms the basis of crafting of a competitive strategy.

Brassington and Pettitt (1997) offers two growth strategies that can be used in increasing market share for the same product. These are market penetration and market development. Market penetration is increasing sales volume to current markets using more aggressive marketing. This means full use of marketing mix to achieve higher volumes of sale. Market development is selling more of existing products to new markets, this could be geographical or opening more use of the same products but for different use. For example seven seas cod liver oil, instead of positioning it as a remedy to colds, it is positioned as loving spoon of health. The other two growth strategies are product development and diversification. Product

development involves selling new product to existing market while diversification is selling new products into new markets.

Many organisations seek to gain a percentage of market share, this forces the management to seek to understand what the competitors are doing in the market. The organisation with a large market share enjoys better economies of scale than its competitors. This means that if two competitors are selling at the same price, the one with a bigger market share enjoys a larger profit from each sale.

The importance of market share is its impact on profitability. According to Moutinho (2008) studies on profit impact on market strategies showed that the most influential factors are the attractiveness of segment served dictated by its growth rate and characteristics of its customers, investment intensity and competitive position

1.1.4 Large scale ICT organisation in Kenya

Information communication technology is an umbrella term that includes all technologies for the communication of information. The Government of Kenya in its economic blueprint Kenya vision 2030 identifies universal access to ICT infrastructure as a major objective in realising the vision. Greater access to ICT contributes to economic growth by reducing transaction cost, therefore increasing business efficiency. Kenya Vision 2030 stresses access to ICTs based on its potential to increase productivity and raise the competitiveness of local businesses in a knowledge-based economy. The economic impact of ICTs, according to Vision 2030, is to be centred at the emerging Business Process Outsourcing (BPO) sector. Information and communication technologies facilitate progress in all sectors of economy such as trade, productive capacities, environment, disaster risk reduction,

disaster management, education, gender mainstreaming, health, agriculture, and climate change as these technologies impact every facet of human life. Information and communication technologies play a catalytic role in the attainment of the Millennium Development Goals (eradicate extreme poverty and hunger, achieve universal primary education, promote gender equality and empower women, reduce child mortality, improve maternal health, combat HIV/AIDS, Malaria and other diseases), ensure environmental sustainability, and develop a global partnership for development. Large scale organisation is any organisation that has more than two hundred and fifty employees.

Apoyo Consultoria report (2011) on use of Mobile phone services in their analysis of census 2009 access to voice services in Kenya is very high with more than 50% having used the mobile phones. Access to data is low in comparison with voice; only 3% had used internet services by August 2009 census the place to access internet was in cybercafés. According to Ministry of foreign affairs and Danish International Development Agency publication (2006) ICT companies constitute, mobile phone subsector which contributes 70% of the revenue where the other contributing sub-sectors in the ICT industry are: Fixed line telephony, Broadcasting sub-sector (radio and TV) IT hardware (reselling and servicing) and software (configuration and development), Internet (infrastructure and services), and IT training. CCK in the progress report 2006 identifies Large scale ICT organisation as those with a work force of more than two hundred and fifty employees.

1.2 Statement of the Problem.

Segmentations is key to developing a sustainable competitive advantage based upon differentiation, cost and focus strategies. In strategic context, segmentation

means the identification of customer groups that respond differently to competitive strategies (Aaker 1998). Market segments consist of customers who share a similar set of wants. Business market segmentation recognizes that buyers differ in their needs, wants, purchasing power, geographical location buying attitudes and buying, geographical location, buying attitudes and buying habits. According to Ezzamel et al (2007) Market segmentation thus entails the development and pursuit of different market programmes by the same firm, for essentially the same product but for different components of the overall market. ICT firms in Kenya are embracing target marketing where sellers distinguish the major market segments; target one or more of the segments and develop products and services and marketing programs tailored to each.

A segmentation practise should be followed by a programme to deliver a competitive offering to those segments, thus developing of a successful segmentation strategy require conceptualization, development and evaluation of competitive offering. Segment marketing has several organisation benefits, a company can create a product or service offering and price it appropriately for the target market. Through segment marketing a company can easily select the best distribution and communication channels. It will have a clearer picture of its competitors that is companies going for the same products.

ICT contributes significantly to world's economic growth. The government of Kenya vision 2030 endeavours' to provide superior telecommunication infrastructure and information technology based on its potential to increase productivity and raise the competitiveness of local businesses in a knowledge-based economy that enables

service delivery. There are plans for ground breaking for Konza technology city, one of the flagship projects for business process outsourcing.

Several studies, Nzyoka(1993); Mshenga(2000); Kimani(2006); Kiama(2009) on market segmentation in commercial banks, segmentation practises of microfinance institutions in Kenya, market segmentation practises used by life insurance companies in Kenya, Survey of market segmentation practises by regulated microfinance institution in Nairobi, respectively have not addressed market segmentation practices adopted in business to business markets in particular by large ICT firms in Kenya. The researcher intends to close the knowledge gap by seeking answers to the following questions

- (i) What segmentation practises are used by Large ICT firms.
- (ii) What factors have influenced organisations to incorporate market segmentation practises.
- (iii) What is the relationship between market segmentation and market share.

1.3 Objectives of the Study

The study is aimed at shedding more light on the following;

- (i) To establish market segmentation practises adopted by ICT firms in Kenya.
- (ii) To determine factors that has influenced the use of market segmentation by ICT firms.
- (iii) To establish the relationship of market segmentation and market share.

1.4 Value of the Study

This study will contribute to the existing body of knowledge in the area of market segmentation in ICT firms which is key to growth of any sector. ICT sector is relatively a new area of study which has seen enormous growth in the last decade globally. Although there has been enormous growth, the concentration has been on development of technology and little is on segmentation and positioning of the technology in different industries. This will help the Government to understand growth of ICT sector as a driver of economy.

The study is anticipated to benefit managers in supplementing strategies that are targeted at selecting and winning a niche market. This will help the firms to customize service offering to different customer segments. This will help the Government to understand growth of ICT sector as a driver of economy.

This study will contribute to segmentation strategies that exist today and also give guideline on how organisation can segment their own market and therefore gain competitive advantage,

It will help the ICT vending companies to produce and goods that are tailored to various marketing niches.

CHAPTER TWO: LITERATURE REVIEW

2.1. Introduction

This chapter covers the definition and meaning of market segmentation, the process of market segmentation, the requirements for effective segmentation and the business markets segmentation practises, Market share and Market segmentation and market share.

2.2. Market segmentation.

Market is a set of actual and potential buyers of a product. Originally the term market stood for a place where buyers and sellers gathered to exchange their goods (Kotler 2001 et al). Marketing is the performance of those activities, which attempt to satisfy a given individual's or organisation target group needs and wants for mutual benefits (Kibera and Waruingi 1998). Market segmentation has been defined by different authors as the process of breaking down the total market for a product or services into a distinct target market to be reached with a distinctive marketing mix (Schiff man and Kanuk 2008), market segment consists of group of customers who share similar a set of wants (Kotler and Keller 2006) while Kibera and Waruingi (1998) describe market segmentation as the subdivision of the market into smaller homogenous submarkets which the organisation might successfully satisfy. All the definitions have similarities in that there is an element of breaking down a heterogenous market into smaller markets with individuals having similar needs and purchasing power in markets.

The notion of varying needs or other buying factors in different individuals provides the rationale for segmentation. It recognises that buyers differ in their wants

purchasing power geographical location, buying requirements thus companies are identifying the market segments they can serve effectively. The strategy of market segmentation is defined as the development and pursuit of different marketing programs by the same organisation, for essentially the same product, but for different components of the overall market.

2.2.1 Market Segmentation Practises.

There is no single way to segment the market, but according to Kotler (2006) a segment should be measurable accessible, profitable and substantial. There are three steps procedure for identifying market segments. The survey stage is aimed at gaining insight into consumer motivations attitudes and behaviour. Analysis stage on the other hand focuses on finding out who buy, what and why. Customer buying influences can be used to determine why they buy. The analysis includes the segment's size, expected growth, purchase frequency, current brand usage, brand loyalty, and long-term sales and profit potential (Sulekha Goyat 2011). Variable such as demographics and operating variables, situational factors, purchase approaches, purchasing function in organisations are all considered in identifying the various groups of customers. The last stage is profiling where each cluster is profiled in terms of distinguishing demographics.

Each segment is given a name based on its dominant characteristics. For effective market segmentation the marketer should understand the market works, identify and list the key discriminating factors, capture details about decision makers, identify and list their real needs, and finally search for groups with similar needs.

Marketing concept puts customer needs at the centre of the organisation decision making, increased competition better informed and educated consumers and changing patterns of demand have given rise to the need for effective segmentation. The concept of market segmentation has become one of the dominant concepts in the marketing literature and practise, Segmentation provides guidelines for firms marketing strategy and resource allocation among marketers of products and services. There are three benefits of target marketing; Marketing opportunities and gaps that is, sectors of unfulfilled demand in a market may be more accurately identified and targeted, products and market appeals through the marketing mix can be more fine-tuned to needs of potential customers and marketing efforts can be focussed on the market segments that offer the greatest potential for the company to achieve its objectives

Kotler et al (2001) observes the market segmentation can be carried out at four levels. These are segment marketing where a company recognises that buyers differing needs, perception, purchasing power, buying behaviour and attitude. In this a company isolates broad segments that make up a market and adapts its offers to match each segment. Secondly mass marketing where the company mass produces, mass distributes and mass promotes the same product. This practise is normally used for consumers products, in this the belief is that mass marketing creates the largest potential market which leads to lower costs hence lower prices and higher margins. In this the focus is on cost as a strategy.

On the other hand in niche marketing, marketers identify niches by dividing a segment into sub segments. Niches attract smaller companies. While micromarketing is the practise of tailoring products and marketing programmes to suit the tastes of

specific individuals and locations. This includes local and individual marketing. Local marketing involves tailoring brands and promotions to needs and wants of local customer groups, cities, neighbourhood and specific stores. Individual marketing is the extreme of micromarketing where products and marketing programmes are tailored to the needs of and preferences of a specific customer.

2.2.2 Requirements for Effective market segmentation

Schiffman and Kanuk (2008) give the appropriate criteria for a good market segment and Kibera and Waruingi (1998) echo the same. A good segment must be measurable and identifiable; the segment size, purchasing power and characteristics of the segments must be measurable. There must be characteristic that identifies each group and this characteristic should be measurable. Secondly it has to be substantial /sufficient. This means that it is profitable enough to warrant the said company to serve them. A segment should be the largest possible homogenous group worth going after with a tailored marketing program.

Thirdly has to be accessible; the segments should be easy to access and effectively reached to be served. Marketers must be able to reach the market segments and serve them economically in terms of distribution and promotional strategies. Actionable; this means that it should respond differently to the marketing mix elements and programmes. The consumer segment should be stable growing and easy identifiable. Compatibility with firms resources objectives and image and differentiable:- the segment is conceptually distinguishable and respond differently to different marketing mix elements and programs.

2.2.3 Business market segmentation.

The overall concept of segmentation applies to both consumer and organisational markets with variables against which segmentation is achieved differing. Business markets constitute the reseller market, agriculture, government, services, not for profit and international Market. These markets demand is derived, generated by demand for the consumer products. The demand is relatively inelastic meaning that it does not respond to changes in price Eztel et al (2007). The buyers are well informed of what they are buying than ultimate consumers. Business markets are segmented according to geographical Location: Companies situated in same region most probably have similar environment or culture as well as they speak similar languages. People living in one region will have different resources and culture as compared to the people living other regions. Moreover, the growth rate and purchasing power may differ in different regions. Secondly company size (small, medium, large): these are segments on the basis of the company size as large size companies pursue different goals as compared to small size. Large organizations need more volume of product as the consumption pattern of the large organizations is different from the small ones. An organization that makes a product that can be used in different industries can make segments on the basis of the industries they serve as there are differences in the consumption and behavioural patterns industry wise. A segment based on purchase criteria of the firm can be made. The purchase criteria may be based on trust, reliability, relationship, commitment and the purchasing cost. The purchase criterion of some firms is the product differentiation (Lamb Et al 2008).

The extent of use of a product(non-user, light user, moderate user, and heavy user): In business-to-business market there can be segment based on the consumption of the

product; the companies that give continuous order for the product can be grouped as the frequent buyers who are actually the regular customers. There can be a segment of potential customers so that they can be targeted in a way that they get attracted towards that product and order it. Similarly there can be light users and moderate users as well (Brassington and Pettitt 1997). Fourthly; product/service application. End user Application: The product that are used in the manufacturing of another product without further processing (Brassington and Pettitt 1997) . Fifthly; Type of buying situation (straight re-buy, modified re-buy, and new task) there can be segments on the basis of buying situation as in straight re-buy it is a routine purchase order, in modified re-buy there a need of some research when the buyer wants some changes in size, colour, price etc. and in new task there is a lot of research required to come up with a new product. Sixthly; the customer type, where the seller want to segment its market on the basis of industry. In this the seller endeavours to meet the needs of the customers in various industries by understanding customers' needs, be relationship oriented so that they can have long term relationship. The supplier should be aware of the purchase requirements so that in the early stage the supplier should get into the process.

Micro-Segmentation: The organisation Purchasing Strategies: Organizations follow two different purchasing strategies in first strategy the organizations give orders to the vendors they know well who fulfils the buying criteria. In the second strategy the organization look for all the available vendors in the market and ask them to give proposal and solicit bid and then choose the one with the best package. In this way two different segments can be made. Structure of decision making unit: segments can be made on the basis of the type of organization and the responsibilities of the

decision maker. Importance of purchase: there can be segments based on the degree of importance of the product to the customer's business. Attitude towards vendors: The customer purchasing attitude is usually formed by the age, qualification, job position and decision making skill of the buyer. (Lamb Et al 2008)

2.3 Market Share

Market share is the total sales earned by a particular company over a period of time. One of the most important objectives of the firm is to increase its market share, which is more measurable than increasing profits. This can be achieved by attracting customers from competition or creating new customers; this forces the management to seek to understand what the competitors are doing in the market. It is a key indicator of competitiveness; that is how well a firm is doing against its competitors. The organisation with a large market share enjoys better economies of scale than its competitors. This means that if two competitors are selling at the same price, the one with a bigger market share enjoys a better margin owing to economies of scale in distribution and logistics as well as production (Kotler et al 2001).

Brassington and Pettitt (1997) offers two growth strategies that can be used in increasing market share. These are market penetration and market development. Market penetration is increasing sales volume to current markets using more aggressive marketing. This means full use of marketing mix to achieve higher volumes of sale. Market development is selling more of existing products to new markets, this could be geographical or opening more use of the same products but for different use.

Companies whose objective is to increase market share may find ways of increasing total demand, this can be achieved by expansion of overall market where targeting is done to non-users, while identifying new uses as the current users are encouraged to use the product more. For example a perfume company may choose to appeal to non-users of perfume and therefore increase in users. Seven seas cod liver oil repositioned their product to “a loving spoon of health” from for “colds and coughs”, by this they increase the uses. Secondly, they may guard existing market by strong positioning, product innovation, strong customer relations, strong distribution relations with heavy advertising. In pursuit of current market share, market leaders may employ other strategies such as price incentives, mergers and takeovers, geographic expansion forward and backward integration (Moutinho 2008). Market leaders may use both offensive and defensive strategies. Defensive strategy is meant reduce the likelihood that the attacker will find it desirable to attack. This is done by raising structural barriers, increasing expected retaliation and lowering the inducement for attack. Companies may then expand their market by lowering the cost of the product and hence have more customers buying (Porter 1998).

The importance of market share is its impact on profitability. According to Moutinho (2008) studies on profit impact on market strategies showed that the most influential factors are the attractiveness of segment served dictated by its growth rate and characteristics of its customers, investment intensity and competitive position.

2.4 Market segmentation and Market share.

Market segmentation has become a requirement for many organisations, as the competition intensifies organisation requires to allocate resources to match their capacity. Companies engage in market segmentation in order to increase the sales to

customers or to be able to understand customers' needs in order to offer products that meet customers need. The customer today is informed and is looking for organisation that will deliver value to them. In order to deliver value it is important to understand value from customers' perspective.

Segment attractiveness has the attributes such as high profitability, rapid growth, lack of government regulation, Share of the market is the company's share of the target market while share of mind is the percentage number of customers that named an organisation while answering to the question name the first company that comes to your mind in this industry, Share of heart is the percentage of customers who named the company as the first one they would prefer to buy product from.

2.5 Summary of literature review.

Market segmentation is important to all business as it increases profitability, leads to better resource allocation, gives competitive advantage, enables a firm to serve customers better and helps in selecting promotional tools. The criteria for choosing market segment is that it should be accessible, identifiable, measurable, actionable and substantial. The market segmentation process begins with surveying and market mainly through research. The second stage is analysis while the last one is profiling.

The commonly used segmentation variables are demographic (industry, company size location), operating variables, situational factors, personal characteristics, purchasing approaches, and purchasing function organisation. One of the most important objectives of the firm is to increase its market share, which is more measurable than increasing profits. This can be achieved by attracting customers from competition or creating new customers;

CHAPTER THREE: RESEARCH METHODOLOGY.

3.1 Introduction

This chapter covered research design, the population data collection and analysis.

3.2 Research design

This was a descriptive study aimed at establishing the extent to which Large ICT firms in Kenya practises segmentation. According to Copper et.al (1994) descriptive study is concerned with finding out who, what, where and how of a phenomenon which were the concerns of the study. This method of study was chosen to ensure all the unit unique aspects of market segmentation practises are captured. The study was census and therefore looked at the population in focus.

3.3 The Population

The population of interest in this study was made up of six large size scale ICT companies in computer hardware and software business. A Census study was conducted due to small size of the population in large ICT firms dealing with computer hardware and software. A list of large ICT firms in Kenya according CCK report 2006 is attached. (Appendix two)

3.4 Data Collection.

Primary data was collected using semi structured questionnaires. The data was collected from marketing manager or equivalent in these firms through drop and pick later method.

The questionnaire (Appendix one) was divided into four sections; with section one with questions covering general information. Section two questions sought to answer questions on the extent of adoption of segmentation practises and factors that influence the adoption. Section three aimed at identifying variables used for segmentation practise, while the last section addressed the growth in Market share.

3.5 Data Analysis.

All the questionnaires were edited and coded before analysis. The data was then analysed using descriptive statistics such as mean, standard deviation and frequencies. Analyses were presented using charts, graphs percentages and frequency tables. The analysis included correlation relationship between market segmentation and market share.

CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

4.1 Introduction

The research objectives were; to establish market segmentation practises adopted by ICT firms in Kenya, to determine factors that have influenced the use of market segmentation by ICT firms and to establish the relationship of market segmentation and market share. The findings are presented in percentages and frequency distributions, coefficients pie charts and bar graphs.

A total of 6 questionnaires were issued out. The completed questionnaires were edited for completeness and consistency; Of the 6 questionnaires used in the census study , 5 were returned. The returned questionnaires' represented a response rate of 83.33%, which the study considered adequate for analysis.

4.2 General information

4.2.1 Location of the Organisation

The findings indicated that all the organizations were located in Nairobi, that is, Dimension data and Hewlett-Packard are located in Upper Hill , Computech limited and The Copy Cat are located in Westlands, IBM East Africa is located in Hurlingham. The locally owned companies are Computech and The Copy Cat Limited The other three companies namely Dimension Data, Hewlett-Packard and IBM are multinationals owned by foreigners.

4.2.2 Number of Employees

The findings in table 4.2, indicates that Copy Cat ltd has the highest number of current employees followed by Dimension Data, Computech limited, IBM East Africa and Hewlett-Packard Packed (HP) respectively.

Table 4.2: Number of Employees

Company	Number
The Copy Cat Limited	800
Hewllet Packed (HP)	Over 70
IBM East Africa	150
Computech Limited/ First computers Limited	187
Dimension data	270

4.2.3 Company Ownership

The locally owned Copy Cat has the largest number of employees and is Headquartered in Kenya . Dimension Data whose headquarters are in Japan has the second largest number of employees in Kenya and possibly the second in operation. Computech is the third and is also locally owned while IBM and Hewlett-Packard are multinationals and they have 150 and 70 employees respectively. IBM and HP are global companies having their presence in every continent.

4.2.4 Existence of Marketing Department

The questionnaire required that the respondent state whether their respective companies had marketing department, the respondents unanimously indicated that all their firms had marketing department, thus they would be able to understand the concept of segmentation, variables, practices, and market share. This is in line with marketing concept that starts with recognition of customer needs and then works backwards to improvise products and services to satisfy these needs.

4.3 Adoption of Segmentation Practices

This section covers the questions to the respondents on the extent of adoption of segmentation practices. The results are presented in terms of frequency, mean and standard deviation. All respondents indicated that their firms use segmentation as a marketing strategy. Market segmentation is a marketing strategy that involves dividing a broad market into subsets of consumers who have common needs as well as common applications for the relevant goods and services.

4.3.1 Process of Segmenting the ICT Market

The finding in table 4.4 indicated that 40% (others) of the respondents firms used more than one step in segmenting their markets. At the same time 40% used profiling technique in segmentation of market while the rest (20%) relied on analysis as a tool of market segmentation.

Table 4.3 Process of segmentation

Process of market segmentation	Frequency	Percent
Analysis	2	20
Profiling	4	40.0
Others (analysis, profiling and jury of the executive)	2	40.0
Total	5	100.0

The respondents unanimously agreed that in market segmentation process, it is important to understand their potential clients for the purpose of coming up with products and services relevant to the segment. All the ICT firms go through the process of survey analyzing and profiling the customers which is in agreement with the process of market segmentation. Large scale ICT firms confirmed that each target group is profiled according to its distinguishing characteristics.

4.3.3 Market Segmentation Variables.

The respondents were asked to rate the extent to which their organizations have used some predetermined variables in segmenting the total market. The scale was of 1-5 the where the meaning was, 1 to no extent, 2 to a small extent, 3 to a moderate extent, 4 to a large extent and 5 to a very large extent

Table 4.3.1 Market Segmentation Variables

	Mean	Std. Dev
Industry type	4.40	0.894
End user application	4.20	0.095
Industry size	4.20	0.836
Purchase situation	3.60	0.894
Usage rate	3.40	0.894
Geographical location	3.20	0.303

The findings indicate the large scale ICT firms use Industry type, end user application and Industry size variable more than the others this is clear from the mean of (4.40, 4.20 and 4.20) respectively. They also use purchase situation, use usage rate and geographical location.

4.3.6 Requirements for effective market Segmentation

The respondents were asked to indicate the extent to which their organizations considered the importance of some predetermined factors for good market segmentation. The scale was of 1-5 where the meaning was ,1 to no extent, 2 to a small extent, 3 to a moderate extent, 4 to a large extent and 5 to a very large extent. The results are shown in table 4.3.4. From the findings to a very large/large extent; Profitable (mean of 4.20), Substantial (mean of 4.00), Measurability (mean of 3.80) Differentiable/ Compatible/ Compatible/ identifiably and Actionable (mean of 3.60) were good market segmentation factors. Only Accessibility (mean of 3.40) was rated as a moderate good factor for market segmentation

Table 4.3.2: Requirements for effective market Segmentation

	Mean	Std. Deviation
Profitable	4.20	0.836
Substantial	4.00	0.707
Measurability	3.80	1.095
Differentiable	3.60	0.894
Compatible	3.60	1.140
Identifiably	3.60	1.140
Actionable	3.60	1.140
Accessibility	3.00	1.410

The findings show that the respondents were all in agreement that their customers includes corporate, government, nongovernmental organization, small business and institutions. Only IBM East Africa served individual clients.

Table 4.3.3 Challenges of market segmentation

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	4	80.0	80.0	80.0
No	1	20.0	20.0	100.0
Total	5	100.0	100.0	

As shown in table 4.3, 80% of the firms experienced problems while segmenting their customer base. Amongst the problems encountered were; Insufficient data and information in the public domain about each sector, and other established vendors in

east Africa region, lack of proper criteria for distinguishing corporate from SME's and buying cycles of different clients.

4.4 Benefits of Market Segmentation

The findings indicated that there were benefits that had accrued from segmentation; IBM East Africa and Copy Cat were of the opinion that the benefits included increased profits, better allocation of resources, tailored Products and services to meet customer's need, identify and appraise unfulfilled market demand and competitive advantage, Hewlett Packard indicated that segmentation benefits were increased profits, better allocation of resources, market penetration, fine-tuned Products and services to meet customer's need, higher returns and market coverage, Dimension Data had only gained competitive advantage as a result of market segmentation while Computech enjoyed better allocation of resources, fine-tuned Products and services to meet customer's need, higher returns and competitive advantage as a result of market segmentation.

4.4.1 Impact of Market Segmentation on Market Share

The respondents were asked to state the extent to which their organizations has increased customer base after segmentation based on the following indicators. The results are shown in table 4.7. The respondents unanimously indicated that market segmentation has to a large extent increased their market share in terms Customer relation (mean of 4.80), Increase in customer loyalty (mean of 4.60) and market share (mean of 4.60).

Table 4.4 Impact of Market Segmentation on Market Share

	Mean	Std. Deviation
Customer relation	4.80	0.457
Increase in customer loyalty	4.60	0.894
Market share	4.60	0.894

4.4.2 Correlation between segmentation variables and Market share

According to Mugenda and Mugenda (1999), the coefficient of correlation yields statistic that ranges from -1 to 1. The closer the coefficient to a whole number, the stronger the association and vice versa. If the correlation is positive, it means the relationship is positive and vice versa.

Table 4.4.1 Correlation

		Industry size	Geographical location	Purchase situation	Usage rate	End user application	Industry type	Market share
Industry size	Pearson Correlation	1	.642	.468	.535	.764	.535	.134
	Sig. (1-tailed)		.122	.213	.177	.066	.177	.415
Geographical location	Pearson Correlation	.642	1	.514	.772	.490	-.086	.514
	Sig. (1-tailed)	.122		.188	.063	.201	.445	.188
Purchase situation	Pearson Correlation	.468	.514	1	.875*	.612	.563	.375
	Sig. (1-tailed)	.213	.188		.026	.136	.162	.267
Usage rate	Pearson Correlation	.535	.772	.875*	1	.408	.375	.250
	Sig. (1-tailed)	.177	.063	.026		.248	.267	.343
End user application	Pearson Correlation	.764	.490	.612	.408	1	.408	.612
	Sig. (1-tailed)	.066	.201	.136	.248		.248	.136
Industry type	Pearson Correlation	.535	-.086	.563	.375	.408	1	-.375
	Sig. (1-tailed)	.177	.445	.162	.267	.248		.267
Market share	Pearson Correlation	.134	.514	.375	.250	.612	-.375	1
	Sig. (1-tailed)	.415	.188	.267	.343	.136	.267	

*. Correlation is significant at the 0.05 level (1-tailed).

a. Listwise N=5

From the findings End user application had the highest positive (0.612) relationship. End user application acknowledges that same product can be used in different ways. For example glass is used by motor industry and liquor industry. Each of these industries will react differently to price sensitivity and ease of substitution (Brassington and Pettit 1997). The second is geographical location with a correlation of (0.514), Companies situated in same region most probably have similar environment or culture as well as they speak similar languages. People living in one region will have different resources and culture as compared to the people living other regions. Product diffusion will be easier to people speaking the same language will use the word of mouth as a tool of communication (Schiffman and Kanuk 2008).

The purchase situation (0.375) this is buying situation as in straight re-buy it is a routine purchase order, in modified re-buy there is a need of some research when the buyer wants some changes in size, colour, price etc, usage rate (0.250) the companies that give continuous order for the product can be grouped as the frequent buyers who are actually the regular customers, while industry size (0.134) that is company size as large size companies pursue different goals as compared to small size respectively. Industry type had a negative relationship. However they were not significant at 0.05.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

In this section we discuss the main findings, draw conclusions and make recommendations.

5.2 Summary

The objective of the study were; to establish market segmentation practises adopted by large scale ICT firms in Kenya, to determine factors that have influenced the use of market segmentation by ICT firms and to establish the relationship of market segmentation and market share.

Overall, all the organizations used market segmentation as a marketing strategy. This strategy was driven by marketing departments in each organization. The study identified the following problems experienced by the organization while segmenting their customer base; insufficient data and information in the public domain about each sector, competition from clone market and other established vendors in east Africa region, lack of proper criteria for distinguishing corporate from SME's and buying cycles of different clients.

Market segmentation steps used across the board by organizations were analysis, profiling and jury of the executive. In terms of ways of understanding potential clients all the organizations adopted strategies of targeting particular market and profiling each target group according to its distinguishing characteristics. The study further found out that key variables for segmentation were; industry type, end user

application, industry size and purchase situation which is in agreement with Brassington and Pettitt (1997) and Lamb et al (2008). The main factors for good market segmentation were Profitable, Substantial, Measurability Differentiable, Compatible, Compatible, identifiable and actionable which is in agreement with Schiffman and Kanuk (2008) and Kibera and Waruingi (1998).

In terms of the market share the study found out that benefits derived from market segmentation varied from one organization to another. More specific; IBM East Africa and Copy Cat benefits included increased profits, better allocation of resources, fine-tuned Products and services to meet customers' need, identify and appraise unfulfilled market demand and competitive advantage, Hewlet Packard benefits were increased profits, better allocation of resources, market penetration, fine-tuned Products and services to meet customer's need, higher returns and market coverage, Dimension Data had only gained competitive advantage as a result of market segmentation while Computech enjoyed better allocation of resources, fine tuned Products and services to meet customer's need, higher returns and competitive advantage as a result of market segmentation. Market segmentation also significantly increased organization customer base in terms of Customer relation, customer loyalty and Customer numbers.

5.3 Conclusion

From the findings all the large scale ICT organisations used market segmentation as a strategy in their marketing. In terms of ways of understanding potential clients all the organizations adopted strategies of targeting particular market and profiling each target group according to its distinguishing characteristics. The study further found out that key variables for segmentation were; industry type, end user application, industry size and purchase situation. Market segmentation also significantly increased

organization customer base in terms of Customer relation, customer loyalty and Customer numbers .

The Large scale ICT firms in Kenya practise market segmentation as a marketing tool which has resulted into better allocation of resources, fine tuning of the products to meet the market needs and better competitive advantage, higher returns and higher profits.

IBM East Africa, Hewlett-Packard and Dimension Data are foreign companies and opening office in Kenya was in pursuit of current market share that they employed a strategy such as geographic expansion (Moutinho 2008).

The findings show that Hewlett-Packard benefits were increased profits, better allocation of resources, market penetration, fine-tuned Products and services to meet customer's need, higher returns and market coverage. Dimension Data gained competitive advantage as a result of market segmentation while. Computech enjoyed better allocation of resources and fine-tuned Products and services to meet customer's need, higher returns and competitive advantage as a result of market segmentation.

5.4 Recommendations for Policy and practise.

From the findings only two large scale ICT firms are locally owned and this can be explained by the capital expenditure required to build manufacturing plants for ICT products as well as the training required to build capacity. The Government of Kenya can partner with the learning institutions to build capacity together with the locally owned ICT firms. Private – Public sector partnerships would offer the market with the capacity that the industry needs that the public sector would include in the education curriculums. The industry lacks a self-regulatory body which would form an umbrella body for ICT which would be the base of code of conduct and best practise.

For best results in business market segmentation practises by Large scale ICT firms, the right procedure must be followed survey- analysis and profiling. They would offer the country the much needed jobs that would help in the growth of the economy. This would place Kenya in the roadmap together with other technology savvy countries namely the China tigers.

The key variables for segmentation are industry type, end user application, industry size and purchase situation and the commonly used are industry type and size.

5.5 Limitations of the Study

This study had the limitation of the respondents and time. For this reason, most of the respondents were drawn from and for the IBM, Hewlett-Packard and Dimension data we could not get in touch with the Head of marketing as their headquarters are in USA (IBM) USA (HP) and Japan (Dimension Data). Some of the respondents were also not willing to share information freely as they fear discussing profitability and issues of market as they are confidential.

ICT firms were not willing to let out their information easily but after they were convinced that it would be used for academic research, they agreed. The data collection took longer than expected since the respondents had very tight schedules.

5.6 Recommendation for Further Research

Further research should focus on the contribution of ICT to the profitability of the firm. This research would be important as all businesses are relying on ICT for competitive advantage. By an organisation having good business processes they serve their market better and this will lead to increase in profits.

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DATE: 23rd August 2012

TO WHOM IT MAY CONCERN

The bearer of this letter Ms Kanyoqoro Lucy Muthoni

Registration No.: D61/63269/2010

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

She is required to submit as part of his/her coursework assessment a research project report on "**Business markets segmentation practices and market share in large scale ICT organizations in Kenya**". We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

IMMACULATE OMANG
MBA ADMINISTRATOR
MBA OFFICE, AMBANK HOUSE



APPENDIX TWO: QUESTIONNAIRE

The information provided here will be used for academic purpose and will be treated with confidentiality.

Section 1

SECTION 1 General information

Company data

- i. Name of the organization
.....
- ii. Year of establishment
.....
- iii. Position of the respondent
.....
- iv. Location of the organization.....
- v. Who owns the organization.....
- vi. Current number of employees.....
- vii. Do you have a marketing department.....
- viii. What is the core business of your organization.....

SECTION 2 Extent of adoption of segmentation practices

1. Market segmentation refers to the process of dividing large markets into smaller segments with similar characteristics.

- i. Does your firm use segmentation as a marketing strategy
a. YES
- b. NO

ii. Did your organization experience any problems while segmenting its customer base? If yes please name them.

iii. In segmenting a market a company undertakes a number of steps. Which steps are applicable to your company

- a. Survey stage
- b. Analysis
- c. Profiling
- d. Jury of the executive
- e. Others specify

iv. In market segmentation process, it is important to understand your potential clients for the purpose of coming up with products and services relevant to the segment.

- a. Yes

v. Which one applies to your organization

- a) we usually analyze our potential clients
- b) we often survey the needs of our customers
- c) we produce what our customers want
- d) we usually target particular market
- e) we assume customers would like our products
- f) each target group is profiled according to its distinguishing characteristics
- g) our clients look for us in need of our services

SECTION 3 Variables for segmentation

a. Using a scale of 1-5 please indicate with a tick the extent to which your company has used the variables listed below to segment the total market where I mean

1 to no extent,

2 to a small extent

3 to a moderate extent,

4 to a large extent and

5 to a very large extent.

Variable	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)
Industry size					
Geographical location					
Purchase situation					
Usage rate					
End user application					
Industry type					

b. Indicate the extent to which your firm consider the factors listed below as important for a good market segment using a scale of 1-5 where 1 mean

1 Not at all important,

2 Important to a small extent

3 moderately Important

4 Important to a large extent and

5 Important to a very large extent.

Variable	To a very great extent (5)	To a large extent (4)	To a moderate extent (3)	To a small extent (2)	To no extent (1)
Actionable					
Measurability					
Identifiably					
Substantial					
profitable					
Accessibility					
Compatible					
Differentiable					

c. How have you named your segments

- i. Segment.....
.....
- ii. Segment.....
.....
- iii. Segment.....
.....
- iv. Segment.....
.....
- v. Segment.....
.....

Etc

d. What is the nature of your clients? Tick against the category

- Corporate
- Government
- Non governmental institutions
- Small business
- Individual
- Institutions e.g. schools
- Other specify

SECTION 4 Benefits for Segmentation and Market share

i. Please indicate the benefits your firm has derived from market segmentation

- a. Increased profits
- b. Better allocation of resources
- c. Competitive advantage
- d. Others specify

ii. The following are the benefits of market segmentation

Tick the one that applies to your firm

- Products and services fine tuned to customer's need
- Higher competitive advantage
- Increased profitability
- Identify and appraise unfulfilled market demand
- Market effort focused to segments with higher returns.

iii. To what extent has your company increased the customer base after segmentation? On scale of 1-5 where 1 mean

- 1 to no extent,
- 2 to a small extent
- 3, to a moderate extent,
- 4 to a large extent and
- 5 to a very large extent

Variable	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)
Market Share					
Customer relation					
Increase in customer loyalty					

APPENDIX THREE: LIST OF LARGE ICT FIRMS IN KENYA

LARGE ICT FIRMS WITH OVER 250 EMPLOYEES IN KENYA.

	COMPUTER SOFTWARE	HARDWARE AND HP EAST AFRICA IBM KENYA COPYCAT DIMENSON DATA. FIRST COMPUTERS COMPUTECH TOSHIBA EA.
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SOURCE: Communication commission of Kenya 2006.