

The Study and Prioritization of the Role of Market Segmentation Criteria in Identifying Bank Target Market

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Abstract

Banks have today become the world's main economic development and trade exchanges. So that, without efficient and up to date banks is virtually impossible to achieve economic prosperity. Bank is an undeniable economic infrastructure and in these circumstances, the bank is also ending the competition, they are forced to develop new methods of banking. Given the current business environment, it is likely that market segmentation to be considered a key strategic issue for service providers. In more developed economies, the importance of market segmentation has been well documented in the financial services sector. When the competition is fierce in the banking market, financial services organizations is largely adopt a strategy based on segmentation complex shapes. The main objective of this study was to investigate the role of market segmentation criteria on the identification and prioritization of banks target markets. Applied research method, is descriptive and correlation research; which field research and library studies were used for data collection. Given that, the population in this study was a sampling from all branches of Refah Bank in Zanjan city, data and information collected from them conducted through questionnaires and were tested using statistical software Spss18. To assess the presence or absence of the relationship between variables and segmentation, Correlation test was used. Thus, the priority of each of these factors from the perspective Bank customers was obtained by the Friedman test. Also, using the correlation test, relationship between psychological variables and behavior of the customers were calculated and investigated with the main factors of bank market. Our results indicate that the "human" factor have more important and the "incentives" have less importance in preferred standards of banking services from the perspective of bank customers in Zanjan city, also it has been demonstrated that there is a significant relationship between psychological and behavioral variables of customers with selection criteria, banking services by customers.

Keywords: Market segmentation, target market, Refah Bank, Zanjan, Iran

Introduction

Banks are vital artery of each country's economy. The banking and financial institutions are working to increase the efficiency in global. Banks have to play an important role for attract people for saving, gathering small capitals and to actuate them in the fields of manufacturing and services. Banks are considered part of the country's financial markets as money market beside the stock market which is a capitalization market, just as flow and blood circulation in the body is the guarantor of human life, there is also a bank guarantee for the economic life of the country. Today, the need is growing more and more to banking services. People are expecting more and faster service than banks. Retain existing customers and attract new customers, require effective and efficient management of all aspects of the Bank with an emphasis on marketing management. Looks similar ads of banks in media and awards and other promotional methods, does not produce motivation in customers and therefore the client, therefore, it is necessary to will be discussed innovative projects and new approaches. It should be learned customers' preferences and requirements. Recent economic developments and changes in laws and regulations governing the banking network have revealed necessity of implementing new marketing initiatives. Promote approaches of banking services should be updated in the bank's main purpose and appropriate to the circumstances. Marketing activities should be chosen based on the Banks domestic situation and their customer's views. One of the essential steps in the process is bank market segmentation. Market segmentation is the process by which a market is classified into distinct sub sectors of customers who have similar needs and characteristics. Since customers have the same needs and desires of each section, they respond to a marketing plan and a product in a similar manner. For various reasons, the role of market segmentation in design of marketing strategies has increased; first, population growth is slowing which these increase the competition because companies search their growing in gaining more market share (Such a situation has occurred in the banking industry) and also increasing the variety of products under one brand. Secondly, social and economic factors such as increasing net revenues, promoting the education and greater public awareness of the world have created customers needs, wants, tastes and a more diverse lifestyles and more complex than ever before. This increases the number and variety of goods and services that compete with each other. Thirdly, the desire to be part of the scheme and its importance has increased. Now consider that paying attention to all market segments and satisfy the needs of all customers is impossible, therefore, using effective approaches, market segmentation seems to be necessary by focusing resources on specific groups of customers. Given the current business environment, it is likely that market segmentation is considered a key strategic issue for service providers. In more developed economies, the importance of market segmentation has been well documented in the financial services sector. When the competition is fierce in banking markets, financial services organizations are largely adopting a strategy based on complex shapes of segmentation (Speed,R, & Smith, G. 1992). One goal of management is to increase bank reserves and this can be one of the most important responsibilities of the bank's marketing manager. The first and most important principle of marketing is attention to customer demands. Regardless of the customer organization cannot survive. Attention to the wishes and preferences of the customer, he will bring satisfaction and loyalty and, therefore, increase the company's reputation and increase profitability for the company's future. Being aware of the preferences of potential customers is very important. If we know people preferences, we can predict their behavior and have control over their behavior. Customer preference is attitude to a particular product or brand. According to these cases, it is

necessary the study of customer's preferences in selection of banks and also identify the most important influence factors to choice of banks. In recent years, all financial institutions are operating in a highly competitive market environment. In response to the volatile market environment, commercial banks have shown new attention to the marketing of products (services) to their customers. In order to compete in the changing market environment, financial institutions, including banks of all sizes required to use the tools and methods of marketing planning.

Market Segmentation

Market segmentation is the process by which a market is classified into distinct sub sectors customers who have the same needs and characteristics. Since that, each section customers have the same needs and desires; respond in a similar manner to a marketing plan and a product. Market segmentation involves viewing a heterogeneous market as a number of smaller groups that must be homogeneous in characteristics, needs, respond to different products and satisfaction from the seller (Arabs and Izadi, 2007). In fact, those who expect the same benefits or the same level of consumption patterns will be classified as a market segment. Market segmentation is respond to the diverse needs of customers, and optimal use of company resources (Kozak and Andreu, 2006, 129). Market segmentation strategy seeks to achieve competitive advantage by focusing on specific types of customers and design products and services according to their expected values or economic and social factors and demographic characteristics (Rusta and others, 2006). Recent advances in information technology and trends toward globalization led to the adoption and implementation of segmentation strategies (Kozak and Andreu, 2006, 129). Developments in information technology and strategy have been created a global database and much progress in marketing of database and new methods of distribution. It is also facilitated possibility of developing in flexible manufacturing with the advent of mass customization. In addition, the Internet not only to extend the ability to effectively implement of market segmentation research, but it has also developed number and segmentation methods for using. In recent years, all financial institutions are operating in a highly competitive market environment. In response to the volatile market environment, commercial banks have shown new attention to the marketing of products (services) to their customers. In order to compete in the changing market environment, financial institutions, including banks of all sizes required to use the tools and methods of marketing planning. Therefore, the concept of service differentiation and market segmentation has been used in a number of financial environments. In accordance with this method, there are four levels of the market:

- 1 – Departments (including a group of customers with similar needs)
- 2 - Potential or special (limited group of customers who are searching for specific compounds of profitability)
- 3 - Local Areas (targeted marketing which directed marketing programs to the demands and needs of the local customer groups)
- 4 - Especially customers (first stage of segmenting lead to the person to person marketing and is often called relationship marketing) (Kotler, 2003)

The companies are trying to divide their customers with structures of similar needs of each group and different needs among the groups (Smith, 1956). These groups can be considered a standard strategy (Kotler, 1980). The aim is conflict resolution between decisions to meet the needs of customers and allocate marketing resources (Wind, 1978). Target market

strategy, widely thought to be an important factor for the design of effective business strategies. The concept of market segmentation is often cited as a key goal to create a market strategy (Kotler and Keller, 2005). Strategy experts are stating that the product, product marketing and customer specifications are alone poor indicators of customer behavior and target market strategies should be aimed at customers wanting to behaviors and attitudes (Christen 2007). The market parts are not normally shaped symbols but also grouping by managers about managers view from the market helping to them are as strategies that satisfy the needs of consumers in the greatest expected return for a firm best meets (Weddle, Kamakura, 2002). Segmentation strategies can help leaders in search of new production opportunities, promotional messages and provide a closer match to consumers (Sharp et al 1998). In retail banking, economic or demographic criteria such as age, job, income or wealth are often the preferred dimensions to be divided (Mason, C.M., Harrison, R.T., 1994). The procedure which in those parts of the customers population selected and are evaluated exclusive features through research, are called modular division. The principle of market segmentation is the first and most essential, namely overall market sectors can be divided identified and separated parts based on of fully certain characteristics. The segmentation process itself does not prescribe solutions to marketing problems but instead focuses on the description of the market; however, if approaches can be accessible, innovative and substantial for the packaging markets, develop solutions that have not yet been exploited by competitors (Fuller et al., 2005). Using market segmentation, organizations can identify market sectors of productions user and their services, so do not waste marketing resources (Reid & Bojanic, 2006, 124). Heath and Wall argue that "the market is classified based on the assumption that different market sectors [different character set, expectations and demands] and different levels of current consumption level, have various awareness of their product and are exposed to various communication channels. " Therefore, the different marketing concepts should be developed for different market (Heath & Wall, 1992, 91). Market segmentation, when done properly, because the organization allows with targeting specific market segments that are more likely to maintain the facility, can improve sales and profits (Reid& Ojanic, 2006, 124). Market segmentation methods are based on the reasonable principle that in order to achieve the purpose of the gift which is a commercial purpose, the market can be divided into parts. It is also noteworthy that the choice of consumers' segmentation method depends on the product feature and income benefits (Kolb, 2006).

Table 1: Market segmentation methods (Fuller et al., 2005)

Base Methods	Description	Authors
Geographic	Market division to geographical different units such as nations, states, regions, cities, and neighbor	Cutler and others 1991, Kelly and Nankerviz 2001
Demographic	Market division based on demographic variables such as age, gender, family size, family life cycle, income, occupation, education, religion and nationality.	Belt Berg and others, 1976
Psychological / life cycle	Market segmentation based on consumer values ,attitudes, interests, ideas	Alpert 1972, Frank and others 1972, Psymyr and others, 1967, Laser 1963, Plumr 1974, 1964 Yanklulich
Benefits	Markets division based on the groups with different benefits of products and services that consumers seek them	Heli 1968, Mirez 1976
Application	Market division into groups according to the different interests of consumers of the product or service they require	Tovyt 1964, Yang and others, 1978
Loyalty	Market division based on brand loyalty, store loyalty, or allegiance to shopping status	Grover and Asryniusen 1989
Notion	Market segmentation is based on the reliance and idea of the brand or trademark	Evans 1959, Sergey 1982, Lysn 2001
Position	It is in communication with segmentation based on the application. Segmentation based on market position can be divided based on position of the consumption or purchase of consumers	Dickson, 1982
Behavior	Market Splitting based on consumers' attitudes about the future, to react for the product	Cutler and others 1991

Psychological criteria of segmentation

Wells (1975) defines of Psychological as a quantitative research which its goal is put the customers on Psychological dimension. He argues that a broad view of Psychological is including personality features, lifestyle, the motivations, beliefs, attitudes, values and requirements. McDonald & Dunbar in (2005) suggests that psychological, is the emotions of a customer and incentive to behave with certain way. In psychological segmentation, buyers are divided into different groups based on lifestyle or personality (Kotler, 1988).

Behavioral criteria of segmentation

In these types buyers are divided into several groups based on the knowledge, beliefs, use or responses to a product (Fruzandeh, 2009).

Refah Bank in implementation of the article 39 of budget law in 1338 and article 38 of the social insurance to invest and exploit workers insurance funds aims to assist the welfare and facilitate to meet the needs of the working class was registered on 1962/8/19 and began its operations from 1963 with the opening of headquarters in Tehran and Isfahan branch. Four hundred million Rials initial capital of the bank and was funded by the Social Security Organization. Refah Bank is a known commercial bank and fifty-one years of experience in banking services, the benefit of having 10,802 personnel and 1,067 active chapters across the country, tries by providing appropriate banking services, provide public consent of society. The bank having trust in people and the strength of its human capital, at implementation of macro-economic policies of the Islamic Republic of Iran especially in non-oil exports and industrial and agriculture productions, Provide valuable services to the country's exporters. Refah Bank in terms of reputable international banks is one of the most reputed commercial banks and having elected officials of top banks in the world will remove needs of their customers in the international banking operation.

Research Question

What is the role of the market segmentation criteria for identifying and defining target markets of Refah Bank?

The aim of the research

Review and prioritizing the role of market segmentation criteria in identifying target market of Refah Bank and then rank each criterion

Hypotheses

The main hypothesis: the importance of each customer selection criteria is different at selecting agents at bank market.

Sub-Hypothesis 1: There is significant relationship between psychological characteristics and the choice criteria of customers.

Sub-Hypothesis 2: There is significant relationship between behavioral characteristics and the choice criteria of customers.

Research methods

Applied research method, is descriptive and correlation research; which field research and library studies were used for data collection. Given that, the population in this study was a sampling from all branches of Refah Bank in Zanzan city, data and information collected from them conducted through questionnaires and were tested using statistical software Spss18. To assess the presence or absence of the relationship between variables and segmentation, Correlation test was used. Thus, the priority of each of these factors from the perspective Bank customers was obtained by the Friedman test.

Analysis of data

Statistical analysis was conducted at two parts descriptive and inferential. In the descriptive section of the general characteristics (gender, age, educational level and marital status) frequency tables and with statistical graphs plotted and some of these samples have been described, then frequency distributions made for questions related to any assumptions which, the frequency of responses to each question together with the mean, mode and standard deviation are included in these tables. The analytical part using the Friedman test, we have determined the priority or ranking the segmentation criteria of market the view of customers and then using correlation tests, correlation coefficients are tested in the sample.

Research test

In this section first, we have focused the ranking of customer criteria on the selection of Bank markets using the Friedman nonparametric test. Also we have tested correlation coefficients of the sample using correlation analysis.

The main hypothesis: the importance of each customer's selection criteria is different in selecting the main factors in the bank market.

Friedman test:

In order to priority and determine the importance of each criteria customers Friedman test was used. This is used when the data are at least ordinal or it could be two-way classification with sequential concept. The Friedman test argues whether factors are more important than other factor or all factors have equal importance.

H₀: Criteria of customer choice in the selection of market factors have the same rank.

H₁: Criteria of customer choice in the selection of market factors have not the same rank.

Table 2- tests the main hypothesis

n	Chi-Square	df	P-value	Test results
385	843.577	8	0.000	Reject the null hypothesis

Table 3- The customer criteria preference based on the main hypotheses

The Criteria of customer choice	Mean Rank
Human factor	7.22
Availability factor	5.29

Facility factor	4.53
Physical documentation factor	3.65
General Banking factor	6.59
Technology factor	4.61
Incentives factor	3.20
Information factor	4.09
Queue and wait factor	5.81

As you see in this table, according to the value P-value= 0 it can be concluded that assuming 5% significance level to reject the null hypothesis and the assumption of 1 given the lack of uniform criteria ranking of customers in selected markets will be accepted.

The importance of each customer's selection criteria based on the Friedman test is as follow:
1- The human factor 2- General factor of banking services 3- Queues and waiting factor 4- Access factor 5- Technology factor 6- Facility factors 7- Information factor 8- Physical Documentation factor 9- Incentives factor

Correlation coefficients test:

In this section we first calculated the correlation coefficient between any two variables then, assuming no significant test correlation between the samples.

Pearson correlation shown with the symbol r in the sample and is calculated as follows:

$$r = \frac{\sum_{i=1}^n x_i y_i - n\bar{x}\bar{y}}{\sqrt{[\sum_{i=1}^n x_i^2 - n\bar{x}^2][\sum_{i=1}^n y_i^2 - n\bar{y}^2]}}$$

To test the correlation coefficient hypothesis between zero and one are as follows:

Null hypothesis: The correlation coefficient is not significant.

Hypothesis 1: The correlation coefficient is significant.

$$\begin{cases} H_0: \rho = 0 \\ H_1: \rho \neq 0 \end{cases}$$

Sub-Hypothesis 1: There are significant association between psychological characteristics and selection criteria of clients.

To test this hypothesis, the correlation coefficients between psychological characteristics and each client's factor and then correlation coefficients was calculated. The following table results of the calculations have been recorded:

Table 4- Correlation coefficients between psychological characteristics

	The human factor	Information factor	Facility factor	General factor	documentation factor	Technology factor	Incentives factor	The availability factor	queue factor
Correlation coefficients between psychological characteristics	0.316	0.155	0.244	0.388	0.250	0.236	0.160	0.311	0.215
P-value	0.000	0.002	0.000	0.000	0.000	0.000	0.000	0.000	0.000

Sub-Hypothesis 2: There are significant association between behavioral characteristics and selection criteria of clients.

To test this hypothesis, the correlation coefficients between behavioral characteristics and each client’s factor and then correlation coefficients was calculated. The following table results of the calculations have been recorded:

Table 5- Correlation coefficients between behavioral characteristics

	documentation factor	The availability factor	Facility factor	The human factor	General factor	Technology factor	Incentives factor	Information factor	queue factor
Correlation coefficients between behavioral traits	0.335	0.354	0.320	0.448	0.411	0.315	0.283	0.440	0.339
P-value	0.000	0.002	0.000	0.000	0.000	0.000	0.000	0.000	0.000

As you can see all the correlation coefficients obtained in the above table is significant, human factors highest and incentives factors have the lowest dependence with behavioral traits.

Conclusions and recommendations

According to test results, the second hypothesis is confirmed, it can be said that the behavioral characteristics of customers give different priorities to each of the factors Bank market.

Prioritize the factors to consider a behavioral characteristic is as follows:

- 1- The human factor
- 2- Information factor
- 3- General factor
- 4- Access factor
- 5- Queues factor
- 6- Physical documentation factors
- 7- Facility factor
- 8- Technology factor
- 9- Incentives factor.

According to test results, the first hypothesis is confirmed, it can be said that the customers according to the psychological characteristics give special and different grades to each of the market factors.

Prioritize the factors to consider a psychological characteristic is as follows:

1- General factor of banking services 2- The human factor 3- Access factor 4- Physical Documentation factor 5- Facility factors 6- Technology factor 7- Queues and waiting factor 8- Information factor 9- Incentives factor

Since most services are produced by people, therefore, the selection, training and motivation in the staff, has revolutionized the level of customer satisfaction. The criterion of the knowledge and skills of Bank employees, informing customers of new services, respect of employees, number of employees for service, honesty and integrity of the employees, personnel readiness and interest to solve the problem, appearance of staff, demands understanding by Bank employees, Bank staff neighborliness, friendly to the fund sufficient, explanation of the service staff and being professional of Bank staff are under the influence of this factor. Customers who score high on this factor in selecting their Bank, are allowed so important for Bank employees. The following criterion has been general factors that are likely to be expected consumer goods. Banks should consider this factor more than any other factor, because not meeting of expectations in this factor is causing great discontent of the customer.

- The queue and waiting factor can be including personalized service, individual attention Bank employees, and ranks as expected.

- The present conditions, the availability determinant role for the customer in choice the bank. And banks which have different capabilities together, should consider it as a determining factor in design their marketing strategies.

- Paying bills, interconnected network of Bank and non-deterministic in that, using advanced technology and access to the Internet are placed at the following of technology factors.

- paying higher profit on deposits, lower service costs, lower profit on loans, loan facilities and educational opportunities, access to credit, previous experience with the bank are placed in following the facilities factors.

- Recommendations from friends and family, access to information on branches, wide range of services, providing financial advisory services are placed in the following information factors.

- The physical evidence is combined of the size of the bank, attractive promotions, external and internal appearance, and inter-bank design. Customers who score high on this factor tend to focus on physical documents.

- Incentives factors, gifts variables to open a new account; will include the holding and value of the lottery prize. Customers who score high on this factor are affect the probability of winning cash, travel or merchandise to obtain an item.

Increasing the withdrawal of the ATM, improving the customer image, attention to the apparent, increase in electronic banking services, increased attention to the IT, direct contact with the customer, informing customers of different advertising, using different methods in different situations, informing the customer of a bank resolution, mitigate or eliminate fees, insurance, banking services, safe deposit boxes, Special conditions for long-term deposits, special facilities for valuable customers and engaging customers in bank shares.

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