



Market segmentation as a strategy for customer satisfaction of standard chartered bank

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Abstract

The main objective of the study is to focus the benefits of market segmentation of standard chartered bank. Both primary and secondary data have been collocated to fulfill the objective. The research has shown the segmentation procedure of standard chartered bank with benefits of each segment. The paper has focused the relationship between market segmentation and customers' satisfaction. Effect of market segmentation on managerial decision making has also shown in the paper. To carry out this research three hypotheses are formulated and tested. Geographic and demographic segmentation of standard chartered bank has focused into the paper. It also focuses on the definition, basis of market segmentation and issues related to market segmentation in detail.

Keywords: market, segmentation, customer satisfaction, bank, benefits

1. Introduction

Private commercial bank is a financial institution which performs the functions of accepting deposits from the general people and giving loans for investment with the aim of earning profit. A commercial bank in Bangladesh collects deposits in various form like current, savings and fixed deposits. A bank keeps a certain portion of the deposits with itself as reserve and gives (lends) the balance to the borrowers as loans and advances in various forms like cash credit, demand loans, short-run loans, overdraft.

According Salami and Adewoye (2006) ^[17], market segmentation when done properly will maximize returns for a given marketing expenditure. In a service industry such as a bank, incidences of rising overhead expenditures are known to be associated with market segmentation. This occur because where the product is profitable for a given bank other competing banks within the industry will soon copy the products with negative impacts on the original bank bottom-line. (Sanusi, 2000) ^[18]. Market segmentation is to divide a market into smaller groups of buyers with distinct needs, characteristics, or behaviors who might require separate products or marketing mixes. (Lamb, *et al.* 2003) ^[4].

Four segmentation bases have emerged as the most popular in segmentation studies (Kotler, Armstrong, Saunders, & Wong, 2002) ^[12]: geographic segmentation (i.e. markets segmented by geographic region, population density or climate); demographic segmentation (i.e. markets segmented by age, sex, size and family type, etc.); psychographic segmentation (i.e. markets segmented by life-style variables); and behavioral segmentation (i.e. markets segmented by purchase occasion, benefits sought, user status).

2. Objectives of the Study

The main objective of the study is to focus the benefits of market segmentation of standard chartered bank. The specific objectives are as follows:

1. To show the various ways of market segmentation of standard chartered bank.

2. To analyze the effect of market segmentation on customer satisfactions.
3. To evaluate the benefits of market segmentation of the selected sample bank.

3. Literature Review

Onaolapo, Salami & Oyedokun (2011) ^[14] had examined the impact of market segmentation practices among Nigerian commercial banks. Emphasis has been on the forms of segmentation practices adopted, the extent to which their performance have been influenced and customers loyalty secured. The study found among others that segmentation has benefited some sections of the industry more than others thus enabling dominance of the market share and customer patronage.

Yu & Dong (2019) explored the segmentation of young adult consumers in the growing market of China by adopting the cultural identity theory about global-local identity beliefs (global citizenship through global brands, nationalism, and consumer ethnocentrism). They used cluster analysis to outline individuals on their integration of three cultural beliefs. Then authors examined each cluster for their attitude toward advertisements of global brands with global consumer cultural positioning (GCCP) and local consumer cultural positioning (LCCP). A market segment is simply a group of present or potential customers with some common characteristics that are relevant in explaining their response to suppliers' market stimuli; (Kotler,2002) ^[12].

Performance in the context of a bank operation according to Peter and Sylvia (2008) ^[15] refers to how adequately a bank meets the needs of its stakeholders; owners, employees, depositors, and the borrowing customers.

Premkanth (2012) ^[16] stated that the customer satisfaction with market segment has higher positive correlation 0.726. This means that high level of four market segment leads to highly increase in the customer satisfaction.

Sun (2009) ^[21] explained that the exact market segmentation is absolutely vital for business success and market gains. They discussed mainly on the conditions and methods of market segmentation through relevant theories reviews and

some real cases analyses. They mentioned that there are lots of bases or variables to segment markets which include consumer markets and industrial markets, such as geographic segmentation, demographic segmentation, psychographic segmentation and behavioral segmentation and so forth. On the basis of these variables, business can segment the market which it can serve best and benefit most from which. Goyat (2011) ^[7] addressed the research question, what is the best method of consumer market segmentation. It deals with the issues that are already discussed by the researchers and also identifies the research gap for the further researches. It focuses on the definition, basis of market segmentation and issues related to market segmentation in detail.

Smith (1956) suggested that segmentation, the division of a market into groups of customers who share certain characteristics or propensities toward a product or service, might be an effective way for an organization to manage diversity within a market. Since that time, a rich literature has developed suggesting techniques and bases upon which a single domestic market might be effectively broken into actionable customer segments. Goyat (2011) ^[7] addressed the research question, what was the best method of consumer market segmentation. Author focused on the definition, basis of market segmentation and issues related to market segmentation in detail. The research paper provided information about the knowledge gap and had shown a path for future research in the area of market segmentation, which is the heart of marketing now a day. Critique from Cahill (2006) points out that although there generally are behavioral differences between e.g. men and women or teenagers and elders, they are at best displayed by only a large majority of the group. Consequently, the remaining subset whose behavior does not fit into the framework of the demographic group (e.g. youngsters acting like elders, or vice versa) might not enjoy being reminded that they do not fit with their peers. Gichuru & Limiri (2017) ^[6] point out that in today's competitive world, market segmentation is a crucial marketing strategy which aims to identify and delineate market segments which would then become targets for the company's marketing plans. Authors looked at the use of market segmentation as a tool for improving customer satisfaction. They argued that in spite of the egalitarian approach that underpins the marketing of institutions, market segmentation may be used to better serve the needs of their customers. Authors mentioned that in utilizing market segmentation, the institutions must pay particular attention to barriers that may negatively impact the effectiveness of the market segmentation exercise.

Strizhakova *et al.* (2012) ^[20] evaluate the global cultural identity of the young adult cohort in the emerging markets of Russia and Brazil by considering the theory's grounding in three global-local identity beliefs. They suggest that one belief fueled by globalization (global citizenship through global brands) and two beliefs fueled by dialogically-opposed localization (nationalism and consumer ethnocentrism) as a basis for examining global cultural identity. Specifically, global citizenship through global brands is a belief reflective of the global dimension of global cultural identity. In contrast, nationalism and consumer ethnocentrism are beliefs reflective.

Martin (2011) ^[13] stated that the rationale behind marketing segmentation is to allow businesses to focus on

their consumers' behaviors and purchasing patterns. If done effectively, marketing segmentation allows an organization to achieve its highest return on investment (ROI) in turn for its marketing and sales expenses.

4. Methodology of the Study

Methodology is some tools and procedures that are used in a research process. It includes research design, sampling procedure, data sources, data collection and tools and techniques of data analysis.

4.1 Data Collection

Data were collected from both primary and secondary sources. Further, scholarly articles from academic journals, relevant text books and the internet search engines were also used.

4.2 Sampling Techniques and Sample Size

Standard Chartered bank was selected as sample and it was selected by simple random sampling technique.

5. Hypothesis of the Study

Hypotheses of the study are given below:

H₀:1 There is no positive impact of market segmentation on customer satisfaction.

H₀:2 There is no significant relationship between market segmentation and bank's profit (loss).

H₀:3 There is no significant relationship between market segmentation and managerial decision making.

6. Conceptual Clarifications

6.1 Market

A market is one of the many varieties of systems, institutions, procedures, social relations and infrastructures whereby parties engage in exchange. While parties may exchange goods and services by barter, most markets rely on sellers offering their goods or services (including labor power) in exchange for money from buyers. It can be said that a market is the process by which the prices of goods and services are established. Markets facilitate trade and enable the distribution and resource allocation in a society. Markets allow any trade-able item to be evaluated and priced. A market emerges more or less spontaneously or may be constructed deliberately by human interaction in order to enable the exchange of rights (cf. ownership) of services and goods. Markets generally supplant gift economies and are often held in place through rules and customs, such as a booth fee, competitive pricing, and source of goods for sale (local produce or stock registration). [compiled from [https://en.wikipedia.org/wiki/Market_\(economics\)](https://en.wikipedia.org/wiki/Market_(economics))].

6.2 Market Segmentation

Market segmentation indicates how your organization divides its customers or cohort into smaller groups based on characteristics such as, age, income, personality traits or behavior. Doyle (2004) viewed market segmentation as a homogeneous group of customers each reacting differently to promotion, distributional communication, pricing and other variables of marketing mixes. When these views are applied to segmentation of bank product market, the implication is that it affords the marketer to distinguish portions of the market from one another say in terms of customer needs and so achievement of corporate profit

target. Success in a market segmentation process is premised on the ability of a bank to identify individual differences and similarities within segments that have significant impact on purchasing patterns. Nigerian banking environment has witnessed tremendous competitive changes and regulatory dynamics; thus making segmentation practices imperative determinants in product development and offering to its complex clients.

6.3 Market Segmentation of a Bank

Market segmentation of private commercial bank has a huge variety. It has selected a number of clients as a part of variety of segments. In this table below the segmentation has shown shortly and a brief idea of segmentation is given here:

Table 1

Geographic Segmentation	Demographic Segmentation	Psychographic Segmentation	Behavioral Segmentation
Country region	Age	Social Class	Occupation
City or metro size	Gender	Lifestyle	Benefits
Density	Family Size	Personality	User status
Climate	Family life-style		Usage rate
	Income		Loyalty rates
	Occupation		Readiness stage
	Education		Attitude towards product
	Religion		
	Race		
	Generation		

6.4 Benefits of Market Segmentation

Various benefits from market segmentation are given below:

1. Through market segmentation marketers can personalize their marketing campaigns easily.
2. Marketers make segmentation to prioritize their target customer. If segmentation shows that some consumers would be more likely to buy a product than others, marketers can better allocate their attention and resources.
3. Market segmentation is an identification process that allows businesses to recognize the specific demands of particular customer.
4. Geographic segmentation is one type of segmentation where expansion is immediately possible. If you have your market strategy on the basis of geography, then once you are catering to a particular territory, you can immediately expand to a nearby territory.
5. Marketer can better understand their target market,
6. Market share can be increased by market segmentation.
7. Company gets greater accuracy in selecting promotional vehicles and tools.
8. Market segment helps to know and analyze the demand of each customer group and offer that match them.
9. To formulate marketing mix, market segmentation facilitates more.

7. Market Segmentation with benefits of Standard Chartered Bank

Table 2: Various types of segment of standard chartered bank are given below

Segment	Criteria	Segmentation Criteria	Benefits of Account	Benefits from segmentation
Current Account	For Convertible Taka Account: BDT 100,000	Demographic Segmentation	Unconditional withdrawals It is a transaction account into which deposits and withdrawals may be made at customer convenience.	Since bank allows to deposit and withdrawal money for customer convenience so people who wants to get freedom will be motivated to open this account. Maintenance fee is also fixed for this segment. Customers who are worry about maintenance fee will be also motivated to move with this segment.
	Nationality: Bangladeshi Citizen	Geographic Segmentation	No average balance fee There is no average balance fee in current account. There is a fixed account maintenance fee. No counter transaction fee No fees on transactions over the counter giving more freedom while making transactions.	
Fast Current Account	Age: Minimum 18 years old	Demographic Segmentation		Since bank is giving 50% waiver on gold and platinum credit card annual fee during on-boarding of fast current account so people will easily use credit card, As a result users of this segment will increase and both bank and customer will be benefited. 25% waiver on the processing fee of personal loans into this segment so customer will be more attractive for this loan
	Bangladeshi Citizen	Geographic Segmentation	Low initial deposit The minimum deposit required to open a Fast Current account is only BDT 100,000.	
	Minimum 18 years old	Demographic Segmentation	Credit card annual fee waiver 50% waiver on gold and platinum credit card annual fee during on-boarding of fast current account (subject to standard income assessment).	
	Account opening balance BDT 100,000	Demographic Segmentation	P/L processing fee waiver 25% waiver on the processing	
	Quarterly Minimum Balance BDT 100,000	Demographic Segmentation		

			fee of personal loans (condition: this offer is subject to 3 months minimum balance maintenance)	
Resident Foreign Currency Deposit Account	Minimum Account opening balance is USD 1,000 or GBP 500 or equivalent EURO.	Demographic Segmentation	International debit & credit card Become a global citizen with an International debit and credit card, which one can use anywhere in the world, when he/she open an RFCD account in USD. World class alternate channels Enhance your banking experience with our world class online banking & client centre services from anywhere around the world.	Customer who travel internationally on regular basis will prefer this segment since this segment provides international debit and credit card with the help of which customer will perform their transactions anytime in anywhere
Convertible & Non-Convertible Current Account	Bangladeshi Citizen	Geographic Segmentation	<i>FCY Issuance</i> With a Convertible account, customers have the option for issuing foreign currency for travel purpose. <i>Debit card & cheque book</i> Cheque book & debit card facilities are available with your Convertible & Non-Convertible Current Account. <i>Excellent alternate channels</i> Enrich one's banking experience with bank's world class online banking, SMS banking & client centre services.	This segment allows one to get benefit from both debit card and cheque book so customers make decision easily.
	Minimum 18 years old	Demographic Segmentation		
	Debit Card Annual Fee BDT 600	Demographic Segmentation		
Non-Resident Foreign Currency Deposit Account	Minimum Balance Requirement USD 1000, GBP 500 or equivalent EUR	Demographic Segmentation	Easy conversion Convert one's foreign currency deposits into Taka whenever he/she needs at the best exchange rates. Excellent alternate channels Enjoy excellence in digital services through bank's client Centre, SMS and online banking.	Foreign currency earnings people will choose this segment since through this segment customer can easily convert their foreign currency into taka at best exchange rate
	Non-Resident Bangladeshi/Dual Nationals	Geographic Segmentation		
	Minimum 18 years old	Demographic Segmentation		
Super Savers Account	Maintain a minimum balance of BDT 100,000.	Demographic Segmentation	Greater Convenience Greater conveniences come with premium services and value propositions	Customer gets premium service from this segment
	Nationality: Bangladeshi Citizen	Geographic Segmentation		
	Age: Minimum 18 years old	Demographic Segmentation		
Super Savers Premium	Initial Opening Balance with BDT 500,000.	Demographic Segmentation	No counter transaction fee No fees on transactions over the counter giving customer more freedom while making customer transactions. <i>Excellent alternate channels</i> Excellence in digital services ensured through bank's client centre and online banking <i>Greater convenience</i> Greater conveniences comes with premium services and value propositions	Customer who wants to get premium services will more satisfy with this segment.
	Maintain a monthly average balance of BDT 500,000.	Demographic Segmentation		
	Bangladeshi Citizen	Geographic Segmentation		
	Age: Minimum 18 years old	Demographic Segmentation		
School Banking Account	Bangladeshi Citizen	Geographic Segmentation	Minor account Account will be opened with parents/ legal guardian as an authorized signatory; it will be treated as a minor account. No minimum balance requirement School banking account has no minimum balance requirement for customer convenience. Earn on whatever you save	This segment has no minimum balance requirement for customer convenience so any customer will be able to open this account. Interest will be earned on any balance kept in school banking account so customer will get any amount of interest if any balance kept into account.
	Below 18 years old	Demographic Segmentation		

			Interest will be earned on any balance kept in school banking account; no minimum threshold applies.	
Graduate Account	Bangladeshi Citizen	Geographic Segmentation	Get started with just BDT 5,000 initial deposit and grow money with attractive interest rate	Since this segment is required BDT 5,000 so, low earnings customer can open this account and can get bank's benefits with attractive interest rate. Customer will be more satisfied with this segment.
	Age: 18-26	Demographic Segmentation		
Fixed Deposit	Bangladeshi Citizen	Geographic Segmentation	Low opening balance Opening a fixed deposit is affordable for anyone as the opening balance required is just BDT 50,000. Remote banking Enhance one's banking experience with bank's world class online banking & client centre services from anywhere around the world.	Opening a fixed deposit is affordable for anyone since it's required just BDT 50,000. Customer will be more satisfied since one can enhance banking experience with bank's world class online banking & client centre services from anywhere around the world.
	Minimum Age 18 Years	Demographic Segmentation		

8. Testing hypotheses

All statistical hypotheses consists of two parts a null hypothesis and an alternative hypothesis. These two parts are constructed to contain all possible outcomes of the experiment or study. Generally, the null hypothesis states that the "null" condition exists; that is, there is nothing new happening, the old theory is still true, the old standard is correct and the system is in control. The alternative hypothesis on the other hand states that the new theory is true, there are new standards, the system is out of control and/or something is happening. (Black, 2010) [2].

H_{0:1} There is no positive impact of market segmentation on customer satisfaction.

Table 3: ANOVA [There is no positive impact of market segmentation on customer satisfaction.]

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	2.500	1	2.500	10.888	.001
Residual	22.500	98	.230		
Total	25.000	99			

Table 3 indicates the calculated value of F (10.888) is greater than the critical value F (3.94) with (1,98) degree of freedom at 5 percent level of significance. So, the null hypothesis is rejected. If we also compare the sig. value then we can see that the significance value is less than alpha i.e.. 05. So, null hypothesis is rejected. It indicates that there is a positive impact of market segmentation on customer satisfaction.

H_{0:2} There is no significant relationship between market segmentation and bank's profit (loss).

Table 4: ANOVA [There is no significant relationship between market segmentation and bank's profit (loss).]

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	1.118	1	1.118	7.643	.013
Residual	2.632	18	.146		
Total	3.750	19			

Table 4 indicates the calculated value of F (7.643) is greater than the critical value F (4.41) with (1,18) degree of freedom at 5 percent level of significance. So, the null hypothesis is rejected. If we also compare the sig. value then we can see that the significance value is less than alpha i.e.. 05. So, null hypothesis is rejected. It indicates that there is a significant relationship between market segmentation and bank's profit (loss).

H_{0:3} There is no significant relationship between market segmentation and managerial decision making.

Table 5: ANOVA [There is no significant relationship between market segmentation and managerial decision making.]

	Sum of Squares	df	Mean Square	F	Sig.
Regression	2.061	1	2.061	21.953	.000
Residual	1.689	18	.094		
Total	3.750	19			

Table 5 indicates the calculated value of F (21.953) is greater than the critical value F (4.41) with (1,18) degree of freedom at 5 percent level of significance. So, the null hypothesis is rejected. If we also compare the sig. value then we can see that the significance value is less than alpha i.e.. 05. So, null hypothesis is rejected. It indicates there is a significant relationship between market segmentation and managerial decision making.

9. Conclusion

Each and every organization will need to use the right strategy that is best for their products or services. Today market segmentation is a crucial marketing strategy. It enables the bank to regulate marketing mixes to meet the needs of particular segment. Standard chartered bank segment the market to identify the customer needs and preferences also to find out new marketing opportunities. It is observed that SCB has segmented the market mainly on

the geographic and demographic bases. Market segmentation emerges as a key marketing imperative. It is recognized that markets and those individuals who make up such markets are not homogenous and therefore no single market offering will satisfy all individuals (Assael and Roscoe, 1976). For particular segmentation procedures and processes a specific segmentation strategy is required.

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