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Socio-Cultural Segmentation of the Harare Commercial Banking Market

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Abstract: *The study sought to determine prominent socio-cultural variables to the segmentation to the of the banking market. The study used a sample of 130 customers who were selected by intercepting customers as they left the premises of the bank. The socio-cultural variables for segmentation that were rated were social status, culture, and beliefs. The two major clustering variables that emerged were 'pressure from pressure groups influencing acceptance of certain financial services', and 'opening bank accounts for each child'.*
Keywords: *socio-cultural variable, segmentation, banking*

I. Introduction

The rapid change in technology has brought with it raft changes to the way business is done and consumer behavior. For banks, mobile banking has taken centre stage. These changes are also mirrored in peoples' lifestyles. There is now increased use of internet technologies on cell phones and computers. The socio-cultural environment has become an important variable in coming up a viable market segment for banks. It is important that banks move with the changing times and identify profitable customer segments.
This study intends to establish prominent socio-cultural variables influencing customer decisions in the banking sector.

II. Literature Review

Market Segmentation

Wilkie & Cohen (1994) postulate that market segmentation is the process by which the total heterogeneous market for a product is divided into several segments and each segment is homogeneous in all major aspects. Hiam & Schewe (1993), argue that there are several benefits of market segmentation. It helps determine promotional strategy, design products that match with the market demand and position a company' promotional efforts to synchronize with the period when the customer's response is at its maximum**.**

Socio-cultural segmentation variables

Socio-cultural segmentation variables are found under psychographic segmentation base. Kotler (1994) postulate that psychographic segmentation can be based on social class, lifestyle, or personality variables. Social class segmentation determines social class by averaging the person's position on several status dimensions (Loudon & Della Bitta, 1993). Lifestyle segmentation divides the market into segments based on activities, interests, and opinions (Plummer, 1974).
Hofstede (2001) define culture as the collective programming of the mind which distinguishes the members of one group or category of people from another. Concurring, Deresky (2003) explains that culture consist of assumptions, shared values, understandings and goals that are learned from one generation, imposed by the current generation, and passed on to succeeding generations . It relates to how people wish to be treated and how they treat others; how people communicate, negotiate process information and make decisions (Scarborough, 2000).

Segmentation in Bank Marketing

According to Harcar (2005) when dealing with customer-oriented commercial banks, one needs to study two interrelated aspects of bank marketing strategy. First determine if the commercial bank can provide the required banking services to its diverse market segments. Second, can the commercial bank's available resources and competencies match the current needs and expectations of its target market(s). Kaynak (1986) agrees and explain that commercial banks should be interested in serving their customers effectively to structure their marketing decision variables in an optimum way to form commercial bank-customer relationships.

III. Materials And Methods

In this study, descriptive survey research was used. Descriptive survey research is undertaken to describe consumers's beliefs, attitudes, preferences and behaviour (Jobber, 2010). A sample of 130 respondents was taken to gather information. Seven socio-cultural items were included in the survey questionnaire

administered on bank customers. Cluster analysis of data was used to analyse socio-cultural variables of market segmentation.

IV. Results and Discussion

Socio-Cultural Variables: Cluster Analyses and Market Segmentation

Table 1: Number of Individuals in Each Socio-Cultural Cluster

Cluster	1	29.000
	2	101.000
Valid		130.000

Table 2: ANOVA Table for Socio-Cultural Variables

	Cluster		Error			
	Mean Square	Df	Mean Square	Df	F	Sig.
Lifestyle affects acceptability of the new banking products	7.219	1	.381	128	18.956	.000
My social status is an important part of my life	.732	1	.370	128	1.978	.162
Pressure groups influence me to use certain financial services	37.386	1	.328	128	113.922	.000
Financial services offered by banks are good for the community	1.283	1	.341	128	3.758	.055
My culture prohibits certain banking practices	1.144	1	.536	128	2.136	.146
I use banks that are recommended by my friends and relatives	2.326	1	.421	128	5.523	.020
I will open a bank account for each child	27.315	1	.393	128	69.561	.000

Socio-cultural variables were also analysed using cluster analysis. From the table above, high F values were on variable to do with pressure groups influencing individuals to use certain financial services *(F=113.922; sig.=0.000).* This distinguishes individuals who actively set out to research on the products they want to use rather than heeding the advice of pressure groups.

Bank clients were also divided widely on the issue of opening bank accounts for each of their children *(F=69.561; sig. =0.000).* Some banks have already started making inroads into a client base composed of people willing to open accounts for their children, whichever age they are. CBZ for example has introduced products like teen accounts which are savings accounts for teenagers and junior accounts which are savings accounts for children under the age of 12 which is operated by the Parent or Guardian (CBZ, 2016). Any normal parent would want the best for the children and thus children's welfare becomes a key part of the socio-cultural segmentation.

Significant differences were also noticed in how lifestyle affects acceptability of the new banking products *(F=18.956, sig. =0.000).* This makes the respondents' lifestyle a possible segmentation variable for banks since Harare, as an urban city, is composed of people of differing preferences and lifestyles. A possible segmentation strategy would be to split the market into 'travelers' and 'sedentary' or 'affluent' and 'modest', and design products tailor made to be acceptable to each of the segments.

Final Cluster Centres for Socio-Cultural Variables

Table 3: Final Cluster Centres for Socio-Cultural Variables

	Cluster	
	1	2
Lifestyle affects acceptability of the new banking products	1.34	1.91
My social status is an important part of my life	1.41	1.59
Pressure groups influence me to use certain financial services	2.21	3.50
Financial services offered by banks are good for the community	2.21	2.45
My culture prohibits certain banking practices	3.48	3.26
I use banks that are recommended by my friends and relatives	1.90	2.22
I will open a bank account for each child	2.41	3.51

Of the two clusters, the larger one i.e. Cluster 2 with 101 individuals, is composed of individuals who are not influenced by pressure groups to use a particular financial service. The same cluster has individuals less likely to open bank accounts for their children. The two clusters, however, did not show differences on whether culture prohibited them to do certain banking practices.

V. Conclusion

Socio-Cultural variables in Market Segmentation

The socio-cultural variables for segmentation that were rated are social status, culture, and beliefs. The two major clustering variables were 'pressure from pressure groups influencing acceptance of certain financial services, and 'opening bank accounts for each child' Significant difference was also noted on how lifestyle can affect acceptability of bank products, thus lifestyle can be a possible segmentation variable for banks. Respondents had mixed feelings on these variables hence they can be used by banks to divide their market as they consider the socio-cultural variables of their customers.

Competing Interests

There were no competing interests envisaged

Authors' Contributions

The corresponding author mooted the idea and together with the co-author they designed the study up to the final document.

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