THE USE OF MARKET SEGMENTATION AS A STRATEGIC MANAGEMENT TOOL BY COMMERCIAL BANKS IN KENYA

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OCTOBER, 2012

DECLARATION

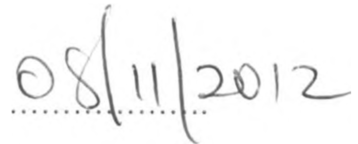
This project is my original work and has not been presented for a degree in any other University.

Signature Date

RISPER KATHURE MUTHOMI

REG: D61/8905/2006

This project has been submitted for examination with my approval as University Supervisor.



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I would like to thank God Almighty for His able guidance throughout my studies. My heartfelt appreciation also goes to my supervisor, Ms. Catherine Ngahu, for her invaluable professional advice and guidance throughout this project, I am very grateful to you madam.

My special gratitude to my husband, my parents and siblings, for their prayers, support, encouragement and understanding throughout my study period, may God bless you all.

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DEDICATION

I dedicate this work to my family and all those who supported me in the completion of this project.

ABSTRACT

Strategic management seeks to coordinate and integrate the activities of the various functional areas of a business in order to achieve long-term organizational objectives. Segmentation is central to strategy because different customer groups imply the need for different marketing mixes. The technique of segmenting a market also reveals profit and strategic opportunities for new competitors to challenge established market leaders. Several approaches to market segmentation are useful to locate and describe target segments and influence a company's strategy. Knowing consumers' level of interest in alternative benefits is important in shaping, and perhaps changing, a company's product portfolio. Well defined market segmentation strategy enables better products and services for the customer and will win you a reputation of being the 'customer's marketer. As competition in the banking markets intensifies, financial service institutions have increasingly adopted a strategy based on sophisticated forms of segmentation.

The objective of the study was to investigate how commercial banks in Kenya used market segmentation as a strategic management tool. The researcher adopted a descriptive cross-sectional survey and focused on all the 43 commercial banks in Kenya. The study collected primary data by use of self-administered questionnaire. Quantitative data collected was analyzed by the use of descriptive statistics using SPSS and presented through percentages, means, standard deviations and frequencies. The information was displayed by use of bar charts, graphs and pie charts and in prose-form.

The study concludes that banks employ geographic, demographic, psychographic and behavioral segmentations as their strategic management tool. The study also recommends that it is of significant importance that banks should focus on consumers' changing needs and preferences at different stages during their life in order to not fail to benefit from their customers.

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ABBREVIATIONS

STP Segmenting, Targeting, and Positioning

SWOT Strengths, Weaknesses, Opportunities and Threats

BSC Balanced Scorecard

SPSS Statistical Package for Social Sciences

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Strategic management is the art, science and craft of formulating, implementing and evaluating cross-functional decisions that will enable an organization to achieve its long-term objectives (David, 1989). It is the process of specifying the organization's mission, vision and objectives, developing policies and plans, often in terms of projects and programs, which are designed to achieve these objectives and then allocating resources to implement the policies, and plans, projects and programs. Strategic management seeks to coordinate and integrate the activities of the various functional areas of a business in order to achieve long-term organizational objectives. A balanced scorecard is often used to evaluate the overall performance of the business and its progress towards objectives. There are various tools and techniques that have been developed to assist executives in the implementation of strategy.

Marketing is one of the important functions in any organization. Contemporary marketing strategy development includes such concepts as segmenting, targeting, and positioning (STP of marketing). The determination of a viable target market is the first step. Positioning strategy is linked to lifestyle market segmentation. For instance, the cultural values and attitudes of consumers are changing; attributable to changes in lifestyles and in purchasing behavior, expectations, and product/service choices (Alfansi and Sargeant, 2000).

Smith (1956) first defined market segmentation as viewing a heterogeneous market as a number of smaller homogeneous markets, in response to differing preferences, attributable to the desires of consumers for more precise satisfaction of their varying wants. According to Smith's original definition, the derivation of market segments

should be driven by a genuine heterogeneity in consumer needs and wants. It may, however, not always be appropriate to develop a strategy of market segmentation, even where this heterogeneity in demand is found to exist. As Wedel and Kamakura (1998) notes that even if markets can be partitioned into homogeneous segments, market segmentation will be useful only if the effectiveness, efficiency and manageability of marketing activity are influenced substantially by discerning separate homogeneous groups of customers.

Despite the cost advantages mass marketing offers to businesses, this strategy has several drawbacks. A single product offering cannot fully satisfy the diverse needs of all consumers in a market and consumers with unsatisfied needs expose businesses to challenges by competitors who are able to identify and fulfill consumer needs more precisely. Well defined market segmentation strategy enables better products and services for the customer and win you a reputation of being the 'customer's marketeer.

In more developed economies the importance of market segmentation in the financial service sector has been well established. As competition in the banking markets has intensified, financial service institutions have increasingly adopted a strategy based on sophisticated forms of segmentation (Speed and Smith, 1992 and Harrison, 1994). Unfortunately, according to Alfansi and Sargeant (2000), in the context of a developing economy the range of variables that are employed for the purpose of market segmentation is somewhat limited.

1.1.2 Concept of Strategic Management

Strategy refers to a plan of action designed to achieve a particular goal. Strategy is about planning to reach a vision which differentiates a company from its competitors in a positive way. It encompasses overall direction as well as the many detailed

activities that occur in a company. There are two major types of strategy: corporate strategy, in which companies decide which line or lines of business to engage in and business or competitive strategy, which sets the framework for achieving success in a particular business. Business strategy refers to the strategy used in directing one coherent business unit or product line (Ghemawat, 1985).

While business strategy often receives more attention than corporate strategy, both forms of strategy involve planning, industry/market analysis, goal setting, commitment of resources, and monitoring. The most crucial question business strategy address is how the unit plans to be competitive within its specific business market. Important logistical issues to consider include what role each of the functional areas within the business unit will play in creating this competitive advantage in the marketplace, what the potential responses are to prospective changes in marketplace and how to allocate the business unit's resources between its various divisions. The overall competitive strategy should take into account three main factors: the status, make-up, and prognosis of the industry as a whole and its market(s), the firm's position relative to its competitors and internal factors at the firm, such as particular strengths and weaknesses (Faulkner and Bowman, 1995).

According to Jeppesen (2005), most organizations have been striving to tailor make their products to cater for different market segments in order to enhance their competitiveness. Commercial banks have integrated different banking segments which targets different members of society. By their very nature of work, commercial banks are exposed to enormous risks in their duty to deliver financial products to their customers and secure a competitive place in the expanding banking industry (Kupper, 2009). Hence, it is the responsibility of the banking facilities to tailor its products to

suit individuals depending on their needs as well as their lifestyles. In this regard, classification and presentation of banking products available to customers in terms of their needs and aspirations becomes an issue to contend with. While marketing such products to customers, it is imperative that the eligibility criteria for accessing a particular product is clear to ensure customers are in the right segment so that they are able to fully enjoy the benefits available within their proposition (Kotler, 2002).

1.1.2 Market Segmentation

Segmentation is central to strategy because different customer groups imply the need for different marketing mixes (Doyle, 2004). The technique of segmenting a market also reveals profit and strategic opportunities for new competitors to challenge established market leaders (Abell, 2008). As a market develops, new segments open up and older ones tend to decline. For example, the deepening of the product range has seen the introduction of a greater variety of services for several market segments (Speed and Smith, 2002). The concept of segmentation recognizes that consumers differ not only in the price they will pay, but also in a wide range of benefits they expect from the product (or service), and its method of delivery (Doyle, 2004).

Several approaches to market segmentation are useful to locate and describe target segments and influence a company's strategy. Knowing consumers' level of interest in alternative benefits is important in shaping, and perhaps changing, a company's product portfolio. Moreover, such knowledge is helpful in predicting the attention that will be paid to advertising developed around those benefits. Thus, benefit segmentation can be used by Commercial banks in Kenya not only to develop new products and reposition or discontinue old products, but also to facilitate a two-way communication process between the consumers and the Banks.

1.1.3 Commercial Banks in Kenya

Over the years, the commercial banking sector has grown into banking institution of different types and ownership. According to the statistics by the Central Bank of Kenya, the provisions of Commercial Banks and Mortgage Finance Institutions are licensed and regulated pursuant to the Banking Act and the Regulations and Prudential Guidelines issued there under. They are the dominant players in the Kenyan Banking system and closer attention is paid to them while conducting off-site and on-site surveillance to ensure that they are in compliance with the laws and regulations.

As at 31st December 2011, the banking sector comprised of the Central Bank of Kenya, as the regulatory authority, 44 banking institutions (43 commercial banks and 1 mortgage finance company - MFC), 4 representative offices of foreign banks, 6 Deposit-Taking Microfinance Institutions (DTMs), 118 Forex Bureaus and 2 Credit Reference Bureaus (CRBs). Out of the 44 banking institutions, 31 locally owned banks comprise 3 with public shareholding and 28 privately owned while 13 are foreign owned. CBK uses a weighted composite index comprising assets, deposits, capital size, number of deposit accounts and loan accounts to classify banks into three peer groups. Based on the weighted composite index, a large bank has a market share of 5 percent and above; medium bank between 1 percent and 5 percent and a small bank has less than 1 percent of the market share. As at 31st December 2011, there were 6 large banks, 15 medium banks and 22 small banks.

1.2 Research Problem

Market segmentation is increasingly recognized as an important tool for commercial bank managers who must manage, protect and grow their banks' market share in today's competitive banking environment. To compete successfully in this volatile and competitive business markets, mass marketing is no longer a viable option for most companies. Marketers must attract niche markets that exhibit unique needs and wants by partitioning markets into groups of potential customers with similar needs or characteristics that are likely to exhibit similar purchase behavior. Financial institutions of all types are operating in an increasingly competitive market environment. Changes in customer behavior; regulations and new technology make market segmentation crucial to achieve customer satisfaction and profitability in banking. An important assumption behind the segmentation idea is that both customer relations and internal operations can be handled more efficiently (Harrison, 1994).

In response to this volatile market environment, commercial banks have shown a renewed interest in marketing their products/services to their customers more effectively (Kaynak and Harcar, 2005). To be competitive in this changing market environment, financial institutions, including banks of all sizes, utilize marketing planning tools and techniques. Banks deal with various types of customers e.g., individuals, group of people, corporate entities, among others who have their likes and dislikes. To overcome this, banks adopt market segmentation strategy, which recognizes the wisdom of specializing to suit the need of a segment of the market rather than trying to address the requirements of each and every customer separately.

Many studies have been done on market segmentation (Wamalwa, 2008, Kiama, 2009, Mulwa, 2009 and Nzyoka, 1993). Mulwa's (2009) study showed that

commercial banks segment their markets into retail/consumer, corporate and business related services but do not relate how such has helped the respective banks gain competitive advantage. In addition, the environment in which commercial banks are currently operating has become very volatile and very competitive. It is against the backdrop of this knowledge gap that this study is built. The study, therefore, sought to establish how commercial banks in Kenya are using market segmentation as a strategic management tool.

1.3 Research Objective

To investigate how commercial banks in Kenya used market segmentation as a strategic management tool.

1.4 Value of the Study

This study was beneficial to a number of stakeholders:

First, the information obtained from this study would provide Commercial bank managers and decision makers with better insights into marketing strategies that banks could use in meeting diverse customers banking needs through market segmentation. This would help bank managers to develop more precise, targeted marketing strategies for each segment in order to attract a larger number of customers and to better cater for their needs. Besides, this study would benefit the bank managers since it would identify an opportunity that has not been ventured into by many banks. This opportunity therefore could help them diversify their risks and improve the profitability of their operations.

The study was also important to policy makers in the relevant government offices as regards the development of policies and procedures governing market segmentation and general marketing function in companies. The policies developed would help

ensure balanced delivery of banking services and increased financial sector deepening in Kenya.

The findings of this study was also important to researchers and academicians interested in the area of market segmentation as it acted as a source for further reference besides proposing areas for further research that future scholars and academicians can further knowledge on.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of the related literature on the subject under study presented by various researchers, scholars, analysts and authors. This chapter reviews literature with respect to the research objective of how commercial banks in Kenya use market segmentation as a strategic management tool.

2.2 Strategic Management Tools

A core issue in strategic management is firm performance. It can be characterized as the firm's ability to create acceptable outcomes and actions (Pfeffer & Salancik, 1978). To date, however, research does not provide a comprehensive explanation for firm performance. Effective management is arguably a critical factor for firm performance, since the management of a firm plays a critical role in determining a firm's strategy.

The role of strategic management tools and techniques is to facilitate strategy work. There are a huge number of strategic management tools and techniques in the market (Stenfors, 2007). Strategic management tools, such as Benchmarking, SWOT Analysis, and the Balanced Scorecard, are developed to promote firm success. They make it possible for practitioners to implement theories in practice. Often they are conceptual methods used to facilitate strategy work, and they function as a guide to thinking and a starting point for structuring the strategic activity. They are often based on scientific research and introduced into practice through business schools, consultants, and strategic management literature. The purpose of strategic management tools and techniques is to offer significant gains and benefits for the company using the tools. Indeed, there is some evidence that strategic management tools and techniques can make a difference.

Strategic management tools and techniques are extensively used by companies – on average companies use twelve strategic management tools (Rigby & Bilodeau, 2009; 2007). The use of such tools is a normal part of strategy workshops. However, strategic management tools and techniques do not replace firm strategy (Porter, 1996). They are likely to assist with part of the strategic management activity rather than providing a substitute for the capabilities and experience of the manager (Whittington, 1996). The following are some of the strategic management tools adopted by various organizations

2.2.1 The Balanced Score Card

Implementing the balanced scorecard (BSC) as the strategic management tool of choice is a trend that is well on its way in many organizations worldwide. Initially introduced in the early 1990s as a tool to help companies translate their corporate mission to all levels organization, the BSC is widely acknowledged to have moved beyond this ideology. It is now become as a strategic change management and performance measurement process.

At its roots, the BSC is designed to give companies the information they need to effectively manage their business strategy tactically. The scorecard is similar to a dashboard in a car. As you drive you can glance at the dashboard to obtain real-time information such as how much fuel remains, the speed you are traveling, the distance you have traveled, etc. The BSC provides similar information to all levels of the organization through performance measures connected to specific business areas in the same manner. The scorecard communicates to managers in clearly defined terms how well the business is meeting its strategies and goals (Kaplan and Norton, 1996).

2.2.2 Porter's Five Forces Model

It is a technique used for analyzing a company's business environment and industrial context based on the 5 main aspects shaping a sector: competitors, new entrants, substitute products, customers and suppliers. It facilitates the identification and implementation of development strategies after market opportunities and threats have been analyzed and taken into account. Porter provided a framework that models an industry as being influenced by five forces. The strategic business manager seeking to develop an edge over rival firms can use this model to better understand the industry context in which the firm operates. Porter's five forces include - three forces from 'horizontal' competition: threat of substitute products, the threat of established rivals, and the threat of new entrants; and two forces from 'vertical' competition: the bargaining power of suppliers and the bargaining power of customers.

Potential competitors refer to the firms which are not currently competing in the industry but have the potential to do so if given a choice. Entry of new players increases the industry capacity, begins a competition for market share and lowers the current costs. The threat of entry by potential competitors is partially a function of extent of barriers to entry. The various barriers to entry are economies of scale, brand loyalty, government regulation, customer switching costs, absolute cost advantage, ease in distribution and strong capital base (Porter, 2008).

Buyers refer to the customers who finally consume the product or the firms who distribute the industry's product to the final consumers. Bargaining power of buyers refer to the potential of buyers to bargain down the prices charged by the firms in the industry or to increase the firms cost in the industry by demanding better quality and service of product. Strong buyers can extract profits out of an industry by lowering

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the prices and increasing the costs. They purchase in large quantities. They have full information about the product and the market. They emphasize upon quality products. They pose credible threat of backward integration. In this way, they are regarded as a threat (Porter, 2008).

Suppliers refer to the firms that provide inputs to the industry. Bargaining power of the suppliers refer to the potential of the suppliers to increase the prices of inputs(labour, raw materials, services, etc) or the costs of industry in other ways. Strong suppliers can extract profits out of an industry by increasing costs of firms in the industry. Suppliers' products have a few substitutes. Strong suppliers' products are unique. They have high switching cost. Their product is an important input to buyer's product. They pose credible threat of forward integration. Buyers are not significant to strong suppliers. In this way, they are regarded as a threat (Porter, 2008).

Substitute products refer to the products having ability of satisfying customers' needs effectively. Substitutes pose a ceiling (upper limit) on the potential returns of an industry by putting a setting a limit on the price that firms can charge for their product in an industry. Lesser the number of close substitutes a product has, greater is the opportunity for the firms in industry to raise their product prices and earn greater profits (other things being equal) (Porter, 2008). The presence of substitute products can lower industry attractiveness and profitability because they limit price levels. The threat of substitute products depends on: buyers' willingness to substitute, the relative price and performance of substitutes and the costs of switching to substitutes

Rivalry refers to the competitive struggle for market share between firms in an industry. Extreme rivalry among established firms poses a strong threat to profitability. The strength of rivalry among established firms within an industry is a

function of following factors: extent of exit barriers, amount of fixed cost, competitive structure of industry, presence of global customers, and absence of switching costs, growth rate of industry and demand conditions (Porter, 2008).

2.2.3 The SWOT Matrix

SWOT analysis is an evaluation of the firm's internal strengths and weaknesses and the opportunities and threats in its product markets. It involves an understanding of the markets, buyers, competitors and the environment. All the factors can be classified as micro factors which include the customers, competition, suppliers, channels and other stakeholders, and the macro factors which include the political, economic, social and technological factors. Pearce and Robinson (2003) point out that the SWOT analysis involves evaluation of a firm's strengths, weaknesses, opportunities and threats and drawing conclusions about the attractiveness of the firm's situation and the need for strategic action. The SWOT matrix (Strengths, Weaknesses, Opportunities, and Threats) enables the analysis of the internal and external environment of a project and company. Through the use of a scoreboard, a company's situation in regards to a project can be illustrated. It gathers all the key factors to be considered in order to completely understand a project and develop a coherent strategy (Johnson and Scholes, 2002).

2.2.4 Ansoff Matrix

The Ansoff Matrix is designed to classify and explain different growth strategies for a company. It offers 4 strategies to achieve growth objectives: market penetration, market extension, new products and diversification. Market penetration is a strategy of expanding sales based on existing products in existing markets. It involves the same services being pushed into the same largest consumer group. Firms therefore

need to come up with product polices whose purposes are to adopt to the target market through design of products which successfully aims to satisfy the needs, desires, attitudes and other influences which will motivate the target buyers. This goes on to show how market penetration can aid in business development (Ansoff, 1957)

Market development is based upon entry of to new markets or to new segments of existing markets while employing existing products. It consists of marketing present products to customers in related areas. The customers present untapped vehicles for growth, virgin geographies or other new opportunities. Product development strategy involves marketing new products to existing customers. The company grows by innovating gradually replacing old products with new ones. The firm develops potential new products based on customers wants and needs through new product technologies and different quality levels. The success of Ansoff's strategy lies in the fact that it incorporates all the areas of a business in a simple yet profound way (Stone, 2001)

2.2.5 The 7-S McKinsey Model

The McKinsey 7-S model is a holistic approach to company organization, which collectively determines how the company will operate. There are seven different factors that are a part of the model: shared values, strategy, structure, systems, style, staff, and skills, which all work collectively to form the model (12Manage, 2007)

The model starts on the premise that an organization is not just Structure, but consists of seven elements: Those seven elements are distinguished in hard S's and soft S's. The hard elements (green circles) are feasible and easy to identify. They can be found in strategy statements, corporate plans, organizational charts and other

documentations. The four soft S's however, are hardly feasible. They are difficult to describe since capabilities, values and elements of corporate culture are continuously developing and changing. They are highly determined by the people at work in the organization. Therefore it is much more difficult to plan or to influence the characteristics of the soft elements. Although the soft factors are below the surface, they can have a great impact of the hard Structures, Strategies and Systems of the organization (Waterman *et al.*, 1980).

Shared values are the center of the model because it is what the organization believes in and stands for, such as the mission of the company. Strategy represents what the company plans to do react to any changes of its external surroundings. The structure refers to the organizational structure of the company. Systems are the portion of the model that represents the procedures, processes and routines that characterize how the work should be done. Staff is quite obvious in the fact that it is a proper representation of who is employed by the organization and what they do within the organization. Style signifies the organizational culture and management styles that are utilized within the organization. Skills indicate the abilities and competencies of either the employees or the organization holistically (Recklies, 2007).

2.3 Market Segmentation

A market segment is simply a group of present or potential customers with some common characteristics that are relevant in explaining their response to suppliers' market stimuli (Kotler, 2002). Doyle (2004) viewed market segmentation as a homogeneous group of customers each reacting differently to promotion, distributional communication, pricing and other variables of marketing mixes. When these views are applied to segmentation of bank product market, the implication is

that it affords the marketer to distinguish portions of the market from one another in terms of customer needs and so achievement of corporate profit target. Success in a market segmentation process is premised on the ability of a bank to identify individual differences and similarities within segments that have significant impact on purchasing patterns.

According to Jobber (2004) and Doyle (2000), segmentation is at the core of all marketing problems mainly for two reasons. First, an organization cannot satisfy the needs and wants of all consumers. To do so may result in a massive drain in company resources. Segmentation is simply the process of dividing a particular market into sections, which display similar characteristics or behavior. Second, research has shown that most companies make a loss on serving the majority of their customers, while a small number of high-valued customers often account for the majority of the profit. Therefore to segment the market in order to target at the customers who create long term value for the business is very important for marketing strategy.

Market segmentation is in four different levels: segment, niche, local and one-to-one markets (Kotler and Keller, 2006; and Kotler and Armstrong, 2006). When a total market is divided into broad consumer groups with common or homogeneous needs, it is called segment market. A broad segment market can further be divided into groups of consumers with distinct needs, called niche market. Local Marketing involves tailoring brands and promotions to the needs and wants of local customer groups – cities, neighborhoods, or even specific stores (Kotler and Keller, 2006). One-to-one marketing, otherwise called personalization or customization, is the lowest level of segmentation in which a company tailors its marketing activities to meet the needs of just one individual customer (Mawoli, 2011).

According Salami and Adewoye (2006), 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). Some 'needs' categories for segmentation range from improvement in cash flows, manufacturing quality, service delivery, employee working condition to market share or competitive position. Other business segments are designed as a means for reducing expenses, or achieve the goal especially of serving a given market or social better group or simply to create a market 'niche'. Segmentation can only be practically feasible where the target market segment is easily identifiable, accessible, and respond differently to the different marketing mixes offered. A good market segmentation will result in segment member that are internally homogeneous and externally heterogeneous, that is as similar as possible within the segment but as different as possible between segments.

2.4 Bases for Market Segmentation

Kotler *et al.*, (2005) indicates that there are many different ways to separate a market into smaller segments. Banks can undertake different segmentation variables, together or alone, to discover the most appropriate way to do their segmentation of a market with heterogeneous consumers.

2.4.1 Geographic Segmentation

Geographic segmentation entails dividing a market into different geographical units such as nations, states, regions, counties, cities or neighborhoods (Kotler *et al.*, 2005). According to Haley (1968) geographic segmentation was the first segmentation variable applied by companies. Geography is the most uncomplicated market segmentation variable (Beane and Ennis, 1987), and has been applied due to the belief

that cultural influence on consumption and values which vary among geographic areas (Kahle. 1986). Companies can decide to function in all geographical areas but with attention directed towards geographical dissimilarities in needs and preferences of the customers. They can also choose to be active in only one or a small number of areas. When companies apply density segmentation they separate the consumer market based on urban. suburban and rural aspects. City size is further a geographic segmentation variable. When using city size as a segmentation variable, companies segment the market in accordance to the number of inhabitants living in the city.

A company can decide to operate in only a few of the segments, or in all of them but customize their offering according to the geographical differences in needs and wants (Kotler & Armstrong, 2003). Geographic segmentation is most commonly used by multi-national industrial and high-tech businesses, which alter their marketing mix based on the differing needs of consumers in each of the geographic segments they wish to serve. Simple geographic segmentation is usually an easy, manageable and comparatively inexpensive way to handle a market especially an international one.

2.4.2 Demographic Segmentation

According to Kotler *et al.*, (2005) demographic segmentation is concerned with dividing the market into groups based on demographic variables such as age, sex, family size, family life-cycle, income, occupation, education, religion, race and nationality. Demographics have gained much popularity because they are easily measured and often vary closely with consumer needs and usage rates. The complexity and costs of the scheme also stay relatively low.

Demographic segmentation is the most established among the existing segmentation variables (Fill, 2002; Cross, 1999). This is because these demographic variables often

match customers' needs, wants and usage behavior, and as well as customer characteristics are easier to determine and understand compared to other segmentation variables. Kotler *et al.*, (2005) further this argument and claims that demographic variables can identify consumers' important characteristics which determine their buying desires. Life-cycle segmentation is a segmentation tool adopted by companies, since consumers' needs and wants often adjusts according to their age (Tynan and Drayton, 1987). It is of significant importance that companies focus on consumers' changing needs and preferences at different stages during their life in order to not fail to benefit from their customers. When applying life-cycle segmentation companies offer different products to customers in different age and life-cycle groups. Mathur *et al.*, (2006) further claim that life course research postulates that consumer behavior are subjected to changing life conditions, as well as how consumers adapt to social and environmental conditions.

2.4.3 Psychographic Segmentation

This is dividing a market into different groups based on social class, lifestyle or personality characteristics (Kotler *et al.*, 2005). The psychographic description looks at the inner person rather than the outward expression of the person (Beane and Ennis, 1987). Psychographic segmentation goes one step further than looking at variables as age and gender, and attempt to understand the market based on consumers' personality and lifestyle (Beane and Ennis, 1987). Paromita (2007) claims that psychographic assist companies in their attempt to understand consumers' behavior which is useful for companies when they target and position their products. Morgan *et al.* (2003) agree and argue that psychographic identify why consumers behave in a certain way. Lifestyle is another variable influencing consumers' interest in products. Gunter and Furnham (1992), (cited to in Vyncke, 2002), define lifestyle as a patterns

in which people live and spend their money. They are primarily functions of consumers' values.

Consumers convey their lifestyle through the products they purchase and consume (Lin, 2002). Steenkamp and Hofstede (2002) state that consumers' lifestyle also determine how they communicate their values and personalities through different activities, interests and opinions. Thus consumers' purchasing behavior is an expression of a person's activities, interests and opinions (Fill, 2002). Lifestyle might be most obvious in clothing, cars, houses and house interiors categories (Vyncke, 2002). Another way to segment a market using psychographic segmentation is to divide consumers according to their personality. This means that companies add attributes to their products which match the personalities of the consumers (Kotler *et al.*, 2005).

2.4.4 Behavioural Segmentation

Kotler *et al.*, (2005) define behavioral segmentation as dividing a market into groups based on consumer knowledge, attitude, use or response to a product. Behavioral segmentation can be used in order to understand the complexity of consumers' behaviors. One variable within behavioral segmentation is occasion segmentation, which mean that consumers are segmented based on when they first received the idea to purchase an item, when they do their purchase or when they use the product bought (Beane and Ennis, 1987). This type of segmentation can help companies to get a higher usage of their products as they try to make their products more than a one-occasion-bought-product through various marketing.

Companies can also choose to segment a market after different product benefits that customers search for in products, referred to as benefit segmentation (Bock and

Uncles, 2002). According to Fill (2002) it is of great importance to find the benefits that consumers seek in a product and who these people are. When companies have segmented a market based on these benefits, each of these segments does in turn consist of customers who differ in terms of segmentation variables as demography, consumption volume and lifestyle. Consequently, companies get an insightful understanding of those individuals who constitute the segment (Haley, 1968). Benefit segmentation is a good segmentation tool to use when segmenting a market as it reveals useful knowledge on the customers. User status as non-users, ex-users, potential users, first-time users and habitual users of a product is a further way of segmenting a market using behavioral segmentation (Kotler *et al.*, 2005). Companies can additionally choose to divide a market according to the usage rate of the customers, which can be light-, medium- or heavy-user. Heavy users often purchase a lot and consequently account for a high percentage of the total sales, but these customer groups are usually fairly small. Separating the market according to usage is useful since it is often a small percentage of the consumers who purchase a large percentage of a company's products and services (Hu and Rau, 1995).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter highlights the various methods and procedures the researcher adopted in conducting the study in order to answer the research questions raised in this study. The chapter was organized in the following structure: the research design, population and sample design, data collection methods and data analysis method.

3.2 Research Design

The researcher adopted a descriptive cross-sectional survey. This research design was selected because of the fact that the study was interested in investigating the use of market segmentation as a strategic management tool among commercial banks in Kenya. According to Donald and Pamela (1998), a descriptive study is concerned with finding out the what, where and how of a phenomenon.

3.3 Population

Cooper and Schindler (2006) describe a population as the total collection of elements whereby references have to be made in order to sufficiently address all the study objectives and the research questions. The researcher focused on all the 43 commercial banks in Kenya with main interest in the Marketing managers or equivalent. The study opted for a census following the relatively small number of the population.

3.4 Data Collection

The study collected primary data by administering a questionnaire through face to face interviews. This was done to the identified marketing Managers or their equivalents at their place of work to reduce interruptions to their daily duties and ensure a high response rate. The use of this primary data collection method was necessary to ensure that the perspectives of both the employees who formulate the business strategy were taken into account.

3.5 Data Analysis

The completed questionnaires were edited for completeness and consistency before processing the responses. Quantitative data collected was analyzed by the use of descriptive statistics using SPSS and presented through percentages, means, standard deviations and frequencies. The information was displayed by use of bar charts, graphs and pie charts and in prose-form. This was done by tallying up responses, computing percentages of variations in response as well as describing and interpreting the data in line with the study objectives and assumptions through use of Statistical Package for Social Sciences (SPSS). Mugenda and Mugenda (1999), explains that SPSS is a comprehensive, integrated collection of computer programme for managing, analyzing and displaying data. The qualitative data was coded thematically and then analyzed statistically. Content analysis was used to data that is qualitative nature or aspect of the data collected from the open ended questions.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presented analysis and discussion of the study findings as set out in the research methodology. The results were presented on the how commercial banks in Kenya use market segmentation as a strategic management tool. The data was gathered exclusively from questionnaire as the research instrument which was designed in line with the objective of the study.

4.1.1 Response Rate

The study targeted a sample of 43 commercial banks out which 34 filled in and returned the questionnaire contributing to a response rate of 79%. This commendable response rate was made a reality after the researcher made personal visits to remind the respondent to fill-in and return the questionnaires. 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 Demographic Information

The findings revealed that majority (36%) of the banks had been in operation for a period of 20-30 years followed by 23% that had operated for a period of 30-40 years and 22% that had been in operation for over 22 years while 14% and 5% had operated for a period of 10-20 years and less than 10 years respectively as shown in table 4.1 below.

Table 4. 1: No of Years in Operation

No of yrs	Frequency	Percentage
Between 20-30 yrs	12	36
Between 30-40 yrs	8	23
Over 40 yrs	7	22
Between 10-20 yrs	5	14
Less than 10 yrs	2	5
Total	**34**	**100**

The study also aimed to establish the number of employees the bank had. According to the responses, 50% of the banks had less than 1000 employees, 44% had between 1000-3000 employees whereas lowest number (6%) had over 3000 employees as summarized in table 4.2 below.

Table 4. 2 No. of Employees

No of Employees	Frequency	Percentage
Less than 1000	17	50
Between 1000-3000	15	44
Over 3000	2	6
Total	**34**	**100**

On the type of ownership of the bank, the study established that majority (62%) of the banks were locally private owned followed at distance by 29% who were foreign owned while 9% were locally public owned as indicated in table 4.3 below.

Table 4. 3: Type of Ownership

Bank Category	Frequency	Percentage
Local private	21	62
Foreign	10	29
Local public	3	9
Total	**34**	**100**

4.3 Market Segmentation as a Strategic Management Tool

The study sought to establish whether the banks used market segmentation as a strategic management tool. All the banks unanimously agreed that they used market segmentation as a strategic management tool in acquiring and retaining customers as illustrated in figure 4.1 below.

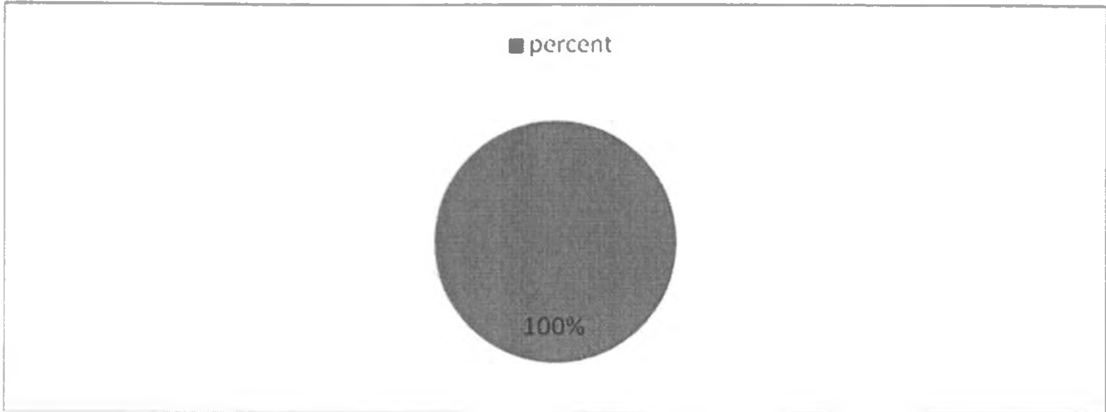

Figure 4. 1: Market Segmentation

Regarding the extent to which the bank used market segmentation as a strategic management tool, 71% of banks used market segmentation as a strategic management tool to a very great extent while 29% indicated that bank used market segmentation as a strategic management tool to a great extent as illustrated in figure 4.2 below.

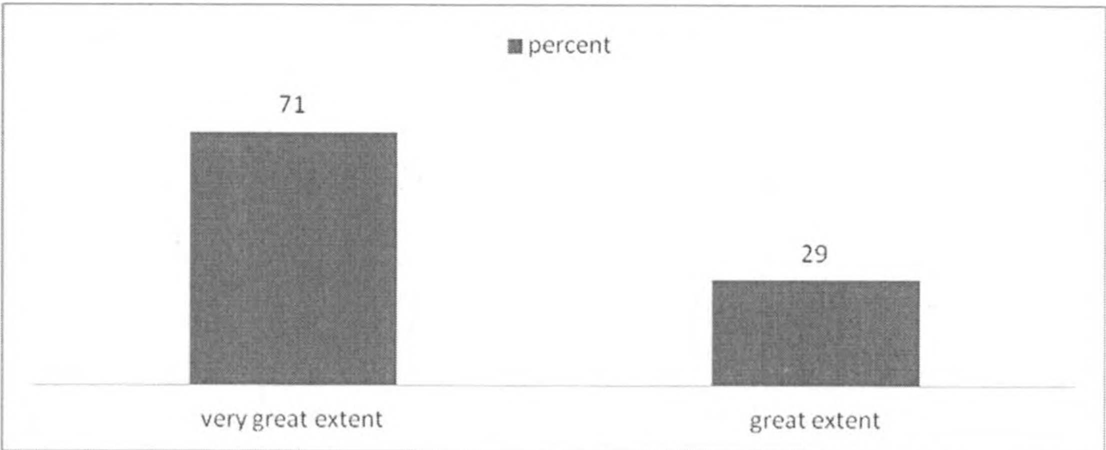

Figure 4. 2: Extent the Bank Use Market Segmentation

The respondents were also to indicate the extent to which the banks used the four levels of market segmentation in strategy management. The respondents cited that the

banks employed segment market, niche market, local marketing and one-to-one marketing or customization to a very great extent with means of 4.980, 4.901, 4.893 and 4.837 respectively as shown in table 4.4 below.

Table 4. 4: Levels of Market Segmentation

	Mean	Std. Deviation
Segment market	4.980	0.486
Niche market	4.901	0.370
Local marketing	4.893	0.271
One-to-one marketing or customization	4.837	0.756

On whether the bank made use of geographic segmentation as a strategic management tool, the findings revealed that 74% employed geographic segmentation as a strategic management tool while 26% didn't employ geographic segmentation as illustrated in figure 4.3 below.

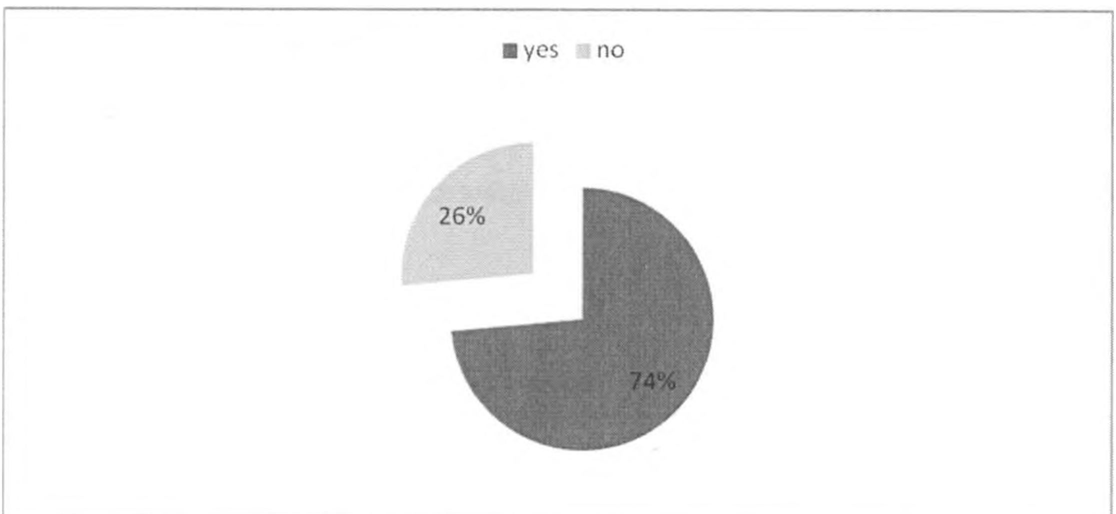

Figure 4. 3: Geographic Segmentation

In relation to the extent to which the bank used geographic segmentation as a strategic management tool, 35% indicated to a great extent, 25% cited to a very great extent, 15% said to a moderate extent and another 15% said to no extent while 12% indicated to a little extent as displayed in figure 4.4 below.

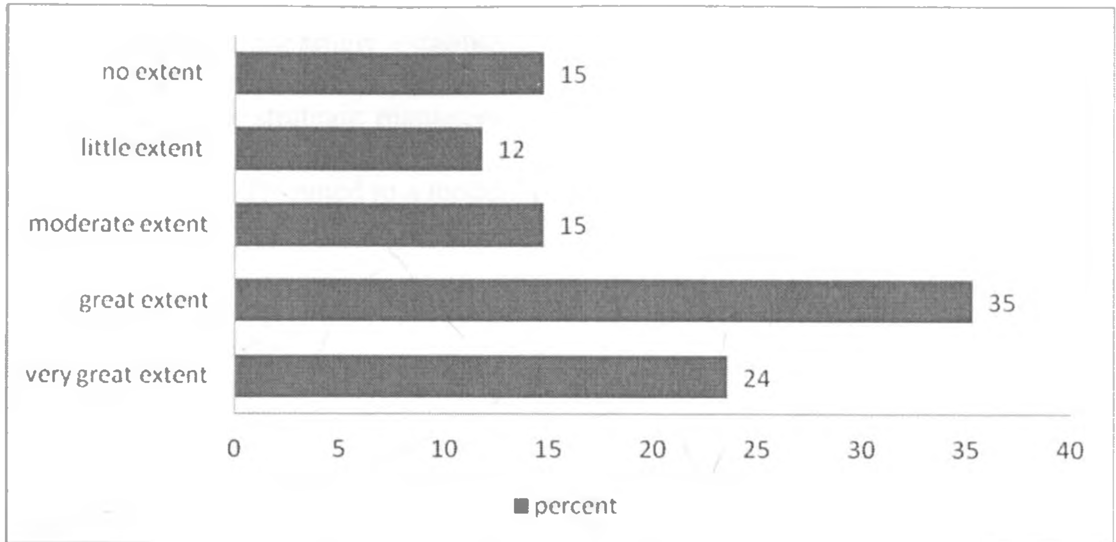

Figure 4. 4: Extent the Bank Used Geographic Segmentation

The respondents were required to indicate the extent they agreed with the variables of geographic segmentation that bank employed in segmenting its market. The findings revealed that the banks applied cities/towns and regions to segment their market to a great extent as shown by means of 4.421 and 4.139 respectively; and used nations/states to a moderate extent with a mean of 3.432 as summarized in table 4.5 below.

Table 4. 5: Variables of Geographic Segmentation

	Mean	Std. Deviation
Nations/States	3.432	0.486
Cities/Towns	4.421	0.370
Regions	4.139	0.756

On whether bank used demographic segmentationas a strategic management tool, all the banks indicated that they used demographic segmentationas a strategic management tool.

Regarding the extent to which the bank used demographic segmentation as a strategic management tool, the study established that 56% of the banks used demographic segmentation as a strategic management tool to a great extent, 41% said to a very great extent while 3% noted to a moderate extent as illustrated in figure 4.5 below.

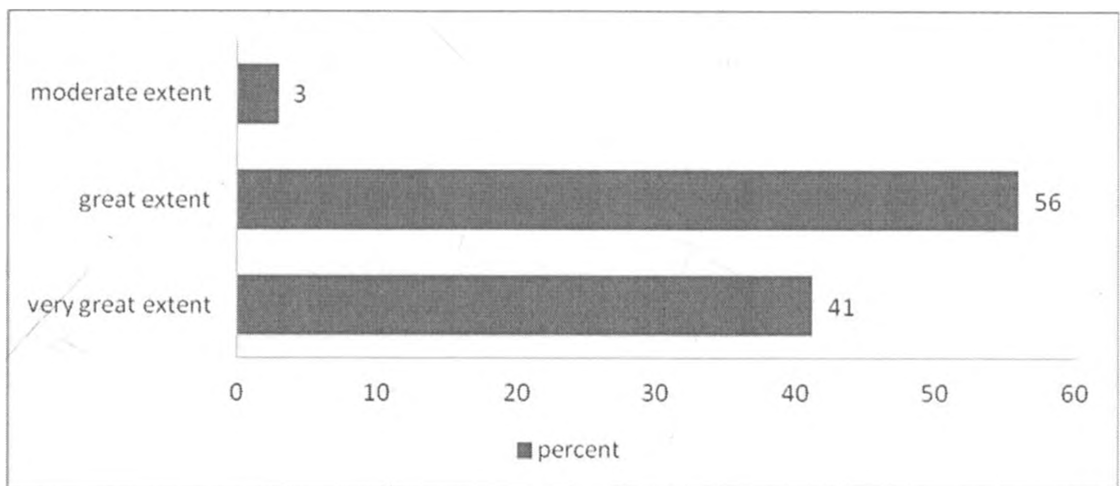

Figure 4. 5: Extent the Bank Used Demographic Segmentation

Asked to rate their level of agreement with variables of demographic segmentation that bank employed in segmenting its market, the respondents indicated that bank used income, occupation and nationality to segment its market to very great extent as shown by means of 4.964, 4.848 and 4.783 respectively. The bank employed age and religion to great extent with means of 4.231 and 4.120 respectively. The bank also used education and family life cycle to a moderate extent as shown by means of 3.437 and 3.370 respectively. In addition, they agreed that the bank employed to a less extent gender to segment its market at a mean of 2.182; language at a mean of 2.095; and race with a mean of 1.874 as summarized in table 4.6 below.

Table 4. 6: Variables of Demographic Segmentation

	Mean	Std. Deviation
Income	4.964	1.300
Occupation	4.848	1.439
Nationality	4.783	1.183
Age	4.231	1.501
Religion	4.120	0.904
Education	3.437	1.433
Family life cycle	3.370	1.348
Gender	2.182	1.555
Language	2.095	1.328
Race	1.874	0.080

On whether the bank used psychographic segmentation a strategic management tool, majority (97%) of the banks indicated that they applied psychographic segmentation a strategic management tool while 3% said no as shown in figure 4.6 below.

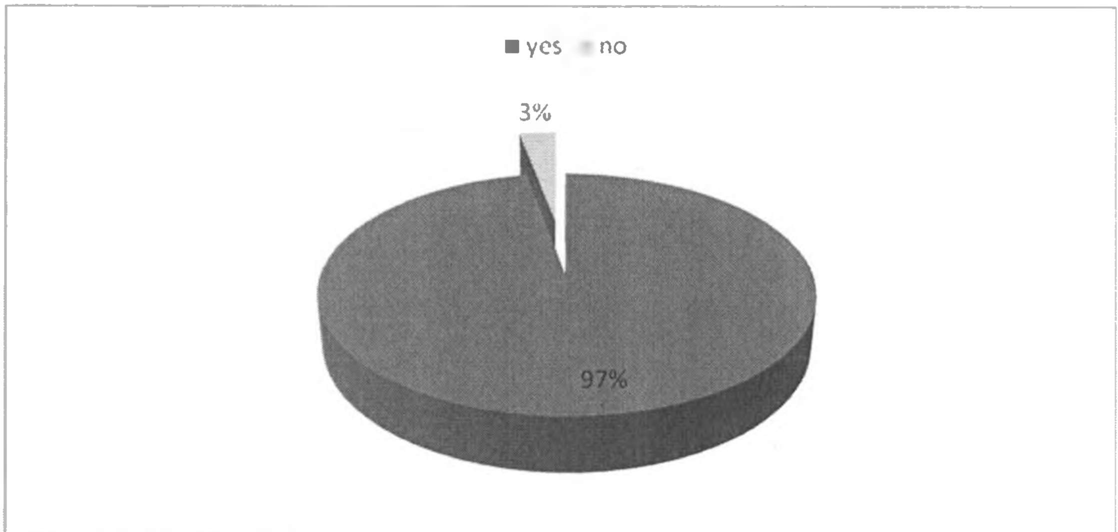

Figure 4. 6: Psychographic Segmentation

Regarding the extent to which the bank used psychographic segmentation as a strategic management tool, 53% said to a great extent, 32% said to a very great extent

and 9% said to moderate extent while those who indicated to a little and no extent recorded 3% each as illustrated in figure 4.7 below.

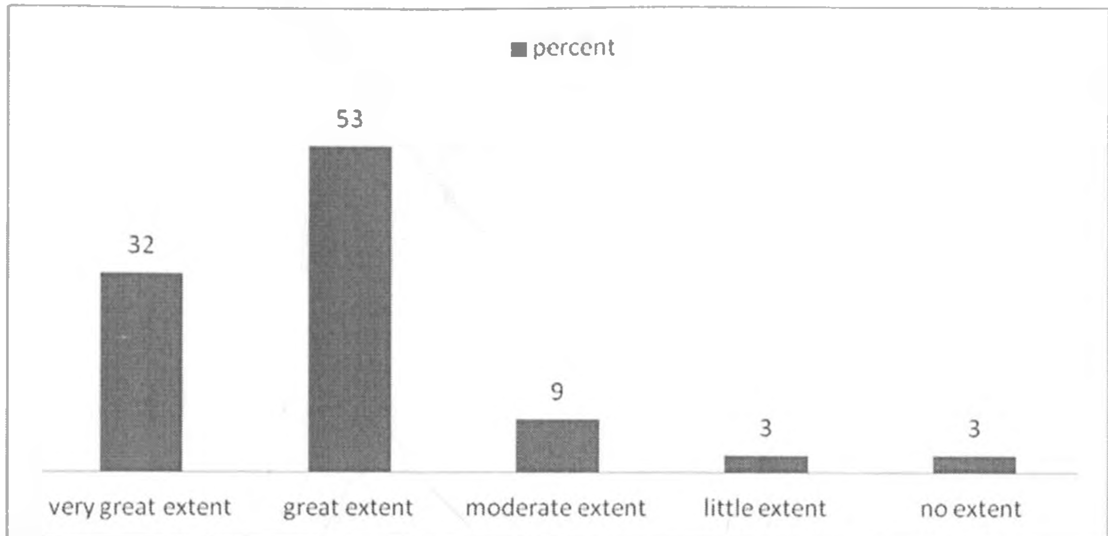

Figure 4. 7: Extent the Bank Used Psychographic Segmentation

The study required the respondents to indicate the extent to which they agreed with variables of psychographic segmentation that bank employed in segmenting its market. From the findings in table 4.7 below, social class was used to a very great extent as shown by a mean of 4.973; lifestyle was employed to a very great extent at a mean of 4.921; and personality was used o no extent with a mean of 1.293.

Table 4. 7: Variables of Psychographic Segmentation

	Mean	Std. Deviation
Social class	4.973	0.416
Lifestyle	4.921	0.245
Personality	1.293	0.231

On whether the bank used behavioral segmentation as a strategic management tool, 94% said yes while 6% said no as indicated in figure 4.8 below.

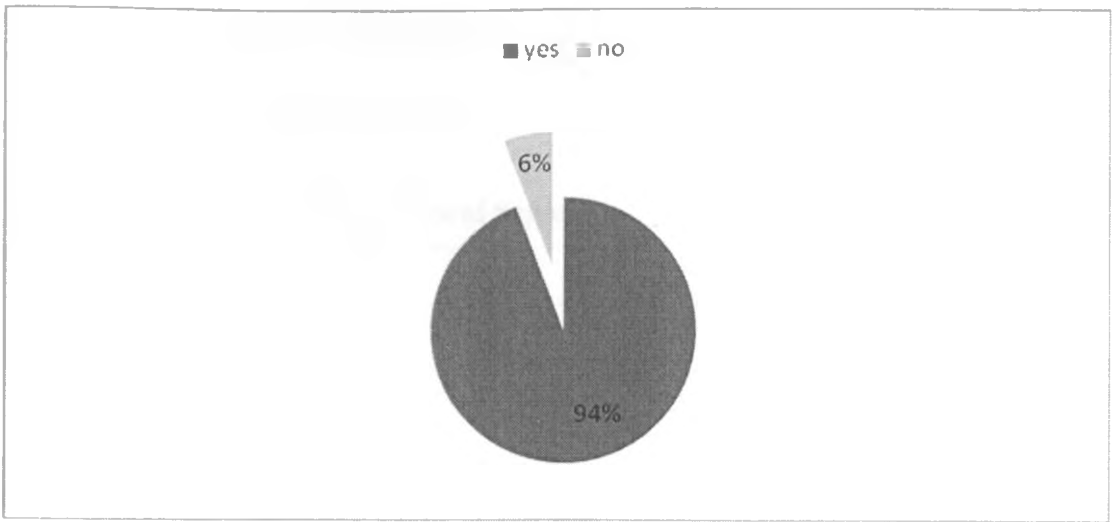

Figure 4. 8: Behavioral Segmentation

On extent to which the bank used behavioral segmentation as a strategic management tool, 56% said to a great extent, 29% said to a very great extent, 9% said to a moderate extent while those who indicated little extent and no extent recorded 3% each as illustrated in figure 4.9 below.

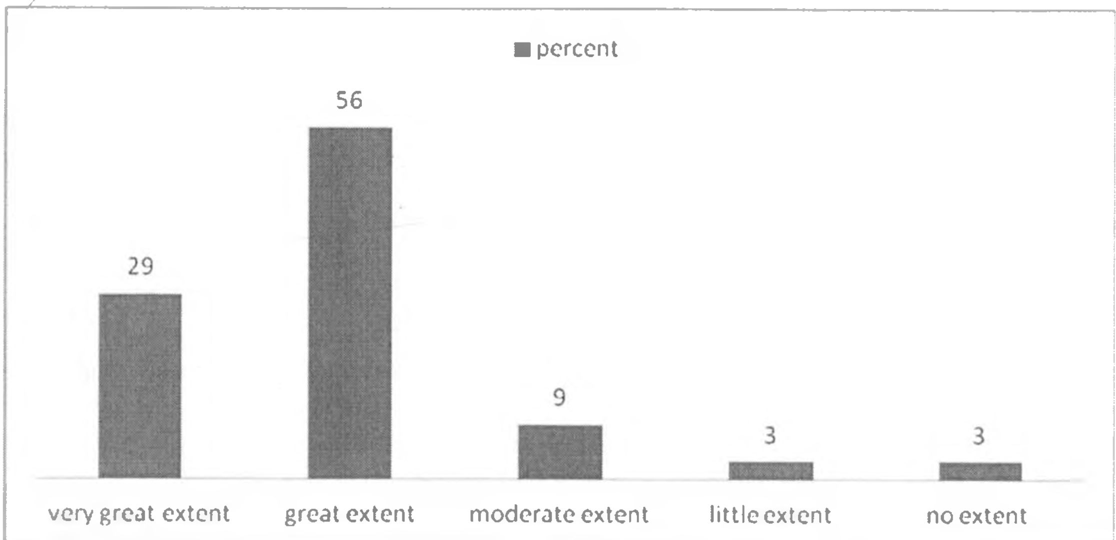

Figure 4. 9: Extent the Bank Used Behavioral Segmentation

The respondents were asked to indicate their level of agreement on the variables of behavioral segmentation that bank employed in segmenting its market. According to the findings, occasion segmentation, benefit segmentation and usage rate of the

customers were used to a very great extent with means of 4.865, 4.991 and 4.897 respectively as summarized in table 4.8 below.

Table 4. 8: Variables of Behavioral Segmentation

	Mean	Std. Deviation
Occasion segmentation	4.865	0.405
Benefit segmentation	4.991	0.315
Usage rate of the customers	4.897	0.329

On the statements relating to market segmentation, the respondents strongly agreed that success in a market segmentation process was premised on the ability of a bank to identify individual differences and similarities within segments that had significant impact on purchasing patterns at a mean of 4.841; market segmentation when done properly would maximize returns for a given marketing expenditure as shown by a mean of 4.926; simple geographic segmentation was usually an easy, manageable and comparatively inexpensive way to handle a market especially an international one at a mean of 4.618; life-cycle segmentation was a segmentation tool adopted by banks, since consumers` needs and wants often adjusted according to their age with a mean of 4.834; a good market segmentation would result in segment member that were internally homogeneous and externally heterogeneous, that was as similar as possible within the segment but as different as possible between segments at a mean of 4.918; separating the market according to usage was useful since it was often a small percentage of the consumers who purchased a large percentage of a banks products and services with a mean of 4.773; benefit segmentation was a good segmentation tool to use when segmenting a market as it revealed useful knowledge on the customers at a mean of 4.780; occasion segmentation helped companies to get a higher usage of their products as they tried to make their products more than a one-

occasion-bought-product through various marketing at a mean of 4.825; psychographic assisted banks in their attempt to understand consumers' behavior which was useful for banks when they target and position their products with a mean of 4.809 as shown in table 4.9 below.

Table 4. 9: Statements Relating To Market Segmentation

	Mean	Std. Deviation
Success in a market segmentation process is premised on the ability of a bank to identify individual differences and similarities within segments that have significant impact on purchasing patterns	4.841	0.522
Market segmentation when done properly will maximize returns for a given marketing expenditure	4.926	0.691
Simple geographic segmentation is usually an easy, manageable and comparatively inexpensive way to handle a market	4.618	0.535
Life-cycle segmentation is a segmentation tool adopted by banks, since consumers' needs and wants often adjusts according to their age	4.834	0.57320
A good market segmentation will result in segment member that are internally homogeneous and externally heterogeneous, that is as similar as possible within the segment but as different as possible between segments	4.918	0.487
Separating the market according to usage is useful since it is often a small percentage of the consumers who purchase a large percentage of a banks products and services	4.773	0.480
Benefit segmentation is a good segmentation tool to use when segmenting a market as it reveals useful knowledge on the customers	4.780	0.755
Occasion segmentation help banks to get a higher usage of their products as they try to make their products more than a one-occasion-bought-product through various marketing.	4.825	0.681

Psychographic assist banks in their attempt to understand consumers' behavior which is useful for banks when they target and position their products	4.809	0.487

4.4 Discussion of Findings

This study set to achieve one objective which was to investigate how commercial banks in Kenya used market segmentation as a strategic management tool. From the research findings presented above, the study established that banks used market segmentation as a strategic management tool, what varied was the extent of use. 71% used it at a very great extent and 29% of commercial banks use it to a great extent. To achieve this, the bank used geographic segmentation which entailed dividing a market into different geographical units such as cities where there was Nairobi, Kisumu, Mombasa among others. In addition, the Bank also made use of geographic segmentation where it subdivided its market into regions including western, Coast, and Eastern. The study also showed that the banks also segmented its market based on demographic segmentation where they used variables such as income, occupation, nationality, age and religion. These demographic variables are used as they often match customers' needs, wants and usage. The findings showed that it is of significant importance that customer changing needs and preferences are considered by commercial banks. Psychographic segmentation and behavioral segmentation were also used to a great extent to separate the markets into smaller segments.

These findings are consistent with those of Kotler *et al.,* (2005) who established that for organizations to deliver accurate services and goods that meet the needs of customers, it is important that the organizations consider the appropriate bases of segmentation. This helped the banks customize its products to different markets hence attract more and more customers from those targeted segments. According to Haley

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(1968) geography is the most uncomplicated market segmentation variable and has been applied due to the belief that cultural influence on consumption and values which vary among geographic areas.

CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides the summary of the findings from chapter four, and also it gives the conclusions and recommendations of the study based on the objectives of the study. The objective of this study was to determine how commercial banks in Kenya used market segmentation as a strategic management tool.

5.2 Summary of the Findings

The study found that all the banks used market segmentation as a strategic management tool in acquiring and retaining customers. Majority (71%) of the respondents indicated that bank used market segmentation as a strategic management tool to a very great extent. The respondents cited that the banks employed segment market, niche market, local marketing and one-to-one marketing or customization to a very great extent.

The findings revealed that 74% employed geographic segmentation as a strategic management tool to a great extent. The banks employed cities/towns and regions to segment their market to a great extent and used nations/states to a moderate extent.

All the banks indicated that they used demographic segmentationas a strategic management tool to a great extent, 41% said to a very great extent while 3% noted to a moderate extent. The respondents indicated that bank used income, occupation and nationality to segment its market to very great extent. The bank employed age and religion to great extent. The bank also used education and family life cycle to a moderate extent. In addition, they agreed that the bank employed to a less extent gender, language and race to segment its market.

Majority (97%) of the banks indicated that they applied psychographic segmentation a strategic management tool to a great extent. the findings revealed that social class and lifestyle was used to a very great extent to segment its market.

Most (94%) of the banks used behavioral segmentation as a strategic management tool to a great extent. The findings showed that occasion segmentation, benefit segmentation and usage rate of the customers were used to a very great extent by banks to segment their markets.

The respondents strongly agreed that success in a market segmentation process was premised on the ability of a bank to identify individual differences and similarities within segments that had significant impact on purchasing patterns. They also agreed that market segmentation when done properly would maximize returns for a given marketing expenditure and simple geographic segmentation was usually an easy, manageable and comparatively inexpensive way to handle a market especially an international one. In addition, life-cycle segmentation was a segmentation tool adopted by banks, since consumers' needs and wants often adjusted according to their age.

The study also concluded that a good market segmentation would result in segment member that were internally homogeneous and externally heterogeneous, that was as similar as possible within the segment but as different as possible between segments. Separating the market according to usage was useful since it was often a small percentage of the consumers who purchased a large percentage of a banks products and services. In addition, benefit segmentation was a good segmentation tool to use when segmenting a market as it revealed useful knowledge on the customers and that occasion segmentation helped companies to get a higher usage of their products as they tried to make their products more than a one-occasion-bought-product through

various marketing. Finally, psychographic assisted banks in their attempt to understand consumers' behavior which was useful for banks when they target and position their products.

5.3 Conclusions

From the findings, the study concludes that banks use the four level of market segmentation which includes segment market, niche market, local marketing and one-to-one marketing or customization as a strategic management tool. The study also concludes that banks employ geographic segmentation, demographic segmentationas, psychographic segmentation and behavioral segmentation as their strategic management tool.

5.4 Recommendations

The study recommends that banks should focus on consumers' changing needs and preferences at different stages during their life in order to not fail to benefit from their customers. It further recommends that managers develop more precise, targeted marketing strategies for each segment in order to attract a larger number of customers and to better cater for their needs.

The study also recommends that future research could be done with a focus on a specific financial institution in order to find out how each commercial bank such as Barclays Bank, Equity Bank, KCB, and others tailor their products to cater for specific market segments. In addition, a study could be conducted to assess how effective market segmentation is on customer acquisition, satisfaction and retention.

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APPENDICES

Appendix I: List of Commercial Banks in Kenya

		MARKET SIZE INDEX
	Large Peer Group >5%	
1	KENYA COMMERCIAL BANK LTD	14.52%
2	EQUITY BANK	9.98%
3	BARCLAYS BANK OF KENYA LTD	8.90%
4	CO-OPERATIVE BANK OF KENYA LTD	8.41%
5	STANDARD CHARTERED BANK (K) LTD	7.74%
6	CFC STANBIC BANK LTD	6.10%
	Medium Peer Group >1% & <5%	
7	I&M BANK LTD	4.09%
8	COMMERCIAL BANK OF AFRICA LTD	3.98%
9	CITIBANK N.A	3.96%
10	DIAMOND TRUST BANK (K) LTD	3.77%
11	NIC BANK LTD	3.70%
12	NATIONAL BANK OF KENYA LTD	3.59%
13	BANK OF BARODA (K) LTD	1.83%
14	BANK OF AFRICA KENYA LTD	1.70%
15	PRIME BANK LTD	1.64%
16	CHASE BANK (K) LTD	1.49%
17	FAMILY BANK LTD	1.34%
18	IMPERIAL BANK LTD	1.27%
19	BANK OF INDIA	1.17%
20	ECOBANK KENYA LTD	1.02%
	small Peer Group <1%	
21	FINA BANK	0.69%
22	CONSOLIDATED BANK OF KENYA LTD	0.68%
23	AFRICAN BANKING CORPORATION LTD	0.63%
24	GULF AFRICAN BANK LTD	0.60%
25	GIRO COMMERCIAL BANK LTD	0.60%
26	EQUITORIAL COMMERCIAL BANK LTD	0.57%
27	FIDELITY COMMERCIAL BANK LTD	0.50%
28	K-REP BANK LTD	0.47%
29	DEVELOPMENT BANK OF KENYA LTD	0.46%
30	TRANS-NATIONAL BANK LTD	0.44%
31	HABIB BANK A.G ZURICH	0.44%
32	GUARDIAN BANK LTD	0.44%
33	FIRST COMMUNITY BANK LTD	0.41%

34	VICTORIA COMMERCIAL BANK LTD	0.40%
35	HABIB BANK LTD	0.32%
36	ORIENTAL COMMERCIAL BANK LTD	0.31%
37	CREDIT BANK LTD	0.28%
38	PARAMOUNT UNIVERSAL BANK LTD	0.28%
39	MIDDLE EAST BANK (K) LTD	0.26%
40	JAMII BORA BANK LTD	0.24%
41	UBA KENYA BANK LTD	0.16%
42	DUBAI BANK KENYA LTD	0.16%
43	CHARTERHOUSE BANK LTD	0.00%

Source: CBK

Appendix II: Questionnaire

SECTION A: GENERAL INFORMATION

1. Name of the bank..(Optional)
2. How long has the bank been operational?

   Less than 10 yrs ( ) Between 10-20 yrs ( )

   Between 20-30 yrs ( ) Between 30-40 yrs ( )

   More than 40 yrs ( )
3. How many employees does the bank have?

   Less than 1000 ( ) Between 1000-3000 ( )

   More than 3000 ( )
4. Indicate the ownership of the bank

   Local public commercial bank ( )

   Local private bank commercial ( )

   Foreign commercial bank ( )

SECTION B: MARKET SEGMENTATION AS A STRATEGIC MANGEMENT TOOL

5. Does the bank use market segmentation as a strategic management tool?

   Yes ( ) No ( )
6. To what extent does the bank use market segmentation as a strategic management tool?

   Very great extent ( ) Great extent ( )

Moderate extent ( ) Little extent ( )

No extent ( )

7. Market segmentation is in four different levels: segment, niche, local and one-to-one markets. Indicate the extent to which the banks use the four levels in strategy management.

	Not extent 1	Less extent 2	Moderate extent 3	Great extent 4	Very great extent 5
Segment market					
Niche market					
Local marketing					
One-to-one marketing or customization					

8. Does the bank use geographic segmentation as a strategic management tool?

Yes ( ) No ( )

9. To what extent does the bank use geographic segmentation as a strategic management tool?

Very great extent ( ) Great extent ( )

Moderate extent ( ) Little extent ( )

No extent ( )

10. What extent do you agree with following variables of geographic segmentation that bank employ in segmenting its market? use a scale of 1-5 where 1= No extent, 2=Little extent,3=moderate extent,4=Great extent and 5= Very great extent

	1	2	3	4	5

Nations					
Cities/Towns					
States					
Regions					

11. Does the bank use demographic segmentationas a strategic management tool?

    Yes ( ) No ( )

12. To what extent does the bank use demographic segmentationas as a strategic management tool?

    Very great extent ( ) Great extent ( )

    Moderate extent ( ) Little extent ( )

    No extent ( )

13. Rate the extent to which you agree with following variables of demographic segmentation that bank employ in segmenting its market? use a scale of 1-5 where 1= No extent, 2=Little extent,3=moderate extent,4=Great extent and 5= Very great extent

	1	**2**	**3**	**4**	**5**
Age					
Gender					
Family life cycle					
Income					
Education					
Occupation					
Religion					
Language					
Race					
Nationality					

14. Does the bank use psychographic segmentation a strategic management tool?

Yes ( ) No ( )

15. To what extent does the bank use psychographic segmentation as a strategic management tool?

    Very great extent ( ) Great extent ( )

    Moderate extent ( ) Little extent ( )

    No extent ( )

16. Indicate the extent you agree with following variables of psychographic segmentation that bank employ in segmenting its market? use a scale of 1-5 where 1= No extent, 2=Little extent,3=moderate extent,4=Great extent and 5= Very great extent

	1	2	3	4	5
Social class					
Lifestyle					
Personality					

17. Does the bank use behavioral segmentation as a strategic management tool?

    Yes ( ) No ( )

18. To what extent does the bank use behavioral segmentation as a strategic management tool?

    Very great extent ( ) Great extent ( )

    Moderate extent ( ) Little extent ( )

    No extent ( )

19. Show your level of agreement with following variables of behavioral segmentation that bank employ in segmenting its market? use a scale of 1-5 where 1= No extent, 2=Little extent,3=moderate extent.4=Great extent and 5= Very great extent

	1	2	3	4	5
Occasion segmentation					
Benefit segmentation					
Usage rate of the customers					

20. What is your level of agreement/disagreement with the statements on market segmentation? Use a scale of 1-5 where 1= Strongly disagree 2=Disagree, 3=Neutral, 4=Agree and 5=Strongly agree

	1	2	3	4	5
Success in a market segmentation process is premised on the ability of a bank to identify individual differences and similarities within segments that have significant impact on purchasing patterns					
Market segmentation when done properly will maximize returns for a given marketing expenditure					
A good market segmentation will result in segment member that are internally homogeneous and externally heterogeneous, that is as similar as possible within the segment but as different as possible between segments					
Separating the market according to usage is useful since it is often a small percentage of the consumers who purchase a large percentage of a company's products and services					
Benefit segmentation is a good segmentation tool to use when segmenting a market as it reveals useful knowledge on the customers					
Occasion segmentation help companies to get a higher usage of their products as they try to make their products more than a one-occasion-bought-product through various marketing.					
Psychographic assist companies in their attempt to understand consumers' behavior which is useful for companies when they target and position their products					
Life-cycle segmentation is a segmentation tool adopted by companies, since consumers` needs and wants often adjusts according to their age					

Simple geographic segmentation is usually an easy, manageable and comparatively inexpensive way to handle a market especially an international one					

21. Explain how clients/customers' personality, personal values and psychographic/lifestyle determine the market segmentation of the bank..

...

22. Explain how the bank distinguishes different groups that make up a market in order to develop corresponding products and marketing mixes for each target market..

....

......

23. Which strategies is the bank employing to have its target accomplished..

....

THANK YOU