



## HOME LOAN MARKET SEGMENTATION IN CROSS-SECTION OF DWELLING PURCHASE READINESS

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**Abstract.** After the heavy fall in economy 2009 the grave competition in the Latvian market for home loan is a serious challenge to the lucrativeness of retail banking institutions. A common suggestion is that banks ought to respond to this challenge by making better use of market segmentation techniques. The general notion is that banks should concentrate their marketing efforts to serve a particular segment of the retail market. Therefore this paper discusses and presents a new adaptive approach to segmenting a bank's customers who are planning the dwelling purchase.

**Purpose.** This article demonstrates the application of behaviouristic segmentation to the retail commercial banking by using home loan market as a case example.

**Design/methodology/approach.** Data were gathered through self-administered questionnaires. The paper is based on a variety of statistics and on an overview of factors influencing bank selection to home loan obtaining and usefulness of the information provided by different sources. Two sets of variables were used to profile market segments.

**Findings.** Study results indicate that there are statistically significant differences between purchase-planning and purchase-not-planning bank customers in their assessment of the relative importance of criteria considered in bank selecting and information sources used for this aim.

**Originality/value.** More concentrated and focused on the several positions marketing strategies are recommended to reach better commercial banks' performance.

**Keywords:** *home loan, marketing, segmentation, commercial banks*

**JEL code:** M31, C12, G21

### Introduction

The banking retail market can be subdivided into the commercial market of individuals on the one hand and commercial market of small and medium sized enterprises on the other. Retail markets represent the products to end-users and differ from the corporate market. Corporate markets consist of very large corporations and government accounts offering high volume sales and requiring professional account management (Emmanuel *et. al.*, 1993). Thus in this paper the author investigate home loan banking retail market. In contrast to industrial and corporate markets, in the banks' retail markets, financial services help in economic renewal of nation through enlarged production activities, improves nation life style and

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fulfil convergence of people through disposable credit, also retail loans bring better yield. Retail markets (such as the home loan market) represent tempting actual and potential consumers for the commercial banks.

With the enlarging competition, consequences of crises and technological improvements in commercial bank marketing, the needs to make faster and better market achieving decisions are greater than ever.

The grave competition in the Latvian market for home loan is a serious challenge to the lucrativeness of retail banking institutions. A common suggestion is that banks ought to respond to this challenge by making better use of market segmentation techniques. The general notion is that banks should concentrate their marketing efforts to serve a particular segment of the retail market (Thomas *et. al.*, 1993).

High indices of market concentration in the banking industry has made it more and more significant for banks to appeal customers' needs better so banks can increase consumer satisfaction and loyalty. Any approach to increase customers' satisfaction and loyalty should also result in higher profitability. Commercial banks are considering methods of strengthening the relationship with their customers. In order to identify optimal opportunities banks need to be able to identify which services or products customers are interested in. Segmentation also carries on a better interpretation of customers' needs and responses; it may also help financial institutions identify new opportunities in existing customer groups. The goal of market segmentation is to increase customer satisfaction based on a better understanding of what the customers need and want (Thomas *et. al.*, 1993). Effective segmentation helps to use better resource assignment, better identification of opportunities in the markets, and also better marketing tactics and strategies (Kotler and Keller, 2008; Wind, 1978).

The major objectives of this study are:

- to determine the significance of selected factors in choosing a commercial bank by dwelling purchase-planning and purchase-not-planning bank customers segments;
- to present the in-depth theoretical research of the segmentation possibilities.

The purpose of this paper is to demonstrate the application of behaviouristic segmentation to the home loan market by using bank customers' readiness to purchase dwelling.

## Theoretical Background of Bank Commercial Markets Segmentation

The idea of segmentation of homogeneous consumer mass into the sub-segments was first considered by Chamberlain (1933) and Robinson (1933). These two great economists, working at the same time, created major worth to the theory of defective competition by showing the methodological and empirical flaws of perfect competition and its supposition of homogeneous demand and supply functions. So the economist Smith (1956) included Chamberlain's and Robinson's ideas and assumptions in his work and papers on products segmentation and differentiation. He resulted that an enterprise adopting differentiation and segmentation strategies would be apt to diversify its consumers or market offering and gain the benefits of larger flexibility of the product mix and as result greater profitability.

Therefore the conception *Market segmentation* was first and well-defined by Smith (1956) as "viewing a heterogeneous market as a number of smaller homogenous markets, in response to differing preferences, attributable to the desire of consumers for more precise satisfaction of their varying wants".

Since Smith's work (1956), researchers have improved a variety of segmentation kinds and methods such as benefit segmentation (Haley, 1968), psychographic segmentation (Ziff, 1971) and life style segmentation (Wells and Tigert, 1971). Consumer packaged-goods producers embraced widely these new methods and approaches for segmenting their clients and markets. More lately, bank researchers and finance marketers have also tried to segment consumers according to benefits desired (Minhas, 1996; Alfansi, 2000; Machauer and Morgner, 2001), predilection for payment ways (Lawson and Todd, 2003)



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or a variety of clients' psychographic variables (Harrison, 1994). With the rapid growing of internet banking, theoretical marketing researchers have concentrated their attention to these developing segments of the commercial banking industry (Lee et al., 2005; Maenpaa, 2006; Rugimbana, 2007; Ozdemir et al., 2008). In the author opinion, these segmentation methods possess significant shortcomings; little samples, inferior sampling frames and questionable measurement instruments. Also the segment structures created by the research-marketers were too common and incapable of providing commercial finance institutions with actionable based on the internet marketing strategies. In addition, the general analysis framework used in these works is starkly several from the one which most banks use in segmenting their consumers, integrating those that involve in internet banking. The banks' approaching is radically several from the standard approaches used by marketing theoreticians in segmenting users of internet banking (i.e. benefits sought, adopters and non-adopters, perceptions of internet banking services and socio-demographic characteristics) (Zuccaro and Savard, 2010).

Market segmentation in the retail banking sector today is still predominantly based on externally-observed demographic or economic criteria such as profession, age, income or wealth (Thomas *et. al.*, 2010). Using consumer demographics is important because banks can no longer be "all things to all people" but must focus their effort on specific customer segments to achieve market presence and positioning (Coffey and Palm, 1999).

There is no only one correct approach to segment a market. Often different segmentation ways will meet Kotler's (Kotler, 1980) criteria. Kotler divides market segmentation approaches into four major ways: geographic, demographic, behaviouristic and psychographic. Each of ways will be discussed.

## Geographic Segmentation

Geographic segmentation is the simplest area to understand. When a market is segmented geographically, one is saying the consumer needs or the ways to fill those needs vary geographically. This can mean by region of a country, population density or climate (Beane and Ennis, 1993).

Geographic segmentation tests an organization's ability to establish itself in new and often foreign markets. It must locate the source of market demand and endeavour to link itself into the system. In other words, market demand must be uncovered and a suitable way found to satisfy it. Despite where offices are, companies must define segmentation on the basis of where their customers are. Avoiding an area of growing demand on the basis of current exposure is hardly proactive. Particularly in today's ever-shrinking world, where technology takes to places previously unattainable, the organisation must extend itself. Failure to do this would put organizations in the position of being in the wrong place at the right time (Wills, 1993).

Companies must not yield to artificial boundaries, such as national borders, but develop a marketing plan relevant to the area in which it will be used. Geographical segmentation tells that where office happens to be is immaterial. What companies need to know is where their customers are (Wills, 1993).

According to Wills (1993), segmentation in the context of international banking is carried out in a number of ways. An example of one such method is to establish two broad segments — territory and activity – as is currently performed by many international banks. While at first these seem distinct, in practice they overlap.

Also Wills supposes that there is an urgent need to refine segmentation on the international banking front and the following is a sampling of sub-segments which are worth examining:

- segmentation on the basis of country, rather than general region;
- segmentation on the basis of industry type and the ownership type (state, publicly quoted, subsidiary of a multinational);
- segmentation according to balance sheet structure;
- segmentation according to the stage in the company's life cycle (Wills, 1993).



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## Demographic Segmentation

The study by Beane and Ennis (1993) demonstrates that demographic segmentation appears to be the most prevalent form of market segmentation. This is probably because consumers are placed on definite scales of measurement, which are easily understood. The information is easily interpreted, relatively easily gathered, and easily transferable from one study to another (Beane and Ennis, 1993). Common demographic variables are age, sex, size and type of family, income, educational level, race, and nationality. Combinations of these variables are sometimes used depending on the degree of specificity required in the segment construction (Beane and Ennis, 1993).

Especially the age of the consumer is a popular basis for segmentation (Stanley *et al.*, 1985). Banks have responded to age segments with the development of a number of several products and services (Lewis, 1981; Lewis and Bingham, 1991). Lewis *et al.* (1994) find that young people have been characterised as emphasising the importance of material possessions, being more concerned with consumption than saving, and seeing money as vital for personal success. This inevitably leads to a variety of credit behaviours and borrowing requirements (Sum Chau *et al.*, 2010).

Also Beane and Ennis (1993) state that some of the problems that other researchers seem to have with demographics stem from their attempts to segment entire markets. Demographics will not be good descriptors of segments if the segments do not clearly exist. As was stated earlier, it may not be possible to segment a market completely, but this is acceptable if some segments can be clearly identified (Beane and Ennis, 1993).

## Psychographic Segmentation

Psychographic segmentation depends entirely on the approach, that clients think, their inherent preferences and clients' life styles. Psychographic segmentation is often called life-style segmentation. Beane and Ennis (1993) conclude that no one set of life styles exists, but in general terms fairly finite groupings are not difficult to develop. This type of research analyses consumers first and then applies the product to them in hopes of discovering different usage patterns. Life-style segments are usually derived by submitting a questionnaire to a random sample of people, perhaps based on broad demographic requirements. Psychographic or life-style segmentation becomes a little more difficult to explain in that researches are no longer looking at clearly definable, quantitative measures, but are beginning to investigate such things as social class and way of living (Beane and Ennis, 1993). Wells (1975) called psychographics a quantitative attempt to place consumers on psychological dimensions. Ziff (1971) states that attempts to define psychographics narrowly have proved difficult.

According to Beane and Ennis (1993) psychographics can serve as the next step in research if a demographic study produces no clear or actionable segments. Basically, when one uses psychographics in an attempt to segment a market, one is trying to incorporate part of the inner person into the understanding of that market. Rather than being concerned solely with age, sex, or marital status, personality characteristics, values and beliefs, and life style are considered (Beane and Ennis, 1993).

Plummer (1974) discusses life-style segmentation and finds that it does a better job in describing segments than demographics alone. He describes life-style segmentation as a mix of demographics and psychographics.

## Behaviouristic Segmentation

Kotler's fourth and the last group of segmentation variables is behaviouristic ones. This method includes such areas as user status, purchase occasion, degree of loyalty, readiness stage, benefits sought, degree of usage and marketing factor sensitivity. So clients are segmented based on knowledge of the response to the product or attitude.



## 1. Is the Bank Marketing standardization Opposite to Local Market Segmentation?

While segmentation strategies have changed for the better over time, the approach still tends to be more macro rather than micro. By using mostly demographic and economic criteria for segmentation, it is probable that the standard service packages developed on the basis of macro segments that are offered to customers may not suit them well and may lead to dissatisfaction (Machauer and Morgner, 2001). To resolve this conundrum, it may make sense for banks to engage in finer forms of segmentation – such as grouping respondents according to their responses to particular variables (Thomas *et. al.*, 2010).

About fifty years ago, market segmentation was considered as faultiness in market structure rather than as a more exact adjustment to consumer or customer requirements. From this time, the advances of applying marketing approaches to the heterogeneous needs and wants of consumers are recognized. Today in the frames of globalization, the focus has moved towards understanding for similarities and the investigation for “global segments”. As a result of these metamorphoses Hassan and Katsanis (1991) defined global market segmentation as follows: “Global market segmentation is the process of identifying specific segments, whether they be country groups or individual customer groups, of potential customers with homogeneous attributes who are likely to exhibit similar behaviour” (Hassan and Katsanis, 1991).

This tendency of globalizing economies enhanced a new objective – how should the banks segment a global or international market? Segmentation of an international bank services market is accorded with the supplement of different country specific and dimension.

In national markets consumers characteristics such as nation, age, education, sex, incomes social class, marital status, etc. and attitudes toward a brand or certain product are often employed as bases for differentiation and segmentation. In international banking markets an extra measurement has to be treated, i.e. national or country characteristics. For example, every country or region have its own specific and different economic, social, cultural, political, technological, environmental and legal characteristics influencing marketing strategies, decisions and clients/market responses.

The several approaches and perceptions of multinational companies detected their segmentation methods. Besides the change from searching for differences towards the concentration on similarities mentioned earlier, one can notice the influence of the evolvement of multicultural strategies and the internationalizing environment.

According to Association of Latvian Commercial Banks statistics the most commercial banks with the highest rates in assets, credits and debts in Latvia of 2012 are parts of different international financial groups, for example, *Swedbank, SEB banka, Nordea Bank Finland Latvia Branch, DNB bank*.

Therefore these banks have standardised international marketing strategies, because each of all financial groups has certain guidelines regard to overall main strategy, clients achieving and loyalty creating.

It is necessary to understand that according to Financial and Capital Market Commission data these banks are included in the market share of five largest banks. International financial groups regulate the main part of all marketing activities in the Latvian commercial banks market. Does it mean that international standardization provided by financial groups excludes any accordance to local market specifics, incl. segmentation?

In the author opinion it is only logical and right, that local marketing activities and segmentation should be corresponding to national client's needs and possibilities. Also some researches states that local segmentation helps to realize financial groups strategies.

Researchers (Frank, Massy and Wind, 1972) proposed three methods to segmentation of international market:

1. Analysing each country or region as individual segment;
2. Analysing groups of countries or regions with analogues characteristics as individual segments;
3. Analysing the whole world as one segment.



In these approaches researchers do not pay attention that there can be groups of consumer in different countries or regions that are similar and may form few cross-national segments. At the same time, this fact was investigated by Hassan and Katsanis (1991) who considered three main segmentation approaches:

1. The approach “country cluster”;
2. The approach “cross-national”;
3. The approach “world segment”.

### **The segmentation approach “country cluster”**

Sethi and Holton (1973) defined a method for clustering countries. They provided that as banks grow, the “every region or country is several” approach might prove to be less useful and a grouping method might be more necessary. Researches recognize the abilities of standardization offers as a part of main strategy.

### **The segmentation approach “cross-national”**

Jain (1989) proposed commercial banks market segmentation as a method of dividing several countries or regions into homogeneous groups, thereby focusing on local country segmentation. Also Jain mentioned a number of stages that should be done in order to achieve segmentation criteria usable for classifying global markets.

### **The segmentation approach “world segment”**

Levitt (1983) mainly defined the “world segment” approach. The thought that customers are becoming increasingly homogeneous around the globe helped him to identify one world segment, composed of customers wanting services and products with the lowest price and the highest quality. Levitt proposed that differences of realized preferences for specific service or product features do not influence on the client buying behaviour when is offered standardized product with low price and high quality.

## **2. Home Loan Market Segmentation in Latvia**

An empirical research was conducted based on collected data from a sample of 1187 respondents, using author’s created questionnaire during an Internet interview, where 15 questions was posed in web-site [www.visidati.lv](http://www.visidati.lv). Data from 1254 respondents were collected, of which 1187 are usable for investigation. The design of questionnaire structure was based essentially on measurement scales. Hence in order to measure respondents’ home loan bank selecting criteria items relating to choice factors were used. All respondents fielded how much they are affected by each criterion selecting the bank for home loan obtaining. The criteria mentioned were measured on ten-point scales, ranging from not at all to very much. Also the survey contained the data to analyse the respondents’ belonging to concrete bank, readiness to home loan obtaining. Finally survey obtained demographic data, such as gender, age, marital status, incomes and occupation.

The demographic profile of all respondents is shown in Table 1. The age of the respondents ranged between eighteen and seventy, with the median age being 28. This sample is unique in that no other survey in the existing marketing literature regarding home loan banking has included the most employed



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and high school educated respondents (see Table 1). For home loan banking, such impressive per cent of employ and education indicates a more representative data regarding target market.

For the analysis author chose the population of home loans target market, not all Latvian population, because the home loan product is complicated and high involvement product that is not freely available to all citizens. For selection of population of home loans target market author has used results of expert interviews and author's empirical research on mortgage loan holders.

As a result of author's investigation (consultations with experts and gathering the views of their opinions), it was found the profile of home loan product target market, on the basis of which the author implemented the survey. In order to ensure the planned sample size, the author selected the respondents according the results with population census 2011. Questionnaires have been placed under Internet link that was sent to all survey respondents, which were carefully selected and for some of the several reminders were necessary. Thus author communicated with respondents before link sending.

The questionnaire contained also such groups of questions as:

- 1) the respondents' satisfaction of their housing conditions;
- 2) the respondents' readiness to purchase dwelling and obtain home loan;
- 3) the respondents' attitude regarding home loan obtaining.

Table 1

### The respondents' profile in survey on home loans in January 2012 – February 2013

Sample demographics				
Demographics	Total, %	Planning dwelling purchase (n=457), %	Not planning dwelling purchase (n=730), %	$\chi^2$
<b>Gender</b>				5.963
Female	46.2	53.7	46.3	
Male	53.8	51.6	48.4	
<b>Age</b>				14.42*
18 – 24	8.6	56.5	43.5	
25 – 34	47.6	61.1	38.9	
35 – 44	19.5	69.5	30.5	
45 – 54	17.5	83.6	16.4	
55 – 80	6.7	49.9	50.1	
<b>Education</b>				3.75*
Primary school	0.3	32.2	67.8	
Secondary / professional secondary	8.8	28.7	71.3	
Not finished higher education establishment	23.7	52.1	47.9	
Higher education	67.1	50.8	49.2	
<b>Employment status</b>				23.47*
Employed	97.4	57.8	42.2	
Unemployed	2.6	27.3	72.7	

\* Significant relationship for 0.01 significance level.

Source: author's calculations based on author's survey January 2012 – February 2013, (n=1187)



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Close analysis of the profile shows that while planning and not planning dwelling purchase respondents were similar in their gender terms, there were statistically significant differences in terms of other demographic characteristics. Purchase-planning bank customers were mostly educated, of a younger age group. Purchase-not-planning customers were older than their planning customer counterparts in case if age bracket is 36-80 years. As well as the demographic characteristics of respondents, data related to the bank most used, number of cohabiters and satisfaction of housing conditions were also investigated.

## Dependent variable

So as mentioned before all respondents were divided into dwelling purchase planning versus purchase not planning bank customers by using the author's designated method. This method generated 457 purchase planning and 730 not planning.

There were statistically significant differences between purchase-planning and purchase-not-planning bank customers on the bank most used, number of cohabiters and satisfaction of housing conditions (see Table 2). It is of considerable interest to check for differences in the evaluative design across concrete demographic categories. The results and data obtained could be interesting and useful to bank specialists in linking and identifying importance measures to bank customer choice and behaviour.

Table 2

**Banking characteristics of respondents of survey on home loan possible holders  
January 2012 – February 2013**

	Planning dwelling purchase (n=457), %	Not planning dwelling purchase (n=730), %	$\chi^2$
<b>The most used bank</b>			8.471*
Swedbank	29.0	71.0	
SEB	29.4	70.6	
DNB banka	46.7	53.3	
Citadele banka	29.1	70.9	
Nordea	41.2	58.8	
ABLV banka	23.8	76.2	
Other bank	40.3	59.7	
<b>Number of cohabiters</b>			12.538*
None	36.1	63.9	
1	37.3	62.7	
2	33.5	66.5	
3	42.2	57.8	
More than 3	41.3	58.7	
<b>Satisfaction of housing conditions (scale points)</b>			14.623*
1 – 3	55.1	44.9	
4 – 6	53.4	46.6	
6 – 8	49.3	50.7	
9 – 10	44.2	55.8	

\* Significant relationship for 0.01 significance level.

Source: author's calculations based on author's survey January 2012 – February 2013, (n=1187)

Investigation of the Table 2 shows that purchase-planning customer segment is mostly DNB bank's and Nordea bank's clients, who had higher number of cohabiters and who evaluate their satisfaction of





housing conditions with lower scale points. As well as the satisfaction of housing conditions and number of cohabiters related to customers plans, factors considered in choosing bank were also investigated.

## Independent variables

Two sets of variables were explored to profile the above defined market segments. Therefore the first set was related to significance criteria, which included factors influencing bank choice to home loan obtaining in cross section of dwelling purchase planning (see Table 3). Respondents were asked to assign on a ten-point differential scale the importance of factors in choosing national bank to home loan obtain.

Table 3

**Factors considered in choosing bank to home loan obtaining in cross section of dwelling purchase planning in Latvia home loan possible holders 2012-2013**

Factors influencing bank choice to home loan obtaining	Planning dwelling purchase (n=457)		Not planning dwelling purchase (n=730)		t value	Significance, p
	Mean	SD	Mean	SD		
Interest rate	5.07	2.47	4.89	2.82	-4.567	0
Fees and commissions	7.09	2.31	6.73	2.84	-0.947	0.393
Repayment terms	8.82	1.52	8.38	2.65	-5.616	0
Possibility of the amendments to the mortgage loan agreement	7.47	2.17	7.88	2.7	1.16	0.217
Established relationship	7.66	2.21	6.59	2.22	2.005	0.522
Personnel appearance	7.85	2.84	7.11	1.87	1.264	0.809
Personnel friendliness	7.08	2.71	7.11	2.14	-2.074	0.008
Personnel competence	4.8	2.35	4.91	2.24	-2.403	0.986
Personnel consideration	9.19	1.73	8.64	2.49	-1.701	0.219
Personnel care	9.06	1.51	8.52	2.92	-1.05	0.05
Loan-competent specialists' recommendation	7.4	2.65	7.66	2.83	-0.268	0.235
Service fastness	6.63	2.44	5.96	2.7	-0.797	0.002
Shareholders structure of bank	6.27	2.96	6.07	3.12	-1.174	0.164
Image / reputation	5.78	2.68	6	2.85	-1.395	0.241
Social responsibility	5.6	2.71	5.48	2.08	-3.145	0.426
ATM accessibility and functionality	8.71	2.53	7.92	1.81	-1.189	0.789
Friends' recommendations	8.02	1.76	7.81	2.9	1.968	0.295
Conveniently of branch location	8.99	1.43	8.33	2.6	-1.231	0.09
Width of branch network	8.77	1.42	8.89	2.49	-0.017	0.017
Loan cover of the property value	8.05	2.76	8.09	2.61	-2.667	0.03
Acquaintances' recommendations	6.13	2.15	5.49	2.38	0.242	0.207
Attractive brand	4.89	2.78	4.39	2.19	0.641	0.036
Famous brand	5.92	2.51	5.42	2.52	1.237	0.247
Relatives' recommendations	6.44	2.61	5.55	2.67	0.855	0.344

Scale points 1 – 10, where 1 – factor has not influence at all, but 10 – factor has very high influence  
 Source: author's calculations based on author's survey January 2012 – February 2013, (n=1187)



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The second set of survey questions was created to generate data concerning perceived usefulness of the information provided by different sources in cross section of dwelling purchase planning (see Table 4).

Table 4

## Descriptive statistics of the respondents evaluating of information sources on home loan obtaining possibilities in cross section of dwelling purchase planning January 2012 – February 2013

Information sources	Planning dwelling purchase (n=457)		Not planning dwelling purchase (n=730)		t value	Significance, p
	Mean	SD	Mean	SD		
bank web sites	6.40	2.33	5.33	2.30	2.471	0.238
responses in the Internet	4.33	2.88	4.09	2.85	2.368	0.028
advices of loan experts	7.05	2.47	5.92	2.31	0.352	0.846
pamphlet	4.96	2.81	4.39	2.69	0.347	0.002
advices of friends	5.86	2.40	5.54	2.71	3.438	0
information in the press	4.98	2.81	4.13	3.05	2.149	0.051
advices of relations	6.16	2.66	5.09	2.75	1.846	0.052
consultations in a bank branches	7.43	2.70	7.49	2.91	1.574	0.027
advices of middleman	4.24	2.75	3.06	2.89	3.258	0.741
information at TV	3.69	2.70	3.25	3.03	0.129	0.729
advices of acquaintances	5.00	3.00	4.54	3.03	2.592	0.014
information at radio	3.70	3.04	2.67	3.30	-1.357	0.01

Scale points 1 – 10, where 1 – source is not important at all, but 10 – source is very important  
 Source: author's calculations based on author's survey January 2012 – February 2013, (n=1187)

Table 4 presents the perceived importance of several information sources by purchase-planning and purchase-not-planning bank customers. A ten-point scale was used, where 1 means that source is not important at all, but 10 means that source is very important. It was hypothesized that consultations in a bank branches could be most important. Thus both of investigated bank customers types rated very high this source.

### 3. Study findings

#### Factors influencing bank selection to home loan obtaining

Table 3 shows a comparative profile of the two opposite market segments pursuant to the importance segments (different in dwelling purchase readiness) placed on bank choosing factors. The t-test was



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presented to test for the statistical significance of patronage factors between purchase-planning and purchase-not-planning mentioned bank customers' type. A mean score for the importance of each criterion was calculated too.

There were statistically significant differences between purchase-planning and purchase-not-planning investigated bank customers. Interest rate, repayment terms, social responsibility, loan cover of the property value, personnel competence and personnel friendliness were more important for purchase-not-planning bank customers, whereas established relationship and friends' recommendations were mentioned as the most significant factors considered by purchase-planning bank customers that was analysed in this study.

### Usefulness of the information provided by different sources

Table 4 presents the perceived usefulness of different information sources by purchase-planning and purchase-not-planning such bank customers' segment as home loan target market. A ten-point scale was used where 1 means useless and 5 is very useful. There were statistically significant differences between purchase-planning and purchase-not-planning bank customers. Purchase-planning bank customers pointed the usefulness of advices of friends, advices of middleman, bank web sites, responses in the Internet, information in the press, advices of acquaintances, consultations in a bank branches and advices of relations higher than purchase-not-planning high-educated women bank customers' segment.

### Conclusions

This study, conducted in all Latvian regions, demonstrates that commercial bank managers can practice the evaluative factors used by bank customers in choosing a commercial bank to home loan obtaining.

The results suggest that purchase-not-planning respondents perceiving a high level of personnel behaviour and extra features of home loan offered by the bank. More exactly, respondents, who are planning dwelling purchase, assigned a higher level of factors influencing bank choice to home loan obtaining than did the purchase-not-planning respondents (the mean of all factors was higher).

The difference of perceived usefulness of different information sources by two segments can be explained by the conceptual distinction between them.

The results have important implications for commercial banks in developing marketing and operational strategies in Latvia. Dwelling purchase-planning and purchase-not-planning bank customers are two segments with different demographic and behaviour backgrounds give the possibility for cross-segment research in the area of home loan marketing.

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