

**EMPERICAL INVESTIGATION INTO THE MARKET SEGMENTATION
STRATEGIES USED BY COMMERCIAL BANKS IN KENYA.**

BY

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**A Management Research Project Proposal Submitted in Partial Fulfilment for the
Award of the Degree of Masters of Business Administration, School of Business,
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DECLARATION

This research project is my original work and has not been submitted for award of a degree at the University of Nairobi or any other university.

Signed *Dorcas Wamalwa* date..... *26/11/08*

Dorcas Wamalwa

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

Signed..... *Mr. Thomas Mutugu* date..... *26/11/08*

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DEDICATION

This project is dedicated to my dear husband and friend, Charles who was very supportive throughout my studies and to our two adorable sons Victor and Vincent.

ACKNOWLEDGEMENTS

First I thank the almighty god for the strength and knowledge that has enabled me go through the MBA programme.

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ABSTRACT

This was a survey study of the segmentation strategies used by commercial banks in Kenya. The study was investigating the extent to which market segmentation strategies are employed by commercial banks and the benefits of market segmentation. The objectives of the study were to identify the different segmentation strategies adopted in the marketing strategies by commercial banks, factors influencing the use of those strategies and to evaluate the importance of the applied strategies.

The researcher got information from the headquarters of all the commercial banks in Nairobi through questionnaires distributed to heads of marketing department. Since this was a survey study, presentations of the findings were in form of pie charts, tables and graphs.

From the findings, most commercial banks in Kenya employ market segmentation strategies. In conclusion to remain competitive and profitable, most banks have employed market segmentation as a marketing strategy.

CHAPTER ONE

INTRODUCTION

1.1 Background

The environment in which financial services organizations operate is constantly changing with different factors exerting influence in the organization. Organizations who constantly scan their environment and are aware of what is happening are known to develop strategies that fit both the internal capability of the organizations and its environment. (Johnson and Scholes, 1999) propose that uncertainty increases when environmental conditions are more complex and dynamic.

We are living in a service economy nationally, regionally and globally. The service sector is growing faster than the manufacturing sector. It is a major employer of citizens. In America levels of employment in the service industry average 70%. The growth of the service sector is driven by various dynamics in the society including : increasing power of the consumers, growth of computerisation, emergency of the information age, ageing populations, changes in social and cultural values, pressure to manage business investments portfolio and so on.

Today's customers are becoming more and more knowledgeable their taste ,preferences and quality expectations continue to change and this puts pressure on organizations which seek to meet their customer needs. (Peck et al, 1990) observes that time based competition has enabled knowledgeable customers to buy products and services from anywhere in the world. This means that it no longer matters to some customers where they are getting their services and products as long as it meets their expectations, they will get it anywhere in the world. These explain why some Kenyans operate bank accounts with foreign banks in other continents since they perceive those banks as being able to serve their interest well. (Cowley and Domb, 1997) say that at any level of the organization, it is important that the needs and satisfaction level of external customers be dealt with just because they "pay the bills" and therefore should be given top priority.

1.1.1 The Concept of Retail Marketing

Retailing is the sale of goods and services to the ultimate consumer for personal, family, or household use, (Cox and Brittain, 2000), (Davidson et al, 1984) defines retailing as the final part of the marketing process in which various functions of the seller, usually a store or a service establishment and a buyer, an individual consumer are primarily oriented to accomplishing the exchange of economic goods and services for the process of personal, family, or personal use. (Davidson et al, 1984) further observe that consumers expect that retailers will accomplish three tasks that are required in an advanced economy as we see today these are: creating product and service assortment that anticipate and fulfil consumers needs and wants, offering products and services in quantities small enough for individual and family consumption, providing for ready exchange of value through efficient handling of transactions, convenient hours and location, and providing information that is useful in making choices and competitive prices.

A firm that wants to achieve its market objectives must design a marketing program that will make a strong and precise appeal to a selected group of consumers. (Davidson et al 1984). (Kotler, 1999) affirms that retailing includes all activities, selling goods and services directly to the final consumers for personal or non-business use. He further adds that any organization selling to the final consumer whether a manufacturer, wholesaler or retailer is doing retailing. He says it doesn't matter how the goods and services are sold, by person, mail, vending machine, or internet, or where they are sold; store, street or consumers home. Thus retailing involves more than selling tangible products to selling of services.

Various definitions have been given of marketing. (Kotler, 1995) defines marketing as a social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and services of value with each other according to (Stanton, 1978) marketing comprises of a system of business activities designed to plan, place, promote, and distribute wants satisfying products and services to present and potential consumer segments. American Marketing Association (1985) redefined marketing as a process of planning and executing the conception, pricing,

promotion and distribution of goods and services to create value that satisfy individual and organization objectives. Marketing is thus a process which involves analysis, planning, implementation and control. (Kibera and Waruingi, 1998) have assessed the importance of marketing in Kenya by recognizing its role in creating employment, introducing various products in the market, sponsoring of various local programmes and so forth.

1.1.2 The concept of market segmentation

The market segmentation concept is well defined and has been handled by many professionals and academicians. (Kotler, 1997) states that market segmentation is an important concept in the marketing philosophy and it's the essence of marketing concept itself. The marketing concept holds that the key to achieving organizational goals consists of being more effective than competitors in integrating marketing activities towards determining and satisfying the needs and wants of the target market. Market segmentation refers to the process of dividing large heterogeneous markets into smaller homogenous segments. Market segmentation recognizes that buyers differ in their wants, purchasing power, geographical locations, buying attitudes and buying habits. (Bass and King, 1968).

The strategy of market segmentation is defined as the development and pursuit of different marketing programs by the same firm for essentially the same product, but for different components of the overall market, (Kibera and Waruingi, 1998). The subdivision of a market into smaller homogeneous sub-markets which the organization might successfully satisfy. Market segmentation therefore bends the supply rule to meet the will of demand. Thus, Products more precisely match each segment's needs and wants and this comes closer to effecting the marketing concept.

1.1.3 The Concept of Retail Banking

A bank can be defined as an organization whose activities are associated with banking. The role of a bank is to provide a service and normally this is a financial service, (Kenneth Toft, 1986). A bank is an institution that deals largely with money, banks collect deposits from savers, and pays interest to depositors, they also use some of the deposits to

grant loans to borrowers who in return pay interest and fees.

Banks are not the only bodies which provide a financial service, building societies, firms of accountants and money lenders also do so although the variety of services they offer is more limited than in most banks. There are three main types of services provided by a banking system namely:

1. Those involving the provision of credit
2. Those not involving the provision of credit
3. Mixed services which may or may not involve the provision of credit.

When a bank lends customer money it is providing a credit service. When it gives investment advice or sells a customer another country's bank note it is quite clearly providing a non-credit service. However some of the service may not involve the granting of credit. A good example is when banks issue cheque books to their customers to enable them pay bills. If the customers account remains in credit there is no question of lending to the customer money and so no credit needs to be provided.

A bank which believes that the way to increase its profitability is to discover the needs of its customers and prospective customers and which then set about satisfying these needs as effectively as possible can be said to be marketing oriented . (Kenneth Toft, 1986). A bank which year after year produces the same range of services is likely to be less successful than one which attempts to assess the likely change in demand for its products, to decide what new products might be a success, and perhaps set about creating a market for a new service based on an original idea.

The marketing concept holds that the key to achieving organizational goals consists of being more effective than competitors in integrating marketing activities toward determining and satisfying the needs and wants of the target market.

1.2 Statement of the Problem

Market segmentation is the process of dividing large heterogeneous markets into smaller homogeneous segments. Market segmentation recognizes that buyers differ in their

wants, purchasing power, geographical location, buying attitudes and buying habits. (Bass & King, 1968). Market segmentation thus entails the development and pursuit of different marketing programmes by the same firm, for essentially the same product but for different components of the overall market. Many commercial banks in Kenya are embracing target marketing whereby sellers distinguish the major market segments, target one or more of the segments and develop products and services and marketing programs tailored to each.

Segmentation is often the key to developing a sustainable competitive advantage based upon differentiation, low cost or a focus strategy. In the strategic context, segmentation means the identification of customer groups that respond differently than other groups to competitive strategies, (Aaker, 1976). Market segment consists of a group of customers who share a similar set of wants. A segmentation strategy should couple the identified segments with a program to deliver a competitive offering to those segments, thus developing of a successful segmentation strategy requires the conceptualization, development and evaluation of a competitive offering. Segment marketing has several benefits: a company can create a more fine-tuned product or service offering and price it appropriately for the target segment. Also through segment marketing a company can easily select the best distribution and communication channels and it will have a clearer picture of its competitors that is companies going after the same products. (Philip Kotler 1994).

Kenyan retail banks have also taken on individual customer marketing. Here mass customization is used whereby companies prepare a mass basis individually designed products, services, programs and communication to meet each customers requirements. Today's customers are taking more individual initiative in determining what and how to buy. Advantages of individual customer marketing include: choice board facilities, cross-selling and repeat business by opening customers' eyes to further possibilities and by satisfying their preferences and providing real time market research and insight into customers current preferences. Need based market segmentation approach is where customers are segmented based on needs in solving a particular consumption need.

Today banks are competing not just on a national arena, but increasingly at international and global level. With 42 banks operating in Kenya, the financial services markets seems oversupplied and margins for many banks are being depressed in a highly competitive market place. Profitability will be determined by the extent to which organizations develop appropriate strategies to 'combat' the growing competitive forces. Among the strategies banks pursue towards meeting their broad goals and objectives is the adoption market segmentation strategy. In this strategy, banks are trying to woo individual customers and also meet their expectation with an aim of retaining them through quality service and fair bank charges. Studies in the banking sector by (Mazrui, 2003), (Kamanu, 2004), (Musa, 2004) and (Ohaga, 2004) mainly focused on marketing strategies used by managers to address customer service challenges in banking in Kenya, the extent to which commercial banks in Kenya have adopted and implemented integrated marketing, the responses by commercial banks operating in Kenya to changes in the environment, a case of National Bank of Kenya respectively. No known study to the researcher has been done on market segmentation strategies adopted by commercial banks in Kenya towards retail banking, the researcher aims to close the information gap by seeking responses to the following research questions;

- i. What segmentation strategies are used by commercial banks in Kenya?
- ii. What factors have influenced banks to incorporate market segmentation aspects in their marketing strategies?
- iii. Has the adoption of these strategies led to sustainable competitive advantage?

1.3 Objectives of the Study

The objectives of the study are:

- i. To identify different market segmentation strategies adopted in the marketing strategies by commercial banks in Kenya.
- ii. To identify factors that have influenced the use of market segmentation strategies by commercial banks.
- iii. To evaluate the relative importance of market segmentation in relationship to marketing strategies in retail banking sectors.

1.4 Importance of the Study

It is anticipated that the study will be of benefit to the following group of people:

First, the study will be of benefit to the bank managers in implementing strategies that are targeted at winning and retaining retail customers.

Secondly, the study will help the customer understand the interventions banks have undertaken in addressing service challenges that affect them as clients.

Finally it will contribute to the existing body of knowledge in the area of market segmentation responses by retail banks as a result of changing environmental conditions.

It will also inspire future researchers to carry out further research in the same or related field.

CHAPTER TWO

LITERATURE REVIEW

2.1 The concept of strategy

One of the concepts, which have developed and is useful to management, is strategy. The importance of this concept has been underscored by various leading management scholars and practitioners such as (Porter, 1980), (Ansoff, 1987), and (Harvey-Jones 1987) and many others. Different authors have defined strategy in different ways. Some authors define the concept broadly to include both goals and means to achieve them, such authors are (Chandler, 1962), (Andrews, 1971), (Chaffee, 1985). Others define strategy narrowly by including only the means to achieve the goals e.g. (Ansoff, 1965), (Hofer and Schendel, 1978), (Gluek and Juach, 1984). The various definitions suggested that the authors gave selective attention to aspects of strategy, which are all relevant to our understanding of the concept. (Drucker, 1954) was among the earliest authors to address the strategy issue.

He viewed strategy as defining the business of a company. (Chandler, 1962) added to the view taken by (Drucker, 1954) and defined strategy as, "the determination of the basic long-term goals and objectives of an enterprise and the adoption of courses of action and the allocation of resources necessary for carrying out these goals". Chandler considered strategy as a means of establishing the purpose of a company by specifying its long-term goals and objectives action plans and resource allocation patterns to achieve the set goals and objectives. (Andrews, 1971) brought together the views of both Drucker and Chandler in defining strategy. To him, strategy was;" the pattern of major objectives, purposes or goals and essential policies and plans for achieving these, stated in such a way as to define what business the company is in or is to be in and the kind of company it is or is to be". In this definition, Andrews brings in an additional dimension that strategy deals with the definition of the competitive domain of the company. This strategy should specify the competitive posture of the company in the market place. This view of strategy was later amplified by (Porter, 1980). Porter argued that strategy is the central vehicle for achieving competitive advantage in the market place. The aim of strategy is to establish a sustainable and profitable position against the forces that determine industry competition.

(Gluek and Juach, 1984) defined strategy as; "a unified, comprehensive and integrated plan that relates the strategic advantages of the firm to the challenges of the environment and that is designed to ensure that the basic objectives of the enterprise are achieved through proper execution by the organization". (Gluek and Juach, 1984) bring in the added dimension that strategy is a consistent unifying and integrative plan for the whole organization. It is meant to provide guidance and direction for the activities of the organization. This idea of strategy may be seen as an amplification of an earlier view by (Ansoff, 1965) who saw strategy as, "the common thread" among organization activities. (Gluek and Juach, 1984) also view strategy as a company's response to the external environment given the resources the company possesses. (Chaffe, 1985) directly introduced the element of stakeholder in her interpretative definition of strategy. She viewed strategy as an organizations attraction of individuals in a social contract or a collection of co-operative agreements. Strategy here is seen as a guideline that helps enhance or elicit co-operation from the various stakeholders of the company. Such cooperation is essential for achieving company success.

(Mintzberg, 1987) argued that we could not afford to rely on a single definition of strategy despite our tendency to want to do so. He proposed five definitions of strategy. To him, strategy could be seen as a plan, a ploy, a pattern, a position and a perspective. As a plan, strategy specifies consciously intended course of action of a company. The strategy is designed in advance of actions and is developed purposefully. As a ploy, strategy is seen as a pattern emerging in a stream of actions. Here strategy is seen as a consistency in behaviours. As a position, strategy is a means of locating an organization in its environment. Lastly, as perspective, strategy consists of a position and of an ingrained way of perceiving the world. It gives the company an identity or personality. The multiplicity of definitions given on strategy suggested that strategy is a multidimensional concept. No one definition can be said to capture explicitly all the dimensions of strategy. As (Mintzberg, 1987) argues, in some ways these definitions compete in the sense that they can substitute each other. As such, their complementary nature provides additional insights that facilitate our understanding of strategy. Advances in behavioural thinking were in view that organizations are made up of people and so behaviour has always been an important factor in management. However, there has been

a tendency to emphasize analytical aspects of strategic management almost to the exclusion of behavioural and political factors. Some of the writers who have drawn our attention to the importance of behavioural aspects of strategy are (Mumford and Pettigrew 1975), (Kotler, 1982), (Quinn, 1978) and (Giles, 1991). In recognizing these complementary natures of the various views on strategy, (Hax and Majluf, 1998) have suggested a comprehensive definition of strategy. To them, strategy is a coherent, unifying and integrative pattern of decisions which determines and reveals the organizational purpose in terms of long-term objectives, action programmes and resource priorities. They also view that strategy selects the business the organization is in or should be in and defines the kind of economic and human organizations the company is or intends to be in. This comprehensive definition is useful to the extent that it brings together the different dimensions of strategy that other authors had identified.

In the study for corporate Strategy for Mexican Banks, and Market contestability theory, (Lazo and Wood, 1999) argue that bank competitive Strategy is useful in pursuing growth opportunities. They see growth opportunity as being external to banks and are adapted by the most economic analysis. (Walter, 1997) maintain that the strategic response of commercial banks in Western Europe in light of changes in the growth opportunity originally from the external environment during the 1980s was to adopt two main general strategies or types of organizational designs. One set of banks adopted the widespread diversity in their geographic product market and customer group portfolios. Another set followed a rather focused strategy by specializing in one or all of these.

2.2 Global trends in banking

The operating environments facing the banking sector has been characterized by rapid changes. Environmental changes have been catalyzed by worldwide factor including but not limited to: global capital markets activities, interest rates and currency value fluctuations, industry and worldwide economic and statutory development, the effects of competition in the geographic and business areas in which they operate (Binks et. al, 1988). Trends affecting banks comprise privatization, regulation and supervision, demographic factors, technological innovations, (McDonnell and Keasey 2003). The privatization of banks is high on the agenda in France, Germany and Italy. As the

influence of government wanes, competitive relationship in the financial sector and in the banking industry particularly will undergo considerable change. Development in regulation and supervision influence the banking industry via various channels. Firstly, deregulation of the financial sector will further erode the obstacles that deny access to the market for new providers of financial products. On the other hand, we see an increase in national regulation, especially in the area of consumer protection.

(White, 1998) argues that technological developments fundamentally alter the cost structure, output mix and distribution channels of banks, he goes further to say that the development in information Technology are the most fundamental force for change in the financial sector. The growing importance of sustainable banking is a trend that cannot be denied. Banks are judged and selected in their visible social and environmental responsibility by customers as well as investors, (Bouma, 2001). All these driving forces behind the structural changes in the global banking not only have an independent effect on the structure of the market but also interact and can therefore reinforce each other. These factors have far reaching implications for the market structure; which encompasses features like: concentration, capacity, competition, efficiency and profitability, (Groeneveld, 1999). There will be intensified competition among banks and other new financial intermediaries. In order to stay competitive and achieve goals and objectives, banks are periodically re-evaluating their strategies. Most banks strive towards achieving an integrated banking business which is operationally efficient (Pearce, 2004). Generally banks aim to achieve strong organic revenue growth, improve customer loyalty, improve productivity, and realize growth in retail market share and corporate banking market share, (Pearce, 2004).

2.3 Meaning of market segmentation

A market segment consists of a group of customers who share a similar a set of wants. (Kotler 1985) market segmentation is also defined as the process of breaking down the total market for a product or services into a distinct target market to be reached with a distinctive marketing mix. According to (Lancaster and Reynolds, 2002), the notion of varying needs or other buying factors in different individuals provides the rationale for segmentation. Those consumers of goods and services with similar needs may be grouped

together to form a market segment if their buying behaviour is seen to be sufficiently homogeneous and at the same time, different from those of other groups (M. Baker 1987).

Market segmentation refers to the process of dividing large heterogeneous markets into smaller homogeneous segments. It recognizes that buyers differ in their wants, purchasing power, geographical location, buying attitudes and buying habits. (Bass and King, 1968). A company can not serve all customers in a broad market, the customers are too numerous and diverse in their buying requirements thus companies are identifying the market segments they can serve effectively. Many companies are embracing target marketing whereby sellers distinguish the major markets segments, target one or more of the segments and develop products and services and marketing programs tailored to each segment. (Kotler, 1985.)

There is no single way to segment the market, but according to (Kotler, 2003) segmentation should be measurable, accessible and substantial. Marketing segmentation help a firm to design an appropriate marketing mix and marketing program that will satisfy the target markets needs. There are a number of variables that can be used to segment a market. Generally, those variables can be grouped into two broad categories; customer characteristics and buying situations. The traditional bases for segmentation have been classified as geographic, demographic, psychographic and behavioural. Financial services organizations have a great advantage over many other companies in that the very nature of their business entails holding a large amount of data about a customer. The segmented life stages as used by banks are; children, younger singles, independent adults, young families, better off established families, high net worth older couples and pensioners. (Rose and Watkins, 1997). A further possible segmentation is by attitude. Here a customer is classified according to their attitude or behaviour when faced with a particular situation. Classifying customers into groups based on psychographic segmentation can help an organization to develop a better understanding of the customer's desires, needs, anxieties and possible behaviour and therefore to enable the presentation of tailored offers to address these issues for example by developing group

accounts for individuals who wish to conduct their business in a group such as self help women groups.

2.3.1 Importance of market segmentation

The marketing concept puts customer needs at the centre of the organization's decision making. Increased competition better informed and educated consumers and changing patterns of demand have given rise to the need for effective segmentation, (Lancaster Reynolds, 2002). The concept of market segmentation has become one of the dominant concepts in the marketing literature and practice. Segmentation provides guidelines for firms marketing strategy and resource allocation among marketers of products and services.

(Lancaster and Reynold, 2002) came up with three advantages of target marketing:

- (i) Marketing opportunities and gaps that is, sectors of unfulfilled demand in a market may be more accurately identified and targeted.
- (ii) Product and market appeals through the marketing mix can be more fine-tuned to needs of potential customers.
- (iii) Marketing efforts can be focussed on the market segments that offer the greatest potential for the company to achieve its objectives.

Many marketing theorists and practitioners view market segmentation as one of the most important advances in marketing theory in recent times, Ng'ang'a, 1997). The concept of market segmentation is important in modern marketing, marketers weather small or large must make several products and services decisions with respect to market targeting if they are to operate effectively, (Kibera, 1997). Marketers must meet their customer's needs. A company that matches the needs of its customers has a higher competitive advantage. To a large extend this illustrates how well a firm handles the process of market segmentation to be in a position to offer products and services that will differentiate it from other companies. The profitability of such a firm will definitely increase. A study which was carried out by (Peterson, 1991) revealed that respondents who indicated having deployed target marketing had a higher mean return of 17.9% where as those who did not reported a lower mean of 9.3%.

A firm's capability is best matched with groups of customers who share similar needs through segmentation. (Christopher and Mac Donalds, 1995). Through segmentation a firm gains competitive advantage. Many firms prefer to capture bigger prices of fewer markets than to scramble about for a smaller share of every market. (Nariman and Mahatoo, 1976). Market segmentation allows management to identify its best profit opportunities which leads to a more efficient allocation of company resources, (Johnson, 1971). Segmentation is a remedy for a low market share or a position in a low growth market. Segmentation redefines a 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, (Winter, 1984).

Market segmentation helps small business owners to make very crucial decisions about where to direct promotional campaigns and which segment of the market they wish to pursue or concentrate on, (Murphy, 1996). Small businesses carve a niche from the mass market. A niche is a narrowly defined group selling a distinctive mix of benefits. Niches are developed by dividing a segment into sub segments, (Kotler, 1985).

2.3.2 Requirements for effective market segmentation

Not all segmentation schemes are useful and they all don't work for all the companies. A good example would be a sugar company dividing its customers by skin colour, but skin colour is definitely not relevant to the purchase of sugar. According to (Kotler, 1995) to be useful, market segmentation must rate favourably on five key criteria:

First market segments should be measurable and identifiable. The segment size, purchasing power, and characteristics of the segments must be measurable. There must be some basis or common characteristics that include or exclude a customer from the group and the said characteristic can be easily measured. Secondly the segment should be Substantial. The segments should be large and profitable enough to warrant the said company to serve them. A segment should be the largest possible homogeneous group worth going after with a tailored marketing program. The number of people should be large enough to ensure the cost is worth serving the segment. It would not pay for example to have a segment whose size is too small that the cost incurred doesn't justify

the returns. Thirdly the segment should be accessible. The segments should be easy to access and effectively reached to be served. Marketers must be able to reach the market segments and serve them economically. Accessibility is in terms of products and service distribution and promotional strategies. These means that the company is able to easily serve the segments as per their demand. The closer the target segments are, the easier it will be to serve them.

Market segments must be differentiable. The segments must be conceptually distinguishable and respond differently to different marketing mix elements and programs. For example if a young adult and teenager respond similarly to a sale of a bank account then they don't constitute separate segments. Lastly market segments should be actionable. A segment should be able to react to the marketing variables. Developed effective programs can be formulated for attracting and serving segments.

2.3.3 Basis/variables for segmenting consumer markets

Two broad groups of variable are used to segment consumer markets .Some researchers try to form segments by looking at descriptive characteristics, that is geographical, demographic and psychographic. They then examine whether these customer segments exhibit different needs or product and services response. For example they might examine the different attitudes of professionals, blue colour and other groups towards say minimal bank charges in a bank account benefits. Other researchers try to form segments by looking at behavioural considerations such as consumer responses to benefits; use occasions and brands. Once the segments are formed, the researcher sees weather different characteristics are associated with each consumer response segment. Keller and (Kotler, 1994) (Macdonald, 2001), (Kotler, 2000), proposed segmenting the consumer market with the following variables:

(i) Geographic segmentation

Geographic segmentation calls for dividing the market into different geographical units such as districts, regions, cities, or neighbourhood's. A company can operate in one or a few areas or operate in all but pay attention to local variations. A good example is that of banks in rural areas offering products that suit the local communities. Under these

variable marketers ask questions such as; which geographical areas contain our most valuable customers? How deeply have we already penetrated these segments? Which distribution channels and promotional media work best in reaching our target clusters in each area?

(ii) Demographic segmentation

In demographic segmentation, the market is divided into groups on the basis of variables such as age, family life cycle, gender, income, occupation, education, religion, race, generation, nationality and social class. There are several reasons for the popularity of demographic variables to distinguish customer groups. One reason is that consumer needs, wants, usage rates products and brand preferences are often associated with demographic variables. Another reason is that demographic variables are easier to measure. Kotler (2002) illustrates how certain demographic variables have been used to segment markets:

First is age and life cycle stage---consumer wants and abilities change with age .Banks offer products and services to target children, young adults, old aged and other consumers. Secondly is the life stage. Persons in the same part of life cycle can differ in their life stage. Life stage defines a person's major concern, such as going through a divorce taking care of an older parent cohabiting, buying a new home and so on. These life stages present opportunities for marketers who can help people cope with their major concerns.

Gender is also an important variable in demographic segmentation. Men and women tend to have different attitudes and behaviour orientations, based partly on genetic makeup and partly on socialization. Women are more communal minded whereas men are more self-expressive and goal directed. Gender differentiation has long been applied in many industries including banking. In Kenya trends are emerging whereby commercial banks are coming up with products targeting different genders such as the diva account for Standard Chartered bank targeting young professional women. Income is also used as a variable in demographic segmentation .Income segmentation is a long standing practice in such product and service categories as financial services, clothing, cosmetics and

year or in terms of well-defined temporal aspects of a consumer's life. Buyers can be distinguished according to occasions when they develop a need, purchase a product, or use a product. Buyers can also be classified according to the benefits they seek. Researchers identified five different benefits segments,

- (i) Road warriors –premium products and quality service (16%)
- (ii) Generation f—fast fuel, fast service ,fast food (27%)
- (iii) True blues ---branded brands and reliable service (16%)
- (iv) Home bodies ---convenience (21%)
- (v) Price shoppers --- low price (20%)

User status is a behavioural variable used to segment consumer markets. Markets can be segmented into non users, ex-users, potential users, first time users and regular users of the product. Market share leaders tend to focus on attracting potential users because they have the most gain. Smaller firms focus on trying to attract current users away from the market leader.

Usage rate is also used to group buyers into light, medium, and heavy product users. Heavy users are often a small percentage of the market but account for a high percentage of the total consumption. A potential problem is that they are extremely loyal to one brand or never stay loyal to a brand and are always looking for the lowest price. Loyalty status as a segmentation variable divides buyers into four groups according to brand loyalty status:

- (i) Hard core loyalist ----consumers who buy only one brand all the time
- (ii) Split loyalist -----consumers who are loyal to two or three brands
- (iii) Shifting loyalist ----consumers who shift loyalty from one brand to the other
- (v) Switchers -----consumers who show no loyalty to any brand.

Lastly under behavioural segmentation attitude as a variable has enabled marketers to come up with five attitude groups in the market: enthusiastic, positive, indifferent negative, and hostile. Thus products and services can be tailored to suit the various consumers who fit in the groups.

2.4 The Market Segmentation Process

According to (Kotler, 2001) there is a three procedure for identifying market segments. These are the survey stage, analysis stage and finally the profiling stage. Malcolm and (McDonald, 2003) have identified the same number of stages. (Agar, 1999) on the other hand suggests a different approach for segmenting the market. First the business proprietors have to understand the sort of people buying their goods and services at the moment. This approach suggests that rather than start with the whole market and try to segment it and then target particular groups, Banks should start with the current customers followed by any other groups of customers it is trying to sell to.

The first stage is the survey stage according to (Kotler, 2001). The researcher conducts exploratory interviews and focus groups to gain insight into consumer motivations, attitudes and behaviour. Then the researcher prepares a questionnaire and collects data on attributes and their importance ratings; brand awareness and brand ratings; product-usage patterns; attitudes towards the product category; and demographics, geographic of the respondents.

According to McDonald, this survey stage involves: Who buys, recording information by the decision makers in terms of who they are that is customer profiling. Variables such as demographics and operating variables, situational factors, personal characteristics, purchase approach, purchasing function organization are all considered in identifying the various groups of customers. Researchers then go ahead and start testing the current segmentation hypothesis to see if it will hold the preliminary segments. The next question researchers are what is the purchase about? They list the features customers look for in their purchase these includes when, what, where and how do customers do their purchasing. Here they focus on those features customers use to select between the alternative offers available, Key Discriminating Features (KDFs)

The next stage which is the second stage is the analysis stage. The researcher applies factor analysis to the data to remove highly correlated variables then applies cluster analysis to create a specified number of maximally different segments. According to McDonald this analysis stage involves two levels: This stage involves critical analysis of

who buys what and why. It involves, among other things: Who buys what researchers build a customer 'model' of the market-based on their different combinations of key discriminating factors (KDFs) customers are known to put together, or derived from the random sample in a research project can be used to construct the Preliminary Segment. Each customer in the model (sample) is called micro-segment. Each micro-segment is profiled using information from the data based on the research findings of who buys. Each micro-segment is sized to reflect the value or volume they represent in the market. Lastly the question of why customers buy is also addressed. As customers only seek out features regarded as key because of the benefit(s) these features are seen to offer them, the benefits delivered by each KDF should be listed. For some customers it is only by combining certain KDFs that they attain the benefit(s) they seek. For thoroughness benefits can be looked at from the perspective of each preliminary segment.

Once the Critical Purchase Influences (CPIs) for the market have been developed these benefits perspective of each preliminary Segment. Distributing 100 points between the CPIs assess their relative importance to each micro-segment.

The last stage is the profiling stage. Each cluster is profiled in terms of distinguishing demographics. Each segment is given a name based on its dominant characteristic.

According to McDonald, this stage involves forming segments. Segments are formed in three stages; first a score is attributed to all the Critical Purchase Influence (CPIs) for each micro-segment, the similarity between micro-segments can then be determined. The next stage is bringing together Micro-segments with similar requirements to form clusters. Finally the clusters are sized by adding the volumes or value represented by each micro-segment.

2.5 Conclusion

All the above studies have the following in common in regards to consumer market segmentation: for effective segmentation one should, understand how your market works, identify and list the key discriminating factors, Capture details about decision-makers, identify and list their real needs, and finally Search for groups with similar needs. One

should also remember that not all customers have the same needs, Successful market segmentation focuses on customer needs, but this isn't easy, lastly once a market is segmented, select a segment and serve it, do not straddle segments and sit between them.

For the purpose of this study, adoption of Mc Donald's presentation was important as it is comprehensive and exhaustive .In looking at the segmentation process, it is important to look at the various segmentation approaches. Segmentation approaches typically fall into one of two categories: a priority approaches or post hoc approaches (Wind, 1978). A priority approach consists of analytical methods where management decides on basis of segmentation prior to data collection and analysis. A good example is where, management may decide to segment the market based on product purchase rate, customer loyalty, customer types, or other characteristics. Once the segments are formed, data is collected to profile the segments according to demographics or other customer characteristics. Management can then evaluate the size and characteristics of the segment to determine their potential value for the development of marketing strategies.

Post hoc approaches consist of analytical methods where management identifies relevant segmentation variables such as customer benefits, needs or attitudes. Statistical methods like regression and cluster analysis are then used to form and profile the market segments. Post hoc approaches are typically more sophisticated than a priority approaches due to the use of relatively complex statistical methods. Banks that identify profile and analyze market segments can use both priority and post segmentation approaches. These analytical approaches can help entrepreneurs evaluate different market segments to determine the best segments for them to attempt to serve. Selecting appropriate market segments can be a critical aspect of marketing strategy development and growth for new ventures (Hills & La Forge, 1999).

2.6 Summary of literature review

This literature review chapter tried to shed light on the meaning of the concept of market segmentation and it's by different authors. It also addressed the advantages of market segmentation, the variables for segmenting consumer markets and also the process of market segmentation. The importance of segmentation in attaining sustainable

competitive advantage has also been examined in this chapter. It has emerged that market segmentation leads to cost leadership position and differentiation opportunities, it also helps the banks to evaluate market focus. It has emerged clearly that market segmentation is important to all businesses as it increases profitability, leads to better resources allocation, enables a firm to serve customer better by choosing a market segment and helps in selecting appropriate promotional tools.

Market segmentation can be undertaken in various levels which are segments, niche, local and individual marketing. The criteria for choosing a market segment are that it should be identifiable, accessible, measurable, actionable, and substantial. The market segmentation process begins with surveying the market mainly through research then analysis and finally the profiling stage, which involves known characteristics. The commonly used segmentation variables for consumer markets are demographic (industry, company size, location), geographic, variables, behavioural variables, and psychographic variables. Market segmentation may also be in existence in a given firm but the terminology used is different from the one documented. Also of importance is that market segmentation alone cannot be taken single handed as the only strategy for the success of the firm. It must be used in combination with other strategies for profitability and economies of scale.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design

This is a descriptive survey study aimed at determining market segmentation strategies adopted by commercial banks in Kenya. According to (Cooper, 1996), a descriptive study is concerned with finding out who, what, where and how of a phenomenon which is the concern of this study. (Njoroge, 2003), (Mazrui, 2003) and (Kamanu, 2004), have used descriptive study in related studies.

3.2 The Population

The population of interest in this study was all the commercial banks in Kenya. According to the Central Bank of Kenya report as at 1st July 2006, there are 42 commercial banks in Kenya. A survey study was conducted of the population.

3.3 Data Collection

Primary data was collected using semi-structured questionnaires (see appendix 2). The questionnaires were distributed at the respective banks headquarters in Nairobi and collected later. Most of the respondents were head of marketing department or equivalent in each bank who answered the questionnaires which were later collected by the researcher. The questionnaire had both closed and open-ended questions.

The questionnaire was divided into three sections. Section one consisted of general information. Section two had questions on the extent of adoption of segmentation strategy and on factors that influence the strategy adoption. Section three contained questions that addressed the sustainable competitive advantage of retail banking. The questionnaires used likert scales, on the scales of 1-5. (Njoroge, 2003), (Mazrui, 2003) and (Kamanu, 2004) used likert scales in related studies.

3.4 Data Analysis

Descriptive statistics was used to analyze the data. Data on section one was analyzed using frequencies and percentages. Section two was also analyzed using frequencies and percentages, standard deviation while section three will analyzed using mean score tabulations and standard deviation. Output of the data analysis has been presented in pie charts, tables and graphs.

The objectives of the study, which were empirical investigation of the market segmentation strategies by commercial banks in Kenya. The researcher received twenty (20) responses from a total of twenty five (25) questionnaires distributed, which represented an eighty percentage (80%) response rate. This enabled a meaningful data analysis. This chapter analyzes the data collected from the respondents interprets and presents the findings in form of tables, graphs charts, percentages and frequencies where applicable.

4.2 Company profile

The respondents who gave the feedback from various banks were all located within the Nairobi. Figure 4.1 below shows the percentages of the respondents' in regard to position held by the respondent within the company. From the figure 60% of responses came from the business development manager, 20% were from marketing managers while only 5% were got from Bank Clerks. This indicated that the Business Managers were the mostly involved in the development of market segmentation strategies.

CHAPTER FOUR
DATA ANALYSIS AND FINDINGS

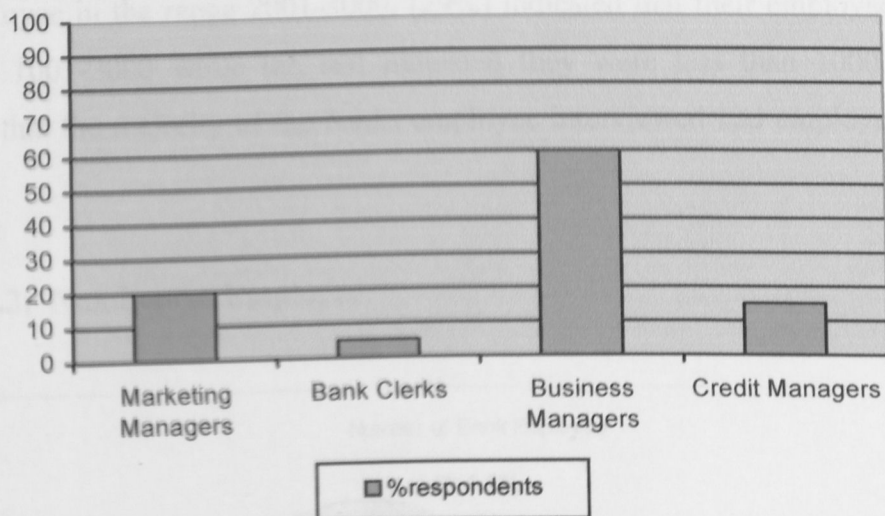
4.1 Introduction

This chapter presents analysis and findings of the study based on the interpretation of both the primary and secondary data collected by the researcher. The findings focus on the objectives of the study, which were empirical investigation of the market segmentation strategies by commercial banks in Kenya. The researcher received twenty (20) responses from a total of twenty five (25) questionnaires distributed, which represented an eighty percentage (80%) response rate. This enables a meaningful data analysis. This chapter analysis the data collected from the respondents interprets and presents the findings in form of tables, graphs charts, percentages and frequencies where applicable.

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Figure 4.1: Respondent Position



Company Ownership

The findings from Table 4.1, indicated that (50 %) of the banks were owned jointly by both a local and foreign investor, while 45% of the banks were locally owned with only 5% of the banks studied being foreign. This reveal that majority of the banks were jointly owned.

Table 4.1 Company Ownership

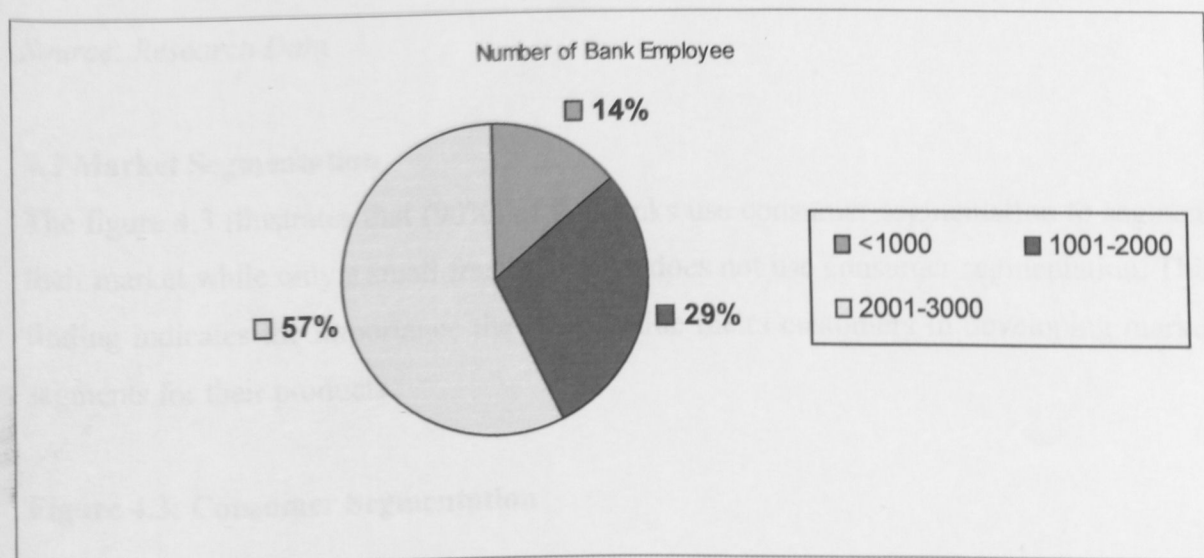
Ownership	Frequency	(%) Percentage
Foreign Investor	1	5
Local Investor	9	45
Joint (Foreign and Local)	10	50
Totals	20	100

Source: Research Data

Numbers of Employee

The findings on figure 4.2 indicated that (57%) of the respondents said that their bank had employee in the range 2001-3000, (29%) indicated that their employee were in the range of 1001-2000 while the rest indicated they were less than 1000. The results revealed that the majority of the banks employee interviewed had employees exceeding 2000.

Figure 4.2: Numbers of Employee



Firms Activity

According to the finding as illustrated in table 4.2, all the banks (100%) were involved in the savings, money transfer, payment facilitation, credit lending, while a smaller (30%) were involved in financial consultancy. A further (20%) were involved in other financial service such as mortgages, electricity billing and mobile top ups. Despite most of the banks being involved in almost similar activities, all (100%) of the banks interviewed indicated that their core business was in credit facility.

Table 4.2. Firms Activity

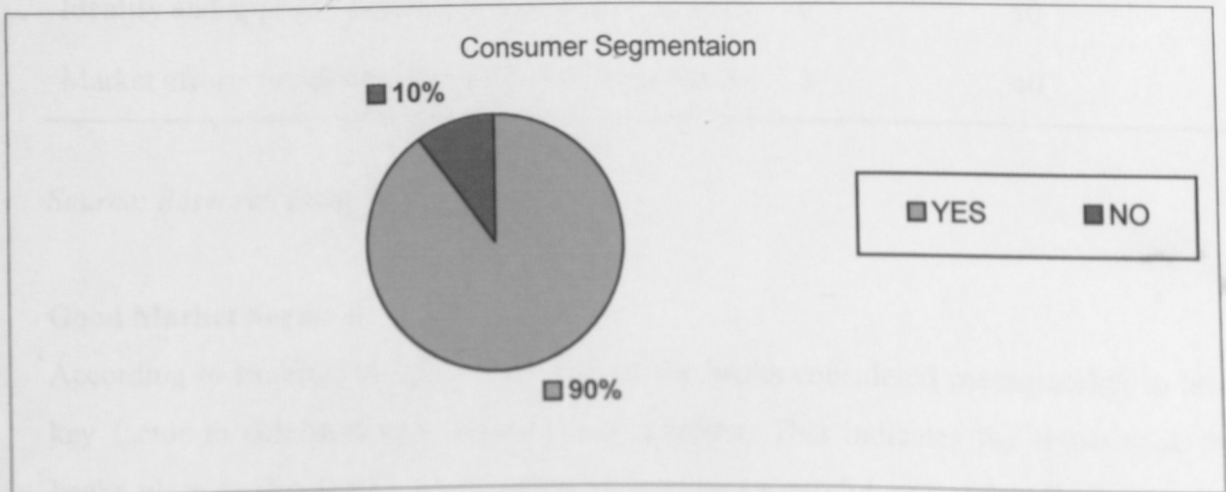
Activity	Frequency	(%) Percentage Rating
Savings, Money Transfer, Payments	20	100
Facilitation, Credit Lending		
Financial Consultancy/Advisory	6	30
Others (Mortgages, Electricity	4	20
Billing, Mobile Top ups)		
Core business (Credit Facility)	20	100

Source: Research Data

4.3 Market Segmentation

The figure 4.3 illustrates that (90%) of the banks use consumer segmentation to segment their market while only a small fraction (10%) does not use consumer segmentation. This finding indicates the importance the banks value their customers in developing market segments for their products.

Figure 4.3: Consumer Segmentation



Source: Research Data

Benefits of market Segmentation

Table below indicates that 90% of the banks consider products and services fine turned to customer needs to be of high benefits to the bank compared to others. 70% consider such market segmentation to have increased profitability to the bank. 40% consider market segments efforts focussed to segments with high returns to be of relative importance while 30% consider segmentation to be of higher competitive advantage and identity and useful in appraising unfulfilled market demand. These research findings illustrate that product and service needs tailored to customer requirement is a major factor in regard to market segmentation. Consequently, the successful market segmentation on consumer needs can tremendously increase the banks profitability.

Table 4.3: Benefits of market Segmentation

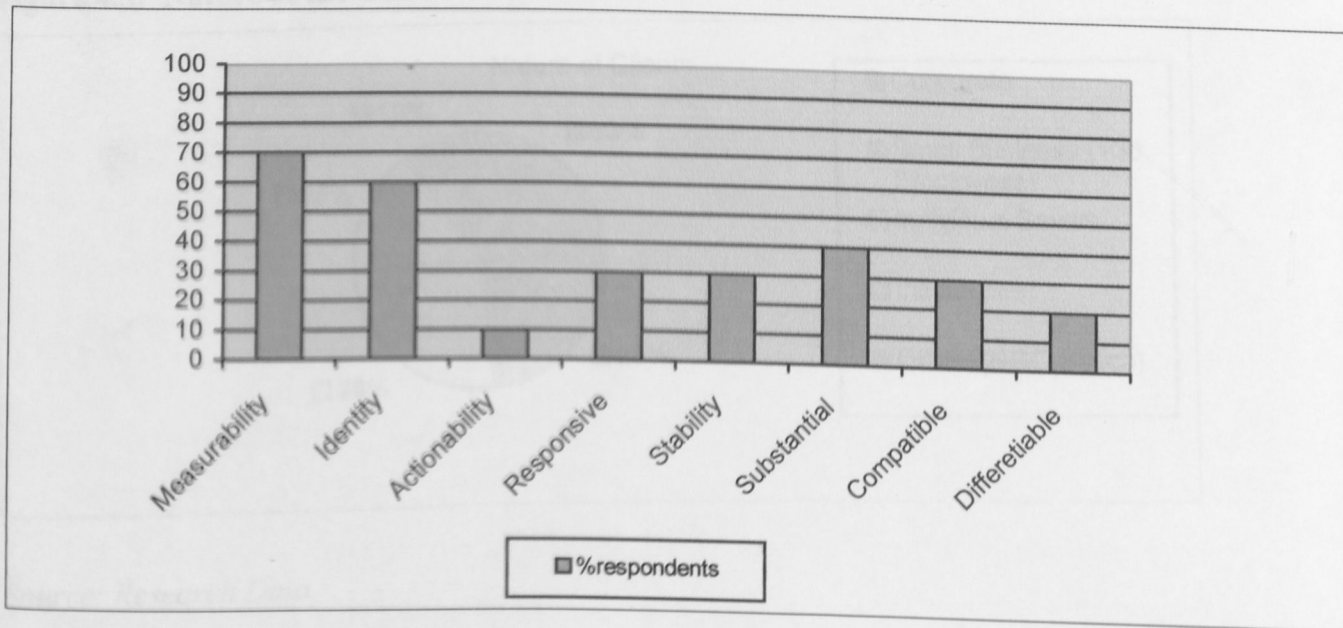
Market Segmentation Benefits	Frequency	(%) Percentage Rating
Product and Services fine tuned to customer needs	18	90
Higher competitive advantage	6	30
Increased profitability	14	70
Identify and appraise unfulfilled market and demand	6	30
Market efforts focused to segments with high returns	8	40

Source: Research Data

Good Market Segment

According to findings in figure 4.4, 70% of the banks considered measurability to be a key factor in determining a good market segment. This indicates the importance the banks place to this factor if segmentation is to be successful and of benefit to both the clients and the bank themselves. While 60% considered identity to be also a factor in determining a good market segment. 40% considered substantiability to be an important factor in market segmentation. In addition 30% considered responsiveness, stability and compatible play a low role in factors determining a good market segment.

Figure 4.4: Good Market Segment

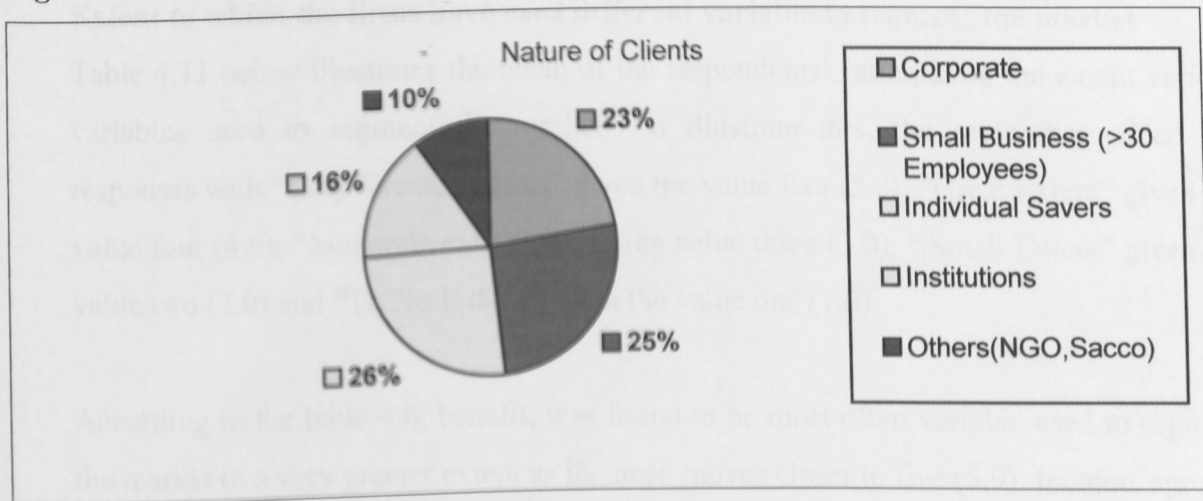


Source: Research Data

Nature of the Clients

Figure 4.5 below indicates that 26% of the bank's client were individual servers, 25% were small business with less than 30 employees with 23% being corporate clients. While 16% and 10% of the banks client's being institutions and others (NGO, Saccos) respectively. This finding indicate a relatively balanced client base, meaning a relatively through out market segmentation strategy has been adopted by most of the banks to reach to different levels of clientele. This finding indicates that most banks are more segmented and attracted to individual savers, small business and corporate business.

Figure 4.5: Nature of the Clients



Source: Research Data

Benefits of firms market Segmentation

Table 4.5 indicate that a high rating of 90% indicated that they have gained competitive edge by merely segmenting their market. 80% rating indicated that they have had increased profit and gained customer satisfaction, which is much in consistent of the earlier finding in this research. 70% rating considered customer retention to be of benefit as a result of market segmentation while a lesser 10% rating indicate that there was better allocation of resources.

Table 4.4: Benefits of firms market Segmentation

Benefits	Frequency	(%) Percentage Rating
Increased profit	16	80
Customer Satisfaction	8	80
Customer Retention	14	70
Gain Competitive Edge	18	90
Better Allocation of Resources	10	50

Extent to which the firms have used different variable to segment the market

Table 4.11 below illustrates the mean of the respondents' rating as to the extent various variables used to segment the market. To illustrate this, the researcher coded the responses with "Very Greater Extent" given the value five (5.0), "Great Extent" given the value four (4.0), "Moderate extent" given the value three (3.0), "Small Extent" given the value two (2.0) and "To No Extent" given the value one (1.0).

According to the table 4.6, benefit, was found to be most often variable used to segment the market to a very greater extent as its mean moves closer to five (5.0). Income, age and life cycle gender, occasion, generation and user status were found to be variables used to segment the market to a great extent as their means draw closer to four (4.0). Variables such as social class, user rate were considered to be used to a moderate extent, as their means draw closer to three (3.0). Psychographics and geographical were found to be variable used to smaller extent as their mean draws closer to two (2.0). This illustrates the high value they place on benefits when doing segmentation in the market place. The standard deviation (SD) indicates that all the respondents tended to agree with respect to their responses as SD was close to one (1.0).

Table. 4.5: Extent to which the firms have used different variable to segment the market

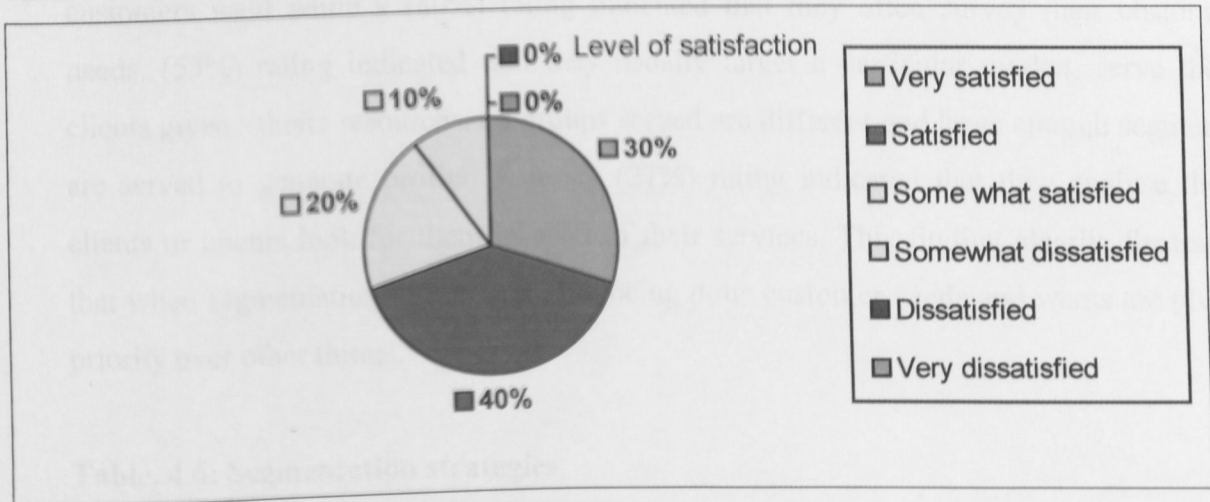
Variables	Mean	SD
Demographic		
Age and Life Cycle	4.0	1.2
Gender	3.7	1.1
Income	4.0	1.3
Generation	3.8	1.1
Social Class	3.3	1.2
Psychographic	2.2	1.1
Behavioural		
Occasion	3.7	1.2
Benefits	4.9	1.3
User status	3.5	1.2
User rate	3.4	1.4
Geographical	2.2	1.3

Source: Research Data

Extent to which your are satisfied with the current segmentation variables the bank is using

Figure 4.6 illustrates that 40% of the responded were satisfied by the variables used by the banks for segmentation. 30% indicated that they were very satisfied while 20% indicated that they were somewhat satisfied. There was no indication that the responded were neither somewhat less dissatisfied nor dissatisfied by the various variables being used. These findings indicated that variable for segmentation were well thought of and actually deemed to be achieving their objectives.

Figure 4.6: Extent to which you are satisfied with the current segmentation variables the bank is using

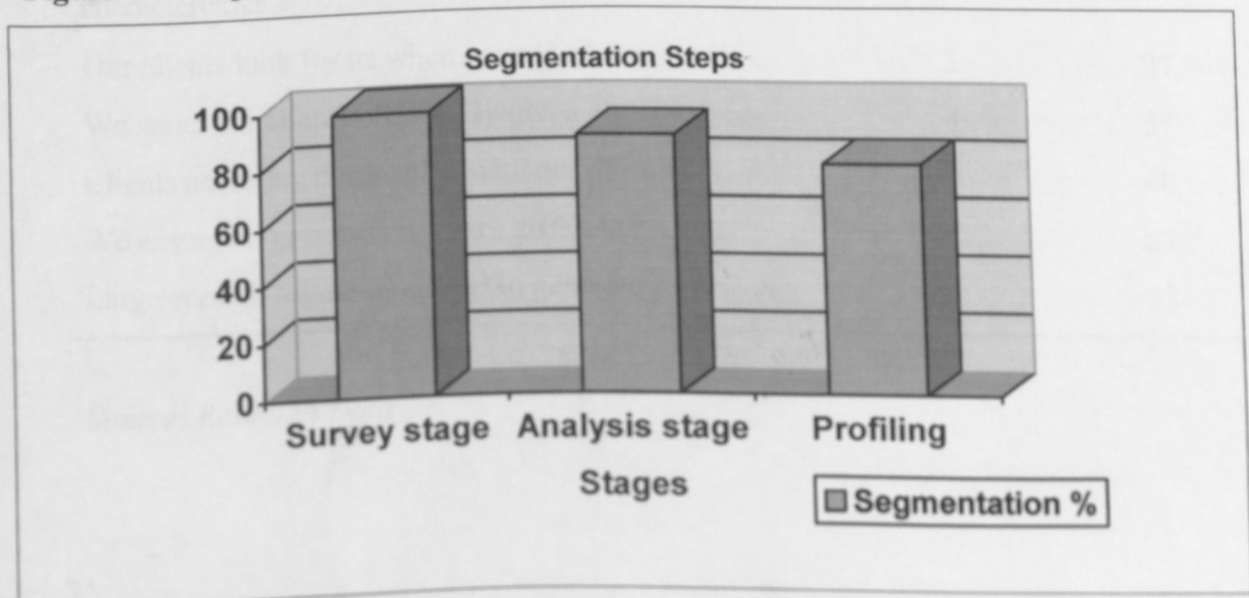


Source: Research Data

Steps in market Segmentation

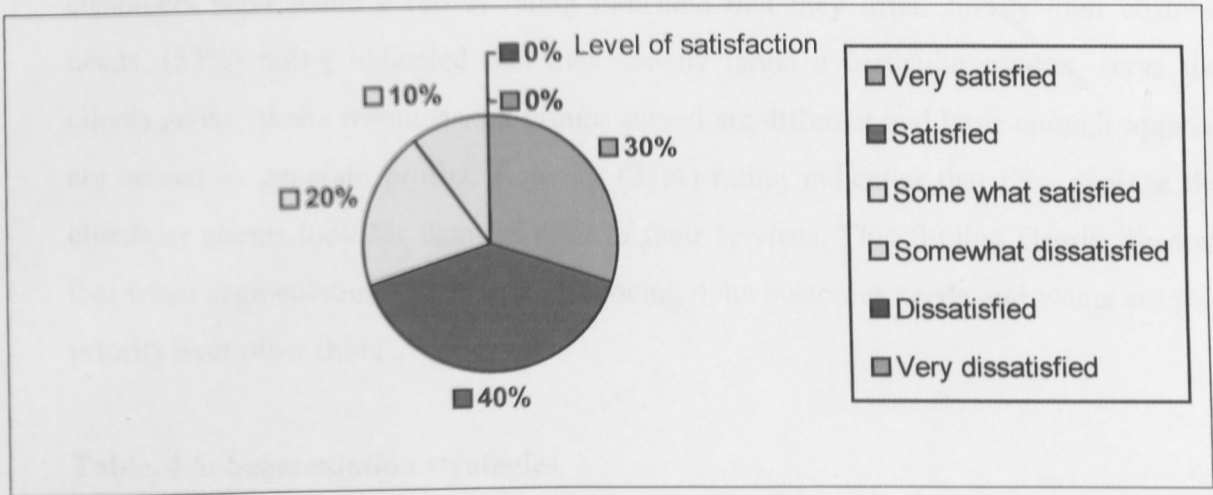
According to figure 4.7 most of the banks (99%) adopted a survey as the first step in market segmentation, while (90%) of the banks moved to the next step of analysis with 80% moving to the final level of profiling. This indicates the importance that the banks place when doing segmentation. It's clear that majority of the banks undergo all the steps to have a well segmented market which will meet their expectations.

Figure 4.7: Steps in market Segmentation



Source: Research Data

Figure 4.6: Extent to which you are satisfied with the current segmentation variables the bank is using

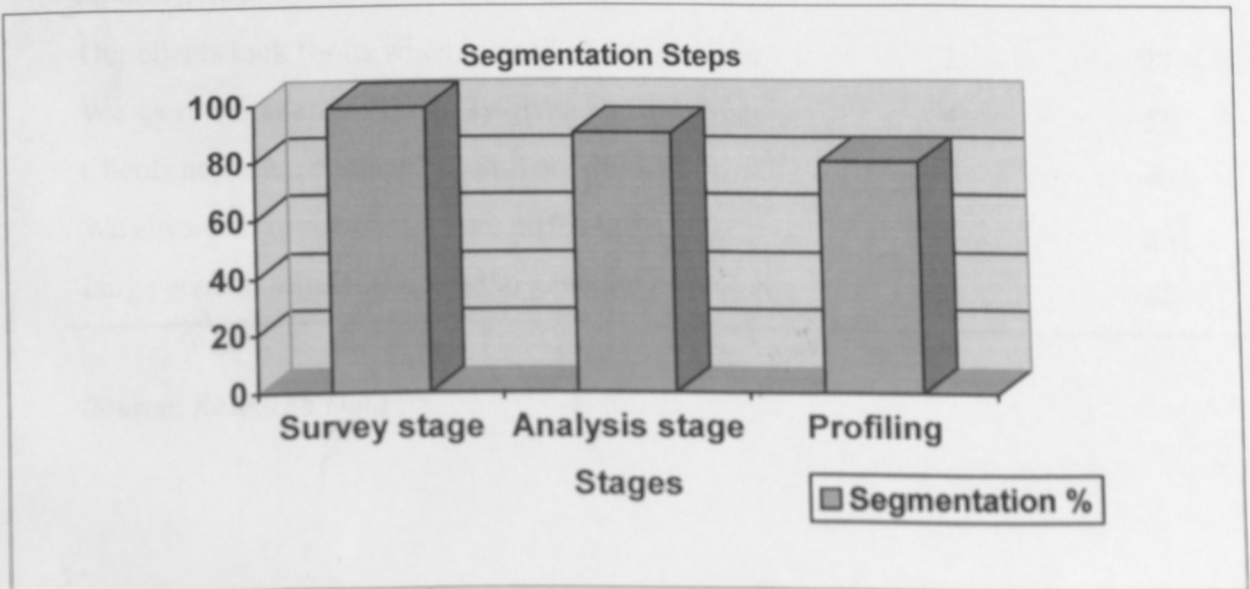


Source: Research Data

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Figure 4.7: Steps in market Segmentation



Source: Research Data

Segmentation strategies

According to table 4.7 above, (93%) rating indicated that they provide what their customers want while a (80%) rating indicated that they often survey their customer needs. (53%) rating indicated that they usually target a particular market, serve their clients given their resources. all groups served are different and large enough segments are served to generate profits. A lesser (27%) rating indicated that they analyse their clients or clients look for them in need of their services. This finding clearly illustrates that when segmentation of the market is being done customer needs and wants are given priority over other things.

Table. 4.6: Segmentation strategies

Strategies undertaken	Frequency	Percentage Rating (%)
We analyse our potential clients	2	27
We often survey the needs of our customers	6	80
We produce what our customers want	7	93
We usually target a particular market	4	53
We assume our customers will like our product	3	40
Each target group is profiled according to its distinguishing characteristics	3	40
Our clients look for us when in need of our services	2	27
We serve our clients effectively given our resources	4	53
Clients needs are compatible with our objectives	3	40
We ensure all groups served are different	4	53
Large enough segments served to generate profits	4	53

Source: Research Data

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This research paper has assessed the strategies, factors adopted and the importance of segmentation by banks in Kenya. Based on the research findings outlined earlier in this paper (in Chapter four) and the literature reviewed in Chapter Two, this chapter outlines the conclusion as well as the researcher's recommendations with respect to the segmentation strategies adopted by commercial banks in Kenya.

5.2 Summary, Discussions and Conclusions

The segmentation of the market call for unique attribute customer to be looked upon to remain competitive and relevant in an already volatile market. According to Porter (1980), a differentiation strategy calls for the development of a product or service that offers unique attributes that are valued by customers and that customers perceive that product to be better than or different from the products of the competition.

According to the research findings (in Chapter Four), all the banks surveyed have adopted a customer oriented approach to remain relevant and competitive. They are keener on issues directly touching on client needs. Most of the banks are keen to follow the different stages of market segmentation and this has been greatly appreciated by the staff as they feel supportive of the steps adopted. Factors of banks incomes and customer satisfaction take centre stage when segmentation is being done. This clearly indicates that despite banks being profit oriented they have also placed an important emphasis on their customers' satisfaction. According to Lancaster Reynolds (2002), marketing concept puts customer needs at the centre of the organization's decision making .Increased competition better informed and educated consumers and changing patterns of demand have given rise to the need for effective segmentation, which is consistent with the importance being placed on customers in this research. According to Kotler (1995) to be useful, market segmentation must rate favourably on factors such as measurable and identifiable, this is also consisted with the findings with commercial banks putting much weight on these factors when doing market segmentation.

On the other hand the segmentation strategy is effective in a highly competitive environment as every bank is dealing with all levels of clients as is illustrated by the findings in Chapter Four. Consequently, the research findings have guided the researcher to the conclusion that segmentation and factors considered has consistently been consumer focused to be effective in the segmentation strategy by the commercial banks in Kenya.

It can also be concluded that most commercial banks in Kenya have developed a segmentation plan that incorporates the differentiation strategy and has been developed on client's priority. In addition, the countries economy as well as the technological advancements within the banking industry has been found to be critical to the success of the segmentation strategy adopted by commercial banks in Kenya. Consequently, commercial banks in Kenya have strived to maintain professionalism and involvement of staff when developing segmentation strategies.

5.3 Recommendations

The research findings and conclusions illustrated in this paper led to the following recommendations by the researcher with respect to the segmentation strategies by commercial banks in Kenya.

First since all the banks are adopting segmentation strategies to remain competitive in the highly competitive Kenyan commercial banks sector, the banks should consider segmentation by analysing in depth the customer requirement by going the full stages of market segmentation. For example, a bank may choose to have a focused customer profiling much often to cope with the changing customer taste, preference and the economy at large. This means the bank has a unique product/service targeted at a specific segment. This way, the bank might be able to track each segment and have a full exploited market niches remaining competitive and profitable.

The researcher also recommends that further research into the market segmentation and adoption techniques by banks in Kenya should be undertaken with an aim of overcoming the limitations of this study.

5.4 Limitations of the study

There were several limitations the researcher encountered in the study; first there were constraints in form of resources more specifically time. Time as a constraint was experienced on the part of the respondents who are very busy bank managers and so it took some time to get hold of them. Secondly there was the availability of the respondents who were hard to get. They were always in long day meetings and these called for after work hour's meetings with them.

Lastly the data collected may not be a full representative of the entire network of banks since some of the banks have their headquarters outside of Nairobi.

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APPENDIX 2- QUESTIONNAIRE

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

PART A

Company Data

- 1) Name of the organization _____
- 2) Year of establishment _____
- 3) Position of the respondent _____ (indicate position)
- 4) Location of the institution _____
- 5) Who owns the company (Please tick where appropriate)
Foreign investors
Local investors
Joint (foreign and local)
- 6) Current No of Employees: _____
- 7) Do you have a marketing department
Yes No
- 8) What activity (s) is your firm involved in (tick the appropriate)
 - (a) Savings
 - (b) Money Transfers
 - (c) Payment facilitation
 - (d) Financial Consultancy/advisory
 - (e) Credit lending facilities
 - (f) Other specify-----

Which of the above do you consider as your core business? _____

PART B

Market segmentation is the process of dividing a heterogeneous market into segments which are identifiable for the purpose of designing a product, pricing it appropriately promoting and distributing it so as to meet the needs of the consumers in the segments attractive to the firm.

9) Does your firm use consumer segmentation as a marketing strategy

Yes

No

If the answer is yes, go to section 1 if no go to section II

SECTION I

10) The following are benefits of market segmentation. Tick the ones that applies to your firm

1. Products and services fine tuned to customers needs.
2. higher competitive advantage
3. increased profitability
4. identify and appraise unfulfilled market and demand
5. Market efforts focused to segments with high returns.

10) what factors does your firm consider important for a good market segment (tick the appropriate boxes)

Measurability

(a) Identifiably

(b) Action ability

(c) Responsive

- (d) Stability
- (e) Substantial
- (f) Compatible
- (g) Differentiable

11) Indicate the nature of your clients by ticking the appropriate boxes

- (h) Corporate Clients
- (i) Small business (less than 30 employees)
- (j) Individual savers
- (k) Institutions
- (l) Other specify-----

SECTION 2

12) Why doesn't your firm use market segmentation as strategic tool for marketing?

- (m) The firm is too small
- (n) The concept is new and not understood clearly
- (o) The market is not identifiable
- (p) The market is not accessible
- (q) The market is not differentiable

13) What other marketing strategies does the firms use in absence of market segmentation to achieve its objectives.

1. How you make sure that the products you make are suitable for everyone?

2. Do you have suitable customers for different services and products provide?-----

3. How do you adapt customers to the services and products you provide?

4. In your own opinion what are the main problems hampering the use of market Segmentation in retail banks in Kenya?

PART C

14) Please indicate the benefits your firm has derived from market segmentation by ticking the relevant benefits.

(r) increased profits

(s) Customer Satisfaction

(t) Customer relation

(u) Gain competitive edge

(v) Better allocation of resources

(w) Any other please specify

15) segmentation variables

To what extent has your firm used the following variables to segment the market?

1. To no extent

2. To a small extent

3. To moderate extent

4. To a great extent

5. To a very great extent

segmentation variables (1) (2) (3) (4) (5)

Demographics

Age and life cycle

Gender

Income

Generation

Social Class

Psychographics

Behavioural

Occasions

Benefits

User status

User rate

Geographical

16) Indicate the extent to which you are satisfied with the current segmentation variables the bank is using (tick)

(a) Very satisfied

(b) Satisfied

(c) Somewhat satisfied

(d) Somewhat dissatisfied

(e) Dissatisfied

(f) Very dissatisfied

17) Does the bank experience any problems while segmenting its customers. If yes, which ones?

- (a) _____
- (b) _____
- (c) _____
- (d) _____
- (e) _____

PART D

18) In segmentation a market, a company undertakes a number of steps. Which steps are applicable to your company? (Tick the appropriate box)

- i Survey Stage
- ii Analysis Stage
- iii Profiling

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

Which of the following are applicable to your company?

- 1. We usually analyze our potential clients
- 2. We often survey the needs of our customers
- 3. We produce what our customers want
- 4. We usually target a particular market
- 5. We assume customers would like our product
- 6. Each target group is profiled according to its distinguishing characteristics
- 7. Our clients look for us when in need of our services

8. We serve our clients effectively given our resources

9. Clients needs are compatible with our objectives

10. We ensure all groups served are different

11. Large enough segments served to generate profits

20) Do you have any other comments that you deem to be important to this study?

Thank you for your cooperation