# Lifestyle Segmentation: The Comparison of Islamic and Conventional Banking Customers in Indonesia

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## Abstract

Understanding customer' lifestyles important for banks because it will guide in determining marketing policies, such as services, pricing, service delivery and promotion decisions. From the customer' lifestyle, banks will know what kind of customers' attitudes, interests and opinions, so they also will understand what the costumer' needs and what services needed by them. For Islamic banks, customers understanding are important because, nowadays, the competition of the banks is not only with other Islamic banks but also with the well-established conventional banks offering Islamic products or services

The aims of this research paper are to describe what factors underline the customer's lifestyle of both Islamic and conventional bank, to segment the bank customers based on their lifestyles and investigate the profile of each segments, to compare the characteristics of the segments, and to identify marketing policies based on the characteristics.

The population of the study is banking customers in Indonesia, in which the researchers have used judgment sampling as sample selection. There were 186 customers of Islamic banks and 244 customers of conventional bank as respondents in this study. Statistical methods employed were exploratory factor analysis and cluster analysis.

The finding of the study shows that there are twelve factor underlining the customers' lifestyle, namely: factor of fashion conscious, internet usage, sports spectator, financial and technology optimism, price sensitivity, independent, compulsive housekeeper, new brand tryer community activities, opinion leader, credit usage, and homebody.

In addition, for Islamic banking, there are two market segments, namely fashionable-independent and innovative-social segment. Based on the lifestyle characteristics, the first segment has higher level in factor of fashion conscious, homebody, independent, optimism and price conscious, which is therefore called fashionable-independent segment. On the other hand, the second cluster has higher level in factor of new brand tryer, community minded, sport spectator, credit user, internet usage, opinion leader, and compulsive housekeeper, which is therefore called the innovative-social segment.

Furthermore, for conventional banking, there are also two segments, namely persuasive-optimistic and sensitive-independent segment. The first segment has higher level on some factors, namely: opinion leader, optimism, internet usage rate, credit usage level, sport spectator, and new brand tryer. On the other hand, the second cluster is characterized by higher level in factor of price conscious, confidence, community minded, homebody, fashion conscious, and compulsive housekeeper.

Managerial implications for the management of Islamic banks could be identified in this study as follows. *Firstly*, the twelve lifestyle factors of this study could be an alternative view in observe Islamic banking customers. The domination of both the fashionable conscious and the internet usage factor show that the aspects are quite instrumental in perceiving the customer' lifestyles, in which reflects the importance of these two aspects to customers. *Secondly*, in serving their customers, Islamic banks need to understand the customer lifestyle, in which the lifestyle segments found in this study provide a guide of how their needs were reflected. *Finally,* by understanding the segments and the characteristics each segment of the conventional banks, Islamic banks could adjust their marketing strategies differently from the conventional banks.

Keywords : Islamic Banking, Lifestyle Segmentation, Bank Marketing, Indonesian Banking Customer

JEL Classifications : G21, G24, M32, M38, O53

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## Ⅰ. Introduction

Understanding customers is an important for Islamic banking in order to design and implement marketing strategy because, nowadays, both competition and customer' demand are increasing. From competition point of view, the understanding is needed because the competition of banks is not only with other Islamic banks but also with the well-established conventional banks offering Islamic products or services (Naser et al., 1999). The competition is reflected on more banks, services and more innovation offered. As a consequence, it better for

bank to compete through diversification than the scale of bank (Maixe'-Alte's, 2010). Furthermore, from customer perspective, the customer' needs have influenced bank's strategies, while customers are a vital in deciding marketing policies, such as on designing services, counting rates and costs, determining service delivery, and selecting promotion strategies. Moreover, the most banking services are generally developed based on their customer needs, wants and perceptions. Customer perception is important factor in selecting products of Islamic banks (Rivai et al., 2011).

Knowing the characteristics of customers from different points of view needs to be obtained; in order that marketers could easily maintain their customer retention (Anderson and Kerr,2002). This activity involve the information of who customers are, how old, what their education, where they live, and other demographic aspects, and the predictive aspects influencing the customers behavior. The customer characteristic as determinants of behavior need to be explored and monitored, therefore every behavioral changes of customer could be recognized and utilized to find techniques to serve customer effectively and efficiently. This is in line with the opinion stating that consumers use brands to express their identity, as result it lead firms to repositioning their products that initially focused on the functional attributes to on how they adjust to the lifestyle of consumers (Chernev et al., 2011).

In terms of lifestyle segmentation, Islamic banks is also important to investigate a comparison of their customers with conventional bank customers in order to give an idea of what difference are, what specific characteristics inherent in Islamic banking customers are, and what are needed to serve customers effectively. Dichotomy of Islamic and conventional bank will also affect the type and quality of services provided. For example, the motivation of religious consciousness in buying Islamic bank services for some customers needs to be proven and packaged by services corresponding customers' lifestyles.

In addition, Islamic bank customers in Indonesia are mostly Muslim who have unique characteristics and behaviors. With some 88.7 percent of its 250 million people professing Islam, Indonesia is the world's most populous Muslim nation, in which almost half of the country's Muslims reside on the island of Java (Rajiani,2010). Some of their characteristics are many Javanese Muslims admit that a generation ago, they were lax in their performance of the pillars of Islam, including daily prayers, the annual fast, and the payment of religious alms. Furthermore, few women wore the Muslim headscarf, in which on college campuses, as well as in banks, government offices, and business establishments, Western-style skirts or dresses and short-sleeved blouses were the norm.

There is a limited study in literature comparing the market segment between Islamic and conventional banks. Study on segmentation was mostly concerned to one product and market (i.e. He, Zou & Jin, 2010; Machauer and Morgner, 2001; Minhas and Jacobs, 1996), therefore there is a limit understanding of how to compete in difference segment and how to design strategy based on difference segment characteristics.

The purpose of the study were as follows: 1) to describe what factors underline the customers lifestyle of both Islamic and conventional bank; 2) to segment the bank customers based on their life-

styles and investigate the profile of each segment; 3) to compare the characteristics of the segments; and 4) to identify marketing policies based on the characteristics.

## Ⅱ. Literature Review

### 2.1. Understanding Customer and its implication

Studies on banking segmentation were conducted by researchers in marketing literature. Hanzaee and Aghasibeig (2010) examined the Sproles and Kendall's consumer styles inventory on generation Y women in Islamic countries (Iran) and found six customer segments. Minhas and Jacobs (1996) study explore the benefit segmentation in financial services and found eight factors, namely accessible cash, money management, personal service, cash cards, full service banking, advice, and limited investment banking. The other finding of this study shows that the benefit sought bymajority of consumers is personal service. The segmentation study in banking found four customer segments, namely: the traditional, services-oriented but oppose the technology, transactions without assistance, and segments having concern in bank (Machauer and Morgner, 2001).

Particularly in Indonesia bank, the segmentation study conducted by Alfansi and Sargeant (2000) and found the nine benefits sought factors, namely factors of core products, additional products, physical evidence, promotional incentives, interest, convenience, security and technology. There are three bank benefit segments, namely relationships, price sensitive and service. Sutarso et al. (2009) found seven factors that underlie customers choose Islamic banks, namely the ease of access to services, pricing services, professional employees, reputation, promotion, security, and implementation of Islamic law. Also, there are five benefit segments, namely promotion, employee services, ease of access, the Islamic principle and cost. Thus, research on the segmentation of banking services in the literature is conducted in terms of benefits sought by bank customers.

Based on the segmentation, the marketing implication is that banks can select the strategy in serving their customers, which is whether implementing either micro-marketing or mass marketing, in which the two approaches are more as a continuum and not a different activity. Options that could be made by marketers are mass marketing, segment marketing, niche marketing and micro marketing (Kotler and Armstrong, 2008)

### 2.2. Lifestyle as a differentiated factor

Lifestyle study has gained the attention of researchers and marketing practitioners, especially for marketing services. Lifestyle as a criterion has been adopted by western companies to segment the market and product positioning (Zhu et al.,2009). Research exploring lifestyle has been conducted in some areas. He et.al. (2010) study describes the mobile product customers in China and found eight lifestyle factors and four powerful consumer segments, namely: conservative, simple cautious consumer, economical impulsive consumer, and fashionable quality consumer awareness. Other researchers examined the life-

style of students in relation to the role of leisure in the students' lives in Hong Kong, and found that there is dynamic model of inter-action between recreational and learning activities, in which the inter-actions are important for development of students, particularly in helping to balance between academic and social life (Sivan, 2003).

Lifestyle research linking family lifecycle and lifestyle indicates that there are thirteen stages of life, from single/married without children to the widow, where the stages describe the role of household life cycle in lifestyle through their spending patterns (Du and Kamakura, 2006). Research on student lifestyle found that there are four groups, namely family-dependent group, group enjoyment, sport-lover group, and opti-mistic group(Sutarso and Suminar,2008). Lifestyle segmentation study in an efforts to understand how museum service fits with many as-pects of the lives of visitors found the seven groups customers life-style, namely : active 'family valued' people, conservatives quite lifers, educated liberals, accepting mid-lifers, success-driven extroverts, prag-matic strugglers, and social strivers (Todd et al., 2001). Another finding was a significant association between lifestyle groupings and the visits frequency to museums and art galleries. Yang (2004) in internet mar-keting study identified three lifestyle segments, namely segments of ex-perience, traditionalists, and spoiled, and that the lifestyle segment of Internet users can predict the attitude towards internet advertising.

Other lifestyle studies have also shown similar findings and the importance of lifestyle factor in marketing. The findings described that lifestyle and demographic aspects was important in segmenting market (Kavak and Humusluoglu, 2009). In library services, there are four lifestyle factors and four segments of users (Nagata et al., 2007), and in high-tech products, lifestyle factor is a causative factor and can be integrated into marketing strategies and promotion (Lee et al., 2009). In addition, the other findings reveal that there is a difference between the lifestyle segments in influencing the possibility of re-buy-ing (Ansell et al., 2007).In context of Coffee Bene, there are three group segments such as atmosphere-oriented group, comfort oriented group, and taste oriented group (Yu and Yoon, 2011).  Finally, there are seven segments in wine market based on engagement and lifestyle or motif (Brunner and Siegrist, 2011). Thus, lifestyle studies have been used in many fields, and consistently the studies could be a guide for marketers in designing and implementing their marketing strategies.

## Ⅲ. Research Method

### 3.1. Data

Sources of data in this study were primary data using respondents or people who respond to or answer every question in the research, in which they were Islamic and conventional bank customers in Surabaya, Indonesia. The approach used to collect data was survey method. Communications method was employed through questioning and recording their responses for analysis. The questionnaire was de-signed to determine the relative agreement of factors underlining the lifestyleof bank customers. Forty-one questions were developed by re-viewing relevant literatures and preliminary interviews, in which these

questions represent lifestyle construct developed from previous studies (i.e. Plummer, 1971; Wells and Tigert, 1971; Yu, 2011).

A pre-test of the questionnaire was conducted mainly in order to examine and modify the questionnaire with regard to its wording, comprehensiveness, and easiness. The measurement of individual item was based on the Likert scale expressing customer's attitudinal evalua-tion of items, in which five answer categories (1- 5) were used, from "strongly disagree" (1) to "strongly agree" (5). The Cronbach alpha of the lifestyle construct is 0.74, which means the score conforms to the cut-off value (Malhotra, 2007).

<Table 1> Description of respondents

| Aspect | Classification | IslamicBank | | Conventional Bank | | All Bank | |
|---|---|---|---|---|---|---|---|
| | | Number | Percent | Number | Percent | Number | Percent |
| Gender | Male | 93 | 50 | 125 | 51.2 | 218 | 50.7 |
| | Female | 93 | 50 | 119 | 48.8 | 212 | 49.3 |
| Education | High School | 64 | 34.4 | 85 | 34.8 | 149 | 34,7 |
| | Diploma | 22 | 11.8 | 27 | 11.1 | 49 | 11,4 |
| | Undergraduate | 85 | 45.7 | 118 | 48.4 | 203 | 47,2 |
| | Master | 8 | 4.3 | 8 | 3.3 | 16 | 3,7 |
| | PhD | 1 | .5 | 0 | 0 | 1 | ,2 |
| | Abstain | 6 | 3.2 | 6 | 2.5 | 12 | 2,8 |
| Occupation | Student | 42 | 22.6 | 42 | 17.2 | 84 | 19,5 |
| | Professional | 65 | 34.9 | 94 | 38.5 | 159 | 37,0 |
| | Service Servant | 24 | 12.9 | 30 | 12.3 | 54 | 12,6 |
| | Retired | 1 | .5 | 5 | 2.0 | 6 | 1,4 |
| | Entrepreneur | 21 | 11.3 | 33 | 13.5 | 54 | 12,6 |
| | Others | 33 | 17.7 | 40 | 16.4 | 73 | 17,0 |
| Duration as customer | <6 month | 48 | 25.8 | 20 | 8.2 | 68 | 15,8 |
| | 6 to < 24 month | 60 | 32.3 | 49 | 20.1 | 109 | 25,3 |
| | 2 to < 5 year | 53 | 28.5 | 77 | 31.6 | 130 | 30,2 |
| | > 5 year | 25 | 13.4 | 98 | 40.2 | 123 | 28,6 |
| Age | < 20 | 15 | 8.1 | 16 | 6.6 | 31 | 7,2 |
| | 21-30 | 104 | 55.9 | 135 | 55.3 | 239 | 55,6 |
| | 31-40 | 21 | 11.3 | 33 | 13.5 | 54 | 12,6 |
| | 41-50 | 32 | 17.2 | 39 | 16.0 | 71 | 16,5 |
| | >50 | 11 | 5.9 | 21 | 8.6 | 32 | 7,4 |
| | Abstain | 3 | 1.6 | 0 | 0 | 3 | 0.7 |
| Total | | 186 | 100 | 244 | 100 | 430 | 100 |

### 3.2. Sample

Population is the total number of units analyzed in which their characteristics would be estimated (Cooper and Schindler, 2008). The study consisted of two samples in which the first sample was Islamic banking customers (171 respondents) and the second one was conven-tional customers (244 customers). The demographic descriptions of the sample are showed in Table 1, which the proportion of female and male respondents showed almost equal proportion (around 50 percent). The largest demographic proportion of Islamic banking customer is on degree of education (45.7 percent), private employee jobs (34.9 per-cent), a customer for 6 to 24 months (32 percent), and age between

\<Table 2\> Factor Analysis of Customer Lifestyle

| Eigen value | Items | Loading Factor |
|---|---|---|
| Fashion conscious (11.55) | An important part of my life and activities is dressing smartly | 0,751 |
| | When I must choose between the two, I usually dress for fashion, not for comfort. | 0,718 |
| | I often try the latest hairdo style when they change | 0,707 |
| | I usually have one or more outfits that are of the very latest style. | 0,537 |
| Internet usage (8.28) | For my daily activities, I need internet | 0,802 |
| | I like to communicate to other via internet | 0,741 |
| | I like to share with people about new knowledge of ICT-enabled services/products | 0,639 |
| | I often do my banking transaction electronically via telephone or internet | 0,566 |
| Sport spectator (5.65) | I thoroughly enjoy conversations about sports | 0,833 |
| | I usually read the sports page in daily paper. | 0,790 |
| | I would rather go to a sporting event than an art | 0,751 |
| Optimism (financial and technology) (5.10) | Fives year from now, the family income will probably be a lot higher than it is now. | 0,715 |
| | Continued development of ICT enabled services/product is positive for our society. | 0,686 |
| | I will probably have more money to spend next year than I have now. | 0,673 |
| | Keeping alerts to the latest trends of ICT-enabled services/products is very important | 0,670 |
| Price censcious (4.95) | I usually watch the advertisements for announcements of sales. | 0,766 |
| | I find myself checking the prices in the grocery store even for small items. | 0,731 |
| | I often buy something on a sales season. | 0,624 |
| | A person can save a lot of money by shopping around for bargains. | 0,449 |
| Independent (4.52) | I think I have a lot of personal ability | 0,760 |
| | I'm more independent than most people. | 0,752 |
| | I think I have more self-confidence than most people. | 0,633 |
| Compulsive housekeeper (3.99) | I'm uncomfortable when my house is not completely clean | 0,795 |
| | I usually keep my house very neat and clean | 0,742 |
| | I don't like to see children' toys lying about | 0,549 |
| New brand tryer (3.84) | I often try new brands before my friends and neighbors do. | 0,811 |
| | When I see a new brand on the self I often buy it just to see what it's like | 0,778 |
| Community minded (3.21) | I like to work on community projects | 0,703 |
| | I'm an active member of more than one service organization. | 0,697 |
| | My friends or neighbors often come to me for advices | 0,429 |
| Opinion leader (3.16) | People come to me more often than I go to them for information about brands. | 0,658 |
| | I sometime influence what my friends buy. | 0,590 |
| | I like to be considered a leader. | 0,403 |
| Credit user (2.98) | I buy many things with a credit or debit card | 0,647 |
| | I don't like to pay cash for everything I buy | 0,577 |
| | It is normal to have a charge account | 0,572 |
| | To buy anything, other than a house or a car, on credit is a wise | 0,510 |
| Homebody (2.74) | I'm homebody | 0,830 |
| | I would rather spend a quiet evening at home than go out | 0,749 |

21-30 years (55.9 percent). Moreover, the conventional bank customers have a similar proportion. Thus, relatively, the composition of the respondents is described equal between the both samples.

## IV. Data Analysis

### 4.1. Factor Analysis

Factor analysis is method of simplifying complex and interrelated observation variables into common factors, or a horizontal grouping of data obtained in the study. Stages of data processing of factor analysis in this study are as follows: preparation of raw data matrix, correlation matrix preparation, factors extraction, weighting factors, and varimax rotation. The factor analysis on the lifestyle variables produced twelve factors of lifestyle cluster (Table 2). They are fashion conscious (four items), internet usage (four items), sports spectator (three items), financial and technology optimism (four items), price conscious (four items), independent (three items), compulsive housekeeper (three items), new brand tryer (two items), community minded (three items), opinion leader(three items), credit user (four items), and homebody (two items).

Before conducting factor analysis, it has been carried out the feasibility of factor analysis on the research data (Hair et al., 2006).

Relations to the adequacy of inter correlation between data, testing the existence of correlations between items, which the study found 49 percent correlation between items through Pearson correlation. It means there are a quite number of correlations between items. Testing through Bartlett test of sphericity test show that factor analysis could be obtained (p = 0.000). Meanwhile, measure of sampling adequacy (MSA) demonstrates the value of more than 0.5 meaning it has met the cut of value (Hair et al., 2006). Thus, the data meets the requirements, so the factor analysis could be conducted.

The results of factor analysis found twelve lifestyle factors, in which they fully are reflected in Table 2. Based on the items in the factor, it can be provided a factor name as a in the table. The analysis revealed the factors, with the total variance explained 60 percent, factor loading on each factor ranged from 0.403 (I like to be considered as a leader)until 0.833 (I thoroughly enjoy conversations about sports).
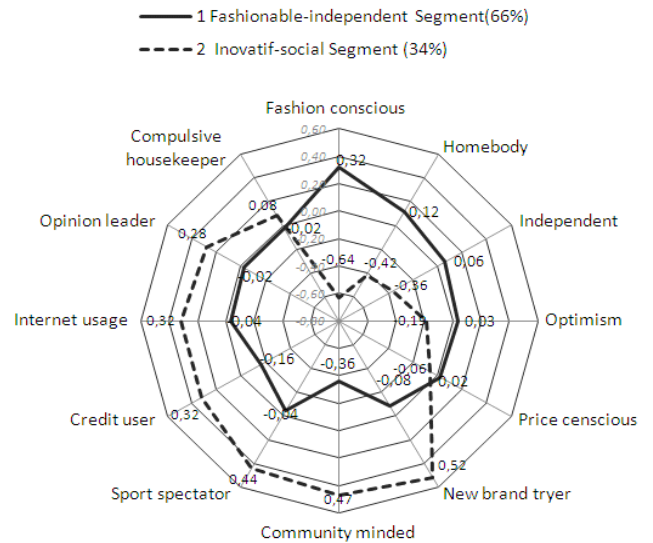
## 4.2. Cluster analysis

Cluster analysis was employed to classify subjects based on number of variables in order to establish groups; hence, the objects united in one group would be as similar as possible and the differences between groups would be as far as possible (Hair et. al, 2006). In this study, it was conducted two times cluster analysis, namely analysis on Islamic bank customers and as a comparison is conventional bank customers. Figure 1 and Figure 2 show the results of k-means cluster -shown by the cluster center (cc) - conducted by SPSS 16 software.
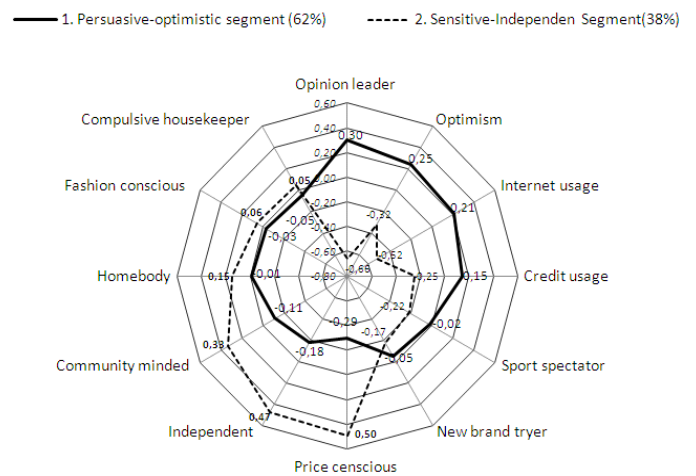
Figure 1 describes the characteristics of Islamic banking segments indicated by the score of cc. Higher score means higher level of particular characteristics of the segment. This study found two segments of Islamic bank customers(Figure 1), in which the first cluster is illustrated by solid line, while the second cluster is showed by the dotted line. The fashion conscious levels of the first cluster is much higher (cc = 0,32 : -0.62) than the second cluster, in which the homebody level is moderate higher (cc = 0.12: -0.42). Moreover, the level of independent (cc = 0.06: -0.36) and the level of optimism is relatively higher (c = 0.03; -0.19). Finally, the price conscious is slightly higher (cc = 0.02; -0.06).

On the other hand, the second cluster has different characteristics. They are including that it is much higher than the first cluster for the preference to try a new brand (cc = 0.52: -0.08) and the level of community minded (cc = 0.47: -0.36). Moreover, the level of sport spectator (cc = 0:44: -0.04), the levels of credit usage (cc = 0:32: -0016), and the level of internet usage are higher (cc = 0:32: -0.04). Finally, the level of opinion leadership is relatively higher (cc = 0.28: -0.02) and the level of compulsive housekeepers is slightly higher (cc = 0:08: -0.02).

Based on the characteristic, the first cluster have a higher level in fashion conscious, homebody, independent, optimism and price conscious, which is therefore called a cluster or fashionable-independent segment. On the other hand, the second cluster has a higher level in new brand tryer, community minded, sport spectator, credit user, internet usage, opinion leader, and compulsive housekeeper, which is therefore called the innovative-social segment.



<Figure 1> Characteristics of Islamic Bank Customers



<Figure 2> Characteristics of Conventional Bank Customers

Figure 2 describe the cc score of conventional bank customers, in which this study found two segments of customers. The first cluster illustrated in the solid line, while the second one described in thedotted lines. The first cluster has higher score than the second one on some factors. Opinion leader level is extremely higher (cc = 0:30: -0.66), as well as the optimism level is much higher (cc = 0.25: -0.32). Moreover, internet usage rate is much higher (cc = 0:21: -0.52), and the credit usage level is higher(cc = 0:15: -0.25). Finally, the level of the sport spectator and new brand tryer are slightly higher (cc = -0.02: -0.22; cc = -0.05: -0.17).

In other hand, the second cluster has different characteristics compared with the first cluster, particularly in relation with the cc score of the each factors. The level of price conscious (cc = 0.50: -0.29); 2) and the level of confidence (cc = 0.47: -0.18) are much higher than the first cluster. the level of community minded is higher (cc = 0.33: -0.11); 4) the level of homebody is moderate higher (cc =

0:15: -0.01); 5) the level fashion conscious is higher (cc = 0.06: -0.03), and the level of compulsive housekeeper is slightly higher (cc = 0.05: -0.05). Based on the characteristics, the first cluster was named persuasive-optimistic segment and the second one is sensitive-independent segment.

<Table 3> Demographic Profile of Bank Segment (%)

| Aspect | Classification | Islamic Bank | | | | Conventional Bank | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | fashionable-independent | | innovative-social | | Persuasive-optimistic | | Sensitive-independent | |
| Gender | Male | 49 | 40 | 44 | 69 | 85 | 56 | 40 | 43 |
| | Female | 73 | 60 | 20 | 31 | 67 | 44 | 52 | 57 |
| Education | High School | 48 | 39 | 16 | 25 | 46 | 30 | 39 | 42 |
| | Diploma | 16 | 13 | 6 | 9 | 18 | 12 | 9 | 10 |
| | Undergraduate | 51 | 42 | 34 | 53 | 80 | 53 | 38 | 41 |
| | Master | 3 | 2 | 5 | 8 | 6 | 4 | 2 | 2 |
| | Doctor | 0 | - | 1 | 2 | 0 | - | 0 | - |
| | Abstain | 4 | 3 | 2 | 3 | 2 | 1 | 4 | 4 |
| Occu-pation | Student | 27 | 22 | 15 | 23 | 33 | 22 | 9 | 10 |
| | Professional | 41 | 34 | 24 | 38 | 60 | 39 | 34 | 37 |
| | Service Servant | 15 | 12 | 9 | 14 | 11 | 7 | 19 | 21 |
| | Retired | 1 | 1 | 0 | - | 3 | 2 | 2 | 2 |
| | Entrepreneur | 17 | 14 | 4 | 6 | 18 | 12 | 15 | 16 |
| | Others | 21 | 17 | 12 | 19 | 27 | 18 | 13 | 14 |
| Duration as customer | <6 month | 39 | 32 | 9 | 14 | 12 | 8 | 8 | 9 |
| | 6 to < 24 month | 35 | 29 | 25 | 39 | 33 | 22 | 16 | 17 |
| | 2 to < 5 year | 35 | 29 | 18 | 28 | 47 | 31 | 30 | 33 |
| | > 5 year | 13 | 11 | 12 | 19 | 60 | 39 | 38 | 41 |
| Age | < 20 | 10 | 8 | 5 | 8 | 13 | 9 | 3 | 3 |
| | 21-30 | 66 | 54 | 38 | 59 | 93 | 61 | 42 | 46 |
| | 31-40 | 11 | 9 | 10 | 16 | 20 | 13 | 13 | 14 |
| | 41-50 | 24 | 20 | 8 | 13 | 20 | 13 | 19 | 21 |
| | >50 | 9 | 7 | 2 | 3 | 6 | 4 | 15 | 16 |
| | Abstain | 2 | 2 | 1 | 2 | 0 | - | 0 | - |
| Total | | | 100 | 64 | 100 | 152 | 100 | 92 | 100 |

The demographic segment profile of Islamic bank customers can be described as in Table 3. The table illustrated that the apparent prominence finding is the proportion of sex in the segment. In the Islamic bank, female customers (60 percent) dominate *the fashionable-independent segment*, contrary male customer (69 percent) dominate *the social-innovative segment*. Whereas in conventional banks, the customer of *persuasive-optimistic segment* is dominated by male (56 percent), but *sensitive-independent segments* are mostly dominated by female customers (52 percent).

By discriminant analysis, the study found that the variable of sex (p = 0.000), education (p = 0028) and the ages as customers (p = 029) was difference among the segment. It was validated by Pearson correlation, in which among demo graphic variables, there are three

correlations between the variables and the segments, namely sex (β = -0272, p = 0.05), education (β = 0161 p = 0.01) and duration as customers (β = 0160; p = 0.01). In other side, in conventional bank, the only ages variable difference the segment (sig = 0.000), in which it was validated by positive correlation between age and the segment (β = 0259, p = 0.000).

# V. Discussions and Managerial Implications

## 5.1. Discussions

Based on the results of statistical analysis, there are three important aspects needed to be addressed. The first is what factor representing the lifestyle characteristics of both Islamic and conventional bank customers. The second is what segments found on the bank customers based on lifestyle characteristics, how their profile, and how the comparison with conventional banks. The last one is how the bank's strategy to serve customers based on their lifestyle.

By using factor analysis, this study found twelve factors representing the lifestyle of bank customers, in which the descriptions of the factors are as follows.

*Fashion conscious factor* is the factor indicating the extent to which customer considers the importance of dress smartly, consider more to fashion than other aspects of the model, often try a latest style, and usually have dresses with new models.

- *Internet usage factor* is the extent to which the customers need internet in daily activities, like to communicate via internet, like to share about a new knowledge of information technology, and often perform banking transactions electronically.
- *Sport spectator factor* is the extent to which customers like to talk about sports, read a sport page, and prefer to go to a sporting than an art event.
- *Optimism factor* is the extent to which the customers feel optimistic about their financial in the future and the positive impact of technological advances for them.
- *Price conscious factor* is the degree to which customers often to watch ads about sales, to check a price when in grocery store, to buy at discount season, and to feel that saving money could be achieved by a bargaining of price in shopping.
- *Independent factor* is the degree to which customers feel they have a lot of social skills, feel more independent, and have more self-confident than most people.
- *Compulsive housekeeper factor* is degree to which customers feel uncomfortable in a situation that is not clean, always keep clean, and do not like to see children's toys lying on the floor.
- *New brand tryer factor* is the level of which the customers prefer to try new brands before anyone else, and often buy a product for just to see what it's like.
- *Community minded factor* is the extent to which customers like to participate in community activities, active in service organization, and frequently be visited by others getting advices.
- *Opinion leader factor* is the extent to which people to get information frequently visiting the customers. Moreover, they influ-

ence what is purchased by someone else and like to be considered as a leader.

- *Credit usage factor* is the extent to which customers purchase products via credit or debit card, do not like to pay cash, feel reasonable having a charge account, and feel that buying on credit is a wise.

- *Homebody factor* is the extent to which customers would prefer to be at home than go out.

The results are quite consistent with the grouping factor found by previous study for the majority of factors (Wells and Tigert, (1971), in which the only slightly different is on the optimism factors. Moreover, these results are also partly consistent with other studies on lifestyle factors, especially on the fashion consciousness, community consciousness and cost consciousness (Kucukemiroglu, 1999) and price consciousness (He et al., 2010). Thus, the results of these factors did show specific situation of Islamic bank customers, which in some degree different from previous studies due to the differences in environmental research setting.

Lifestyle segmentation on Islamic banks found two segments or groups, namely *fashionable-independent* and *innovative-social* segment. The first segment is a group of Islamic bank customers who characteristic that they are the people putting clothes as important thing in their lives, where new fashion is important to be followed. The characteristic is the most distinguishing feature from the second segment, while this segment also prefers to be at home, more independent, have the social ability, confident, and optimistic. However, this group is more sensitive to price for the second segment. The fashionable–independent segment dominates the Islamic bank customer representing66 percent of the customers. Based on these characteristics, this segment is more likely to have feminine and well-established personification.

Innovative-social segment, which represents 34 per cent andas the second segment in the study, have main characteristic that they aremore often to try a new brand before others and often make a purchase just to see what kind of products. In addition, this segment is like to be involved in social activities or social organization, which trait is the most distinguishing characteristic from the first segment. Another trait is that they have a liking for sports, consider that payment through the credit is common, and for them use internet are daily necessities used for communication, discussion, even to fulfill needs of banking transactions. Leadership and clean levels were higher in this segment compared with the first segment. I summary, this segment tends to be characterized as innovative and socially oriented customers.

For comparison, the analysis on the conventional bank customers showed slightly different description, where there are two segments including *persuasive-optimistic segment* (62 percent), and *sensitive-independent segment* (38 percent). The first segment is characterized by more as opinion leaders, where people more often to visit to them for getting information, influence on what others buy, and like to be considered as a leader, in which this trait is the most distinguishing characteristic from the second segment. This segment is also characterized by more optimistic on financial and technology, more common

to find a credit payment, relatively more like sport and try something new.

On the other hand, *the sensitive-independent segment* has a characteristic such as they are more sensitive to price, often see discounts advertising, see the price when buy something, more frequently buy at a discount shopping, and assume people can save money by bargaining price. Even if the difference is not so high, but loving to stay at home, fashion and cleanness in this segment is higher than the persuasive-optimistic segment. From this comparison, there are difference needs reflected by the difference of customers' lifestyles. Management of the Islamic banks, for instance, needs to give a different accentuation in observing, perceiving and providing services for their customers. By observing the customer characters and the marketing strategy of other banks, Islamic banks need to seek appropriate marketing strategies fitting with their customer lifestyle customers.

In terms of demographic aspects, it can be described that for Islamic banks, female customers dominate fashionable-independent segment, while male is on the innovative-social segment. In terms of education, both segments are mostly those who are educated in bachelor degree. Moreover, private sector employees dominate the second segment; meanwhile a greater proportion of entrepreneurs is in the first segment compared with the second segment. The differences that stand out from the demographic aspects is the proportion of ages as customer, where the fashionable-independent segment mostly are those who become a bank customer forless than 6 months, and the innovative-social segment are for 6 months to less than two years. From of the age the fashionable-independent segment is dominated by those aged 21-30 years and 41-50 years, while the innovative-social segment is dominated by those aged 21-30 years and 31-40 years.

For comparison, the demographic aspects of the segments in conventional banks, in terms of age, it is known that male is mostly on the persuasive-optimistic segment, whereas female dominated sensitive-independent segment. The persuasive-optimistic segment also dominated by those who are educated at bachelor degree, while the independent-sensitive segment is dominated by a high school and bachelor degree equally. The quite prominent also are those who work as civil servants, which the proportion is more in the sensitive-independent segments. Duration as customer, both segments have similar proportions, where the proportion is more for those who have longer duration as customer, as well as age had a similar proportion between the two segments, where dominance is in the age of 21-30 years.

The role of demographic aspects in the formation of segments in Islamic banks showed that gender, education, and duration as customer could be a predictor for customer segmentation, in which this is different for conventional bank where only age is as predictor. In other words, for Islamic banks, the aspects are important to be considered in determining how to perceive the dynamics of lifestyle segments in the future as well as determine marketing policies in accordance with these characters

## 5.2. Managerial Implications

Managerial implications for the management of Islamic banks can

be identified in this study as follows. *Firstly*, the twelve lifestyle factors of this study could be the alternative view in observe Islamic banking customers. The domination of both fashionable conscious and the internet usage factor show that the aspects are quite instrumental in perceiving the customer' lifestyles, in which reflects the importance of these two aspects to customers. Banks need to consider the role of the two factors in deciding marketing policy and strategy. Moreover, the rise of promotion and technology occurred in these days could reinforce the role of the factors on Islamic bank customers. Thus, Islamic banks need to include the factors in the decision of targeting, positioning, product policy and promotion.

*Secondly*, in serving their customers, Islamic banks need to observe the customer lifestyle, in which two lifestyle segments found in this study provide an overview of how their needs are reflected. For instance, fashionable-independent segment feeling the important of fashion for their everyday life could provide guidance in identifying their needs and wants. Those who are fashion conscious would have other traits such as they prefer to stay at home, independent, optimistic, but sensitive to price. Furthermore, the policy implication on media campaign needs to consider this aspect, for example, Belch and Belch (2003) identified that objectives sought, characteristic products or services, budgets, individual preference are the determinant factors of the combination of media used in promotion. Even if the promotion is conducted on society based on Islamic principle, it needs to be done to increase awareness of Islamic banks (i.e. Haque & Jahan, 2010).

Also, advertising of Islamic bank is important to consider the lifestyle aspect in determining adverting personification because the personification of their brand have to be a reflection of their customer, so that, from the lifestyle, Islamic banks need to identify themselves more with the personification of fun, sophisticated and competence. Aaker (1997) identify the brand personality could be such as sincerity, excitement, competence, sophistication or ruggedness. Also, how to implement pricing policies will be important for Islamic banks in order to serve this segment. Sensitivity on prices in this segment shows that the customers need price policy through the price adjustment strategy or product mix pricing strategy (Kotler and Armstrong, 2008).

Innovative-social segment provides an overview of the liking to try meaning this segment is either innovative or easy to try new things. Moreover, social activities and sport spectator will give an indication on how to promote the bank, and the what attractiveness could be delivered in the promotional message of Islamic banks. Credit or non-cash payment habits, usage of internet and leadership level would give a clue of their level of awareness on banking products, distribution services over the Internet, and how to utilize their leadership level in the role of word of mouth communication to promote Islamic banking. In other words, Islamic banking can take advantage of information about customer segmentation based on lifestyle to determine policy on segmentation, positioning, development services, distribution, promotions and pricing.

*Thirdly*, by understanding grouping and characteristics each segment of the conventional banks, Islamic banks could adjust their marketing strategies differently from the conventional banks. So, Islamic banks

not only need to consider the character of its customers but also to observe the character of its competitors.

## VI. Concussions, Limitations and Research Implications

### 6.1. Conclusions

Based on statistical analysis and discussion, we have described the comparison of Islamic and conventional bank customers. *First*, there are twelve factors shaping the lifestyle of banking customers namely: factor of fashion conscious, internet usage, sports spectator, financial and technology optimism, price sensitivity, independent, compulsive housekeeper, new brand tryer, community activities, opinion leader, credit usage, and homebody. *Second*, Islamic banking customers could be grouped into two types of customer, including *fashionable-independent* and *innovative-social* segment, wherein the first segment is dominant customers. For comparison, convenience banking customers also produces two types of customer segments, namely *persuasive-optimistic* and *sensitive-independent* segments. *Third*, each segment has a different profile from demographic aspects. The most notable difference is the segment profiles in terms of gender, in which both the fashionable-independent segment in Islamic banks and sensitive-independent segment in conventional banks are dominated by female customers, and vice versa in the other two segments.

### 6.2. Limitations

This study is subject to some limitations; *firstly*, the judgment sampling used as sampling will limit the generalization of this study to other contexts. Also, distinguishing conventional and Islamic bank customer by the top of mind selection will affect the meaning of differences in the two types of customers based on the original bank. *Secondly*, the use of common factor analysis for both Islamic and conventional banks, which aimed to simplify the comparison, would give effect to the depiction of a limited segment of the Islamic banks and conventional banks. And *thirdly*, the limitations in measuring aspects of lifestyle, which in this study involved only 41 items of questions, will limit to describe all aspects of the customers lifestyle.

### 6.3. Research Implications

The study also provides advices for future research, *firstly*, the emphasis on how lifestyle factors influence the behavior of Islamic bank customers need to be investigated. Therefore, it will be found what the dominant lifestyle factor affecting the customers in search of information, select banks and its services, decide to purchase, repeat buying intentions, be loyal and other aspects of behavior reflecting market dynamics of the customers. *Secondly*, the broader lifestyle factors of customers who only have account in Islamic banks need to be investigated, in order to provide insight the dynamics of their motives to buy services on Islamic banks. Al-Ajmi et al. (2009) found that religious beliefs and social responsibility are the two most im-

portant in determining which banks would be selected, for example, how the role of religiosity on adoption of new products. Rehman and Shabbir (2010) examined how the role of religiosity (ideological, ritualistic, intellectual, consequential and experimental) on  adoption of new products, which found that, the study on Muslim consumers, religiosities influence the adoption of new products or their view on advertising (De Run et al., 2010).

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