

MARKET SEGMENTATION IN KENYA:

A case of commercial banks.

By

NZYOKA D.M

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SUPERVISOR

Prof. BUSS J.

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DECLARATION

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

Signed *David M. Nzyoka*

DAVID M. NZYOKA

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

Signed *John Bus*

PROF. JOHN BUSS

DEPARTMENT OF BUSINESS ADMINISTRATION

UNIVERSITY OF NAIROBI

DATE *31 August 1993*

DEDICATION

To my wife Charity and my son John, and my
parents John and Martha Nzyoka

I am also indebted to the numerous commercial
banks who contributed to providing the data for this study.

My sincere thanks go to my parents for their
encouragement and in particular Martha Nzyoka for
their support and assistance.

I am also grateful to the University of Nairobi for allowing
me to pursue the B.A. course and East African Union for
financing it.

Finally, I cannot fail to thank my wife Charity Nzyoka and
son John for their efforts in assisting me to complete this course.
I am grateful for their support and encouragement.

DECLARATION
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ABSTRACT

The survey for this study report here was done between 5th May and 21st June, 1993. The study sought to determine whether commercial banks in Kenya segment their markets, and whether they find it useful.

The population of interest included all commercial banks operating in Kenya. The information sought in this study was collected using a questionnaire having a both structural and non-structured questions. A scale was provided for measure of the market segmentation concept. The sample consisted of 30 subjects comprising top and middle level managers from various commercial banks operating in Kenya. 23 questionnaires were completed and provided the information used in this report.

The findings of the study suggest that commercial banks in Kenya segment their markets to a large extent and only a few do not segment theirs. Those who segment their markets found market segmentation to be useful.

The findings of the study also suggest that the following are the variables that are commonly used by different groups of commercial banks in Kenya to segment their markets; benefits sought by customer, loyalty of customer, User status, region, population density, and Income.

CHAPTER ONE

1.1 INTRODUCTION

1.2 BACKGROUND

Since Wendell Smith(1956) seminal article there has been a growing awareness of the concept of market segmentation. Wind (1978:317) and Lazer and Culley (1983:186) among others contend that market segmentation long has been considered one of the most fundamental concepts of modern marketing . The concept of market segmentation has become one of the dominant concepts in marketing literature and practice. Besides being one of the major strategies used to operationalize the marketing concept, segmentation provides guidelines for a firms marketing strategy and resource allocation among markets, products and services.

Marketers have realized that whether a firm is dealing in products or services it must come up with a marketing strategy that takes into consideration consumer wants and needs. Market segmentation strategy is attributable to the desires of consumers or users for more precise satisfaction of their varying wants and needs.

The following variables are used in segmenting a product market.

GEOGRAPHIC:

- 1) Region
- 2) Climate
- 3) Population density

DEMOGRAPHIC:

- 1) Age
- 2) Stage of family life cycle

3) Income

4) Sex

5) Education

6) Religion

7) Occupation

BEHAVIOURAL:

1) Benefits sought by customers

2) User status (heavy or light users)

3) Loyalty of customers

PSYCHOGRAPHIC:

1) Personality

2) Life style

According to Ferrell and Pride (1982: 73-74), they define market segmentation as the process of dividing a total market into groups of people with relatively similar needs for the purpose of designing a marketing mix (or mixes) that more precisely matches the needs of individuals in a selected segment(s).

McDaniel (1982:93) defines market segmentation as a process of dividing a heterogeneous market into segments which are identifiable for the purpose of designing a marketing mix to meet the needs of consumers in segments that are attractive to the firm.

Kibera and Waruingi (1988:69) expounds on the concept and asserts that market segmentation involves the subdivision of a market into small homogenous sub-markets which the organization might successfully satisfy i.e. the creation of marketing

program to satisfy the needs of customers.

Many authors and researchers agree on the above definitions of market segmentation and expand on them.

The above definitions have a common thread in that the heterogeneous market (total market) should be divided into homogenous groups for the sake of satisfying customer needs and wants.

Several marketing management philosophies have evolved in the history of marketing to enhance the marketing effort. These concepts compete against each other. Kotler (1988:16) . They include production ,product, selling,marketing and societal marketing concepts. Among these philosophies ,Wind(1978:317) advocates that market segmentation enhances the marketing concept.

The marketing concept focuses on customer needs and calls for integrated marketing to satisfy the needs. The main aim of the marketer is to satisfy customers needs and wants, but at a profit -Buss and Day(1991:2). Marketing concept is useful where customer needs changes. When using the marketing concept the marketer is supposed to;

- (i) determine the market segment
 - (ii) identify the target market
 - (iii) be customer oriented
 - (iv) have a profit motive
 - (v) coordinate activities in all departments
- in order to to ensure that customer needs are satisfied.

In 1956 Wendell Smith used the concept of market segmentation. He advocated that a heterogeneous market could be divided into homogenous segments. The orientation of marketers has been shifting to marketing concept.

The use of market segmentation is not always the best strategy. For market segmentation to be effective the following questions should be answered affirmatively.

(a) Can the market be measurable, accessible, similar, viable or protectable?

In order to have an effective market segmentation, a proper basis for segmenting the market is necessary. Many different authors have suggested certain variables that can be effective in market segmentation.

Wind (1978:319) divided these variables into customer characteristics (e.g. demographic and social economic characteristics, personality and life style characteristics, and attitude and behaviour towards mass media and outlets) and situation specific to customer characteristic such as usage, purchase patterns and other responses specific to market mix variables.

Beckman (1980:123) and McDaniel (1982:93) divided the segmentation variables into four groups : geographic, demographic, psychographic and behavioural variables.

Kotler(1988:285) divided the segmentation variables into two large groups. Those that relate to customer characteristics such as geographic, demographic and psychographic' variables.

Secondly, those variables that look at customer responses to a product such as benefit sought, user status, consumer loyalty status etc.

The segmentation variables used all relate to physical products. The available literature treats the provision of services as an extension of product marketing. Literature showing the distinction between market segmentation as it relates to a product and market segmentation as it relates to a service is scant or absent. Few relevant studies on market segmentation and marketing of financial services in Kenya have been carried out. They include that of Nyaga (1986) who investigated whether financial institutions had adopted the marketing concept. He came up with the following findings: 93.3% of the institutions had adopted marketing concept. He does not tell us whether they have operationalised the concept.

Nyaga's study was followed by a study by Okutoyi (1988). Okutoyi investigated the use of strategic marketing in banking, found there was positive correlation between performance and strategic marketing.

A study (largely non-field) by Salimi (1989) on financial services marketing in Kenya, concluded that the degree of success and profitability of a financial institution depends on its marketing capability.

A study by Ng'ang'a (1991) concluded that medium and large scale manufacturing firms in Kenya segment their markets and aim at particular target groups in production and marketing their products.

EMERGENCY OF THE STUDY PROBLEM

A fifth study by Bii (1992) investigated the extent to which commercial banks in Kenya use the promotion mix elements in marketing their services. She concluded that commercial banks in Kenya use the promotion mix to a large extent.

None of the above studies focused on how market segmentation is done in the service industry and whether the firms that undertake it find it useful. This study attempts to fill this gap through a field study in the banking sector, a portion of service industry of the Kenyan economy.

1.1.1 Service Market Segmentation

As far as developing countries like Kenya is concerned, this has motivated the researcher to seek to establish whether service firms in particular commercial banks in Kenya actually use market segmentation to identify target markets.

Secondly, the researcher intends to establish whether firms that use market segmentation find it useful as a competitive tool. Due to structural adjustments facing Kenya and other developing economies trade is becoming more liberalized and this increases competition in the market. Therefore, the study of market segmentation by service firms in Kenya can be appropriate at this time.

1.3 STATEMENT OF THE STUDY PROBLEM

For any firm to have a competitive edge in the present market situation it has to develop strategies which will enable it to succeed in the market place. Market segmentation is one of these strategies.

The concept of market segmentation has received a lot of attention and has been viewed by developed economies as an important market strategy in today's competitive marketing environment. However, little is known as to

(i) the concept's usefulness
(ii) service market segmentation
as far as developing economies like Kenya is concerned. This has motivated the researcher to seek to establish whether service firms in particular commercial banks in Kenya actually use market segmentation to identify target markets.

Secondly, the researcher intends to establish whether firms that use market segmentation find it useful as a competitive tool. Due to structural adjustments facing Kenya and other developing economies trade is becoming more liberalized and this increases competition in the market. Therefore, the study of market segmentation by service firms in Kenya can be appropriate at this time.

1.4 OBJECTIVES OF THE STUDY

1(a) To determine whether commercial banks in Kenya segment their markets.

(b) If segmentation is not used, to determine why?

2. In companies where market segmentation is used

(a) Determine the extent to which commercial banks use market segmentation as a marketing tool including identifying target market.

(b) Determine the type of segmentation variables that are commonly used, and the extent to which they are used.

(c) Determine whether the firms find it useful and if not what other strategies are used.

(d) Determine whether the same criteria are used in Kenya to identify a "good" market segment as in developed economies.

(e) Determine whether the market segmentation variables used for a product market are the ones used for service markets.

1.5 IMPORTANCE OF THE STUDY

This study will be usefulness to

1) Marketers

To enhance marketing activities in the financial sector using the concept of market segmentation, marketers should have a good knowledge of the dimensions(variables) that can be used to segment a market. These dimensions if properly used can help a marketer to identify target markets for his firm, but if not they can be detrimental to the whole marketing programme.

2. The study may bring into light the variables that can be used to segment a service market.

3.Scholars

The future study will form a foundation for other researchers who would pursue a study in the same area.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 INTRODUCTION

The concept of market segmentation has received a widespread acceptance as strategic tool which a firm can use to enhance its performance. Marketers and researchers have not taken this lightly as it is evidenced in many articles written in relation to market segmentation.

According to Haley (1968:30) hardly a conference passes without at least one session devoted to market segmentation. Green (1977:61) supports Haley by asserting that hardly a Journal issue appears that does not include some article on the subject. The two authors referred to conference or Journals relating to marketing. Therefore, according to these authors market segmentation has become a very important market concept. The study is intended to see whether market segmentation is used and has been found to be useful in the financial sector in Kenya.

2.1.1 Definition of Market Segmentation.

Many authors seem to be in agreement as far as the definition of market segmentation is concerned. According to the father of market segmentation Wendell Smith (1956) 'market segmentation consists of viewing a heterogeneous market (one characterized by divergent demand) as a number of smaller homogenous markets in response to differing product preferences among important market segments. It is attributable to the desires of consumers for more precise satisfaction of their

1
varying wants'

McDaniel (1982) defines market segmentation as a " process of dividing a heterogeneous market into segments which are identifiable for the purpose of designing a marketing mix to meet the needs of consumers in segments attractive to' the firm." 2

Ferrell and Pride (1982) defines market segmentation as a 'process of dividing a total market into groups of people with relatively similar products needs, for the purpose of designing a marketing mix (or mixes) that precisely matches the needs of individuals in a selected segment (or segments),' 3

All the above definitions are similar and they are advocating that market segmentation is simply the sub-division of an heterogeneous market into smaller homogenous markets and the determination of the appropriate marketing mix(mixes) to satisfy the customer needs and wants. For the purpose of this study, the definition of McDaniels (1982) will be taken as the working definition.

A segment can be a group which responds in similar way to the part of the marketing mix not just the product as Ferrell and Pride advocated.

1. Wendell, Smith; "Product differentiation and Market Segmentation as alternative strategies," *Journal of marketing*, July 1956: p.3

2. McDaniel, C.jr; *Marketing*, 2 ed. Newyork: Haper & Row publishers, 1982 p.94.

3. Ferrell, O.C and William W.Pride; *Fundamentals of Marketing* Boston; Houghton Mifflin Company, 1982 p.73-4.

2.1.2 Definition of service.

There are many definitions of services. According to Kotler a service is defined as " any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product."⁴

The definition by Kotler provides an insight that services are intangible, even though they can satisfy wants.

There are several characteristics that are associated with services. Buss (1993) Kibera, (1988), Kotler (1988) include in their studies one or more of the following characteristics of services; Intangibility, Inseparability, Homogeneity, perishability, and Transportability. It should be noted that not all authors are in agreement that the above characteristics are unique to services only Jones (1989).⁵

4. Kotler, Phillip; Marketing Management Analysis Planning, Implementation and Control, 6 ed. Prentice Hall International Edition, 1988 p. 477.

5. Buss J. and Herford G. Personal selling Sydney: Mc graw Hill Book Co. 1993 .

Kibera, F and B.C Waruingi; Fundamentals of Marketing: An African Perspective Nairobi; Kenya Literature Bureau, 1988 p.200-201.

Kotler, P. Marketing Management: Analysis, Planning and Control 6th ed . Prentice Hall N.J 1988 pp.478-479.

Jones, P. Service Industries. London; Pit man publishing, 1989.

2.1.3 Characteristics of a service

(a) Intangibility

Unlike a product which is tangible, durable, and physical properties, services are intangible. A service is a deed, a performance or an effort. When a service has been purchased money is spent and there is little or nothing to show this. Marketers of services have an intangible service which they need to make 'real' to the customer. They need to create a measure of reality for both the Idea of the service and its potential consumption.

(b) Inseparability

One of the major reasons why it is difficult to evaluate a service is that services are usually produced and consumed at the same time. For many services the customer is present when it is produced and may participate in its production. A service is sold and then produced at the same time. One way of utilizing the inseparability of services is to customize services to a greater extent. This is to ensure services are personalized thus maximizing customer satisfaction.

(c) Homogeneity

Services are seldom homogenous as products are. They are highly variable as they depend on who provides the services, when and where the service is produced. Service buyers are aware of this diversity and frequently talk to others before selecting a service provider.

(d) Perishability

Some products such as green grocery have limited shelf life. Services have no shelf life at all. They cannot be stored and there are no inventories with services.

If a consultancy service is offered and today no one has availed themselves to it, today has been lost. Also lost is the income and profit that was expected for today. It has perished and is irrecoverable.

(e) Transportability

A service cannot be transported because it inseparable from the provider.

Since a service is inseparable from its provider, and cannot be transported, distribution channels are not required. The service cannot be distributed to customers. Customers must usually go to the provider. In cases where agents are used, for example travel agents, they provide access to a service, not the service itself. (Buss and Herfold 1993)

2.2 PRODUCT DIFFERENTIATION AND MARKET SEGMENTATION APPROACHES

Product differentiation and market segmentation are approaches that are used to select target markets of organizations or firms. It is said that product differentiation is concerned with the bending of demand to the will of supply. On the other hand segmentation is based upon the developments on the demand side of the market. Several demand schedules are recognized in segmentation unlike the recognition of only one

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demand schedule in product differentiation. Product differentiation and market segmentation are not mutually exclusive, hence they can be used together.

Product Differentiation.

Product differentiation is used when a firm intends to differentiate its product(s) or service(s) from its competitors. It hopes to establish a superiority and preferability of its products relative to competing brands. Product differentiation is involved in securing a measure of control over the demand for a product or service. The measure of control is achieved through heavy use of advertisement and promotions so as to differentiate a firm's product from its competitors. This is called market positioning. Successful psychological differentiation occurs when the product's brand name has effectively created an intangible image (e.g.) of high quality or high performance) in the minds of customers.

The basis for product differentiation is usually brand name, product features variations, packaging variations, and minor differences in the ingredients.

Product differentiation is effective if :

- (i) most of the customers in the total market of customers have similar needs for the product or service.
- (ii) The firm is able to develop and maintain a single marketing mix that satisfies customers needs.

6. Wendell Smith op. cit p.3-8

As the community becomes more affluent and selective people's needs and wants start to differ and intensive promotion designed to differentiate a firm's product or service may stop creating the desired impact. Market segmentation can then be used in combination with product differentiation.

2.2.2 Market Segmentation.

Market segmentation is used when total market cannot be served using only one marketing mix. Market segmentation is attributable to the desires of customers for more precise satisfaction of their different needs and wants.

Market segmentation also involves the use of promotional mix to inform market segments is availability of goods and services.

Market segmentation is a strategy that goes deeper than product differentiation. The strategy helps a marketer to understand the overall market so as to satisfy the needs and wants of different groups in the total market.

2.3 REASONS FOR MARKET SEGMENTATION.

2.3.1 Importance of Market Segmentation.

The concept of market segmentation has grown in importance over the last several decades. According to Wendell Smith (1956), Haley R.I (1968), Green P.E (1977) market segmentation has received a lot of attention from marketers and marketing

7. Ibid p. 3-8

researchers. Very many articles have been written and presented that pertain to market segmentation.

McDaniel (1982) and Reynolds (1965) state that the primary function of marketing managers is to define the target market after establishing marketing objectives. Market segmentation can then be used to identify target markets using customer characteristics. This is followed by examination of market share and potential customers ability to generate profits.

Kotler (1989) and Beckman et al (1989) asserted that it is not possible for a firm to serve all customers in a total market. The reasons being the customers are many and they have divergent needs and they differ in their buying requirements.

Wendell Smith (1956) contends that due to product competition whereby there has been an expanded array of goods and

8. Wendell Smith (1956) op.cit.3

Haley R.I (1968) "Benefit Segmentation; A decision-oriented Research Tool." Journal of Marketing Vol.32, July 1968, P.30

Green P.E (1977) " A new approach to market Segmentation" Business Horizons, February 1977, p.61.

9. McDaniel C.Jr, op.cit p.85

Reynolds W.H "More Sense About Market Segmentation," Havard Business Review, Vol. 43 (Sept- October 1965, pp. 107-114

10. Kotler p. Principles of Marketing 3rd ed. Prentice Hall N.j, 1989.

Beckman M.D, Kurtz D.l, Boone L.E ; Foundations of Marketing, 3rd ed; Toronto; Holt, Rinehart and Winston of Canada Ltd ; 1982 Chapter 5.

services competing for the consumers dollar it is necessary to have a market where a firm can maximize its potential. ¹¹

Johnson (1971) states that in the long run, segmentation allows management to identify its best profit opportunities and this results in a more efficient allocation of company resources. ¹²

According to Winter (1984) segmentation is a remedy for a low market share and/ or a position in a low growth market. Segmentation redefines the market such that a marketer's market share may now be dominant in a smaller niche; alternatively, certain segments of a low growth market may be growing. ¹³

Kotler (1988), Johnson (1971), McDaniel (1982) enumerates some of the ways in which effective market segmentation will help a firm. Market segmentation enables a firm to: (i) Correct the timing of advertising and promotional efforts to period or seasons when selling resistance is least and responsiveness is likely to be at its maximum.

(ii) choose advertising media wisely and determine the proportion of the budget that should be allocated to each media so as to achieve the desired impact.

(iii) design a product line that parallels the demand of the market.

11. Wendell Smith (1956) op. cit 3-8

12. Johnson R.M "Market Segmentation: A strategic Management Tool" Journal of marketing Research, vol.8 (February 1971) p.13

13. Winter F.W; "Market Segmentation: A Tactical Approach" Business Horizons (Jan- Feb 1984) P.57

(iv) identify the target market(s) which a firm can satisfactorily provide for.

(v) catch the first sign of a major trend in a swiftly changing market so as to take advantage at the appropriate time.¹⁴

Young et al (1978) states that segmentation directly facilitates product planning, product positioning and advertising communications.¹⁵

The above namely advantages of market segmentation can be applicable to products as well as to services.

2.3.2 LIMITATIONS OF MARKET SEGMENTATION.

Market segmentation as any other concept has its shortfalls too. It cannot be applied universally to all firms. This concept cannot be taken as a panacea to selecting a target market and thereby increasing a firms profitability.

Young S. et al (1978) states that in some instances a segmented marketing strategy is not appropriate. He enumerates the following as some of the specific instances when segmentation is not useful.

(i) When the market is so small that marketing to a portion of it is not profitable.

14. Kotler (1988) op.cit. 280-289
Johnson (1971) op.cit p.13
McDaniel (1982) op.cit. p85

15. Young s. et al " Same practicle considerations in market segmentation" Journal of marketing Research vol.15 (August 1978) p.406

(ii) Heavy users make up such a large position of the sales volume that they are the only relevant target.

(iii) The brand is dominant in the market . This is because if a brand is dominant, targeting the product or service to only one or two segments of the market would not benefit sales. ¹⁶

Rensik, et al, (1978) and McDaniel (1982) states that market segmentation increases certain costs. The more differentiation a product or service , the fewer the economies of scale and the higher the production and inventory costs. A variety of product or services calls for different product marketing mixes, a company is expected to use more resources in satisfying the divergent target markets, Hence, an increase in costs.

According to Kibera and Waruingi (1988), the use of market segmentation is not always the best strategy. They state that for the strategy to be useful the market should be identifiable and measurable, should be responsive.

The marketing manager must be able to identify which consumers make up a certain market segment and they should have characteristics that are measurable.

The market must be large enough to generate sales volume that ensures profitability. The market should be backed by substantial purchasing power for it to qualify for a different marketing mix.

Again, the marketing manager should be able to communicate effectively and efficiently to the concerned segment.

16. Young et al op.cit p.405

Finally, they advocate that unless the market segments are willing to react to the marketing programmes developed for them, there may be no reason to develop such programs. ¹⁷

Buss and Day (1991) support and expand on the criteria given by Kibera and Waruingi when they enumerate what is a 'good' market segment. ¹⁸ A good market segment and consequently a target market is :

(i) Measurable- the size and buying power of the segment can be estimated.

(ii) Viable- the segment should be large enough to provide profitable business.

(iii) Accessible- the segment should be one that you can access, using marketing mix elements, and is compatible with the businesses strengths and reputation.

(iv) Similar- customers within the segment should be similar in their response to marketing mix variables, so that competitive advantage can be developed and coupled with a competitive message.

(v) Protectable- the segment should be sufficiently different from other segments so that the competitive advantage can be protected against imitation, and a valid strategy can be developed to combat competitor entries.

17. Kibera F.N and B.C Waruingi op.cit p.70

18. Buss J. and Day R. Small Business Success- Marketing, Sydney: McGraw Hill Book, 1991 p.70

2.3.3 COUNTERSEGMENTATION.

As the economic conditions worsen and in highly segmented markets consumers have become more sensible to the relationship between price and satisfaction. In some instances some consumers are willing to accept products that are less tailored to the individual needs if substitutes are available and at a lower price. Rensik et al (1979) highlighted this phenomenon when they stated that 'Executive surveyed indicate that most companies have continued to pursue segmentation of markets and have neglected possible opportunities for counter segmentation. Thus customers who are unwilling to pay the premium for more customized products appear to have been neglected, if not ignored, in corporate strategy development. Where these customers exist in significant numbers, unsatisfied market segments exist that can be tapped by similar products and lower price tags.'¹⁹

The problem of counter-segmentation is facing marketers today especially in some competitive industries.

2.4 MARKET SEGMENTATION PRACTICE

2.4.1 MARKET SEGMENTATION PROCESS

Some firms followed the traditional strategy of market aggregation in which a single brand is mass produced and distributed to a large group of customers that are seen to have the same wants and needs.

19. Rensik A.J and others "Marketers turn to Counter segmentation," Havard Business Review (September- october 1979) p.100.

Due to competition some marketers recognized the value of product differentiation. That is the use of different product, price, distribution and promotional features to establish the superiority and preferability of the firm's brand.

On the other hand market segmentation ensures that product or services closely match each segment's needs and wants. Lazer and Culley (1983) gives the rationale for using market segmentation rather than the aggregate approach. The organization is likely to benefit by developing a marketing mix that satisfies some particular segment or segments of the total market rather than designing a mix to satisfy every one.

The marketer has several potential basis for segmenting the market e.g. geographic, demographic, product attributes and Psychographic. All these are used in dividing an heterogeneous market into specific homogenous segment that serve as target market for the consumer oriented marketer.

Kotler (1989) proposes a three stage decision process to segment the market namely; survey stage, analysis stage and the profiling stage.²¹ Beckman et al (1989) suggest a five stage decision process.²² for the sake of this study we will adopt the Beckman's decision process.

20. Lazer W. and Culley J.D; Marketing Management 6 ed Boston: Houghton Mifflin co. p 187.

21. Kotler, P. (1989) Principles of Marketing. 3ed. Prentice Hall N.J, 1989 P.284

22. Bechman et al op.cit. p.121

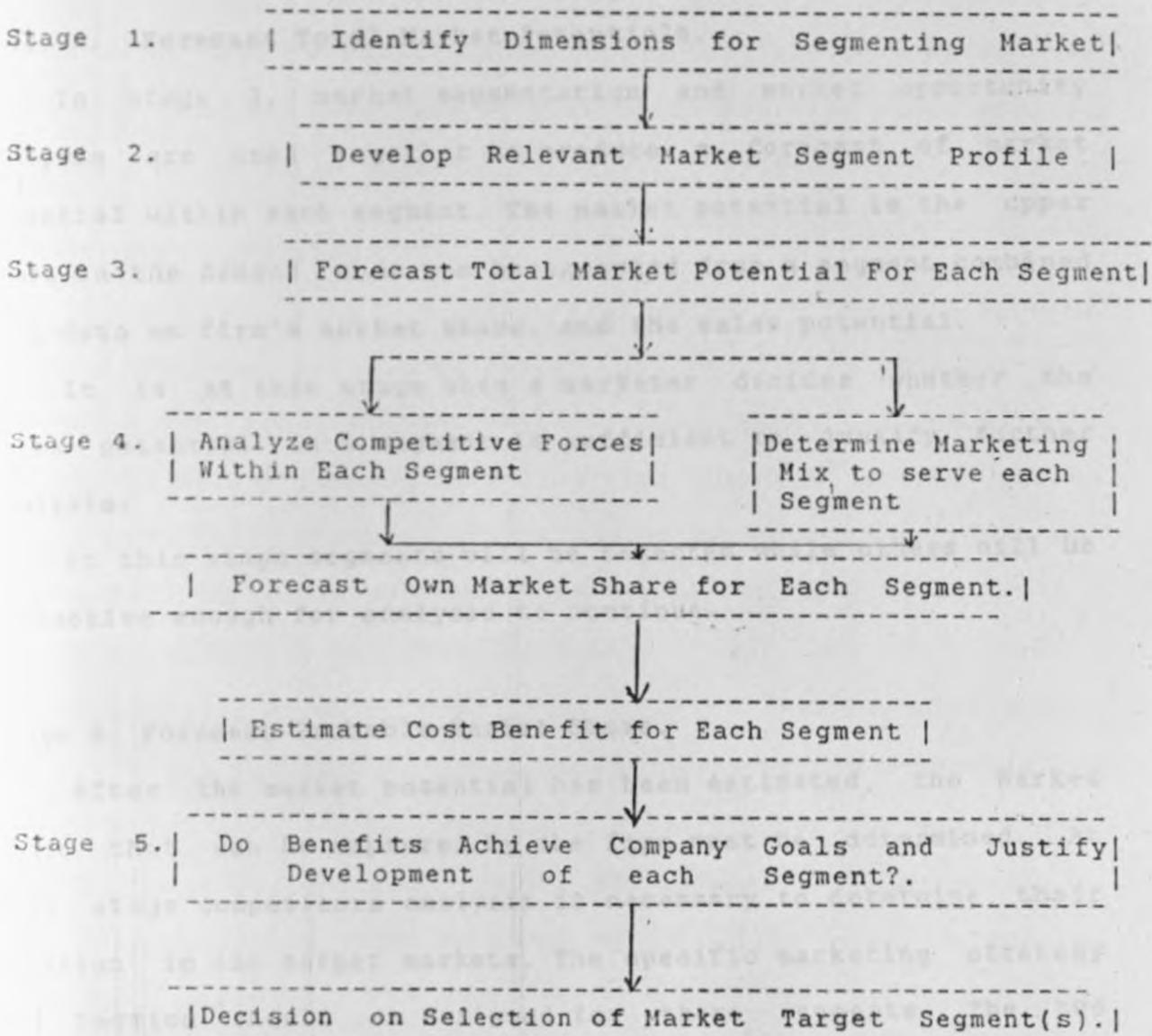
The stages are illustrated overleaf:

Stage 1: Select Market Segmentation Base(s).

The decision process starts when a firm seeks characteristics of potential buyers as bases that will allow the marketer to classify them into market segments. Segmentation bases selected should ensure that each segment contains customers who respond similarly to specific marketing mix alternatives.

Stage 2: Develop Relevant Profiles for Each Segment

After identifying the segments, the marketer should seek to understand potential customers in each segment. The segmentation base will give the marketer an insight about the customers. This is not enough to make a decision. The task at this stage is to develop customer profiles in each segment in order to understand their needs. The customers profiles are developed in regard to customers lifestyle, attitude towards products, use habits, demographic characteristics etc.



Adapted from Beckman's et al (1989:122)

Stage 3. Forecast Total Market Potentials.

In stage 3, market segmentation and market opportunity analysis are used together to produce a forecast of market potential within each segment. The market potential is the upper limit on the demand that can be expected from a segment combined with data on firm's market share, and the sales potential.

It is at this stage when a marketer decides whether the sales potential in a segment is sufficient to justify further analysis.

At this stage segments will be rejected while others will be attractive enough for analysis to continue.

Stage 4. Forecast Probable Market Share.

After the market potential has been estimated, the Market share that can be captured by the firm must be determined. At this stage competitors analysis is necessary to determine their position in the target markets. The specific marketing strategy and tactics should be designed for these segments. The two enumerated activities lead to the analysis of the costs of tapping the potential demand in each segment.

Stage 5. Select Specific Market Segments.

At this stage the management is able to assess the potential for the achievement of company goals and justify the development of one or more market segments. Demand forecasts combined with cost projections are used to determine the profit and return on investment that can be expected from each segment. An analysis of marketing strategy and tactics will determine the degree of

consistency with corporate capabilities that may be achieved by serving a segment. These assessments will determine managements' selection of specific segments as market targets.

2.5 SERVICE MARKETING MIX.

In order to have a broad understanding of how to segment service markets, it is necessary to understand the service marketing mix. Kotler (1988) defines marketing mix as the mixture of controllable marketing variables that the firm uses to pursue the sought level of sales in the target market. According to Buss (1991) marketing mix are tools used to achieve sales.

The marketing mix which is commonly used has 4p's namely product, price, promotion and place. Magrath (1986) contends that the 4 p's are not enough for marketing services. He advocates for three extra p's to be included in the marketing mix. These include personnel, physical facilities, and process management.

The marketing mix is intended to achieve an integrated marketing approach. It calls for a framework for integrating diverse marketing tasks. The service business are supposed to have a more integrated marketing mix which incorporates personnel, physical facilities and process management. Magrath (1986) states that failure to focus adequately on personnel, physical assets and process management can spell disaster for such firms; and by ignoring these three additional p's means ignoring elements critical to the marketing of services.

23. Kotler (1988) op.cit. p.95-96

24. Buss J. and Day R. op.cit. p. 18

The three extra p's are interconnected and represent vital marketing elements in the management of service businesses. 25

2.5.1 Personnel.

Personnel are key in the creation and delivery of services to the consumer. Services represent personnel producing intangible deeds or efforts. The consumers identify the traits of service personnel with the firms they work for. A firm that produces or provides services should consider personnel as a major variable in provision of the services.

2.5.2 Physical Assets.

Physical services facilitate or enhance the marketing and delivery of services. A consumer has to experience a service. This experience is greatly affected by both the visible physical facilities and those that are not visible but are necessary to providing the service.

2.5.3 Process Management.

The process management assures service availability and consistent quality during production and consumption of a service. Without sound process management, balancing service demand with service supply is extremely hard. Since services cannot be stored ways must be found to handle peak loads and optimize different customer needs with varied expertise levels within the service firm. Process management involves task

25. Magrath A.J; "When Marketing Services 4 p's Are Not Enough." *Business Horizons* (May/June 1986) pp.44-50

schedules, routines and supervision of activities in the provision of a service.

Buss and Herfold (1993) give a similar view as that advocated by Magrath (1986). They give the following classifications:

- (i) human evidence
- (ii) corporate identification
- (iii) controlling the environment
- (iv) organisation and planning

Two of their classifications, namely "human evidence" and "corporate identification" can be compared to the "p" of personnel. The customer can be shown evidence of quality of service by the uniforms (e.g. the smart uniforms worn by the DHL personnel), or dress that is work related, e.g. the doctor's white coat or a banker in his pin-strip.

The friendly facial expression is also a very important attraction to the customer.

The third classification, namely "controlling the environment" fits the "p" of physical asset. The emphasis is put on neat premises, attractive displays - for example the display can be for promoting the service or even for distracting the customer's mind when the expected service is distressful or painful such as tooth extraction). Soft background music can be part of the controlled environment.

The fourth classification "organisation and planning" matches the third "p" of process management.

2.6 SEGMENTING MARKETS.

Though marketing mix for products and services are different due to the extra 3p's we have in the services, both services and products are similar, in that customers buy them to satisfy their needs and solve their problems. ²⁶ Since market segmentation involves the task of breaking the total market into segments that share common properties, the bases used for segmenting consumer market can be appropriate to service market.

The needs and wants of consumers differ and this calls for different marketing mix to satisfy those needs and wants. Due to this fact the need to segment the market arises. The task confronting marketers and market researchers has been to develop a framework or some guidelines upon which market segmentation is to be based.

In segmenting consumer market different authors use different ways or approaches.--- Kotler (1989) and Lazer and Culley (1983) provide a very profound classification. These authors divide the segmentation variables into two broad ²⁷ groups.

(i) Consumer Characteristics e.g. geographic, demographic and psychographic variables.

(ii) Consumer responses to the product or service e.g. benefits sought, use occasions, and brand loyalties.

26. Buss J. and Herford G. op.cit.

27. Kotler (1989) op.cit.

Lazer W. and Culley J.D; op.cit. chapter 7

According to Kibera and Waruingi there is no one right way of segmenting markets. They use the following as the basis of segmenting the market; demographic, geographic, psychographic and behaviouristic variables. ²⁸ Kotler, Lazer and Kibera seem to agree on the ways of segmenting the market.

McDaniel (1989) simply divides the variables into five basic forms namely demographic (i.e. sex, age, family life cycle, income etc.), geographic (i.e. by region, urban or rural), psychographic (i.e. life-style or personality), benefit (i.e. taste, good, feels good, smells good etc.) and finally by ²⁹ volume (i.e. heavy user or light user).

A. SEGMENTATION BY CONSUMER CHARACTERISTICS.

The segmentation bases used relate to products. They can be appropriate for services too.

2.6.1 Geographic Segmentation.

Geographic influences are important to the marketers. They include such aspects as location of human population, climate, topology, natural endowments and many other aspects of geography.

In geographic segmentation, the market is divided into divergent geographical parts such as cities, provinces, districts, divisions based on the idea that consumer needs vary from one region to another.

28. Kibera F.N. and B.C Waruingi op.cit. p. 70-71

29. MacDaniel C.Jr; op.cit. p.96

A firm may decide to operate in one or more geographic region and provide goods or services tailored to that particular region. Geographic segmentation can be very useful in regions that experience extreme variations in climate.

2.6.2. Demographic Segmentation.

As Young S. et al (1978) stated no single approach can be used to segment all markets as specific competitive structure and environment determine the appropriate approach. Geographic segmentation may not be relevant to some situations therefore other variables like demographics are used.

Demographic segmentation involves the analysis of characteristics that provide a profile of the consumers. The market is divided into groups on the basis of variables such as age, sex, family size, family life cycle, income, occupation, religion, etc.

According to Green (1977) and Kibera et al (1988) demographic segmentation is among the most popular basis for segmenting markets.

Kotler contends that demographic variables are used because they have proved to be good predictors of differential buyer response. They are also used because they are the only variables for which data is easily available.

Buss and Day (1991) states that customers' needs and

30. Young S. et al p.411

31. Green P.E. (1977) op. cit. p.61

Kibera P.N. and B.C. Waruingi op.cit. p.71

requirements are often closely related to demographic characteristics or variables and thereby they are commonly used to segment and identify target markets. They are factual and consequently easier to measure. Psychographic or behavioral characteristics are often translated to demographic variables so that they can be measurable.

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Since demographic variables are popular it is important to look at each of the variables separately.

(a) Age and Family Life Cycle.

The wants and needs of people will change and they advance in age. Their needs for products or services change accordingly. The needs of the infant, bachelor and an old person all differ. The infants cannot be considered for recreational facilities and neither can aged be considered a major consuming group for toys.

The family life cycle can be considered to have at least five stages.

- (i) Bachelor
- (ii) Newly married
- (iii) Full nest
- (iv) Empty nest
- (v) Sole survivor

The full nest stage can be subdivided further depending on prevailing family conditions. It seems in most African families the stage of empty nest does not seem to be present due to

extended families, many old men marry a second wife after retirement and the problem is compounded by having young kids during old age. Sole Survivor stage is rare.

For marketers the family life cycle is important because the need and purchasing power change and develop as the family cycle moves from bachelor to full nest. For example newly wed will have a great demand for home-making facilities e.g. utensils, furniture and other services relating to that age.

Especially in the African setting age and family life cycle can be a poor predictor of timing life events. Technological advancement and health awareness may compound the use of demographic variables. Kotler (1988) asserts that age has become a poor predictor of timing life events, persons health, work and family status. Therefore a poor predictor of a person's interests, preoccupations and needs. For example some people at retirement age (55 years) are still sending some of their kids to nursery schools, while this is usually expected in a 25 year old parent.

(b) Income.

Segmentation by income has been used for a long time. Goods and services demanded by consumers depend on their purchasing power. Income as a variable for segmenting a market presents certain problems as highlighted by Lazer and Culley (1983).

33. Kotler (1988) op.cit. p.288

34. Lazer W. and Culley J.D. op.cit. p.276

They assert that before income is used as segmentation base, four issues must be resolved:-

(i) the most appropriate unit of analysis must be determined i.e. should the income be measured per capita, per receiver etc.?

(ii) the most appropriate type of income must be determined i.e. gross income, net income, dispensable income etc.

(iii) the nature and extent of the relationship between income, wealth, credit potential and consumers ability and willingness to buy should be established.

(iv) Income determined may entail analyzing national or regional differences in income levels, distribution and purchasing power.

Kotler (1984) argues that income does not necessarily predict the best customers for a service or product. ³⁵

The Engel's law may be a good guide in segmenting the market by income. According to Engel, as the family income increases:-

(i) A smaller percentage of expenditure goes for food.

(ii) the percentage spent on housing and household operations and clothing remain constant.

(iii) the percentage spent on other items (such as recreation, education etc.) will increase. ³⁶

(c) sex

Buss and Day (1991), Kibera and Waruingi (1988) content that sex is employed to segment a number of market including clothes,

35. Kotler (1989) op.cit. p.289

36. Kibera F.N and B.C. Waruingi (1988) op.cit. p.72

cosmetics, deodorant, soaps etc. The segmentation is done according to the requirement of each sex. The marketer can take advantage of sex segmentation by reinforcing the appropriate gender image in order to appeal to the appropriate market segment.

2.6.3 Psychographic Segmentation.

This type of segmentation examines people's life-style, motives, opinions, interests and activities. According to Buss and Day (1991) this type of segmentation can be very expensive. It can also be difficult to translate the market segment identified into demographic customer characteristics.

Ferrell and Pride (1982) asserts that psychographic dimensions can be effective bases for dividing the market though their use will continue to be limited due to :-

- (i) they are more difficult to measure accurately than are other segmentation variables.
 - (ii) the relationships among psychographic variables and customers needs are sometimes obscure and unproven.
 - (iii) Segments that result from psychographic segmentation may not be reachable.
- Characteristics that have been used for psychographic segmentation include social class, personality and life-style.

37. Kibera F.N. and B.C. Waruingi (1988) op.cit. p.71

Buss J. and Day R. (1991) op.cit. p.75 Marketing Management

38. Ibid p.75

39. Ferrell O.C. and W.M. Pride (1982) op.cit. p.82

(a) **Social Class.**

Social class is measured as a combination of occupation, income, education, wealth and others. The assumption is those people in the same social class have similar interests values and manners.

Studies by Engel (1978) identified and described the characteristics of six major American social classes namely Upper Uppers (1 percent) Lower uppers (2 percent), Upper Middles (12 percent), Lower middle class (30 percent), Upper Lower class (35 percent) and Lower Lovers (20 percent).

Buss and Day (1991) identifies several social classes in Australia, Upper Class (8 percent), Middle classes (60 percent), Working class (28 percent) and the remainder of the population (4 percent).

Social class is important to the marketer particular the retailer since it has a strong influence on the consumer's preference in a wide variety of products and services. Many firms design their products and services for specific social classes.

(b) **Personality.**

The uniqueness of people influence their buying pattern and behaviour. Marketers have used personality variables to segment

40. Engel J.F; et al Consumer Behavior, 3ed. Dryden

Press: cited by Kotler philip (1984) Marketing Management p.127

41. Buss and Day op.cit. pp.75-76

their markets. They try to endow their products with brand images with match the self-image of the target market. Buss and Day assert that market for beer has been successfully segmented in this way.

(c) Life-style. and Wind (1978) in their various marketing

Life-style segmentation divides the market into segments according to how people live. The life-style patterns of consumers are measured using three variables namely activities, Interests and Opinions. Consumers Interests in various goods and services depend on their life-style and the services and goods they enjoy reflect their life-style. Today's marketers are increasingly segmenting their markets by consumer life-style especially the makers of cosmetics, alcoholic beverages, furniture etc.

2.6.4 B. SEGMENTATION BY CONSUMER RESPONSES.

This type of segmentation requires marketers to segment the market by dividing the buyers into groups on the basis of their knowledge, use, attitude, or response to a product. In other words this type of segmentation focuses on the purchasing behaviour of the customers, on when and how purchases are made and who influences the purchase. Several authors Green (1977) and Mahajan et al (1978) and Kotler (1988) are in

42. Ibid p.77

43. Joseph T. Plummer, 'The Concept and Application of Life-Style Segmentation,' *Journal of Marketing*, January 1984, p.33

...ingst states that benefit segmentation is superior to other agreement that behavioral variables are the best starting point for constructing market segments.

44

(a) Benefit Sought.

Haley (1965) and Wind (1978) in their various marketing studies enumerate the importance of benefit segmentation. The studies show that buyers can be segmented according to the particular benefits that they are seeking when they purchase a product or service. Many consumers seek more than one benefit from the service or product which they purchase. However there is an overriding benefit which the buyer seeks. Therefore, in order for the marketer to succeed he should determine the major benefits that consumers might be looking for in the product or service class, and the kind of consumers looking for each benefit.

According to Young (1978) segmentation based on benefits desired is usually the most meaningful type to use from a marketing standpoint as it directly facilitates product planning

(b) Consumer Loyalty Status.

positioning, and advertising communication. Kibera and Kotler (1988) asserts that consumers can be loyal to

44. Green P.E. (1977) op.cit. p.62

Mahajan V.; Jain A.K.; "An Approach to normative Segmentation," Journal of Marketing Research Vol. xv (August 1978) p.338

Kotler P., (1988), op.cit. p.291

45. Haley R.I (1968) op.cit. pp.30-35

Wind Y.D. (1978) "Issues and Advances in Segmentation Research," Journal of Marketing Research Vol. xv (August 1978)

46. Young S. et al op.cit. p.406

Brown D.H (1982); cited by Kotler (1989) op.cit. p.294

Waruingi states that benefit segmentation is superior to other segmentation strategies in that it stresses directly the wants and desires of consumers rather than any characteristic or behavioral pattern related to their satisfaction.⁴⁷

Benefit segmentation is widely used but it cannot be used in all situations especially where traditional price lines have developed so that all marketing activities are based on price levels or the benefit desired are determined by the occasion or purpose.

(b) User Status.

Markets can be segmented into non-users, ex-users, light users, heavy users, regular users of the product. To marketers heavy users present as clear an opportunity as non-users. A study by Twedt (1974) showed that heavy users are often a small percentage of total users. It should be noted that heavy users have a common demographic, psychographic and media habits that can be exploited to enhance product or service sales.

(c) Consumer Loyalty Status.

Kotler (1988) asserts that consumers can be loyal to certain brands, store or other entities. However, brand loyalty is of more significant to the firm.⁴⁹ According to Brown (1952) there are 4 type loyals:⁵⁰

47. Kibera F.N and B.C Waruingi op.cit p.76

48. Twedt D.W. " How Important to Marketing Strategy is the Heavy Users ?" Journal of Marketing, January 1984 p.72

49. Kotler (1988) op.cit. p.294

50. Brown G.H (1952): cited by Kotler (1989) op.cit. p.294

the marketing strategies may need to be changed for each

(i) hard core loyals- this are consumers with undivided loyalty to a brand.

(ii) Soft core loyals - they represent a consumer with divided loyalty between two or more brands.

(iii) Shifting loyals - this refers to those consumers who shift from favoring one brand to other and lastly.

(iv) Switchers - they do not show any loyalty.

All markets consists of the first four types and it is the duty of each marketer to formulate strategies to attract and maintain the relevant target groups. The above types are very important to the marketers since they provide information as it relates to the firms marketing strengths and weaknesses.

Under behaviouristic segmentation other segmentation include by occasion, volume or usage, etc.

2.7 CONCLUSION.

Segmenting service market does not seem to be a very easy task. As it is for consumer market so it can be for the service market. Several criteria for judging market segments have been proposed. The literature proposes that the most common criteria are that market segments ought to be identifiable, sizable enough to be profitable and amenable to efficient targeting via media selection.

In service market and consumer market the segments may not be stable over time. There may be a change in benefit segments, or change in benefits desired, or the segments may became smaller or large, or demographic characteristics of the segment change.

then the marketing strategies may need to be changed for each situation.

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CHAPTER THREE

In order to determine how the service markets are segmented it is necessary to conduct a survey in order to document this and find out whether service market segmentation is useful in the financial sector.

Population and sample design

The population study consists of all the commercial banks operating in Kenya as enumerated by the Central Bank of Kenya.

Respondents

The respondents will be the marketing managers, sales managers, senior marketing officers in head offices of commercial banks operating in Kenya. In short, the respondents will be those who undertake the marketing activities of the individual

Data collection

----- collected by means of structured questionnaire (see appendix 2). The questionnaire will consist

51. Clanton R.J and others " The stability of Benefit Segments" Journal of Marketing Research Vol. xv (August 1978) pp.395-6

The questionnaire will have two sections namely, section A and section B. Section A will consist of questions aimed at obtaining general information such as ownership, services provided, total number of employees and other demographic data. Section B will consist of specific questions relating to the

3.0 RESEARCH DESIGN

The chapter considers the population of study, the data collection instruments, as well as the data analysis methods to be used to achieve the stated objectives in chapter one.

3.1 Population and sample design

The population study consists of all the commercial banks operating in Kenya as enumerated by the Central Bank of Kenya.

3.2 Respondents

The respondents will be the marketing managers, sales managers, senior marketing officers in head offices of commercial banks operating in Kenya. In short, the respondents will be those who undertake the marketing activities of the individual firms.

3.3 Data collection

The data will be collected by means of structured questionnaire (see appendix 2). The questionnaire will consist of both open-ended and closed ended questions.

The questionnaire will have two sections namely, section A and section B. Section A will consist of questions aimed at obtaining general information such as ownership, services offered, total number of employees and other demographic data. Section B will consist of specific questions relating to the

objectives of the study.

The questionnaire will be administered in person where possible, otherwise, the 'drop and pick - up later' method will be applied.

The data is analyzed and presented for six in form of tables which are based on the primary data.

3.4 Data analysis

Given the nature of the study, the researcher intends to use simple data analysis tools like tables, proportions, charts and percentages. Further analysis to measure the significance of the differences of the mean scores between different segmentation variables (dimensions) will be done using t - test.

The first section dealt with the ownership characteristics of the commercial banks, marketing insight and finally findings.

The second section dealt with the market segmentation by commercial banks in Kenya.

The third section that has also a direct bearing to the dealt with activities relating to marketing segmentation useful of this concept to determine target market.

The fourth section dealt with examining the most commonly market segmentation variables so as to determine to what they are used by commercial banks in Kenya. In addition, other statistical test, the t-test was used to measure the differences between the mean scores of segmentation activities various segmentation variables by commercial bank groups.

The fifth section dealt with the usefulness of the market segmentation, and other strategies used if market segmentation is useful.

CHAPTER FOUR

4.0 DATA ANALYSIS AND FINDINGS

Chapter four contains data extracted from the fully completed questionnaires. The data is analyzed and presented for analysis in form of tables which are based on the primary data.

OVERVIEW
This is done in six sections as follows. The first section contains a brief description of the respondents in regard to their groupings, size of the commercial banks as it relates to total assets and finally size of commercial banks as it relates to number of employees. The size as it relates to number of total assets was adopted for the purpose of this study. Also the section dealt with the ownership characteristics of the commercial banks, marketing insight and finally findings.

The second section dealt with the market segmentation practice by commercial banks in Kenya.

The third section that has also a direct bearing to the study dealt with activities relating to marketing segmentation and useful of this concept to determine target market.

The fourth section dealt with examining the most commonly used market segmentation variables so as to determine to what extent they are used by commercial banks in Kenya. In addition, a further statistical test, the t-test was used to measure the differences between the means scores of segmentation activities and various segmentation variables by commercial bank groups.

The fifth section dealt with the usefulness of the market segmentation, and other strategies used if market segmentation is not useful.

The fifth part dealt with criteria that are used in Kenya to identify a 'good' segment, and finally part six dealt with whether segmentation variables used for a product market is the same as the ones used for a service market.

4.1.1. OVERVIEW

The aim of this section is to give an overview of the respondents who comprised the sample and who gave the data used for analysis in this chapter. As stated in chapter 3 on research design, the population comprised of all commercial banks operating in Kenya as defined by the Central Bank of Kenya. There were 30 commercial banks in operation and all of them were chosen. Out of the 30, 23 commercial banks responded favourably which is a total response rate of 76.6%. All the 23 questionnaires were properly completed for this analysis and all the questionnaire were filled with the assistance of the researcher. The commercial banks were divided into six groups based on the total assets of the banks and each groups was well represented. No group was inadequately represented in the 23 respondents and hence the result are reliable.

The next column shows the number of respondents from each sample. Finally, the column shows the percentage response rate. For example group 1 had four out of the thirty commercial banks in the sample and four are to be analyzed in this study, a response rate of 100 percent. Group 2 contributed four commercial banks but only two respondent in time for this analysis, i.e. 50 percent response. The rest of the table can be interpreted in a similar manner for all the groups.

TABLE 1

Generally the response from the groups was good, group 1 and 3 had the most favourable response, i.e. 100 percent each. Overall response rate was 76.67 percent.

ANALYSIS OF RESPONDENTS

GROUPS	SAMPLE	RESPONSE	PERCENTAGE
1	4	4	100
2	4	2	50
3	4	3	75
4	10	7	70
5	3	3	100
6	5	4	80
TOTAL	30	23	

Total Response rate: 76.66%

Source: Research Findings

Table 1 shows the analysis of the respondents. The table has four columns. The first column shows the groups in which banks have been classified depending on their size (as determined by their total assets). The second column shows the number of commercial banks that contributed to the sample. The next column shows the number of respondents from each sample. Finally, the last column shows the percentage response rate. For example group 1 had four out of the thirty commercial banks in the sample, and four are to be analyzed in this study, a response rate of 100 percent. Groups 2 contributed four commercial banks and only two respondent in time for this analysis, i.e. 50 percent response. The rest of the table can be interpreted in a similar manner for all the groups.

1999 and 2000 - 1999 employees respectively. 2 other

Generally the response from the groups was good, group 1 and group 5 had the most favourable response, i.e 100 percent each. The overall response rate was 76.67 percent.

The table 2 below shows how the groups have been classified depending on the total asset of each commercial bank.

TABLE 2

SIZE OF COMMERCIAL BANKS AS RELATES TO TOTAL ASSETS

Group	Total Assets	Number of Commercial Banks
1	9,000,000,000 and over	4
2	6,000,000,000- 8,999,999,999	2
3	4,000,000,000- 5,999,999,999	3
4	1,000,000,000- 3,999,999,999	7
5	100,000,000- 999,999,999	3
6	10,000,000- 99,999,999	4

Source: Research findings

TABLE 3

SIZE OF COMMERCIAL BANKS AS RELATED EMPLOYEES

Employee/Banks Classification	Number of Employees	Commercial Banks
1	Below 499	19
2	500 - 999	-
3	1000 - 1999	1
4	2000 - 2999	1
5	3000 - 3999	2
TOTAL		23

Source: Research findings

From the above table 3, 19 commercial banks had a work force of less than 499 employees. 2 banks had a workforce of between

1000 - 1999 and 2000 - 2999 employees respectively. 2 other banks had a workforce of between 3000 - 3999. When this is compared to the groups based on total assets, the size if measured the number of employees can be misleading because some relatively large banks have a very small workforce. Though all the 'big' four commercial banks have a workforce of more than 1000 employees.

TABLE 4
OWNERSHIP CHARACTERISTICS OF THE RESPONDENTS

Ownership/Group	LP	LG	F	PLF	PGP	TOTAL
1	0	1	0	2	1	4
2	1	1	0	0	0	2
3	2	0	1	0	0	3
4	3	1	3	0	0	7
5	1	0	2	0	0	3
6	3	0	0	1	0	4
TOTAL	10	3	6	3	1	23
PERCENTAGE	43.5	13.0	26.1	13.0	4.4	100.0

- LP - Locally Owned Private
- LG - Locally Owned Government
- F - Foreign Owned
- PLF - Partly Locally and Partly Foreign Owned
- PGP - Partly Government and Partly Privately Owned

Source: Research findings

Table 4 shows the number and ownership characteristics of the commercial banks involved in the study. The researcher felt it was important to know the ownership characteristics of the respondents. So as to get an understanding of their response towards the concept of market segmentation. The table provides the following information 43.5% of the respondents are wholly locally privately owned firms. 13 percent are wholly locally government owned, 26.1 percent are foreign owned, and finally 4.4 percent are partly private and partly government owned.

4.1.1.2

TABLE 5

MARKETING INSIGHT

COMMERCIAL BANKS MARKETING INFORMATION

Elements	Responses	Percentage
Has marketing department	16	69.5
Has no marketing department	7	30.5
Is a member of managing board	5	21.7
Is not a member of managing board	18	78.3

Source: Research findings

The table 5 above gives information that relates to whether the respondents have marketing departments or not. It also provides information regarding the board membership of the marketing officers in the commercial banks.

Out of the 23 responses 16 commercial banks had a marketing department. This represent 69.5 percent of all the responses. Another 7 commercial banks were not having a marketing department i.e 30.5 percent of the total responses.

In only 5 commercial banks were the marketing official members of the managing board of the banks. The rest 18 commercial banks had their marketing managers/officers not members of the managing board. This represents 78.3 percent of all the respondents.

Lack of membership by majority of marketing officers in the managing boards of the commercial banks may denote that marketing is not fully emphasized. Secondly, seven of the commercial banks did not have marketing departments and this may mean the market is not well developed.

Among the seven commercial banks that did not have a marketing department, the following were undertaking the marketing activities for them; credit officers or credit service officers, senior management staff, or financial controller. Managers and senior management staff were the ones used most in this situation.

TABLE 6
MARKETING FUNCTIONS

Number	FUNCTION	RESPONSE	PERCENTAGE
1	Implementation of customer service	1	4.3
2	Product development	8	34.8
3	Monitor competitors information	2	8.6
4	Formulate marketing plan and do research	3	13.0
5	Prepare marketing reports	1	4.3
6	Advertisement, promotion and publicity	9	39.1
7	Identify market segments	1	4.3
8	Maintain existing business	1	4.3
9	Mobilise deposits	6	26.1
10	Provision of competitive interest	1	4.3

Source: Research findings

Table 6

SERVICE DEVELOPMENT ACTIVITIES BY COMMERCIAL BANKS

From Table 6 above, the commercial banks gave the functions undertaken by their marketing departments. Advertisement, promotion and publicity was leading at 39.1 percent, followed by product (service) development at 34.8 percent. Another function stated was the mobilisation of deposits, which was given at 26.1 percent.

Only 1 commercial bank gave the identification of market segment as a function.

Many of the responses viewed the services they offer as products; evidenced by number 2 of the marketing functions.

4.1.3 OTHER FINDINGS

Question 17 was intended to check whether commercial banks development a service (product) to satisfy a newly formed market segment. The two tables below provide insight into this.

Table 7

PRODUCT (Service) Development

NO.	ACTIVITY	RESPO.	%
1	Has developed a service within last 2 years	17	74
2	Has not developed a service within last 2 years	6	26
	Total	23	100

Source: Research findings

Table 8

SERVICE DEVELOPMENT ACTIVITIES BY COMMERCIAL BANKS

NUMBER	ACTIVITY	RESPONSE	%
1	To fill a service gap in the market	8	34.8
2	To get a competitive advantage	13	56.5
3	To keep pace with the competitors	7	30.4
4	To meet consumers changing needs	11	47.8
5	To offer a service to boost loyalty	1	4.3
6	To boost profitability	1	4.3
7	To introduce long-term investment	2	8.6
8	To take care of government regulation	2	8.6

Source: Research findings

Table 8 contains reasons why commercial banks had developed a new service or modified a service within the last 2 years. The researcher had given the first four choices and the respondents had a chance to add their own reason. Only 34.8 percent of the respondents denoted that they developed a new service to fill a service gap in the market i.e to take care of a new market segment.

One of the most interesting reason for developing a new service or modifying a service was to take care of government regulation. This was a very important reason since it may have an overall effect on existing market segments.

On the other hand table 7 shows that 17 commercial banks out of the 23 respondents developed or modified a new service (product). This represents 74 percent of the respondents. Only 26 percent of the respondents did not and the main reason they gave is that they felt there was no need presently.

This shows that market segmentation is a common practice

4.2.1 FINDINGS ON MARKETING SEGMENTATION PRACTICE

TABLE 9
SEGMENTATION PRACTICE BY COMMERCIAL BANKS

Number/Firms	Total	Percentage
FIRMS SEGMENT MARKETS	19	82.6
FIRMS DO NOT SEGMENT MARKETS	4	17.4
Total	23	100

Source: Research findings

The above table 9 shows the number of commercial banks (firms) that segment their markets and those that do not segment their market. 19 out of the 23 firms that responded segment their market. Only 4 out of the 23 do not segment their market.

A further analysis on those that do not segment their markets show that 3 are locally owned and 1 is foreign owned, but from a developing foreign country.

On the other hand, all the other 5 foreign owned banks segment their markets. This may be due to the influence from their motherland, where market segmentation is a very common practice as stated in Chapter 1.

Only two among the 10 locally owned private commercial banks do not segment their markets. Also, only 1 among the 3 locally owned government commercial banks do not segment its markets.

All the 3 partly locally and partly foreign owned commercial banks segment their market. The only partly government and partly private commercial banks segment its markets.

From the table 9, 82.6 percent of all the respondents segment their market. Only 17.4 percent do not segment their

market. This shows that market segmentation is a common practice among the commercial banks operating in Kenya.

4.2.2 WHY SOME COMMERCIAL BANKS DO NOT SEGMENT THEIR MARKETS

Four commercial banks that do not segment their market gave the following reasons for not using the concept of market segmentation.

First, the banks intend to provide services to all sectors of the economy, and by providing services to all sectors this will give them a feel of the whole range and then later they can decide on the most profitable sectors and determine which segments they can have.

Secondly, Kenya being a developing country small commercial banks cannot be successful by segmenting the market. This is because the small commercial banks need a mixed clientele.

Thirdly, small commercial banks are niche banks in that those who feel neglected by the big banks can come to them irrespective of their status. This also enhances the idea of mixed clientele.

Although a niche is a market segmentation strategy in this case it is used by the respondent having a limited knowledge of market. This is a semantic problem and not a marketing problem.

The above are the main reasons given why the 4 commercial banks do not segment their markets.

It is informal and it is an on-going process.

The commercial banks that research existing market were 11

11 respondents. This represents 47.5 percent of the

banks.

4.3.1 ACTIVITIES RELATING TO MARKET SEGMENTATION

Question 9 was intended to show the importance that is attached to market segmentation by the commercial banks. The respondents were expected to tick several activities which their firms undertake. They were also free to add any other activity which they thought was important as regards their markets. The Table 10 below shows the results derived from question 9.

TABLE 10

ACTIVITIES IMPORTANT TO MARKET SEGMENTATION

ACTIVITY	RESPONSE	PERCENTAGE
MARKET SHARE ANALYSIS	6	26.1
RESEARCH EXISTING MARKETS	11	47.8
RESEARCH POTENTIAL MARKETS	13	56.5
RESEARCH NEEDS OF EXISTING CUSTOMERS	15	65.2
RESEARCH NEEDS OF POTENTIAL CUSTOMERS	13	56.5
TAILOR SERVICES TO CUSTOMER NEEDS	21	91.3
REVIEW GOVERNMENT POLICY	1	4.3

Source: Research findings

The commercial banks that undertake market share analysis were only 6 out of the 23 respondents. This represents only 26.1 percent. Only 4 out of the 6 banks that undertake market share analysis gave the last dates of this activity. The dates are as follows June, 92, January, 93, March, 93, April, 93. One commercial bank stated that market share analysis which they undertake is informal and it is an on-going process.

The commercial banks that research existing market were 11 out of 23 respondents. This represents 47.8 percent of the respondents.

On the other hand those that research the potential markets are 13 out of 23 respondents. This represents 56.5 percent of the respondents.

In order to succeed, any firm should take into consideration the needs of the customers. This is evidenced by the fact that 15 out of the 23 respondents research the needs of the existing customers, also 13 out of 23 respondents research the needs of potential customers. This is represented by 65.2 percent and 56.5 percent respectively.

All respondents except 2 tailor their services to the needs of their customers. This represents 91.3 percent of the respondents. This shows that the marketing concept is in operation in the banking industry.

Finally, one of the commercial banks included review of government policy as another activity that is important. As it is, the banking industry is heavily regulated by a government policy which may make a segment undesirable. A recent example is a directive that was given relating to retention accounts. This directive immediately had the effect of doing away with a segment that related to foreign currency from exports.

The above mentioned activities are very important in marketing segmentation in that they pave way for market segmentation decisions process activities that measure the extent to which commercial banks used market segmentation as a marketing tool. Chapter 2 - literature review.

4.3.2 MARKET SEGMENTATION AS A MARKETING TOOL

Question 13 measured the extent to which firms used market segmentation as a marketing tool. The results are presented in Table 11. As shown in the table, more than a half (73 percent) of the commercial banks had identified dimensions for segmenting market to a great or moderate extent.

Table 11

EXTENT TO WHICH COMMERCIAL BANKS CARRY OUT MARKET SEGMENTATION DECISION PROCESS ACTIVITIES

Extent of Activity /Activity	To great extent	To a moderate extent	To a small extent	To no extent	Total
Identify dimension for segmenting market	9	64	9	18	100
Develop relevant market segments profile	13	48	21	18	100
Forecast total market for potential for each segment	9	48	17	26	100
Determine a marketing mix to serve each seg.	21	26	35	18	100
Forecast your own market share for each segment	18	35	13	34	100
Select target segment	57	26	9	26	100
Estimate cost benefit each segment	30	35	9	26	100

ALL FIGURES ARE IN PERCENTAGE

Sixty one percent (61 percent) of the commercial banks had developed relevant market segments profile to a great or moderate extent.

Figure 1

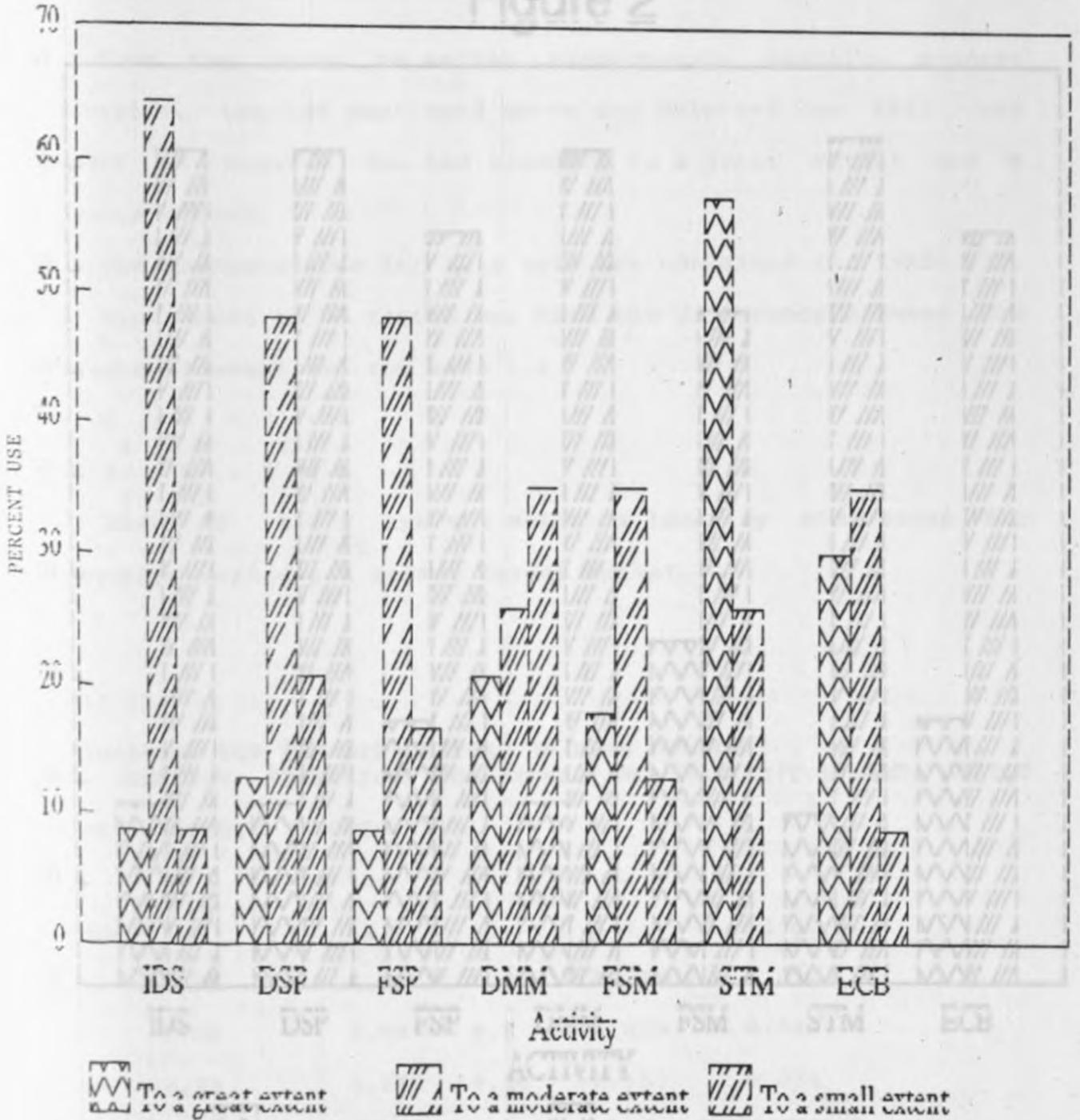
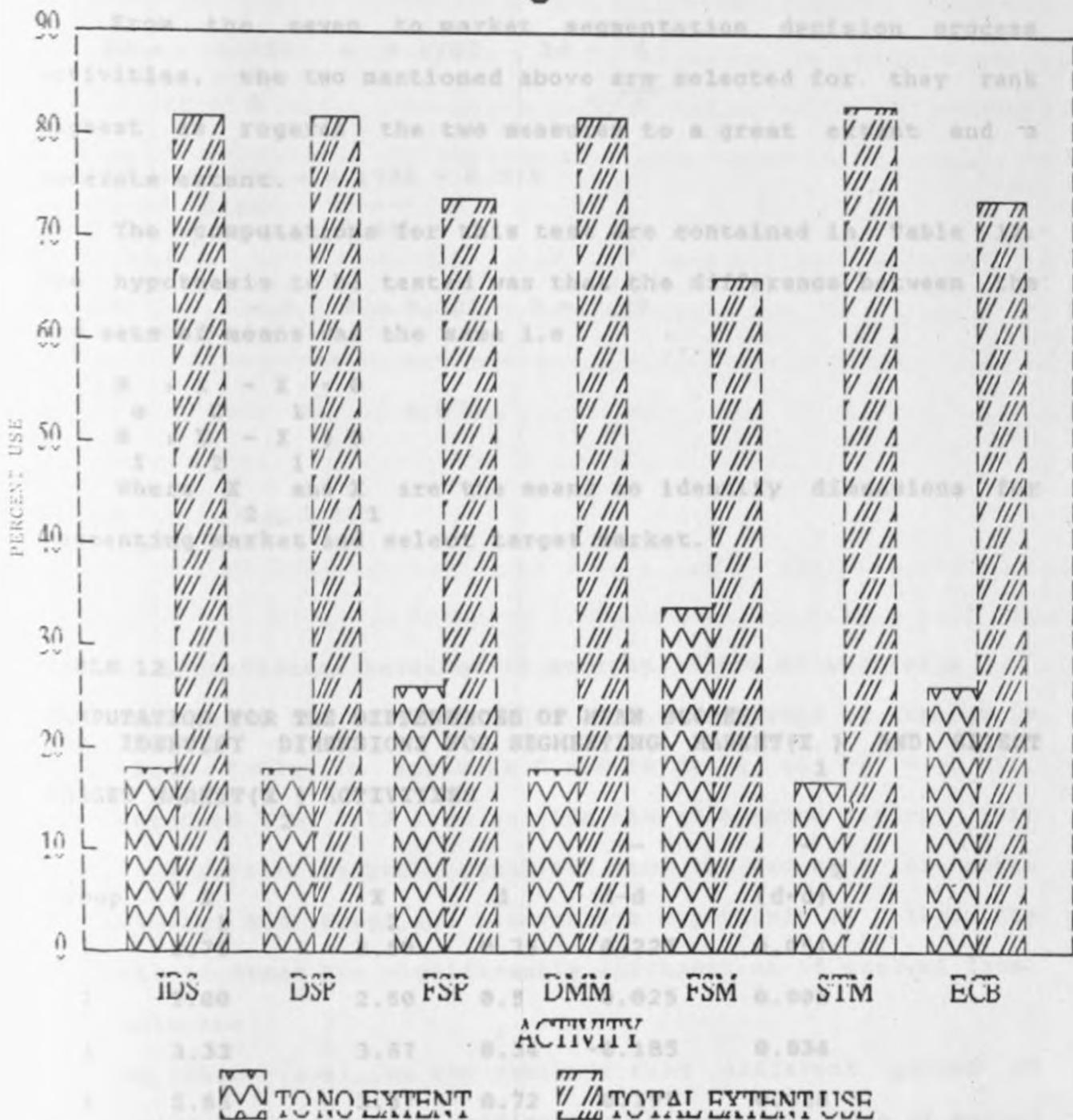


Figure 2



4.3.3 T - test for the Difference of mean scores for identification of dimensions for segmenting market and selection of target market activities.

From the seven to market segmentation decision process activities, the two mentioned above are selected for they rank highest as regards the two measures to a great extent and a moderate extent.

The computations for this test are contained in Table 12. The hypothesis to be tested was that the difference between the two sets of means was the same i.e

$$H_0 : X_1 - X_2 = 0$$

$$H_1 : X_1 - X_2 \neq 0$$

$$H_1 : X_1 - X_2 \neq 0$$

$$H_1 : X_1 - X_2 \neq 0$$

Where X_1 and X_2 are the means to identify dimensions for segmenting market and select target market.

TABLE 12. confidence level of 95 percent, $\alpha = 0.05$ and for a COMPUATION FOR THE DIFFERENCES OF MEAN SCORES FOR IDENTIFY DIMENSIONS FOR SEGMENTING MARKET(X_1) AND SELECT TARGET MARKET(X_2) ACTIVITIES

Group	X_1	X_2	d	d-d	(d-d)
1	2.75	3.50	0.75	0.225	0.051
2	2.00	2.50	0.5	-0.025	0.001
3	3.33	3.67	0.34	-0.185	0.034
4	2.85	3.57	0.72	0.195	0.038
5	1.33	1.67	0.34	-0.185	0.034
6	3.00	3.50	0.50	-0.025	0.001
			3.15		0.159

SEGMENTATION VARIABLES THAT ARE COMMONLY USED BY

$$d = \frac{3.15}{6} = 0.525 \quad Sd = \sqrt{\frac{(d-d)^2}{n-1}}$$

$$Sd = \frac{0.159}{5} = 0.1783 \quad \bar{Sd} = \frac{d}{\sqrt{n}}$$

$$\bar{Sd} = \frac{0.1783}{\sqrt{6}} = \frac{0.1783}{2.45} = 0.073$$

$$T_{0.95,5} = \bar{d} - 0 = 0.525 - 0 = 7.19$$

$$\bar{Sd} = 0.073$$

$$t_{0.95,5} = \pm 2.571$$

At a confidence level of 95 percent, $\alpha = 0.05$ and for a two-tail test, the critical value at $n - 1$ degrees of freedom is read from Table in Appendix C and is found to be + 2.571. The observed T of 7.19 lies outside the acceptance region. This means we reject the null hypothesis that the two sets of means are the same and accept the alternative hypothesis (H_A) that the two sets of means are significantly different at 95 percent level of confidence.

At this level, we can conclude that different groups of commercial banks differ significantly in their practice of market segmentation as far as the two activities identifying dimensions for segmenting market and selecting target market are concerned.

4.4.1 SEGMENTATION VARIABLES THAT ARE COMMONLY USED BY COMMERCIAL BANKS IN KENYA

From Table 13, the extent to which different variables are used by the commercial banks in Kenya is enumerated.

Only 26 percent of the commercial banks use region to a great extent, while another 26 percent had do so to a moderate extent. Therefore, 52 percent had used region to a great or moderate extent.

Among the variables used for segmenting markets by commercial banks, benefits sought by customers was leading in that 61 percent selected the variable to a great extent and 13 percent selected this variable to a great extent and 13 percent to a moderate extent. A total of 74 percent which is higher than any other variable used.

From the table quoted above six variables are commonly used by commercial banks in Kenya to segment their markets. They are chosen based on the extent to which they are used, whether to a great extent, moderate extent or a small extent. They are as follows:-

1. Benefits sought by customer
2. Loyalty of customers
3. User status
4. Income
5. Population density
6. Region

These will be used to measure the significance of the differences of mean scores between different segmentation variables by different groups of commercial banks.

Table 13

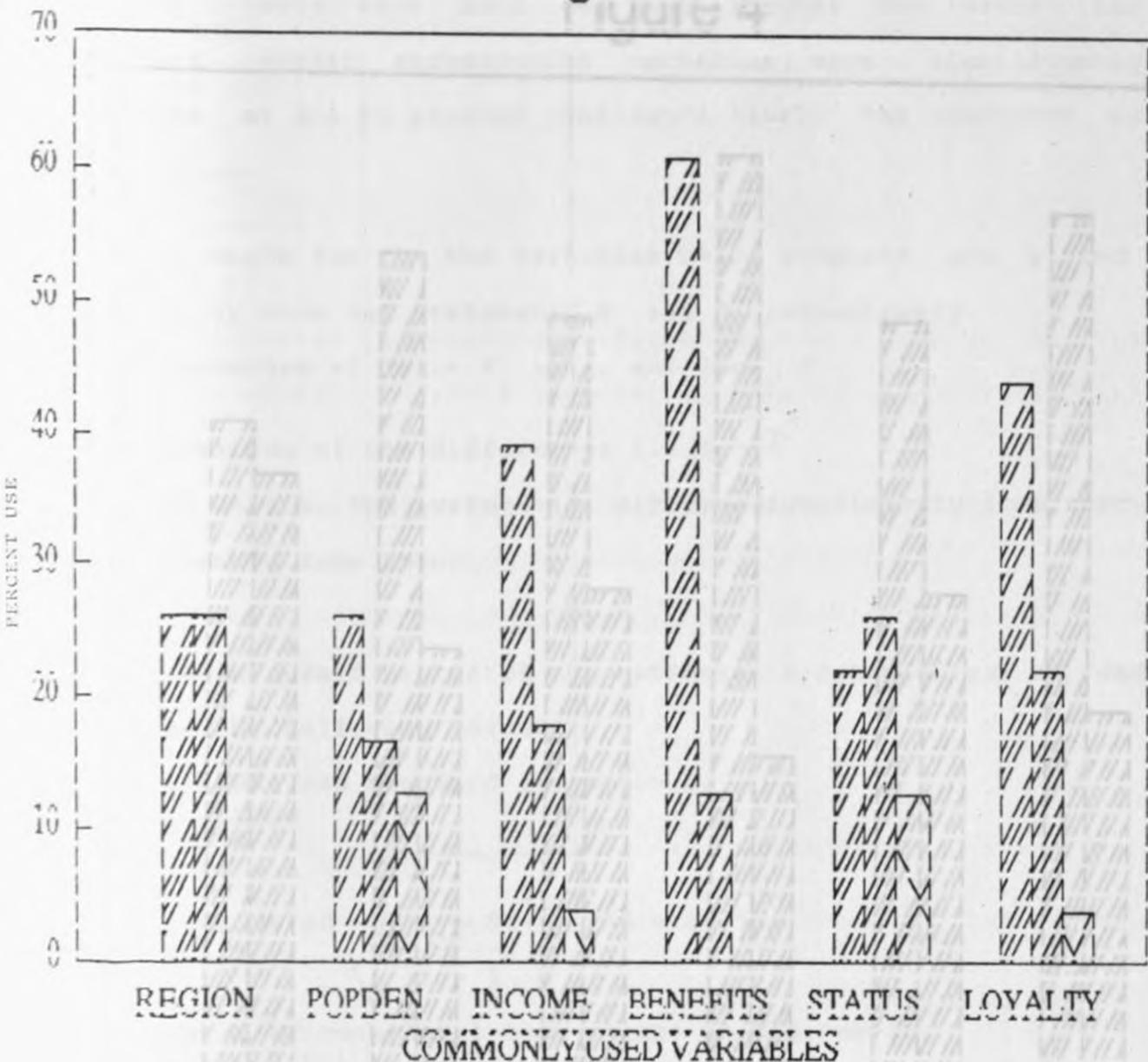
EXTENT TO WHICH FIRMS USE THE FOLLOWING SEGMENTATION VARIABLES

EXTENT OF ACTIVITY /VARIABLE	To great extent	To a moderate extent	To a small extent	To no extent	Totals
Region	26	26	-	48	100
Climate	-	4	9	87	100
Population density	26	17	13	34	100
Age	4	9	26	61	100
Stage of family	-	9	9	82	100
Income	39	18	4	39	100
Sex	-	13	4	83	100
Education	4	26	4	66	100
Religion	-	4	8	88	100
Occupation	35	8	4	53	100
Benefits sought by customer *	61	13	-	26	100
User status	22	26	13	39	100
Loyalty of cust.	44	22	4	30	100

N = 23 ALL FIGURES ARE IN PERCENTAGE

The percentage use of the most commonly used variables are presented in bar charts in the next two pages (figure 3 and 4).

Figure 3



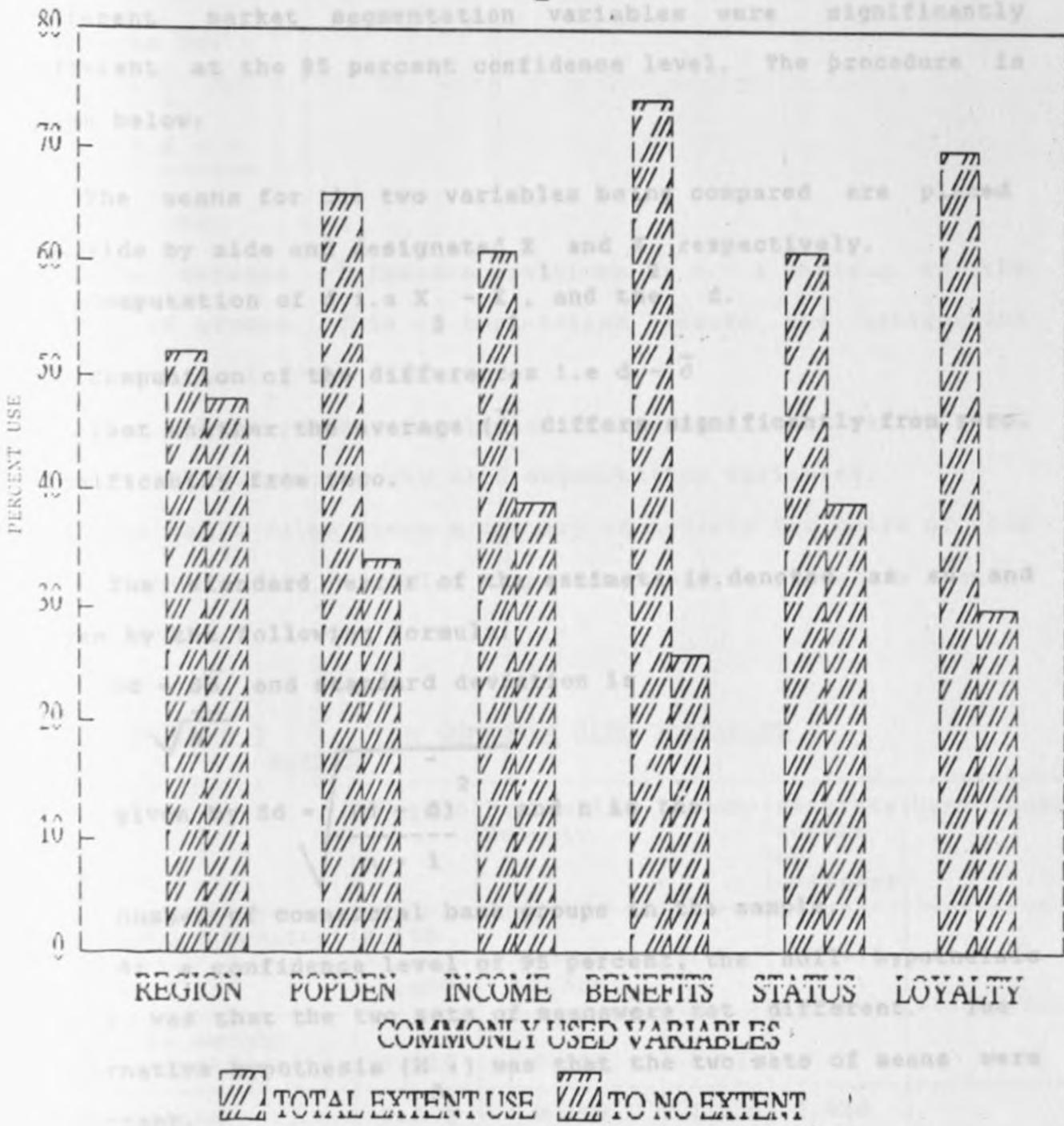
TO A GREAT EXTENT
 TO A MODERATE EXTENT

TO A SMALL EXTENT

TOTAL EXTENT USE

THE MEASUREMENT OF THE DIFFERENCE OF MEAN SCORES BETWEEN DIFFERENT SEGMENTATION VARIABLES

Figure 4



4.4.2 THE MEASUREMENT OF THE DIFFERENCES OF MEAN SCORES BETWEEN DIFFERENT SEGMENTATION VARIABLES

The tests were used to test whether the means for different market segmentation variables were significantly different at the 95 percent confidence level. The procedure is given below:

1. The means for the two variables being compared are placed side by side and designated X_1 and X_2 respectively.
2. Computation of d i.e $X_1 - X_2$, and the \bar{d} .
3. Computation of the differences i.e $d - \bar{d}$
4. Test whether the average (\bar{d}) differs significantly from zero. Significantly from zero.

The standard error of the estimate is denoted as \bar{s}_d and given by the following formula:

$S_d = \bar{S}_d$ and standard deviation is

$$\sqrt{\frac{\sum (d - \bar{d})^2}{n - 1}}$$

given by $S_d = \sqrt{\frac{\sum (d - \bar{d})^2}{n - 1}}$ and n is the

number of commercial bank groups in the sample.

At a confidence level of 95 percent, the null hypothesis

(H_0) was that the two sets of means were not different. The alternative hypothesis (H_1) was that the two sets of means were different.

Tables of analysis have several columns. Column 1 shows

the various groups of commercial banks, the other two columns show the set of mean scores.

Assuming the different $\bar{d} - \bar{d}_o$ are normally distributed, the ratio $\frac{\bar{d} - \bar{d}_o}{S_d}$ follows the t-distribution. The t-statistics is given by:

$$t = \frac{\bar{d} - \bar{d}_o}{S_d}$$

The degrees of freedom are given by $n - 1$ where n is the number of groups. This is two-tailed because the alternative hypothesis is $X_2 - X_1 \neq 0$.

For a better understanding of the results, the test will be done for the most commonly used segmentation variables.

The table below gives a summary of t-tests for pairs of the most commonly used variables computed using the procedure enumerated above.

TABLE 14

TABLE SHOWING T FOR COMMONLY USED VARIABLES
0.95,5

Variables	Region	Population Density	Income	Benefits sought by customer	User status
Population Density	0.155				
Income	-1.000	-1.580			
Benefits sought by the customer	-1.016	-2.159	-1.234		
User status	1.375	0.140	1.330	3.040	
Loyalty of customer	-0.725	-0.788	-0.152	1.740	-3.716

Source: Research findings

STATEMENTS ATTACHED TO MARKET SEGMENTATION

MARKET SEGMENTATION
 $t = \pm 2.571$
 $0.95, 5$

From the above table 14 it is evident that only the following two sets of variables i.e user status and benefits sought by customers, and user status and loyalty of customers differ significantly among different groups of commercial banks extent to which they are used in market segmentation.

1	41.7	0	0	1	33.3	3	100
2	0	2	30.0	2	30.0	4	100
3		7		11		23	
4	17.4	30.4		37.2		100	

Research Findings

It shows that 38.4 percent of the commercial banks view market segmentation as useful while 33.3 percent thought market segmentation is very useful to their services and programs.

Table shows that 17.4 percent of the commercial banks view market segmentation as not useful to their marketing programs.

The firms in group 1 viewed market segmentation as useful or very useful. This group consist of the "Big" commercial banks in Kenya.

It also shows for group 2 and group 3 which viewed market segmentation as either useful or very useful. Group 4 consist of small commercial banks operating in Kenya. Most of them...

Group 2, 50 percent of the respondents view market...

4.5.1 USEFULNESS ATTACHED TO MARKET SEGMENTATION

TABLE 15

MARKET SEGMENTATION USEFULNESS

Group	Not Useful	%	useful	%	Very useful	%	Total	%
1	0	0	2	50.0	2	50.0	4	100
2	1	50	1	50.0	0	0	2	100
3	0	0	1	3.33	2	66.7	3	100
4	1	14.3	1	14.3	5	71.4	7	100
5	2	61.7	0	0	1	33.3	3	100
6	0	0	2	50.0	2	50.0	4	100
Total	4		7		12		23	
Percentages	17.6		30.4		52.2		100	

Source: Research Findings

Table 15 shows that 30.4 percent of the commercial Banks viewed market segmentation as useful while 52.2 percent thought that market segmentation is very useful to their services and marketing programs.

The table shows that 17.4 percent of the commercial banks view market segmentation as not useful to their marketing efforts.

All the firms in group 1 viewed market segmentation as either useful or very useful. This group consist of the 'Big' four commercial banks in Kenya.

The above is also true for group 3 and group 6 which viewed market segmentation as either useful or very useful. Group 6 consists of small commercial banks operating in Kenya. Most of them are new.

In group 2, 50 percent of the respondents view market

From the above table the following were the research segmentation as not useful at all. Group 4 and 5, 14.3 and 66.7 percent respectively view market segmentation as not useful.

Group 3 and 4, 66.7 and 71.4 percent view market segmentation as a very useful market tool.

4.6.1 OTHER STRATEGIES USED BY COMMERCIAL BANKS IF MARKET SEGMENTATION IS NOT USEFUL.

Of the 23 Commercial Banks that responded, 4 did not find market segmentation as useful. Instead they use certain other strategies to market their services. 75 percent of these Banks develop a common service for all. One of them simply intends to attract a wide customers base and therefore market segmentation is not useful.

Another bank in this category felt provision of quality service to the existing customers of the commercial banks was more viable than market segmentation.

4.7 TABLE 16

CRITERIA TO IDENTIFY A 'GOOD' MARKET SEGMENT BY COMMERCIAL BANKS IN KENYA

Criteria	Number of Responses	Percentage
Segmentation is substantial	11	48
Segment is measurable	15	65
Segment is accessible	14	61
Segment is protectable	3	13
Segment is similar	4	17

Source: Research findings

From the above table 16 the following were the research results. 11 commercial banks out of 23 responses choose a segment because it is substantial. This represents 48 percent of all the commercial banks that responded. 15 out the 23 choose a segment because it is measurable (i.e the return can be predicted). This represents 65 percent.

Other criteria used for a good segment is that it is accessible. 14 out of the 23 choose this criteria. This represent 61 percent of the responses.

Segment is 'protectable' and is 'similar in preferences' was chosen by 3 and 4 commercial banks respectively. This represents 13 and 17 percent response respectively.

Therefore, the two criteria that are viewed by commercial banks in Kenya for selecting a 'good' segment are segment is 'measurable' and secondly it is 'accessible'. The criteria segment is 'protectable' on it is 'similar in needs and preferences' are least considered as important.

The conclusion that can be drawn from this is that in Kenya the five criteria for choosing a good segment are used but some criteria are more favored by the commercial banks than others.

4.2 MARKET SEGMENTATION VARIABLES AS RELATES TO PRODUCTS AND SERVICES

Different segmentation variables have been used to segment a product market as stated in the literature review. For example.

1. Region
2. Climate
3. Population density

4. Age
5. Stage of family life
6. Income
7. Sex
8. Education
9. Religion
10. Occupation
11. Benefits sought by the customer
12. User status (light or heavy user)
13. Loyalty of Customers

All the above have been used by commercial banks to a certain degree. Climate and religion are the least used.

The research revealed that other various ways or variables for segmenting the market by the commercial banks were:

1. By size of the Business
2. By lending parameters (limits)
3. By customer credit worthiness
4. By expected return
5. By Industry
6. By business
7. By Asset size
8. By Technology
9. By multi product service mix
10. Size of the customer.

Other additional variables for segmenting the market were chosen as follows;

By size of the business, expected return, by industry, all these being mentioned twice. The rest of additional variables were mentioned once.

To a large extent market segmentation variables that are used for products are also ones used by commercial banks of Kenya though the commercial banks may be using extra variable that are enumerated under other variables on ways of segmenting markets. All the extra variables been used by several commercial banks in Kenya are all used to a great extent except size of the business that is designated to a moderate extent.

The degree of usage of the segmentation variables may be a major difference between tangible products and services. For example some firms producing tangible products may use climate or religion to a high degree compared to how these are used by the commercial banks in Kenya.

Further research will be addressed towards the end of the

Conclusions on the use of market segmentation.

The commercial banks in Kenya segment their markets to a extent, 52.8 percent and only a few, 17.8 percent do not. Though the practice is at its rudimentary stages, it is not as sophisticated as in developed market economies, though many commercial banks undertake market segmentation related activities which leads to the conclusion that market segmentation is practiced in Kenya.

5.1 DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1.1 Introduction

As set out in chapter one on the objectives of the study, the focus of this study was to find out whether commercial banks in Kenya segment their markets and if not determine why. Secondly, for those that segment the market, several sub-objectives were enumerated. They include the determination of the extent to which market segmentation is used as a marketing tool to identify target markets; the most commonly used segmentation variables; usefulness of the market segmentation concept; criteria for identifying a 'good' segment, and finally the determination of segmentation variables used in this service market i.e in commercial banking.

All the objectives of the study were achieved and the following sections will try to show the conclusions drawn by the researcher. The limitation of the study and the recommendations for further research will be addressed towards the end of the chapter.

5.1.2 Conclusions on the use of market segmentation.

1. The commercial banks in Kenya segment their markets to a large extent, 82.6 percent and only a few, 17.4 percent do not segment theirs. Though the practice is at its rudimentary stages, and is not as sophisticated as in developed market economies, nevertheless many commercial banks undertake market segmentation related activities which leads to the conclusion that market segmentation is practiced in Kenya.

to all sectors of the economy, or they require a mixed strategy to break-even.

2. The following pairs of variables, benefits sought by the customer and user status; and loyalty of customers and user status are used commonly to segment market in all the groups of commercial banks in Kenya. Though in regard to other variables, different groups of commercial banks segment their market in different ways. This may mean that the various segmentation variables which a commercial bank in a certain group stresses is not the same as stressed by the commercial bank in a different group.

3. The following segmentation variables are commonly used by different groups of commercial banks. They include:

- a. Benefits sought by customer
- b. Loyalty of customer
- c. User status
- d. Region
- e. Population density
- f. Income

The use of the six common variables to any extent is as follows; benefits sought by customer, 74 percent, user status, 70 percent, loyalty of customer and income, 61 percent respectively, population density, 56 percent and region, 52 percent.

4. In only five banks out of the twenty three surveyed were marketing officers/managers on their managing boards. Marketing is not viewed by top management as a very important activity.

5. Four banks of those surveyed do not segment their markets. Instead they stated that they would like to provide

a. Segment is measurable (65 percent)

b. Segment is accessible (61 percent)

services to all sectors of the economy, or they require a mixed clientelle to break-even.

c. Segment is substantial (viable) is in between the other two (48 percent)

6. Selection of target market is used by all the nineteen commercial banks that segment their markets to a great extent (57 percent) and to a moderate extent (26 percent). This denotes that most of the commercial banks in Kenya use market segmentation as a marketing tool to identify target markets.

7. 82.6 percent of commercial banks surveyed indicated that market segmentation was useful or very useful. Hence, this is a valuable strategy to them.

Factors to consider in selection by:

8. In cases where market segmentation is practiced, selection of a target market is a major activity undertaken by commercial banks in Kenya. On the other hand determination of marketing mix is not emphasized by this groups of the banks to the same extent as selection of target market, this may imply that though market segmentation is being practiced to a large extent in this market, banks are not using this strategy to its best advantage.

Factors to consider in selection by:

9. For the commercial banks that do not find segmentation of markets useful, they use other strategies stated below;

Most of the above additional variables are not commonly used in segmenting a product market.

a. They develop a common service for all

b. They attract a wide customer base

c. They provide quality service to customers with the hope of developing customer loyalty.

10. Of the five criteria used to identify a 'good' segment, the following two are considered by the majority of commercial banks as very important. They are:

a. Segment is measurable (65 percent)

b. Segment is accessible (61 percent)

Segment is substantial (viable) is in between the other criteria for identifying a 'good' market segment(48 percent).

On the other hand the following are considered least important:

a. Segment is protectable from competitors (13 percent)

b. Segment is similar in needs and preferences (17 percent)

Conclusions and discussions on the problems of the new
market segmentation.

11. Different groups of commercial banks in Kenya use the following other variables to segment their markets.

Segmentation by:

- i) Size of the customer business
- ii) Lending parameters (limits) of the bank
- iii) Customer credit worthiness
- iv) Expected return to the bank
- v) Industry of the customer
- vi) Business of the customer
- vii) Size of customer assets
- viii) Type of technology used by the customer
- ix) Multi- Product or service mix of the customer

Most of the above additional variables are not commonly used in segmenting a product market.

Thirdly, at the time of surveying several commercial banks under examination, and at least two had closed their doors.

12. During the last two years 17 commercial banks had developed a new or modified an existing service to get a competitive advantage. Two banks did so to take care of changing government regulations in the banking industry.

5.1.3 Conclusions and discussions on the problems of the use of market segmentation.

Though the study would suggest that market segmentation is used and is seen as being useful by commercial banks in Kenya, the Kenyan situation seems to be a unique one in that the use of this technique is not as developed as in advanced market economies particularly in respect of the subsequent development of a marketing mix. Therefore they are unlikely to receive the related benefits. One of the major problems met in the study is that the researcher had to take a lot of time to explain the concept of market segmentation to some respondents before they were able to answer the questionnaires satisfactorily. From personal interview with the respondents the use of formal market segmentation models seems to be non-existent (priori or cluster models of market segmentation).

Secondly, the marketing function does not seem to be taken seriously by some of the commercial banks and therefore the use of concepts like market segmentation is just undertaken as a marketing formality. The main aim of this class of commercial banks is to undertake any activity which can attract customer to them.

Thirdly, at the time of surveying several commercial banks were under examination, and at least two had closed their doors and they were not prepared to answer the questionnaire. The rest of the banks who answered the questionnaire were very cautious.

Currently further banks are being examined to determine whether they are viable. Poor marketing of services could be a major factor contributing to these failures. In order to survive in this severe competition, the banks need to determine precisely their target markets. The concept of market segmentation if used logically could be an advantage. The use of market segmentation may help to make the bank products (services) appealing to the appropriate target market, and this may assure the banks of a more stable future. Where formal market segmentation orientation is required in order to ensure that the banks do not duplicate services as the case is presently.

Market segmentation is a very useful concept that management can use to identify existing and further viable segments which the bank can serve. Hence, the management need to identify market segmentation variables that suit the individual commercial bank organization, and which would help in identifying the present and future target group.

5.2 RECOMMENDATIONS

The banking sector of the Kenyan economy has been volatile in the recent past. Many of the commercial banks have wound up or they have been incorporated into what is presently called the Consolidated bank of Kenya. Currently further banks are being examined to determine whether they are viable. Poor marketing of their services could be a major factor contributing to these problems. In order to survive in this severe competition the banks need to determine precisely their target markets. The concept of market segmentation if used formally could be an advantage. The use of market segmentation may help to make the commercial bank products (services) appealing to the appropriate clientele, and this may assure the banks of a more stable future.

A more formal market segmentation orientation is required in commercial banking to ensure that the banks do not duplicate similar services as the case is presently.

Segmentation is a very useful concept that management can use to identify existing and further viable segments which the organization can serve. Hence, the management need to identify those segmentation variables that suit the individual commercial bank or organization, and which would help in identifying existing and future target group.

DIRECTION FOR FURTHER RESEARCH

5.3 LIMITATIONS OF THE STUDY

The single most important limitation of this study was the fact that just before the research was undertaken several institutions governed by the Banking Act were put under the Deposit Protection Fund. This made it impossible for the commercial banks being examined to be part of the respondents.

Secondly, the study was only done for commercial banks. In the financial sector of the Kenyan economy we have commercial banks, financial institutions, building societies, and representative offices of foreign banks. These other institutions undertake some similar activities as commercial banks and the findings of this study could have been more useful if all the four classes were fully represented in the study. The results of the findings are therefore applicable to the commercial banking sector only.

Thirdly, no secondary data could be found pertaining to the use of market segmentation in the banking industry in Kenya. Consequently this study is exploratory in nature.

5.4 DIRECTION FOR FURTHER RESEARCH

This study dwelt mainly on commercial banking services. A study on market segmentation in financial institutions or building societies or representatives of foreign banks can also be undertaken to examine the use of market segmentation in these sectors.

Other areas which may be of interest to other future researchers include market segmentation by industrial goods industries, other service industries not in the banking business.

Given that this study was the first of its kind in market segmentation by service industry in Kenya, and was mainly interested in the use and usefulness of the concept, further study emphasizing the market segmentation models in the service industry may be necessary.

Yours to the best of your knowledge. The information you
be used for academic research purposes only, and in no
the name of your firm appear in the final report. A
the report will be made available to you upon request.
of you in advance for your cooperation.

Yours faithfully

Daniel Kinyua

D. H. Kinyua
MSB 11 STUDENT

APPENDIX 1

APPENDIX 2

QUESTIONNAIRE

University of Nairobi
Faculty of Commerce
P. O. box 30197
Nairobi.

20.04.93

Dear Sir/Madam,

I am a graduate student in the faculty of commerce, University of Nairobi. I am currently engaged in a research project on market segmentation. The aim of project is to find whether the concept is useful to the service firms especially commercial banks operating in Kenya. This is in fulfillment of the degree Masters of Business and Administration.

I therefore kindly request you to complete the attached questionnaire to the best of your knowledge. The information you give will be used for academic research purposes only, and in no way will the name of your firm appear in the final report. A copy of the report will be made available to you upon request.

Thank you in advance for your cooperation.

Yours faithfully

D. M. Nzyoka

D. M. Nzyoka
MBA 11 STUDENT

THE TOTAL NUMBER OF EMPLOYEES
19927
Total assets owned by your firm
Do you have a marketing/sales department?
Yes () No ()
Who runs the department (Title)

Does she/he report to the firm's managing board?

Yes () APPENDIX 2

Does she/he report to? (Title)

QUESTIONNAIRE

SECTION A:

1. Name of your firm

2. Type of the firm (Please tick as appropriate)

- Commercial bank ()
- Financial Institution ()
- Building Society ()
- Representative office of foreign bank ()

3. Ownership (Please tick as appropriate)

- Locally owned - private ()
- Locally owned - Government ()
- Foreign owned ()
- Partly locally and partly foreign owned ()
- Partly government and partly privately owned ()

4. Please enumerate at least five major services offered by your firm. Does he/she report to? (Title)

-
-
-
-

5. (a) The total number of employees in your firm in Kenya as at the end of 1992?

(b) Total assets owned by your firm by the end of 1992.

Ksh.....

6. (a) Do you have a marketing/sales department?

Yes () No ()

(b) Who runs the department (Title)

(c) Is she/he a member of the firms managing board?

Yes () No ()

(d) Who does she/he report to?(Title)

Which of the following apply to your firm? (Please tick as appropriate)

a) We do market share analysis

7. What are the functions of the marketing/sales department in your firm?

We research our existing markets

b) We research our potential markets

c) We research the needs of our existing customers

d) We research the needs of our potential customers

e) Our services are tailored to customer needs

f) Any other specify

Activities in question nine are important in market

8. (a) If no marketing/sales department, who performs the marketing activities in your organisation? to your firm?

.....(Title)ful ()

Markets segments do you specialize in?

(b) Who does he/she report to?(Title)

you do not segment your market please give reasons why?

Market segmentation is the process of dividing a heterogeneous market into segments which are identifiable for the purpose of designing a service in order to meet the needs and wants of a particular market segment.

SECTION B:

9. Which of the following apply to your firm? (Please tick as appropriate)

- To a great extent To a moderate extent To a small extent To no extent
- a) We do market share analysis ()
 - (i) Date of last market share analysis.....
 - b) We research our existing markets ()
 - c) We research our potential markets ()
 - d) We research the needs of our existing customers ()
 - e) We research the needs of our potential customers ()
 - f) Our services are tailored to customer needs ()
 - g) Any other specify ()

.....

10. Activities in question nine are important in market segmentation. How useful is this concept to your firm?

Very useful () Useful () Not useful ()

11. What markets segments do you specialize in?

.....

12. If you do not segment your market please give reasons why?

.....

* Market segmentation is the process of dividing a heterogeneous market into segments which are identifiable for the purpose of designing a service in order to meet the needs and wants of a particular market segment.

- segment is substantial i.e. viable
- segment is measurable i.e. can forecast returns
- segment is accessible i.e. can reach potential customers
- segment is protectable from competitors
- segment is similar in needs and preferences

If market segmentation is very useful or useful to your firm, please answer the following questions?

Follow competitors innovations

Develop a common service for all

To a great extent To moderate extent To a small extent To no extent

Any other strategy, specify

13. To what extent has your firm carried out the following activities?
- a) Identify dimensions for segmenting market () () () ()
- b) Develop relevant market segments profile () () () ()
- c) Forecast total market potential for each segment () () () ()
- d) Determine a marketing mix to serve each segment () () () ()
- e) Forecast your own market share for each segment () () () ()
- f) Select target market () () () ()
- g) Estimate cost benefit for each segment () () () ()
14. Indicate which of the following make you to choose a segment.
- a) Segment is substantial i.e. viable ()
- b) Segment is measurable i.e. can forecast returns ()
- c) Segment is accessible i.e. can reach potential customers ()
- d) Segment is protectable from competitors ()
- e) Segment is similar in needs and preferences ()
- f) Segment is profitable ()
- g) Segment is easy to enter ()
- h) Segment is attractive ()
- i) Segment is defensible ()
- j) Segment is profitable ()

15. In case the market segment is not useful to your firm, what other strategy or strategies do you use? To a small extent To no extent

- a) Follow competitors innovations ()
- b) Develop a common service for all ()
- c) Any other strategy, specify ()
- ()
- ()
- ()

16. To what extent has your firm used the following customer dimension (variables) to segment your markets (applicable only to those who segment their markets)

To a great extent
To a moderate extent
To a small extent
To no extent

Dimensions

Yes () No ()

Geographic: *If Yes give reasons why? (tick as appropriate)*

- (a) Region a) () fill a service gap in the market ()
- (b) Climate b) () get a competitive advantage ()
- (c) Population density c) To keep pace with competitors ()
- d) () meet changing needs ()
- e) Any other reasons specify

Demographic:

- (a) Age () () () ()
- (b) Stage of family life cycle () () () ()
- (c) Income () () () ()
- (d) Sex () () () ()
- (e) Education () () () ()
- (f) Religion () () () ()
- (g) Occupation () () () ()

Behavioural:

- (a) Benefits sought by customers () () () ()
- (b) User status (Heavy or light users) () () () ()
- (c) Loyalty of customers () () () ()

To a great extent To a moderate extent To a small extent To no extent

- Others:
- (a)
 - (b)
 - (c)
 - (d)
 - (e)

17. (a) Has your firm developed any new customer service or modified a service(s) in the past two years?

Yes () No ()

(b) If Yes give reasons why? (tick as appropriate)

- a) To fill a service gap in the market ()
- b) To get a competitive advantage ()
- c) To keep pace with competitors ()
- d) To meet consumers changing needs ()
- e) Any other reasons specify ()

.....

.....

.....

(c) If you have developed or modified a service(s) indicate below which ones.

.....

.....

.....

18. If the answer to question 17(a) is no, give reasons (tick as appropriate)

SCORES FOR THE EXTENT TO WHICH VARIOUS SEGMENTATION

- a) No management support ()
- b) The firm enjoys a large market share ()
- c) Modification is expensive ()
- d) No threat from competitors ()
- e) Any other reasons, specify

MARKET SEGMENTATION ACTIVITIES

TYPE 1ST 2ND 3RD 4TH 5TH 6TH 7TH

..... 2.33 3.25 2.75 3.25 2.75 3.50 2.25

..... 2.00 2.00 2.00 1.50 1.50 2.50 2.00

..... 1.33 3.00 2.67 2.67 2.33 2.67 3.00

..... 1.33 2.37 2.14 2.71 2.38 3.57 3.79

19. What recommendations regarding market segmentation can you give? (optional)

..... 1.33 1.67 1.67 1.67 1.67 1.67

..... 2.00 2.00 2.75 2.50 2.50 2.50 2.50

.....

.....

SCORES FOR THE EXTENT TO WHICH VARIOUS SEGMENTATION

ARE USED BY GROUPS

GEOGRAPHIC VARIABLES

TYPE REGION CLIMATE POPULATION DENSITY

..... 1.75 1.00 3.25

..... 2.50 1.00 2.50

..... 1.00 1.00 2.00

..... 2.42 1.42 2.28

..... 1.00 1.00 1.00

..... 3.50 1.25 1.75

Research findings

APPENDIX B1

MEAN SCORES FOR THE EXTENT TO WHICH VARIOUS SEGMENTATION ACTIVITIES ARE CARRIED OUT BY GROUPS

ACTIVITIES GROUP	MARKET SEGMENTATION ACTIVITIES						
	IDS	DSP	FSP	DMM	FMS	STM	ECB
GROUP 1	2.75	3.25	2.75	3.25	2.25	3.50	2.25
2	2.00	2.00	2.00	1.50	1.50	2.50	2.50
3	3.33	3.00	2.67	2.67	2.33	2.67	3.00
4	2.85	2.57	2.14	2.71	2.29	3.57	3.29
5	1.33	1.33	1.67	1.67	1.67	1.67	1.67
6	3.00	3.00	2.75	2.50	2.50	3.50	2.50

Source: Research Findings

APPENDIX B2

MEAN SCORES FOR THE EXTENT TO WHICH VARIOUS SEGMENTATION VARIABLES ARE USED BY GROUPS

VARIABLES GROUP	GEOGRAPHIC VARIABLES		
	REGION	CLIMATE	POPULATION DENSITY
1	1.75	1.00	3.25
2	2.50	1.00	2.50
3	2.00	1.00	2.00
4	2.42	1.42	2.28
5	1.00	1.00	1.00
6	3.50	1.25	1.75

Source: Research findings

APPENDIX B3

MEAN SCORES FOR THE EXTENT TO WHICH VARIOUS SEGMENTATION
VARIABLES ARE USED BY GROUPS

DEMOGRAPHIC VARIABLES

AGE STAGE OF INCOME SEX EDUCATION RELIGION OCCUPATION
FAMILY LIFE

TO WHICH THE FOLLOWING MARKET ADMINISTRATION ACTIVITIES ARE

VARIABLE GROUP	AGE	STAGE OF FAMILY LIFE	INCOME	SEX	EDUCATION	RELIGION	OCCUPATION
1	2.00	1.00	3.25	1.25	2.25	1.25	2.50
2	1.00	1.00	2.50	1.00	1.00	1.00	2.50
3	1.67	1.67	3.67	1.67	1.67	1.00	4.00
4	1.71	1.29	2.14	1.29	1.71	1.14	1.43
5	1.00	1.00	1.00	1.00	1.00	1.00	1.00
6	1.50	1.50	3.00	1.50	2.00	1.50	3.00

Source: Research findings.

APPENDIX B4

MEAN SCORES FOR THE EXTENT TO WHICH VARIOUS SEGMENTATION
VARIABLES ARE USED BY GROUPS

BEHAVIOURAL VARIABLES

BENEFITS SOUGHT USER STATUS LOYALTY OF
BY CUSTOMER (HEAVY OR LIGHT)

VARIABLE GROUP	BENEFITS SOUGHT BY CUSTOMER	USER STATUS (HEAVY OR LIGHT)	LOYALTY OF
1	3.00	2.25	3.00
2	2.50	2.00	2.50
3	3.67	1.67	2.67
4	3.57	2.86	3.14
5	1.00	1.00	1.00
6	3.75	2.75	3.50

Source: Research Findings

APPENDIX B5

key:

- 4 - to a great extent
- 3 - to a moderate extent
- 2 - to a small extent
- 1 - to no extent (not applicable)

EXTENT TO WHICH THE FOLLOWING MARKET SEGMENTATION ACTIVITIES ARE CARRIED OUT BY GROUPS

ACTIVITIES GROUPS	IDS	DSP	FSP	DMM	FMS	STM	ECB
GROUP 1							
1	3	4	4	4	4	4	1
2	3	3	3	4	2	3	3
3	Identify 2 dimensions for 1 segmenting markets	3	1	2	2	4	2
4	Develop 3 relevant market segments	3	3	3	2	3	3
GROUP 2							
5	Estimate total market potential for each segment	3	3	4	2	4	4
6	Determine a market mix to serve each segment	3	3	4	2	4	4
7	Forecast 1 year own market share for each segment	1	1	1	1	1	1
GROUP 3							
8	Select target market	3	3	3	3	3	2
9	Estimate 4 cost benefits for each 3 segment	4	4	3	3	4	4
10	3	2	3	2	1	4	3
11	3	3	2	3	3	3	2
GROUP 4							
12	3 TO WHICH SEGMENTATION VARIABLES ARE USED BY DIFFERENT						
13	3 GEOGRAPHIC	3	3	3	4	4	4
14	4	4	1	4	4	4	4
15	3	3	3	4	4	4	4
16	3	2	3	2	3	4	4
17	1	1	1	1	1	1	1
18	3	3	2	2	1	4	3

GROUP 5

17	1	1	1	1	1	1	1	1
18	1	1	1	1	1	1	1	1
19	2	2	3	3	3	3	3	3

GROUP 6

20	3	3	3	3	3	3	3	1
21	3	3	3	2	1	4	3	3
22	3	3	2	2	3	3	3	3
23	3	3	3	3	3	4	3	3

KEY

- IDS - Identify dimensions for segmenting markets
- DSP - Develop relevant market segments profile
- FSP - Forecast total market potential for each segment
- DMM - Determine a market mix to serve each segment
- FCM - Forecast your own market share for each segment
- STM - Select target market
- ECB - Estimate cost benefit for each segment

APPENDIX B6

EXTENT TO WHICH SEGMENTATION VARIABLES ARE USED BY DIFFERENT GROUPS

	GEOGRAPHIC			DEMOGRAPHIC						BEHAVIOURAL			
	a	b	c	d	e	f	g	h	i	j	k	l	m
Group 1													
1	2	1	4	2	1	3	1	3	1	2	4	2	2
2	3	1	3	1	1	4	1	1	1	3	4	3	3
3	1	1	4	2	1	4	1	3	2	4	1	1	4

4	1 1 2	2 1 4 1 3 2 4	3 3 3
Group 2			
5	1 1 1	1 1 4 1 1 1 4	4 3 4
6	4 1 4	1 1 1 1 1 1 1	1 1 1
Group 3			
7	4 1 4	1 1 4 1 1 1 4	4 1 4
8	1 1 1	2 3 3 3 3 1 4	3 3 3
9	1 1 1	2 1 4 1 1 1 4	4 1 1
Group 4			
10	3 1 4	1 1 1 1 1 1 1	4 3 4
11	1 1 4	4 4 1 4 1 1 1	4 4 4
12	3 2 2	1 1 1 1 1 1 1	4 3 4
13	4 3 4	2 2 4 3 4 2 4	4 4 4
14	1 1 1	1 1 1 1 1 1 1	4 1 4
15	1 1 1	1 1 1 1 1 1 1	1 1 1
16	4 1 4	2 2 3 1 3 1 1	4 4 1
Group 5			
17	1 1 1	1 1 1 1 1 1 1	1 1 1
18	1 1 1	1 1 1 1 1 1 1	1 1 1
19	1 1 1	1 1 1 1 1 1 1	1 1 1
Group 6			
20	4 1 1	1 1 4 1 1 1 4	4 4 4
21	4 1 1	1 1 1 1 1 1 1	4 4 4
22	3 2 3	3 3 3 3 3 3 3	4 2 3
23	3 1 2	1 1 4 1 3 1 4	3 1 3

KEY

APPENDIX C
T - TEST STATISTIC TABLES

		Significance for non-directional (two-tailed) tests				
		.10	.05	.02	.01	.001
a	Region					
b	Climate					
c	Population Density					
d	Age					
e	Stage of family life					
f	Income					
g	Sex					
h	Education					
i	Region					
j	Occupation					
k	Benefits sought by the customer					
l	User status (heavy or light user)					
m	Loyalty of customers					
		1.000	1.280	1.645	2.326	3.091
		1.100	1.390	1.751	2.403	3.163
		1.200	1.482	1.845	2.479	3.235
		1.300	1.575	1.938	2.558	3.307
		1.400	1.667	2.030	2.639	3.379
		1.500	1.760	2.121	2.722	3.450
		1.600	1.852	2.212	2.807	3.521
		1.700	1.944	2.302	2.893	3.592
		1.800	2.035	2.392	2.981	3.663
		1.900	2.126	2.481	3.070	3.734
		2.000	2.216	2.570	3.161	3.805
		2.100	2.306	2.658	3.253	3.876
		2.200	2.395	2.746	3.346	3.947
		2.300	2.484	2.834	3.440	4.018
		2.400	2.572	2.921	3.535	4.089
		2.500	2.660	3.008	3.631	4.160
		2.600	2.748	3.094	3.728	4.231
		2.700	2.835	3.180	3.826	4.302
		2.800	2.922	3.265	3.925	4.373
		2.900	3.009	3.353	4.025	4.444
		3.000	3.095	3.441	4.126	4.515
		3.100	3.181	3.528	4.228	4.586
		3.200	3.267	3.614	4.331	4.657
		3.300	3.352	3.700	4.435	4.728
		3.400	3.437	3.785	4.540	4.799
		3.500	3.522	3.870	4.646	4.870
		3.600	3.606	3.954	4.753	4.941
		3.700	3.690	4.038	4.861	5.012
		3.800	3.773	4.121	4.970	5.083
		3.900	3.856	4.204	5.080	5.154
		4.000	3.938	4.286	5.191	5.225
		4.100	4.020	4.368	5.303	5.296
		4.200	4.101	4.449	5.416	5.367
		4.300	4.182	4.530	5.530	5.438
		4.400	4.262	4.610	5.645	5.509
		4.500	4.342	4.690	5.761	5.580
		4.600	4.422	4.769	5.878	5.651
		4.700	4.501	4.848	5.996	5.722
		4.800	4.580	4.926	6.115	5.793
		4.900	4.658	5.004	6.235	5.864
		5.000	4.736	5.081	6.356	5.935
		5.100	4.814	5.158	6.478	6.006
		5.200	4.891	5.234	6.601	6.077
		5.300	4.968	5.310	6.725	6.148
		5.400	5.044	5.385	6.850	6.219
		5.500	5.120	5.460	6.976	6.290
		5.600	5.195	5.534	7.103	6.361
		5.700	5.270	5.608	7.231	6.432
		5.800	5.344	5.681	7.360	6.503
		5.900	5.418	5.754	7.490	6.574
		6.000	5.491	5.826	7.621	6.645
		6.100	5.564	5.898	7.753	6.716
		6.200	5.636	5.969	7.886	6.787
		6.300	5.708	6.040	8.020	6.858
		6.400	5.780	6.110	8.155	6.929
		6.500	5.851	6.180	8.291	7.000
		6.600	5.922	6.250	8.428	7.071
		6.700	5.992	6.319	8.566	7.142
		6.800	6.062	6.388	8.705	7.213
		6.900	6.131	6.456	8.845	7.284
		7.000	6.200	6.524	8.986	7.355
		7.100	6.268	6.591	9.128	7.426
		7.200	6.336	6.658	9.271	7.497
		7.300	6.403	6.724	9.415	7.568
		7.400	6.470	6.790	9.560	7.639
		7.500	6.536	6.855	9.706	7.710
		7.600	6.602	6.920	9.853	7.781
		7.700	6.667	6.984	10.001	7.852
		7.800	6.732	7.048	10.150	7.923
		7.900	6.796	7.111	10.300	7.994
		8.000	6.860	7.174	10.451	8.065
		8.100	6.923	7.236	10.603	8.136
		8.200	6.985	7.298	10.756	8.207
		8.300	7.047	7.359	10.910	8.278
		8.400	7.108	7.420	11.065	8.349
		8.500	7.169	7.480	11.221	8.420
		8.600	7.229	7.540	11.378	8.491
		8.700	7.288	7.599	11.536	8.562
		8.800	7.347	7.658	11.695	8.633
		8.900	7.405	7.716	11.855	8.704
		9.000	7.463	7.774	12.016	8.775
		9.100	7.520	7.831	12.178	8.846
		9.200	7.577	7.888	12.341	8.917
		9.300	7.633	7.944	12.505	8.988
		9.400	7.689	8.000	12.670	9.059
		9.500	7.744	8.055	12.836	9.130
		9.600	7.800	8.110	13.003	9.201
		9.700	7.854	8.164	13.171	9.272
		9.800	7.908	8.218	13.340	9.343
		9.900	7.962	8.271	13.510	9.414
		10.000	8.015	8.324	13.681	9.485

APPENDIX C
T - TEST STATISTIC TABLES

df	Alpha level of significance for nondirectional (two-tailed) tests					
	.50	.10	.05	.02	.01	.001
1	1.000	6.314	12.706	31.821	63.657	636.619
2	.816	2.920	4.303	6.965	9.925	31.598
3	.765	2.353	3.182	4.541	5.841	12.941
4	.741	2.132	2.776	3.747	4.604	8.610
5	.727	2.015	2.571	3.365	4.032	6.859
6	.718	1.943	2.447	3.143	3.707	5.959
7	.711	1.895	2.365	2.998	3.499	5.405
8	.706	1.860	2.306	2.896	3.355	5.041
9	.703	1.833	2.262	2.821	3.250	4.781
10	.700	1.812	2.228	2.764	3.169	4.587
11	.697	1.796	2.201	2.718	3.106	4.437
12	.695	1.782	2.179	2.681	3.055	4.318
13	.694	1.771	2.160	2.650	3.012	4.221
14	.692	1.761	2.145	2.624	2.977	4.140
15	.691	1.753	2.131	2.602	2.947	4.073
16	.690	1.746	2.120	2.583	2.921	4.015
17	.689	1.740	2.110	2.567	2.898	3.965
18	.688	1.734	2.101	2.552	2.878	3.922
19	.688	1.729	2.093	2.539	2.861	3.883
20	.687	1.725	2.086	2.528	2.845	3.850
21	.686	1.721	2.080	2.518	2.831	3.819
22	.686	1.717	2.074	2.508	2.819	3.792
23	.685	1.714	2.069	2.500	2.807	3.767
24	.685	1.711	2.064	2.492	2.797	3.745
25	.684	1.708	2.060	2.485	2.787	3.725
26	.684	1.706	2.056	2.479	2.779	3.707
27	.684	1.703	2.052	2.473	2.771	3.690
28	.683	1.701	2.048	2.467	2.763	3.674
29	.683	1.699	2.045	2.462	2.756	3.659
30	.683	1.697	2.042	2.457	2.750	3.646
40	.681	1.684	2.021	2.423	2.701	3.551
60	.679	1.671	2.000	2.390	2.660	3.460
120	.677	1.658	1.980	2.358	2.617	3.373
∞	.674	1.645	1.960	2.326	2.576	3.291

Source: Appendix B is taken from Table III of Fisher & Yates: *Statistical Tables for Biological, Agricultural and Medical Research*, published by Oliver & Boyd Ltd., Edinburgh, and by permission of the authors and publishers. This abridgment is reproduced from John G. Peatman, *Introduction to Applied Statistics*. New York: Harper & Row, Publishers, 1953. Reprinted by permission.

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