EFFECTS OF MARKETING STRATEGIES ON PERFORMANCE OF COMMERCIAL BANKS: A CASE OF KISUMU CITY, KENYA.

BY

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DECLARATION

Declaration by the Student

I declare that this Research Project has not been previously presented for a degree in Maseno University, or in any other University. The work reported herein has been carried out by me and all sources of information have been acknowledged by means of references.

Samuel Agoro Sign ……………………… Date …………………

MBA/BE/00083/2013

Declaration by the supervisor

This Research Project has been submitted for examination with our approval as the University supervisor.

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DEDICATION

I dedicate this work to my brother Daniel Agoro and my friend Renson Ouma; you have been there for me like no one else has. I adore you and thank Almighty for having you in my life.

ABSTRACT

Banks have experienced a remarkable decline in their market shares and in profit margins. This study seeks to find out how such marketing strategies have affected banks performance. It was guided by the following objectives; To find out if pricing strategies affect performance of commercial banks in Kisumu Town, To examine if sales promotional strategies affect performance of commercial banks in Kisumu Town and finally, To establish if distribution strategies affect performance of commercial banks in Kisumu Town. To improve on its performance commercial banks should adopt various marketing strategies to appeal to their customers. However, various studies have had conflicting and differencing conclusions as to the role and effects of strategies to banks performance both locally and globally. Random sampling method was used to sample the population where a sample of 25% (250) of the respondents was selected for the purpose of this study. That is 25% of 250 which gave us 63 respondents. The sample was guided as the margin of validity and reliability of the study. The study was a descriptive design, targeting staffs and customers. The validity of questionnaire was evaluated by experts in the faculty of Commerce. The researcher administered the same questionnaire twice over a period of time to the same group of individuals and the results from first response and second response was then correlated in order to evaluate the test for stability overtime. A questionnaire was used as the only convenient means for data collection. In this case, open - ended questionnaires was used because they create freedom of expression, no bias due to limited response ranges and respondents' further explained their answers. In addition, closed ended questions was used where the responds type was predetermine and organized. The finding of this study was of benefit to the public and financial institutions managers and mostly the government in Promoting investment, the presence of financial services creates more demand for products and the producer, in order to meet the demand from the consumer who goes for more investment through marketing practices. Secondly, it provided customers with knowledge on savings since financial services such as mutual funds provide ample opportunity for different types of savings. From the study it was evident that pricing affect the performance of commercial banks to greater extent, this is because most of the respondents contacted during the data collection process were concerned with the prices at which banks offer the services. Fifty percent of the respondents were concerned with the banks service distributions, they emphasized that most banks are concentrating within the city centre and forgetting other regions which are far from town it was clear that bank pricing strategy needs to align with how different customers value their products and services. Therefore, banks should replace traditional pricing with a data driven approach. In conclusion, product promotion contributes most to the performance of the commercial banks followed by product distribution then product pricing.

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LIST OF ACRONYMS

ADB: African Development Bank

KCB: Kenya Commercial Bank

KBA: Kenya Bankers Association

RBV: Resource Based View

ICT: Information Computer Technology

UAI: Uncertainty Avoidance Index

ATMs: Automated Teller Machines

MICR: Magnetic Ink Character Recognition system

USA: United State of America

CBK: Central Bank of Kenya

NIM: Net Interest Margin

CRM: Customer Relationship Management

RM: Relationship Marketing

ICT: Information Computer Technology

OPERATIONAL DEFINITION OF TERMS

Commercial Bank: Is an institution that provides services such as accepting deposits, providing business loans, and offering basic investment products.

Marketing: An actual or nominal place where forces of demand and supply operate, and where buyers and sellers interact (directly or through intermediaries) to trade goods, services, or contracts or instruments, for money or barter.

Performance: The accomplishment of a given task measured against preset known standards of accuracy, completeness, cost, and speed.

Customer satisfaction: Is a marketing term that measures how products or services supplied by a company meet or surpass a customer's expectation.

Product: Is anything that can be offered to a market that might satisfy a want or need.

Price: is the amount of money charged for any product or getting any sorts of service but from the buyer’s viewpoint it is the cost of customer that must be affordable.

Promotion: Is the sending and communicating the correct message to the target customers that must be able to create awareness to the minds of customers.

Place: Is the sending the right product and service to the right customers at the right time and convenience location is the ultimate goal of place or distribution.

Strategy: A plan of action to be used by banks in Kisumu City to improve their performance.

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CHAPTER ONE

INTRODUCTION

This chapter entails the background of the study, statement of the problem, purpose of the study, research objectives, research questions, scope of the study, significance of the study, and conceptual framework.

1.1 Background of the Study

Marketing Strategies is an ongoing, organization-wide and market-led overall planning process (Hooley and Lynch, 1985; Narver and Slater, 1990). The aim of marketing as an academic discipline is to contribute to advances in marketing practice by providing an understanding of the current marketing approaches, their effectiveness, and by offering ideas for new or modified marketing practices in the whole world.

Banking Industry is one of the most important service industries which touch the lives of millions of people in the world. Its service is unique both in social and economic points of view of a nation. Earlier the attitude of banking service was that it was not professional to sell one's services and was unnecessary in the sense that traditional relationships and quality of products were sufficient to carry forward the tasks globally. Before the mid 1950's the banks had no understanding or regard for marketing in global market. The bank building was created in the image of a Greek Temple to impress the world about the importance of a bank in Greeks. The interior was austere and the teller rarely smiled. Bankers maintained austere dignity and they hardly maintained friendliness. It was in the late 1950's that marketing in banking industry emerged in the western countries, Al-Tamimi, & Hassan, (2010). Its emergence was in the form of advertising and promotion concept.

However, there was a change in the attitude of bankers, probably in time with the attitudinal change in customers, Richard B. & Robinson (2011). The idea of customers' satisfaction began in the late 1950's, flourished in 1960's and became an integral part of the banking services in the 1970's in the western countries. But the same trend could not be applicable, especially in developing countries and to be more specific in India, Japan, USA and North Korea because of socioeconomic and political reasons, Bamford, Ernst, Fubini, (2004). Marketing came into Indian banks in the late 1950's not in the form of marketing concept but in the forms of advertising and promotion concept. Soon it was realized that marketing transcends advertising and friendliness.

However, according Till 1950, personal selling was not necessary in Africa. The bankers went out of their way to avoid being accused of selling. The bankers even eliminated the word 'selling' and they called the function of customer contact 'business development function'. The bankers' attitudes and comprehensions about marketing changed in the 1960's in some countries like South Africa and Ghana in Africa. They began to realize that marketing was a lot more than smiling and friendly tellers. The idea of customer convenience began in the late fifties and it flourished in the 1960's. Bankers were beginning to understand the concept of market segmentation in the late 1960's. The bank marketing profession changed dramatically in the 1970's. Marketing positions in banks were created and marketing was accepted as an organizational imperative.

When modern managers are busy having their marketing skills, bankers in Eastern Africa can ill-afford to shrug it off and keep away from global changes in banking which are in favor of "Optimal satisfaction of customers' wants and creation of customers for novel products". As a matter of fact competition is not in existence in Uganda, Tanzania, Burundi and Rwanda. On the one side of the fence was the African Development Bank(ADB) alone, Kenya Commercial Bank (KCB) and Equity Bank, which are enjoying Government ownership and on the other side were private Commercial Banks, local by orientation, primarily servicing the interest of the controlling business houses in East Africa (Business Daily 2010 November).

Private Commercial Banks in Kisumu experience a remarkable decline in their market shares and consequently profit margins. Consequently they have enhanced on embracing various formal marketing strategies such as effective promotion, use of agents and mobile banking. This study will be seen to find out how such strategies have impacted banks performance in Kisumu Town.

1.2 Statement of the Problem

The banking industry has been faced with stiff competition of late and many local banks have been forced to wind up. The main reasons being failure to embrace effective marketing strategies that could have enabled it operate optimally in the volatile banking sector. For years, defined business has proved to be a hindrance to the growth and development of the banking industry. In essence, competition has effortlessly brought down several economies to their knees. For many businesses, marketing strategies has been the way to approach the volatile banking business. While to some, customer satisfaction, a sound customer relationship and effective communication has been their main marketing strategic tool. Leadership in contemporary organizations has been left to ponder for what they should do in order to be at a competitive edge and be a benchmark to other banks in the banking industry. For other banks, diversification has been the way to approach the volatile banking business but legislation on banking business has often negatively affected venturing into other business other than the banking business. It should be clearly noted that “introduction of Automatic Teller Machines (ATMs) and new back office processing technologies dramatically decreased the costs associated with handling and processing individual transactions. With economies in Africa liberating, the banking industry has concurrently improved. Governments have licensed many privately owned banks and many barriers have been lifted and regulations improved. The banks are incorporating micro-finance as a strategy to engage the huge numbers of Africans, majority who fall under the dollar bracket. This study investigated the Effects of adopted marketing strategies on performance of commercial banks in Kenya, since no similar study had been carried out before by any scholar.

1.3 Purpose of the Study

In Kenya, the field of marketing strategies is one that has not been extensively researched. This study is important as it will contribute greatly to the limited number of studies on the subject. The findings of the study act as a guide to policy makers in analyzing the effect of marketing strategies on performance of commercial banks and in analyzing ways in which banks can make best use of marketing strategies in order to improve their financial performance. The result of this study provided other financial institutions with information on the importance of pricing strategies which they can use to enhance their performance. Considering that there is minimal research on pricing in commercial banks, it contributed to the general body of knowledge and formed a basis for further research to academicians.

The scrutiny of the overall performance of the banking sector is important to depositors, owners, potential investors and the policy makers as banks are the effective executors of the monetary policy of the government. Ownership structure as an internal mechanism of corporate governance is an area of study that has elicited different views on the same operational variables affecting performance. This study therefore was an important empirical reference for the finance literature in the area of target market.

The study was also important in giving insight on marketing strategies of the Commercial Banks in Kenya and helped those set policies that would ensure that their ownership structures create value for their institutions. It also shows the different owners the importance of their monitoring capability on the financial performance of the Commercial Banks they own.

1.4 Objective of the Study

The general objective of this study is to investigate the effects of marketing strategies on performance of commercial banks, a case study of Kisumu City, Kenya.

1.4.1 Specific Objectives

The specific objectives were:

i. To evaluate effect of pricing strategies on performance of commercial banks in Kisumu City.
ii. To establish effect of sales promotional strategies on performance of commercial banks in Kisumu City.
iii. To establish effect of distribution strategies on performance of commercial banks in Kisumu City

1.5 Research Questions

This research was guided by the following research questions:

i. Does pricing strategies affect performance of commercial banks in Kisumu City?
ii. What is the effect of promotional strategies on performance of commercial banks in Kisumu City?
iii. How do distribution strategies affect performance of commercial banks in Kisumu City?

1.6 The Scope of the Study

This study was conducted to investigate the effect of marketing strategies on performance of commercial banks in Kenya, a case study of Kisumu City, which lies squarely along 23 degrees to the North Pole and 34 degrees of the latitude to the South Pole, 27 degrees to the South West Pole of Green Which Prime Meridian in Kisumu County which is located in western part of Kenya, approximately within Central Business District of Kisumu city. The study targeted 250 respondents in which a sample of 63 was generated and the researcher used both qualitative and quantitative techniques in analyzing the data that was collected.

1.7 Significance of the Study

The finding of this study was of benefit to the public and financial institutions managers and mostly the government in Promoting investment, the presence of financial services creates more demand for products and the producer, in order to meet the demand from the consumer goes for more investment this is through marketing strategies. Secondly, it provided customers with knowledge on savings since financial services such as mutual funds provide ample opportunity for different types of savings. In fact, different types of investment options are made available through marketing for the convenience of pensioners as well as aged people so that they can be assured of a reasonable return on investment without much risk. Finally, it was crucial for Scholars and Researchers, since they found information which they are adding to the existing field of knowledge of marketing strategies and provided scholars with the necessary literature review to carry out further research.

1.8 Conceptual Framework

The conceptual framework underscores interdependent relationship between the independent and dependent variables.

Independent variable **Dependent variable**

Marketing Strategies **Performance of Commercial Banks**

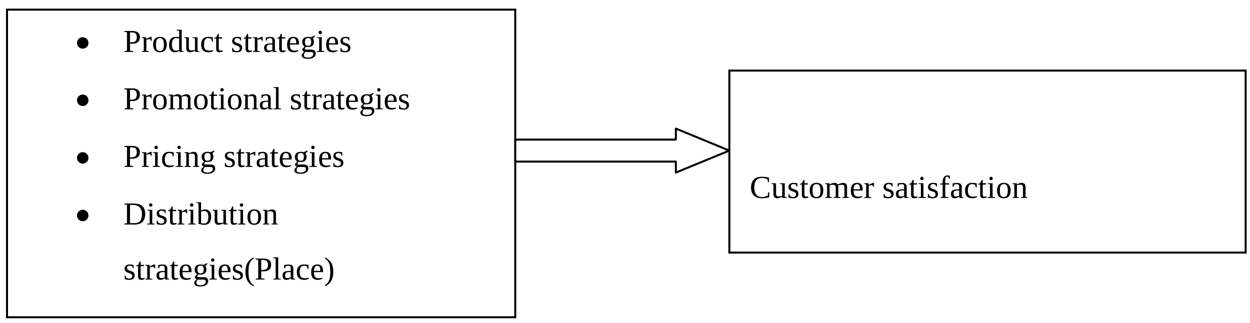

Figure 1.1: Conceptual Framework

Source: Self conceptualization (2019)

According to the framework above, the effects of adopted marketing strategies on performance of commercial banks in Kenya was the main objective of the study which was being studied. Marketing strategies if not taken into proper consideration may result into poor performance.

Product strategies help banks primarily to deal in services and therefore, the formulation of product mix was required to be in the face of changing business environment conditions. Of course the public sector commercial banks have launched a number of policies and programs for the development of backward regions and welfare of the weaker sections of the society but at the same time it was also right to mention that their development-oriented welfare programs are not optimal to the national socio-economic requirements, Business Week (1999).

A proportional contraction in the number of customers was found affecting the business of public sector commercial banks. The changing psychology, the increasing expectation, the rising income, the changing lifestyles, the increasing domination of foreign banks and the changing needs and requirements of the customers at large make it essential that they innovate their service mix and make them of worked class, Buckley & Casson, (1988).

In the formulation of service mix, the banks can follow two guidelines, first was related to the processing of product to market needs and the second was concerned with the processing of market needs to product. In the first process, the needs to the target market are anticipated and visualized and therefore, we expect the prices likely to be productive. In the second process, the banks react to the expressed needs and therefore we consider it reactive. It was essential that every product was measured up to the accepted technical standards. This was because no consumer would buy a product, which contains technical faults, Brown, & Verbeke, (1989).

Marketing aims not only offering but also at creating\innovating the services\schemes found new to the competitors vis-a vis- to the customers. The enhanced customer patronage would be a reward to the bank. The additional attractions, the product attractiveness would be a plus point of your mix, which would help you in many ways. This makes it essential that the banking organizations are sincere to the innovations process and try to enrich their peripheral services much earlier than the competitors. We also found the product portfolio of the banks.

While formulating the services mix, it was pertinent that the bank professionals make possible affair synchronization of core and peripheral services. To be more specific, the peripheral services need an intensive care since the core services are found by and large the same. Innovation of the peripheral services thus appears to be an important functional responsibility of marketing professionals, Brouthers, (2002).

Promotional strategies included advertising, publicity, and sales promotion, word – of – mouth promotion, personal selling and telemarketing. Each of these services needed to be applied in different degree. These components were useful in the banking business in the following ways; Advertising is paid form of communication. Banking organizations use this component of the promotion mix with motto of informing, sensing and persuading the customers. While advertising it is essential to be aware of key decision making areas so that instrumentally helps banks at micro and macro levels, Brito (2008).

CHAPTER TWO
LITERATURE REVIEW

2.1 Theoretical Review

This chapter discusses the theoretical Frame work; Introduction of the review, empirical review. In addition, this chapter contains a summary of gaps to be filled by the study.

2.2 Theoretical Framework

2.2.1Model of Consumer Behavior

Consumers make any buying decisions every day. Most large companies' research consumer buying decisions in great detail to answer questions about what consumers buy, where they buy, how and how much they buy, when they buy and why they buy. Marketers can study actual consumer purchases to find out what they buy, where and how much. But learning about the ways of consume buying behavior is not as easy as the answers are often locked deep within the consumer's mind. For companies with billions of dollars on the line, the buying decision is the most crucial part of their enterprise", states on consumer behavior analyst.

Marketing stimuli consists of the four Ps: Product, Price, Place and Promotion. Other stimuli include major forces and evens in the buyer's environment: economic, technological, political and cultural.

Marketing and other stimuli		**Buyer's Black Box**	**Buyer Responses**
Marketing	**Other**	Buyer characteristics	Product choice
Product	Economic	Buyer decision press	Brand choice
Price	Technological		Dealer choice
Place	Political		Purchas timing
Promotion	Cultural		Purchase amount

Figure 2.1: Model of buyer behavior

All these inputs enter the buyer's black box, where they are turned into a set of observable buyer response: product choice, brand choice, dealer choice, purchase timing and purchase amount.

There marketer wants to understand how the stimuli are changed into responses inside the consumer's black box, which has two parts. First, the buyer's characteristics influence how they perceive and react to the stimuli. Second, the buyer's decision itself affects the buyer's behavior (Kotler & Armstrong, 2007).

Cultural factors exert a broad and deep influence on consumer behavior. The marketer needs to understand the role played by the buyer's cultural, subculture and social class.
Culture is the most basic case of a person's wants and behavior. Human behavior is largely leaned. Growing up in a society, a child learns basic values, perceptions, wants, and behaviors from the family and other important institutions. Every group or society has culture, and cultural influences on buying behavior may vary greatly from country to country. Failure to adjust to these differences can result in ineffective marketing or embarrassing mistakes (Brouthers, 2002).

Marketers are always trying to spot cultural shifts in order to discover new products and services that might be wanted. For example, the cultural shift towards greater concern about health and fitness has created a huge industry for health and fitness services, exercise equipment and clothing, more natural foods and variety of diets (Brown and Rugman,1989).

Each culture contains smaller subcultures, or group of people with shared value systems based on common life experiences and situations. Subcultures include nationalities, religions, racial groups and geographic regions (Brouthers, 2002).

2.3 Empirical Review

Banks have a key role in meeting customer satisfaction in Kenya and this can be achieved through offering quality and reliable banking services. A bank is financial institution and a financial intermediary that accepts deposits and channels those deposits into lending activities, either directly by loaning or indirectly through capital markets. A bank is the connection between customers that have capital deficits and customers with capital surpluses. The Kenyan banking industry is one of the broadest and most developed in sub-Saharan Africa with 49 financial institutions, comprising 43 commercial banks, 1 mortgage finance company and five deposit-taking microfinance institutions (CBK 2011). These institutions, along with the Kenya Post Office Savings Bank, make up Kenya's formal banking sector and serve 22.6 percent of Kenya's adult population, according to Fin Access household survey

(Beck et al., 2010). The Banking industry in Kenya is governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK). According to central bank of Kenya the Kenyan Banking Sector continued to register improved performance with the size of assets standing at Ksh. 2.3 trillion, loans and advances worth Ksh. 1.32 trillion, while the deposit base was Ksh. 1.72 trillion and profit before tax of Ksh. 80.8 billion as at 30th September 2012. During the same period, the number of bank customer deposit and loan accounts stood at 15,072,922 and 2,055,574 respectively (Ndome, 2012).

Financial performance is a subjective measure of how well an organization can use assets from its primary mode of business and generate revenues (Greenwood and Jovanovic, 1990). This term is also used as a general measure of a firm's overall financial health over a given period of time, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation. There are many different ways to measure banks performance, but all measures should be taken in aggregation. Line items such as revenue from operations, operating income or cash flow from operations can be used, as well as total unit sales (Jayawardhera and Foley, 2000). Profit is the ultimate goal of firm. To measure the profitability, there are varieties of ratios used of which Return on Asset, Return on Equity and Net Interest Margin are the major ones (Murthy and Sree, 2003). ROA is a major ratio that indicates the profitability of a bank. It is a ratio of Income to its total asset (Khrawish, 2011).

It measures the ability of an organization’s management to generate income by utilizing company assets at their disposal. Net Interest Margin (NIM) is a measure of the difference between the interest income generated by banks and the amount of interest paid out to their lenders, relative to the amount of their assets. It is usually expressed as a percentage of what the financial institution earns on loans in a specific time period and other assets minus the interest paid on borrowed funds divided by the average amount of the assets on which it earned income in that time period (the average earning assets). ROE is a financial ratio that refers to how much profit a company earned compared to the total amount of shareholder equity invested or found on the balance sheet. ROE is what the shareholders look in return for their investment (Collis and Jarvis, 2002).

Locally, various studies on the topic of commercial banks performance have been carried out by a number of researchers. Aswani (2010) carried out a study on strategic innovations and performance of banks. The study concluded that there exist a positive relationship between strategic innovation and performance of banks. Kemoli (2010) carried out a study on strategic innovations and performance of commercial banks listed in NSE. The study concluded that listed commercial banks had deviated from the existing industry rules and engaged in creation of new and significant customer value and that strategic marketing was embedded in their corporate strategy. Karanja (2009) carried out a study on innovation strategies adopted by insurance companies in Kenya. The study concluded that companies with strong technology-enabled innovation strategies are more likely to secure competitive advantage and create superior shareholder value.

Lusweti (2009) reviewed marketing strategies adopted by radio stations in Kenya. This study concluded that marketing strategies are very essential in any business and hence they should be put in place at any cost since it helps the organization to realize their objectives. As far as analysis of strategy is concerned, the adoption of strategies (whether collaborative or competitive strategies) is thus important in managing performance and in making the growth happen.

Odhiambo (2008) carried out a study on innovation strategies at Standard Chartered Bank and concluded that with the advent of globalization, financial institutions have been forced to improve their ways of doing business in order to attract and maintain existing customers. Such innovative strategies focus on all aspects of the business operations ranging from customer care, technological advancement to better products in the market.

2.3.1 Pricing strategies and performance

Price is one of the ways marketers communicate with customers. Price is seen as revenue oriented been the only marketing mix element that produces revenue. Booz & Hamilton, (1997) defined price "as the amount of money which is sacrificed to obtain something". Berger & Strahan, (1999) studied customer perceptions of value (Price) in the banking industry in the U. S. and New Zealand. The authors' result showed that value (price) perceptions directly influence customer satisfaction. Beamish & Makino (1998), suggest that bank customer satisfaction is influenced by factors such as the price of services, or the number and severity of negative critical incidents. A study by Beamish & Banks, (1987), revealed that bank charges and interest rates determined the overall satisfaction level of customers. However, Beamish, & Lane, (1990), suggest value (price) is perceived to have a small impact on bank customer satisfaction, but should not be neglected since value plays a role in enhancing the level of customer satisfaction in retail banking. Therefore, the relationship between price and customer satisfaction has been established.

According to Chantapong, (2005) CRM has been founded on providing value to customers by motivating them to stay loyal which leads to repeat buying of a service or product. Collis & Jarvis,(2002) argue that CRM involves creating and developing sustainable relationships that benefit both internal and external stakeholders in a firm such as the overall organization and customers respectively. This leads to an increase in the life time value of customers and profits. The CRM concept as defined by Reynolds (2002) shows the underlying capabilities that enable successful implementation of the strategy such as technology, human resource and business architecture capabilities. There is an agreement in the different definitions of customer relationship management. The definitions have highlighted value creation, maintenance of customer relationships to retain customers resulting in increased profits.

The CRM capabilities have been influenced by various theories namely: Resource Based View (RBV), Comment &Jarrell, (1995). The RBV theory assesses CRM as a resource to organizations through the lower order capabilities such as human resource, information technology and business architecture that link superior performance to gaining competitive advantage, Cravens, & Piercy, (2000). The RM theory shows how the development of managing and engaging with customers directly adds value that increases value-exchange between customers and organizations in order to meet both the customer and organizational needs, Drucker, (1996). Eisenhardt & Santos,(2002). emphasize that to successfully implement CRM capabilities, focusing on the needs of customers is crucial and integrating these needs by combining them with the organization's people, processes and technology is necessary as it leads to benefits such as retaining customer loyalty, customer satisfaction and profitability. This is an indication that there is an influence of CRM capabilities on organizational performance.

However, existing studies have revealed that many firms have unsuccessfully implemented CRM programmes due to failure of utilizing CRM resources, Elmuti & Kathawala, (2001). Organizational performance is the achievement of firms' goals and objectives (Almatrooshi, Singh, & Farouk, 2016). There are various schools of thought that have revealed the influence of customer relationship management on organizational performance. The first school of thought argues that organizations that implement CRM capabilities have a positive and significant influence on customer satisfaction. According to Krasnikov, Jayachandran, and Kumar (2009), firms that have implemented CRM capabilities have achieved significant customer satisfaction which has led to higher customer retention. The firms benefit from price premiums and increased performance.

Emerson, (1963), study was conducted to investigate the effects of investing in CRM capabilities and how it affected customer satisfaction. The authors showed that the organization's implementation of CRM systems and use of CRM capabilities resulted to a positive significant increase in satisfaction levels. The results of organizations learning to manage CRM capabilities over time has created closer relationships with customers at a more personal level, which has reduced the cost of maintaining customers leading to an increase in profit earnings, Emerson, (1963).

The second school of thought indicates that performance is not affected by CRM capabilities directly rather the link between CRM capabilities and performance is influenced by strategies such as cost leadership and differentiation. For example, Reimann, Schilke, and Thomas (2010) conducted a study on CRM capabilities to establish whether CRM capabilities have a direct effect on firm performance. The research was conducted through a large scale survey across different industries such as manufacturing, service and retail. The findings showed that CRM did not have a direct influence on performance. The third school of thought highlights there is no relationship between CRM capabilities and organizational performance. A survey was carried out in a bank in Finland by Leverin and Liljander (2006) to find out whether the CRM strategy implemented improved customer relationships with the organization and the level of customer loyalty. The findings pointed out that the customers' perception of services they received did not influence their loyalty towards the bank hence had no influence on the organization. The three schools of thought show that there is no agreement on the relationship between CRM capabilities and organizational performance.

2.3.2 Promotional strategies and performance

Promotion really denotes sending and communicating the correct message to the target customers that must be able to create awareness to the minds of customers. Especially the banking industry usually has stiff competition across different angels and the business need a lot of promotions to pass on the right message to potential customers. While advertising, online and direct marketing are the best ways to promote the service they offer. They need to have a good mix of communication channels to address a larger audience. For tangible product advertising is the most important component. But for intangible product (e.g. bank service) personal selling is the most important component. Commercial bank uses the personal selling to sale their products. They also use the internet banking service to provide information about product and also make transaction through internet. This on the other hand improves interpersonal skills which also boost performance.

Interpersonal skills include a wide variety of skills which are centered on communication such as listening, questioning and understanding of body language. In other words, it is to deal astutely with knowledge, which has been stressed by (Drucker, 1993; Nonaka and Takeuchi, 1995). According to Nonaka and Takeuchi’s (1995) understanding, knowledge transfer should be considered as a transfer of tacit or explicit knowledge in interaction between individuals. On the other hand, explicit knowledge is cognitive that can be expressed in formal speech and exchanged in the form of data. Knowledge transfer linked knowledge to human interaction that is embedded in organizational contexts (Wilkesmann et al., 2007). O’ Dell Grayson (1998) state that knowledge transfer enablers include Technology, culture, leadership, and measurement. Davenport and Prusak (2000) suggest that knowledge transfer process involves two actions: transmission of knowledge to potential recipient and knowledge absorption by that recipient that could eventually lead to changes in behavior or the development of new knowledge, Davenport and Prusak (1998).

According to Alavi and Leidner (2001), Knowledge Management (KM) manages the corporation’s knowledge through a systematically and organizationally specified process for acquiring, organizing, sustaining, applying, sharing and renewing both the tacit and explicit knowledge of employees to enhance organizational performance and create value. Jennex and Zyngier (2007, p. 493) define knowledge management as “the capturing of the knowledge from past decision-making for application to current decision-making with the express purpose of improving organizational performance.

The key driver of marketing strategy in the banking industry is information computer technology (ICT). Performance directly affects bank management’s strategic decisions in terms of product development, pricing, distribution and promotion. Managers who desire to remain competitive have to embrace the importance of marketing and technological innovation and incorporate it into their strategic plans. Only banks that apply marketing and technological innovation to their operations are likely to survive and prosper in the new millennium (Woheren, 2000). The quest for survival, global relevance, maintenance of existing market share and sustainable development has made exploitation of the many advantages of marketing and technological innovations. The growth of firms in terms of market share, number of branches and customer base has been linked to the nature of response of retail banks to the global trend in marketing practices. This study sought to investigate the Effects of marketing strategies on performance of Commercial Banks: A case of Kisumu City, Kenya.

Concept of marketing strategy is widely proclaimed as being of vital importance to achieve and maintain competitive evidence suggests that the successful adoption of new technology poises extreme challenges to managers (Markedes, 2002; Smith, 2002; Teece, 2002). Key issues hindering successful adoption of strategic marketing include: resistance to change organizational structure, cultural inertia, internal politics, fear of cannibalizing existing products, fear of destroying existing competencies, satisfaction with the status quo, and in general, a lack of incentives to abandon the certainty of the current way of doing things to embrace the uncertainty of future rewards. Moreover, a widening gap between managers" discourse and their ability or lack of ability to implement new marketing strategies and between normative and prescriptive contributions by academics and what managers actually do (Salaman and Storey, 2004).

Organizational performance is either radical or incremental by determining the degree of change associated with it. Radical strategic marketing produce fundamental changes in the activities of an organization, industry or society and represent clear departures from existing practices. Highly radical, competence-destroying marketing strategies, also significantly increase environmental uncertainty and result in the transformation of firms or industries (Meyer et al., 1990).

Incremental strategy, on the other hand, merely call for marginal departures from existing practices as they mainly reinforce the existing capabilities of organizations. Incremental strategy emphasize the importance of the economies of scale and economies of scope in production and development of marketing are intrinsically separate and occur at different times. Marketing strategies consists of certain technical knowledge about how the things can be done better than existing state of the art. The marketing of a new product and firm strategic capability is important for several reasons. Marketing of products present opportunities for firms in terms of growth and expansion into new areas as well as allow firms to gain competitive advantage (Al-Tamimi, 2010)

Marketing strategy can be, by itself defined as the generation, acceptance, and implementation of new ideas, processes, products or services, Calantone et al., (2002). The strategic process includes the acquisition, dissemination and use of new knowledge (Calantone et al., 2002) and successful implementation of creative ideas within an organization (Amabile et al., 1996). Marketing strategy Thompson (1999) noted an important aspect of marketing development is the search for a competitive advantage, something a firm does that gives it an edge over competitors ways to achieve quality products that command a premium price, providing superior customer service having the lowest product cost and lower prices. When banks are successful in introducing new ways to the market, their products, they can spark a burst of customer interest, wider industry demand, increased product and service differentiation and lower unit cost all of which can alter the competitive positions of rival firms. Berry (1994) asserted that matching of customer value opportunities with the firm's capabilities is necessary to create superior products and services through the development and deployment of key resources.

In addition, emerging economies, during their transition product market, imitation remains a viable and more common to market economies, experience unprecedented changes in strategy than marketing (Golder and Tellis, 1993; Kerin et al., 1992). Another limitation of extant research on product marketing can gain advantage through sustained and entry strategies is that most studies have been based on technology leadership (Kerin et al., 1992). Sethi et al. (2001) propose a model that tests the relevant conditions that allow creativity to foster new consumer products like positive correlation between super-ordinate identity and creativity, negative association between social cohesion and creativity, and positive effect between encouragement to take risk and creativity. Moreover, Andrews and Smith (1996) stress that risk taking attitudes of firms have a positive impact on marketing program creativity, in a context of promotion over mature products.

Risk adverse individuals use to work under algorithmic processes (Andrews and Smith, 1996; Sethi et al., 2001) compared to heuristic ones, because consolidated routines help to solve problems with lowering the cost on the expected event. Granted this, the cultural index that should largely influence the firm marketing creativity, especially in the case of high risky innovation-based sectors, is uncertainty avoidance index (UAI) (Hofstede, 1991; Shane, 1993). (Andrews and Smith, 1996) define marketing activities as tools to protect and differentiate the firm products.

Information technology development such as World Wide Web and the internet have revolutionized the world. The internet has provided global payment infrastructure through SWIFT, thus, enhancing electronic banking, payments for goods and services can be made electronically including provision of financial services online through internet. Western capitalist societies became knowledge based. Knowledge and information replaced money as a fundamental source of power in organization (Toffler, 1990). The technological revolution has made businesses becoming more competitive all over the world. This has led to the advent of a world without borders. This means organizations are in direct competition with each other. The internet and World Wide Web, phone, modem and fax have opened unbelievable opportunities to the observant and innovative businessman (Olago, 1997).

The co-operative bank has invested in products such as e-commerce, electronic bulk payment system as well as programme of installing 20 ATMs, Business Daily 2016. The banking sector in general has invested in information technology in order to provide better services to their customers. In addition to investing ATMs they have also invested to paperless payment system such as electronic money transfer. An automatic cheque clearing house is also in place facilitated by the Central bank of Kenya through the Kenya Banker Association. The magnetic Ink character recognition system (MICR) was also adopted in 1998 as the basis for automation of clearing in the country. Irechukwu (2000), lists some banking services that have been revolutionized through the use of ICT as including account opening, customer account mandate, and transaction processing and recording. Information and Communication Technology has provided self service facilities (automated customer service machines) from where prospective customers can complete their account opening documents direct online.

It assists customers to validate their account numbers and receive instruction on when and how to receive their cheque books, credit and debit cards. Communication Technology deals with the Physical devices and software that link various computer hardware components and transfer data from one physical location to another (Laudon and Laudon, 2001). ICT products in use in the banking industry include Automated Teller Machine, Smart Cards, Telephone Banking, MICR, Electronic Funds Transfer, Electronic Data Interchange, Electronic Home and Office Banking. What matters most for technological development is the speed with which technology diffuses within a country. Empirical evidence shows an important divergence across developing countries in the speed of diffusion within countries and their role for growth (World Bank, 2008). Many developing countries have a business environment that constrains firm's absorption of new technologies and performance.

It is the integration of technology and technology systems with the rest of an organization's activities, policies, plans and strategies that is important. As Andrews et al. (1994) also comment the sensible application of technology with work processes. Technological innovation is essentially about function and performance if one is not offering really new functionality or the potential for intrinsically superior performance, then success in the marketing against established technologies is not likely. The economic benefits of technological change are found marketplace. Good strategic technology management requires the integration of any technologies strategy with the rest of organizations strategies. These may be the business or marketing strategies, the research and development strategy and the human resource strategy. As Anstey (2000) has noted, the people elements of technology development and application are likely to be paramount importance.

2.3.3 Distribution strategies and performance

Distribution is considered to cover distributional activities of organizations. Farris, (1999), indicates that distribution involves the distribution channel, distribution coverage, outlet locations, inventory levels and location. In banks in Nigeria distribution involves the internet banking, telephone banking, human teller, ATM and so on. Related studies have shown that elements of distribution like internet banking, Automated Teller Machines, bank branches, etc. influence customer satisfaction .In the banking sector, Farris, (1999), investigated customer satisfaction with internet banking service quality in the Ghanaian banking industry. They found that customers of Merchant Bank of Ghana (MBG) are more satisfied with internet banking service quality than those of Ghana Commercial bank (GCB). Farris, (1999) investigated customer satisfaction with ATM banking in Malawi. The empirical findings indicated customer satisfaction with ATM. Farris, (1999), conducted research on services quality and customer loyalty in Indian commercial banks.

Sending the right product and service to the right customers at the right time and convenience location is the ultimate goal of place or distribution. The place chosen to conduct service business can make or break organizational prospect and growth. Marketers need to understand how visible the setup should be to potential customers and how frequently it should be visited by consumers. Although widely used in the retail trades it is not often employed in banking due to a lack of cost knowledge in many cases. Commercial banks uses the both direct channels and indirect channels to sale their deposit, loan, various saving scheme and other services to their customer countrywide by opening banking branches at the suitable and attractive locations. They also expand their channels home and abroad to sale their banking products and services. They perform banking functions smoothly and efficiently by mail, POS, EFT, and ATM as indirect channels to sale products (Beamish, 1998).

Physical evidence in service marketing refers to all the tangible, visible touch points that customer will encounter before they get or purchase the benefits of service from reception area and in the service territory. Staff's clothing, logo, sign, symbols, location, annual reports, images, corporate brochures all are essential conditions for rendering really high quality service to customers. These are two category both internal that create the environment in which the service or product is perfectly delivered. Physical evidence as a strategy tool for the bank marketer derives its sustenance form the intangibility principle. Banking products are intangible. The instrument of physical evidence focuses a banker's attention on this crucial aspect. Under this strategy factors are include- environment, decorations, lighting, atmosphere, visual corporate, facilitating goods. Borden (1965) claims to be the first to have used the term, marketing mix and that it was suggested to him by Culliton's (1948) description of a business executive as mixer of ingredients. Kalyanam & McIntyre (2002) include the 4 Ps inside their 4P+P2+C2+S3 model in a wider operative context which, thanks to the three dimensional representation, can give a more complete taxonomy of the elements forming the mix.

Number of studies of industrial marketers and purchasers indicated that the marketing mix components differ significantly in importance (Jackson, Burdick and Keith, 1985). Möller

(2006) highlighted that the shortcomings of the 4Ps marketing mix framework, as the pillars of the traditional marketing management have frequently become the target of intense criticism. He proposes that the four determinants of competition and sales are price, quality, service and advertising. McCarthy (1964) refined Borden's (1965) idea further and defined marketing mix as a combination of all of the factors at a marketing manger's command to satisfy the target market. Distribution channels are primarily set up to perform a set of essential economic functions in society, bridging the gap between production and consumption. It is important to recognize that it is through distribution that the Manufacturer can provide the kinds and levels of service that create superior customer value and lead to very satisfied customers. Especially in the 1980s onward, a number of researchers propose new P into the marketing mix. Kotler (1986) adds political power and public opinion formation to the Ps concept. Moller (2006) presents an up-to-date picture of the current standing in the debate around the mix as marketing paradigm and predominant marketing management tool by reviewing academic views from five marketing management sub-disciplines (consumer marketing, relationship marketing, services marketing, retail marketing and industrial marketing) and an emerging marketing E-commerce Iranian Events, (1986). Most researchers and writers that reviewed in these domains express serious doubts as to the role of the mix as marketing management tool in its origin form; and therefore propose alternative approaches, which is adding new parameters to the original mix or replacing it with alternative frameworks altogether.

2.4 Research Gap

There is limited empirical work exploring the effect of strategic marketing in Kenya by commercial banks in reducing transaction costs and its role in broadening financial inclusion for the majority of Kenyans. Studies have focused largely on the impact of non-bank-based agent banking models on financial development. Research done by EFInA (Enhancing Financial Innovation and Access) analyzed agent banking regulations in five selected countries, Kenya included. Information was analyzed from Central bank of Kenya and this information came from the regulators point of view with little concern on the commercial banks who are implementing this regulations. Another research conducted by the Bill & Melinda Gates Foundation specifically focused on how agent banking has changed economics of banking for the poor. Several research studies have been done on commercial banks performance: Omumi (2010) did a study on agency banking and use of agents including postal corporation of Kenya. Mauricio and Maudrile (2008) did a study on a new agent model for agency banking in Colombia. Recent studies by Mwangi (2012) examined the concept of agent banking as a diversification strategy by commercial banks in Kenya. Mwenda (2012) undertook an investigation into the challenges facing agent banking implementation in Kenya.

Most recently, Vutsenga & Ngugi (2013) examined the challenges that commercial banks face in sustaining market expansion in Kenya. It is clear from the studies done on this concept that the focus has been on the possible challenges and benefits which will be realized from agent banking. Further, owing to the fact that the model was in introduced in Kenya barely three years, there is still minimal evidence on the effect of strategic marketing practices on financial performance of commercial banks in broadening financial access, reducing transaction costs and mitigating risks. The success of strategic marketing practices has been widely discussed due to its success in extending formal financial services into poor and rural areas, particularly in Katito and Nyakach regions of Kisumu County. Most of these sub-counties have little or no experience with non-bank based models like MPESA, Equitel Money and Airtel Money, therefore could lead to its quick adoption.

Kisumu City has access with both bank based and non-bank based models, researchers have widely discussed the success and challenges of this model both locally and internationally, however, there is need to establish the effect of strategic marketing given the recent legal and technological development in the banking sector and overall provision of financial services in Kenya. This study therefore aimed to assess the Effects of adopted marketing strategies on performance of commercial banks in Kenya: a case of Kisumu City, thus can lead in reducing transactional costs, mitigating risks and enhancing financial inclusion. The study explored the role of adopted marketing strategies in broadening financial inclusion to both banked and unbanked. It probed how commercial banks are responding to risks like fraud and insecurity which result from long distance travel to get financial services within Kisumu City.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter focuses on research design, target population, sampling and sample size, data collection procedures, data collection instruments as well as piloting, validity and reliability, Data Analysis and Presentation, Ethical Presentation used during the study.

3.2 Research Design

According to Gerhard (2004), a research design is way a study is designed or the method used to carry out the research. Design involves planning, organizing, collection and analysis of data to provide information and also solutions to the existing problem of the study. A descriptive research design help in providing answers to the questions of who, what, when, where, and how associated with a particular research problem; a descriptive study cannot conclusively ascertain answers to why. Descriptive research was used to obtain information concerning the current status of the phenomena and to describe "what exists" with respect to variables or conditions in a situation. The goal of the descriptive study is to offer the researcher a profile or to describe aspects of phenomenon of interest from an individual/organizational industry oriented and other perception. To achieve the proposed research objective of investigating the effects of marketing strategies on performance of Commercial Banks in Kenya, descriptive study was adopted. Gerhardt (2004) considers this method as being the most efficient and most cost-effective research method.

3.3 Target Population

Population is the totality of elements that have one or more characteristics in common. The researcher chose a target population comprising of 250 Bank staffs and customers from different banks to effectively and efficiently accomplish an in-depth study of the Effects of marketing strategies on performance of commercial banks: a case of Kisumu City, Kenya. The target group was divided into two; Bank staffs, those who are responsible for banks operations comprising of 150 and Bank customers, those who are concerned with bank services comprised of 100.

Table 3.1: Target population

Population Category	Population size	Percentage
Bank staffs	150	60%
Customers	100	40%
Total	250	100%

Source: Field Data (2019)

3.4 Sampling and Sampling Size

Sampling is a procedure of data collection where few units from the whole population are collected and the results obtained from those few units are generalized for the whole population. The researcher adopted purposive sampling design due to homogeneity of commercial banks in Kisumu City.

According to Oso and Onen, (2008), in the purposive sampling method, at least 25% of the target population should be engaged in the analysis of the findings. A sample of 25% (250) of the respondents was selected for the purpose of this study. That is 25% of 250 which gave us 63 respondents.

3.5 Data Collection Procedures

The researcher obtained introductory letter from the learning institution and proceeded to the field to collect data from the sampled commercial banks.Questionnaires were used as the only convenient means for data collection. In this case, open - ended questionnaires were used because they create freedom of expression, no bias due to limited response ranges and respondents further explain their answers. In addition, closed ended questions were used where the responds types is predetermine and organized. A combination of open ended and closed ended questions was used in the questionnaire. This Multifaceted approach was of great help in this study where there is need to collect data while minimizing chances of low responsiveness at low cost.

3.6 Data Collection Instruments

A questionnaire was used to collect data. Using a questionnaire was advantageous since it presented an even stimulus potential to large number of people simultaneously and provided on investigation with easy accumulation of data. The questionnaire was administered to the branch managers by drop and pick method. A time period of one week was allowed to fill the questionnaire after which they were collected.

3.6.1 Piloting

The researcher personally administers questionnaires to the respondents after dividing them into strata. Most of the respondents comprises the operations manager and deposits manager. The researcher intended to get operational information from operations manager that’s how they took into considerations all the customers’ claims. Through the operations managers, the researcher realized that most banks are within the Kisumu CBD since most of the customers are within the business area. Secondly, power availability within the City was very stable. This made it easy for both the customers and operators to provide their services in effective manner. Since, the primary goal of a pilot study was not to collect research data, but to check out research procedures so that adjustments can be made before the actual data are collected.

3.6.2 Validity

According to Mugenda and Mugenda (2004), validity is the degree to which the results obtained from the analysis of data actually represents the phenomenon under the study. The validity of the instrument addressed by randomization in which the researcher asked random questions from the questionnaires uses his observation skills to see whether the results conformed. In addition, the researcher used his questionnaires analysis expertise in making judgments in order to ensure that the data collected was valid.

3.6.3 Reliability

Reliability is the degree to which an assessment tool produces stable and consistent results. Therefore, the researcher administered the same questionnaire twice over a period of time to the same group of individuals and the results from first response and second response was then correlated in order to evaluate the test for stability overtime thus if the result from the second response was similar to the first, then the result was regarded reliable.

3.7 Data Analysis

Data was presented by use of tables, frequencies and percentages. This gave a clear data that showed the performance of commercial banks in Kisumu City. The data was analyzed using descriptive statistics. Correlation and regression analysis was used to test the hypotheses. The Correlation was used to determine the relationship between the banks and strategic marketing practices and its effect on commercial banks performance while regression analysis was used to determine the level of contribution of each of the types of marketing practices on firm performance. According to Fisher (1983), the formula was;

$n_f = n$

1 +n / N (Fisher's formula (1983))

Where: n_f= the desired sample size (when the population is less than 10,000)

n = 250

N = the estimate of the target population size (500)

$n_f =$ 250/ 1+ (250/500) = 63

3.8 Ethical Consideration

The study was purposively for the academic. The researcher is a student at Maseno campus pursuing master's in business administration marketing option. The findings of this study used for academics only and the documents kept in school libraries. It is of great assured to the respondents that their views were free from harm in any form. The findings of the study will not followed by anybody from the organization or outside. However, the research contains other author's findings which were used to develop the background of the study and even the literature review. In the reference, they were aligned in APA style and as per the research objectives. The research objectives were maintained throughout the study.

CHAPTER FOUR
RESULTS AND DISCUSSION

4.1 Introduction

This chapter reports the findings of data that was gotten from Commercial Banks at Kisumu City. It therefore, consists of data analysis and presentation of the findings. The sample was done using the questionnaire to different respondents to establish the effect of marketing strategies on performance of commercial banks.

4.2 Response Rate

This section contains the general information pertaining to respondent personal details.

4.2.1 Level of education

The researcher was interested in knowing the level of education of the respondents administered with the questionnaire.4**(**6%) of the respondents were Primary school leavers, 11(18%) were secondary school leavers, 22(35%) were college leavers while 26(41%) were University graduates. This was then shown in Table 4.1

Table 4.1: Level of education

Category	Frequency	Percentage
Primary	4	6%
Secondary	11	18%
College	22	35%
University	26	41%
Total	**63**	**100%**

Source: Field Data (2019)

The study revealed that majority of the respondents was university graduates who were twenty six out of the total target population. This was a determined group that was capable of their savings and developments; they were not difficult to persuade regarding commercial banks services. They were from different backgrounds and believe within the county. The advantage of this was that, they are able to provide insights on the areas they feel should be changed.

This was represented in figure 4.1

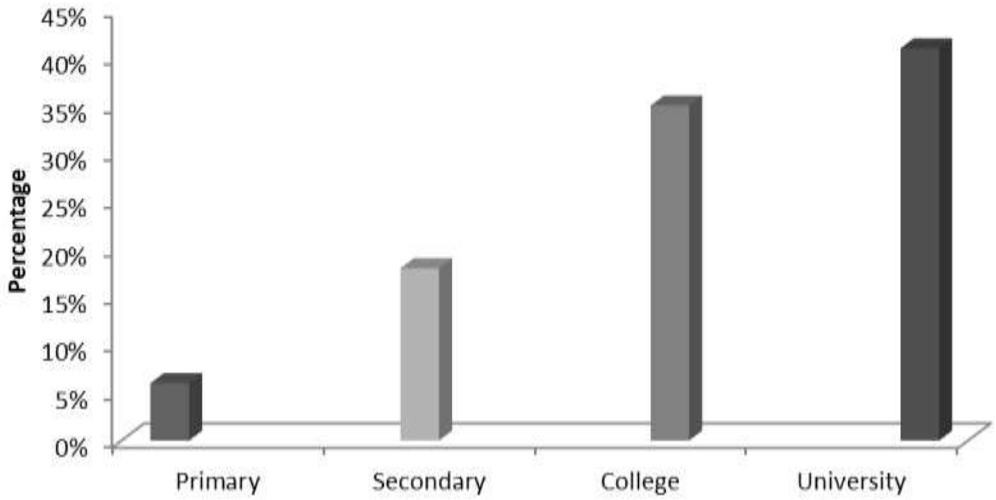

Figure 4.1: Level of education

Source: Field Data (2019)

4.2.2 Duration in the organization

The researcher was interested in knowing the duration of the respondents in organization administered with the questionnaire.9**(**14%) of the respondents were less than 1years, 17(27%) were falling between 1-2 years, 14(22%) were falling between 2-3 years, 12(19%) were falling between 3-4 years, while 11(18%) above 5 years. This was then shown in Table 3

Table 4.2: Duration in the organization

Category	Frequency	Percentage
Less than 1 yrs	9	14%
1-2 yrs	17	27%
2-3 yrs	14	22%
3-4 yrs	12	19%
Above 5 yrs	11	18%
Total	63	100%

Source: Field Data (2019)

The study revealed that majority of the respondents was falling between age brackets 1-2 years. This was a determined group that was capable of determining their potentials by applying different marketing strategies to improve commercial banks performance. They were determined to increase the number of customers acquiring commercial banks services. The advantage of this is the increase number of customers.

4.3.1Promotional strategies improve performance of commercial banks in Kenya

The researcher wanted to find out if promotional strategies improve performance of commercial banks in Kenya. Findings showed that 19(30%) of the respondent agreed, 24(38%) of the respondent strongly agreed, 10(16%) of the respondent disagreed, 7(11%) of the respondents strongly disagreed while 3(5%) of the respondents were neutral as shown in the table 4.3

Table 4.3: Promotional strategies improve performance of commercial banks in Kenya

Category	Frequency	Percentage
Agree	19	30%
Strongly Agree	24	38%
Disagree	10	16%
Strongly Disagree	7	11%
Neutral	3	5%
Total	63	100%

Source: Field Data (2019)

From the respondents point of view Promotional strategies and marketing go hand in hand. Marketing a brand or product will include different aspects of commercial banks, promoting and selling products to the customers. It is a key element in putting across the benefits of a product or service to the customers. Well-designed marketing and promotional strategies ensure long-term success, bring in more customers and ensure profitability for businesses. Promotion is the voice of commercial banks which send out brand’s message loud and clear to the audience. Various media platforms can be used to promote banks and brand. They include television, radio, shopping outlets, billboards, magazines, and social media. Various promotional strategies will be used to promote and market a business depending on the goals, objectives and priorities.

This was further represented in the figure 4.2

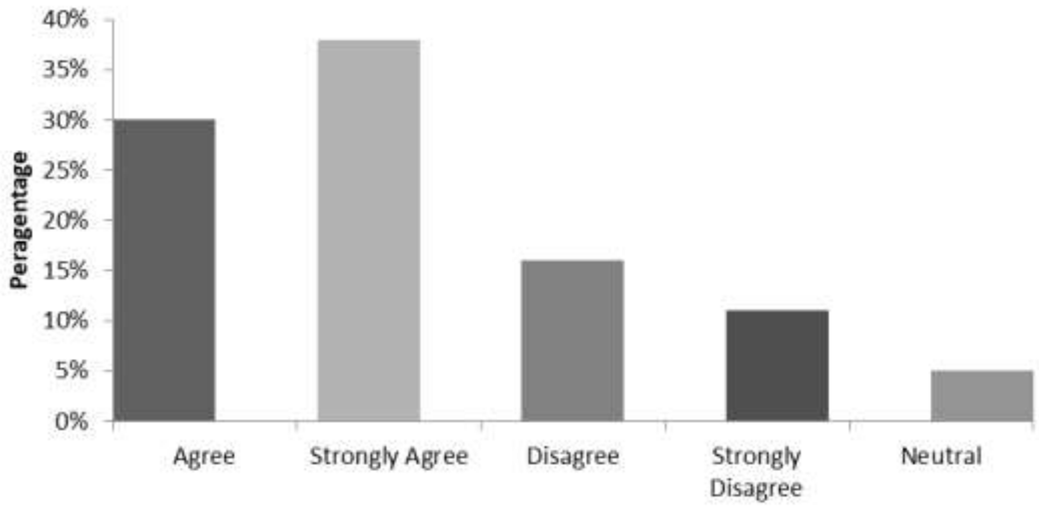

Figure 4.2:Promotional strategies improve performance of commercial banks in Kenya
Source: Field Data (2019)

From the findings it was clear that promotional strategies improve performance of commercial banks. This is because without marketing promotions, a brand or service will not be able to garner the attention of the pre-occupied customers. With the help of various media like the television, billboards, radio or local newspaper news, banks can spread across information about their brand and company, which helps people to find out more about customers and look into their products. Having a full-proof and well-thought-out promotional strategy and marketing plan can help identify different segments of consumers in the market and offer suitable solutions for clients. The more banks promote their brand, the more will the customers know about them and their services and the more they will be interested in their products

4.3.3 Pricing improves performance of commercial banks in Kenya

The researcher wanted to find out how pricing improves performance of commercial banks in Kenya. Findings showed that 4(6%) of the respondent agreed it improves, 23(37%) of the respondents strongly agreed, 7(11%) of the respondents disagreed, 6(9%) of the respondents strongly disagreed while 23(37%) of the respondents were neutral as shown in the table 4.4

Table 4.4: Pricing improves performance of commercial banks in Kenya

Category	Frequency	Percentage
Agree	4	6%
Strongly Agree	23	37%
Disagree	7	11%
Strongly Disagree	6	9%
Neutral	23	37%
Total	63	100%

Source: Field Data (2019)

From the respondents' point of view, Good pricing strategy will help commercial banks determine the price point at which they can maximize profits on sales of products or services. When they are setting prices, managers need to consider a wide range of factors including production and distribution costs, competitor offerings, positioning strategies and the business' target customer base. Another respondent suggest premium pricing, upcoming banks set costs higher than their competitors. Premium pricing is often most effective in the early days of a product's life cycle, and ideal for small businesses that sell unique goods.

However another respondent explained that customers need to perceive products as being worth the higher price tag, a business must work hard to create a value perception. Along with creating a high-quality product, managers should ensure their marketing efforts, and the product's packaging.

This was further represented in the figure 4.3

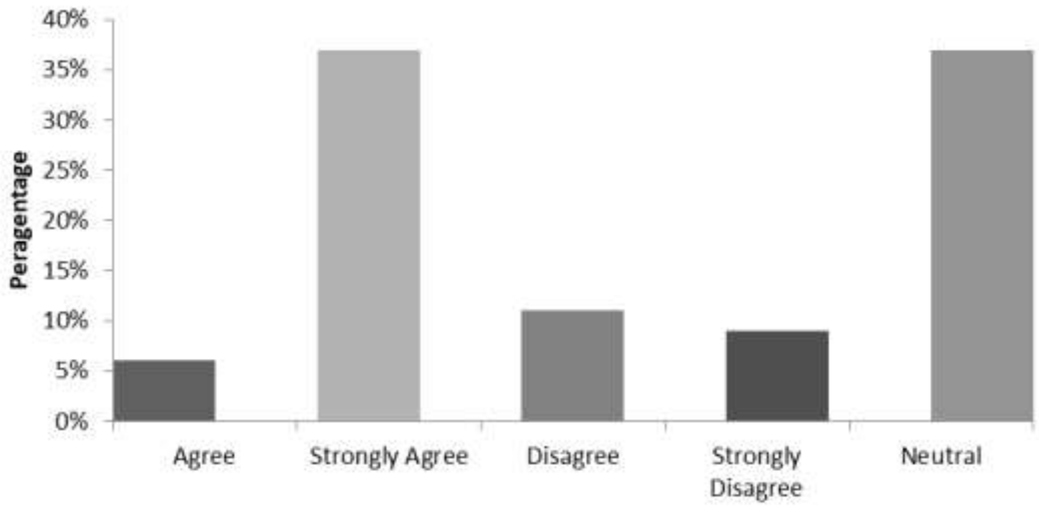

Figure 4.3: Pricing improves performance of commercial banks in Kenya
Source: Field Data (2019)

From the findings it was clear that Bank pricing strategy needs to align with how different customers value their products and services. Banks should replace traditional pricing with a holistic data driven approach that includes customers' needs, preferences, behaviors, purchasing patterns, and price sensitivity. A data-driven, holistic bank pricing strategy creates more value than banks can yield from reductions in variable and fixed costs, or from increases in volume. With profit leverage, pricing is one function that a company can always improve. Banks that develop a data-driven, customer-focused bank pricing strategy are better positioned to use pricing as a competitive advantage across market and customer segments, as well as the entire portfolio of deposit, lending, and transaction products and services.

4.3.4 Does pricing improves performance of commercial banks

The researcher wanted to find out if pricing improves performance of commercial banks in Kenya. Findings showed that 14(22%) of the respondent said to a small extent, 9(14%) of the respondents said it improves to a moderate extent, 27(43%) of the respondents said to a large extent, 13(21%) of the respondents said it does not improve as shown in the table 4.5

Table 4.5: Does pricing improves performance of commercial banks

Category	Frequency	Percentage
Small Extent	14	22%
Moderate extent	9	14%
Large extent	27	43%
Does not affect	13	21%
Total	63	100%

Source: Field Data (2019)

From the respondents' point of view, if they tend to minimize credit risk, the rate of interest will be higher for borrowers since they are associated with high credit risk. Factors like unsteady income, low credit score, employment type, collateral assets and others determine the credit risk associated with a borrower. According to the second respondent, credit risk can be associated with interbank transactions, foreign transactions and other types of transactions happening outside the bank and if the transaction at one end is successful but unsuccessful at the other end, loss occurs. If the transaction at one end is settled but there are delays in settlement at the other end, there might be lost investment opportunities.

This was further represented in the figure 4.4

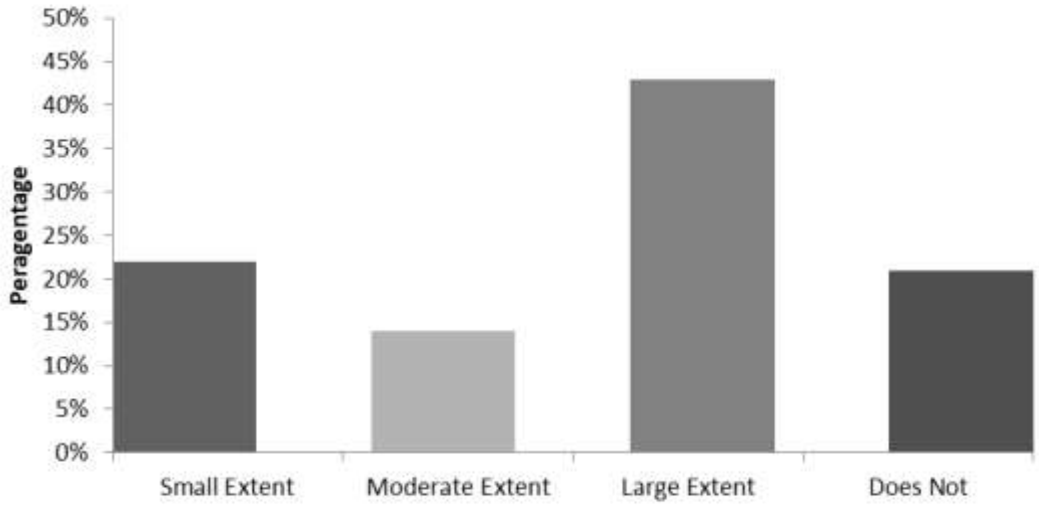

Figure 4.4:Does pricing improves performance of commercial banks
Source: Field Data (2018)

From the findings it was clear that pricing improves performance of commercial banks to a large extent. Excellent pricing helps banks to generate an uplift in revenues which, in the absence of additional costs, goes straight to the bottom line. Better pricing will also offset the impact of regulation, and it will help banks tailor their propositions more effectively to customer needs, increasing sales and improving relationships. Banks should set the rate of deposits in most obvious aspects of deposit price. They should change the interest rates in their money market account so the value changes in certificate of deposits. If prices are too high, borrowers' behavior change thus affect product profitability.

4.3.5 Does distribution affect performance of commercial banks?

The researcher wanted to find out if distribution affects performance of commercial banks in Kenya. Findings showed that 4(6%) of the respondent agreed it affect to a small extent, 21(33%) of the respondents said it affect to a moderate extent, 32(51%) of the respondents agreed that distribution affect commercial banks performance, while 6(10%) of the respondents had opinion that it does not affect banks performance as shown in the table 4.6

Table 4.6:Does distribution affect performance of commercial banks?

Category	Frequency	Percentage
Small Extent	4	6%
Moderate Extent	21	33%
Large Extent	32	51%
Does not affect	6	10%
Total	**63**	**100%**

Source: Field Data (2019)

It is very evident that distribution affects performance of commercial banks in Kenya. This is because thirty two of the respondents agreed with the statement and it has the highest percentage of fifty one. This can be due to factors such as location of the bank. Banks which are situated close to the people are likely to gain more customers compared to those which are far within CBDs. For example Coop bank at Kibuye, it is in a place where each trader from any direction can access. This was a marketing strategy well structured. This bank will capture customers from areas such as Manyatta, Kondele, Car wash, Mamboleo as you go down.

This was further represented in the figure 4.5

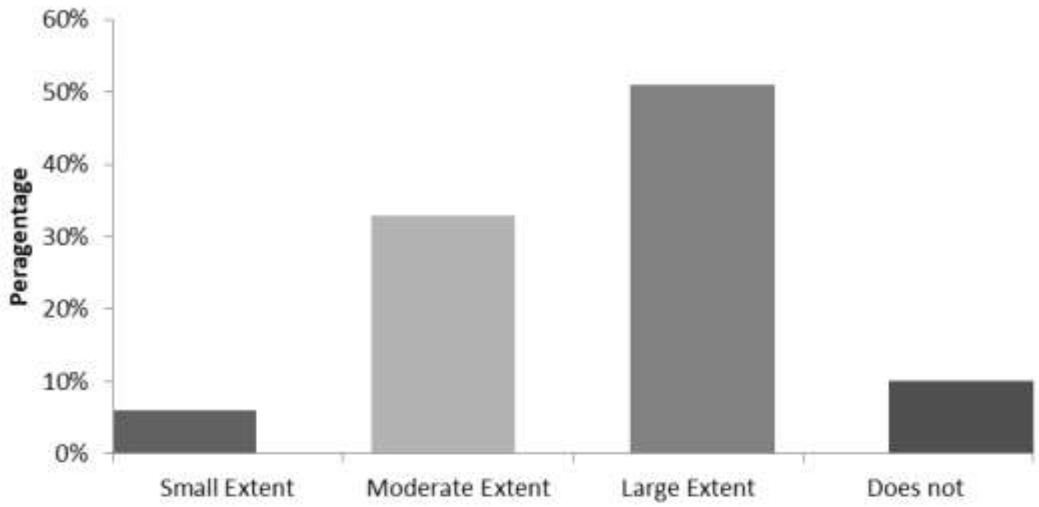

Figure 4.5: Does distribution affect performance of commercial banks?
Source: Field Data (2019)

From the findings it was clearly seen that when distribution is based on findings then most profitable way to reach a market. This is because factors such as transport cost are reduced to an extent that customer does not feel burden of going to the bank. A good number of the respondents had a view that successful distribution channel identify the right selection process thus facilitate easy implementation and management systems. This will help in meeting the need of target customers efficiently under cost constrains.

4.3.6 Distribution strategies improve performance of commercial banks

Here the researcher was interested in understanding if distribution strategies improve performance of commercial banks in Kenya. The findings showed that 16(26%) of the respondents agreed, 27(43%) of the respondents agreed strongly, 7(11%) of the respondents disagreed, 9(14%) of the respondents strongly disagreed, while the remaining 4(6%) were neutral on the statement. This was summarized in the table 4.7

Table 4.7 . Distribution strategies improve performance of commercial banks

Category	Frequency	Percentage
Agree	16	26%
Strongly agree	27	43%
Disagree	7	11%
Strongly Disagree	9	14%
Neutral	4	6%
Total	**63**	**100%**

Source: Field Data (2019)

According to forty three percent of the respondents who strongly agreed that distribution strategies improve performance of commercial banks based their arguments on changing market and technology. The increase in consumer touch points due to online/mobile activity has meant greater opportunities for exposure to their full complement of products and services for financial institutions. A respondent explain that customer banking experience now comes in Self-Service, Assisted Self-Service, and Assisted Full-Service options, depending on the technology each branch has implemented. The third respondent states that ATM's with expanded capabilities now enable customers to deposit cash and checks as well as withdraw cash. Once restricted to branch exteriors or lobbies, ATM kiosks to be accessible in standalone form in numerous locations, such as parking lots, hotels, hospitals, and near markets. All of these qualify as a distribution channel for the financial institutions they serve.

This was further represented in the figure 4.6

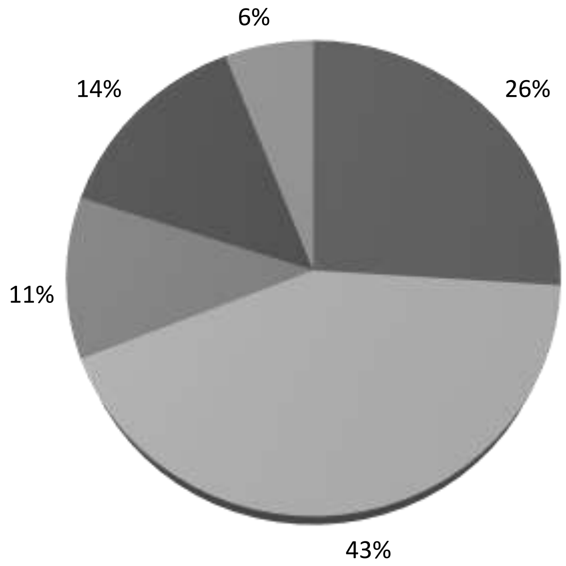

Figure 4.6: Distribution strategies improve performance of commercial banks
Source: Field Data (2019)

From the findings; the rise of the so-called “micro-branch” has occurred in response to consumer demand for convenience and expanded services. Frequently located in shopping malls, micro-branches transform from full-service branches into 24-hour ATM lobbies where customers can perform transactions. Full-service dialogue branches such as main branches and flagships are distribution channel powerhouses where every product and service the financial institution offers is front and center; compelling displays, roaming universal bankers assisting customers, digital displays, consultants in house.

According to the first research question, Level of education

The researcher was interested in knowing the level of education of the respondents administered with the questionnaire. Six percent of the respondents were Primary school leavers, eighteen percent were secondary school leavers, and thirty five percent were college leavers while forty one percent who were the majority of respondents were University graduates.

The study revealed that majority of the respondents was university graduates who were twenty six out of the total target population. This was a determined group that was capable of their savings and developments; they were not difficult to persuade regarding commercial banks services. They were from different backgrounds and believe within the county. The advantage of this was that, they are able to provide insights on the areas they feel should be changed.

According to second research question, duration in the organization

The researcher was interested in knowing the duration of the respondents in organization administered with the questionnaire. Where fourteen percent of the respondents were less than 1years, twenty seven percent of the respondents were falling between 1-2 years, twenty two percent of the respondents were falling between 2-3 years, and in addition, nineteen percent of the respondents were falling between 3-4 years, while eighteen percent were above 5 years.

The study revealed that majority of the respondents was falling between age brackets 1-2 years. This was a determined group that was capable of determining their potentials by applying different marketing strategies to improve commercial banks performance. They were determined to increase the number of customers acquiring commercial banks services. The advantage of this is the increase number of customers.

However, the researcher sought to analyze if product strategies improve the performance of commercial banks. From the respondents point of view eighteen percent of the respondents agreed that product strategies improves the performance of commercial banks, strongly agree were fifty percent with the fact that product strategies improves the performance of commercial banks, and six percent of the respondents disagreed with the statement, strongly disagree were sixteen percent while ten percent of the respondents were neutral.

According to the table 4 above majorities strongly agree that product strategies improve the performance of commercial banks in Kisumu County. A product strategy is important since it determines all the steps which a brand will have to take to make the product a success. Alternatively, because this is how a strategy works, the brand also has to decide what to do if the product is a failure of it is not gaining traction in the market. Product strategy is the vision of the product. If a commercial bank launches a product, then it has a vision of where the product will reach. The product strategy is the bare bone planning of the steps to ensure the product reaches the desired space. Such a strategy helps in setting the right direction for the product. In addition, it helps in deciding the basic elements of a product such as its marketing mix and its design. At the same time, it also helps in targeting the product to the right segment and product line stretching. It is the product roadmap which means the sequential step of events which need to take place to ensure maximum penetration of the product and maximum product adoption in the market. It will help in the formation of the product roadmap.

From the findings it was evident that majority of the respondents who were fifty percent strongly Agreed that product strategies improve the performance of commercial banks with eighteen percent of the respondents just agreed that product strategies improve the performance of commercial banks in Kisumu County, six percent disagreed, and sixteen percent strongly disagreed while ten percent of the respondents were Neutral about the statement.

Furthermore, the researcher wanted to find out if promotional strategies improve performance of commercial banks in Kenya. Findings showed that thirty percent of the respondent agreed, thirty eight percent of the respondent strongly agreed, and sixteen percent of the respondent disagreed with the statement, where eleven percent of the respondents strongly disagreed while five percent of the respondents were neutral

From the respondents point of view Promotional strategies and marketing go hand in hand. Marketing a brand or product will include different aspects of commercial banks, promoting and selling products to the customers. It is a key element in putting across the benefits of a product or service to the customers. Well-designed marketing and promotional strategies ensure long-term success, bring in more customers and ensure profitability for businesses. Promotion is the voice of commercial banks which send out brand’s message loud and clear to the audience. Various media platforms can be used to promote banks and brand. They include television, radio, shopping outlets, billboards, magazines, and social media. Various promotional strategies will be used to promote and market a business depending on the goals, objectives and priorities.

The researcher wanted to find out how pricing improves performance of commercial banks in Kenya. Findings showed that six percent of the respondent agreed it improves, thirty seven percent of the respondents strongly agreed, eleven percent of the respondents disagreed, and nine percent of the respondents strongly disagreed while thirty seven percent of the respondents were neutral

From the respondents' point of view, Good pricing strategy will help commercial banks determine the price point at which they can maximize profits on sales of products or services. When they are setting prices, managers need to consider a wide range of factors including production and distribution costs, competitor offerings, positioning strategies and the business' target customer base. Another respondent suggest premium pricing, upcoming banks set costs higher than their competitors. Premium pricing is often most effective in the early days of a product's life cycle, and ideal for small businesses that sell unique goods.

However another respondent explained that customers need to perceive products as being worth the higher price tag, a business must work hard to create a value perception. Along with creating a high-quality product, managers should ensure their marketing efforts, and the product's packaging.

In order to understand commercial banks performance better, the researcher wanted to find out the extent to which pricing improves performance of commercial banks in Kenya. Findings showed that twenty two percent of the respondents said to a small extent, where fourteen percent of the respondents said it improves to a moderate extent, forty three percent of the respondents said to a large extent while twenty one percent of the respondents said it does not improve.

From the respondents' point of view, if they tend to minimize credit risk, the rate of interest will be higher for borrowers since they are associated with high credit risk. Factors like unsteady income, low credit score, employment type, collateral assets and others determine the credit risk associated with a borrower. According to the second respondent, credit risk can be associated with interbank transactions, foreign transactions and other types of transactions happening outside the bank and if the transaction at one end is successful but unsuccessful at the other end, loss occurs. If the transaction at one end is settled but there are delays in settlement at the other end, there might be lost investment opportunities.

From the findings it was clear that pricing improves performance of commercial banks to a large extent. Excellent pricing helps banks to generate an uplift in revenues which, in the absence of additional costs, goes straight to the bottom line. Better pricing will also offset the impact of regulation, and it will help banks tailor their propositions more effectively to customer needs, increasing sales and improving relationships. Banks should set the rate of deposits in most obvious aspects of deposit price. They should change the interest rates in their money market account so the value changes in certificate of deposits. If prices are too high, borrowers' behaviour change thus affect product profitability.

However, distribution was not left behind and the researcher wanted to find out the extent to which distribution affect performance of commercial banks in Kenya. Findings showed that six percent of the respondent agreed it affect to a small extent, where thirty three percent of the respondents said it affect to a moderate extent, and the majority fifty one percent of the respondents agreed that distribution affect commercial banks performance, while ten percent of the respondents had opinion that it does not affect banks performance.

It is very evident that distribution affects performance of commercial banks in Kenya. This is because thirty two of the respondents agreed with the statement and it has the highest percentage of fifty one. This can be due to factors such as location of the bank. Banks which are situated close to the people are likely to gain more customers compared to those which are far within CBDs. For example Coop bank at Kibuye, it is in a place where each trader from any direction can access. This was a marketing strategy well structured. This bank will capture customers from areas such as Manyatta, Kondele, Car wash, Mamboleo as you go down.

Finally, the researcher was interested in understanding if distribution strategies improve performance of commercial banks in Kenya and the findings showed that twenty six percent of the respondents agreed that improves performance of commercial banks, forty three percent of the respondents agreed strongly, eleven percent of the respondents disagreed with the statement and fourteen percent of the respondents strongly disagreed, while the remaining six percent of the respondents were neutral on the statement.

According to forty three percent of the respondents who strongly agreed that distribution strategies improve performance of commercial banks based their arguments on changing market and technology. The increase in consumer touch points due to online/mobile activity has meant greater opportunities for exposure to their full complement of products and services for financial institutions. A respondent explain that customer banking experience now comes in Self-Service, Assisted Self-Service, and Assisted Full-Service options, depending on the technology each branch has implemented. The third respondent states that ATM’s with expanded capabilities enable customers to deposit cash and checks as well as withdraw cash. Once restricted to branch exteriors or lobbies, ATM kiosks to be accessible in standalone form in numerous locations, such as parking lots, hotels, hospitals, and near markets. All of these qualify as a distribution channel for the financial institutions they serve.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

This chapter presents a detailed discussion of the findings in relation to the research question formulated in the study. Conclusions were drawn from the findings and appropriate and befitting recommendations were given. This chapter therefore, concludes suggestions and areas for further studies.

5.1 Summary of Major Findings

The researcher was interested in knowing the level of education of the respondents administered with the questionnaire. Six percent of the respondents were Primary school leavers, eighteen percent were secondary school leavers, and thirty five percent were college leavers while forty one percent who were the majority of respondents were University graduates.

The study revealed that majority of the respondents was university graduates who were twenty six out of the total target population. This was a determined group that was capable of their savings and developments; they were not difficult to persuade regarding commercial banks services. They were from different backgrounds and believe within the county. The advantage of this was that, they are able to provide insights on the areas they feel should be changed.

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The study revealed that majority of the respondents was falling between age brackets 1-2 years. This was a determined group that was capable of determining their potentials by applying different marketing strategies to improve commercial banks performance. They were determined to increase the number of customers acquiring commercial banks services. The advantage of this is the increase number of customers.

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According to the table 4 above majorities strongly agree that product strategies improve the performance of commercial banks in Kisumu County. A product strategy is important since it determines all the steps which a brand will have to take to make the product a success. Alternatively, because this is how a strategy works, the brand also has to decide what to do if the product is a failure of it is not gaining traction in the market. Product strategy is the vision of the product. If a commercial bank launches a product, then it has a vision of where the product will reach. The product strategy is the bare bone planning of the steps to ensure the product reaches the desired space. Such a strategy helps in setting the right direction for the product. In addition, it helps in deciding the basic elements of a product such as its marketing mix and its design. At the same time, it also helps in targeting the product to the right segment and product line stretching. It is the product roadmap which means the sequential step of events which need to take place to ensure maximum penetration of the product and maximum product adoption in the market. It will help in the formation of the product roadmap.

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Furthermore, the researcher wanted to find out if promotional strategies improve performance of commercial banks in Kenya. Findings showed that thirty percent of the respondent agreed, thirty eight percent of the respondent strongly agreed, and sixteen percent of the respondent disagreed with the statement, where eleven percent of the respondents strongly disagreed while five percent of the respondents were neutral.

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From the respondents' point of view, Good pricing strategy will help commercial banks determine the price point at which they can maximize profits on sales of products or services. When they are setting prices, managers need to consider a wide range of factors including production and distribution costs, competitor offerings, positioning strategies and the business' target customer base. Another respondent suggest premium pricing, upcoming banks set costs higher than their competitors. Premium pricing is often most effective in the early days of a product's life cycle, and ideal for small businesses that sell unique goods.
However another respondent explained that customers need to perceive products as being worth the higher price tag, a business must work hard to create a value perception. Along with creating a high-quality product, managers should ensure their marketing efforts, and the product's packaging.

In order to understand commercial banks performance better, the researcher wanted to find out the extent to which pricing improves performance of commercial banks in Kenya. Findings showed that twenty two percent of the respondents said to a small extent, where fourteen percent of the respondents said it improves to a moderate extent, forty three percent of the respondents said to a large extent while twenty one percent of the respondents said it does not improve.

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It is very evident that distribution affects performance of commercial banks in Kenya. This is because thirty two of the respondents agreed with the statement and it has the highest percentage of fifty one. This can be due to factors such as location of the bank. Banks which are situated close to the people are likely to gain more customers compared to those which are far within CBDs. For example Coop bank at Kibuye, it is in a place where each trader from any direction can access. This was a marketing strategy well structured. This bank will capture customers from areas such as Manyatta, Kondele, Car wash, Mamboleo as you go down.

Finally, the researcher was interested in understanding if distribution strategies improve performance of commercial banks in Kenya and the findings showed that twenty six percent of the respondents agreed that improves performance of commercial banks, forty three percent of the respondents agreed strongly, eleven percent of the respondents disagreed with the statement and fourteen percent of the respondents strongly disagreed, while the remaining six percent of the respondents were neutral on the statement.

5.2 Discussion of the Findings

The principle objective of the study was to investigate effects of marketing strategies on performance of commercial banks. From the findings it was clear that promotional strategies improve performance of commercial banks. This is because without marketing promotions, a brand or service will not be able to garner the attention of the pre-occupied customers. With the help of various media like the television, billboards, radio or local newspaper news, banks can spread across information about their brand and company, which helps people to find out more about customers and look into their products. Having a full-proof and well-thought-out promotional strategy and marketing plan can help identify different segments of consumers in the market and offer suitable solutions for clients. The more banks promote their brand, the more will the customers know about them and their services and the more they will be interested in their products.

In addition, it was clear that Bank pricing strategy needs to align with how different customers value their products and services. Banks should replace traditional pricing with a holistic data driven approach that includes customers' needs, preferences, behaviours, purchasing patterns, and price sensitivity. A data-driven, holistic bank pricing strategy creates more value than banks can yield from reductions in variable and fixed costs, or from increases in volume. With profit leverage, pricing is one function that a company can always improve. Banks that develop a data-driven, customer-focused bank pricing strategy are better positioned to use pricing as a competitive advantage across market and customer segments, as well as the entire portfolio of deposit, lending, and transaction products and services.

And finally, the rise of the so-called “micro-branch” has occurred in response to consumer demand for convenience and expanded services. Frequently located in shopping malls, micro-branches transform from full-service branches into 24-hour ATM lobbies where customers can perform transactions. Full-service dialogue branches such as main branches and flagships are distribution channel powerhouses where every product and service the financial institution offers is front and center; compelling displays, roaming universal bankers assisting customers, digital displays, consultants in house.

5.3 Conclusions

This study concludes that product promotion contribute most to the performance of the commercial banks followed by product distribution then product pricing while people contributed the least to performance of the commercial banks. The study established that marketing forces, markets product diversity, markets level of product information, geographic diversity and markets diversity of promotional media determined the level of performance of commercial banks. In addition, the study found that intensity of rivalry, inability to influence market conditions, average profitability of the principal market, major distributors and entry barriers to the principal market determined the level of performance of commercial banks.

The study concludes that competition in the industry is on pricing; the price at which services were offered. Some services proved too expensive to the small scale traders thus hindering their banking techniques. Product distribution was another area which affects banks performance either positively or negatively. In terms of service provision some services are still not offered at the branches such as loan approvals, ATM renewals and even financial advices. In addition, most commercial banks were experiencing difficulty in keeping the market strategy alive and in front of management and staff on a day to day basis to a moderate extent.

5.4 Recommendations

The researcher recommends for further study on the gaps which were found during the study and more explanation on Ps towards the performance of commercial banks. Future researchers can study the backgrounds in relation to pricing strategies, sales promotion strategies and distribution strategies.

5.5 Suggestions for Further Studies

This research leads to some observations that might be of interest to future researchers, as they represent the seeds from which future research can be developed.

a. This same research can be carried out in other nations so that a broad comparison of the concepts of strategic marketing as it affects commercial banks performance can be made.
b. Research if pricing strategies affect performance of commercial banks.
c. Research if sales promotion strategies affect performance of commercial banks
d. And finally research if distribution strategies affect performance of commercial banks

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APPENDICES

Appendix I: Questionnaires

Am Samuel Agoro, a student at Maseno University taking Master of Science Degree in Business Administration. I would like to investigatethe Effects of Marketing Strategies on Performance of Commercial Banks in Kenya: A case of Kisumu City. Your views will be treated with confidentiality and will be highly appreciated. Please tick where necessary.

PART ONE: **Demographics (please tick where necessary)**

1) Level of education;

Primary ( ) Secondary ( ) College ( ) University ( )

2) Duration in the Organization

i. Less than 1 year ( )
ii. 1 to 2 years ( )
iii. 2 to 3 years ( )
iv. 3 to 4 years ( )
v. Above 5 years ( )

PART TWO

MARKETING STRATEGIES (please tick where necessary)

3) Tick to what extent you agree or disagree with the statement below.

Product strategies improves the performance of commercial banks

i. Agree ( )
ii. Strongly agree ( )
iii. Disagree ( )
iv. Strongly disagree ( )
v. Neutral ( )

4) Promotional strategies improve performance of commercial banks in Kenya? (*Tick all that apply*)

i. Agree ( )
ii. Strongly agree ( )
iii. Disagree ( )
iv. Strongly disagree ( )
v. Neutral ( )

5) Pricing improves performance of commercial banks in Kenya

i.	Agree	( )
ii.	Strongly agree	( )
iii.	Disagree	( )
iv.	Strongly disagree	( )
v.	Neutral	( )

6) To what extent does pricing improves performance of commercial banks?

i.	Small extent	( )
ii.	Moderate extent	( )
iii.	Large extent	( )
iv.	Does not affect	( )

7) To what extent does distribution affect the performance of commercial banks?

i.	Small extent	( )
ii.	Moderate extent	( )
iii.	Large extent	( )
iv.	Does not affect	( )

8) Distribution strategies improve the performance of commercial banks? (*Tick all that apply*)

i.	Agree	( )
ii.	Strongly agree	( )
iii.	Disagree	( )
iv.	Strongly disagree	( )
v.	Neutral	( )

THANK YOU SO MUCH FOR YOUR COOPERATION!

Appendix II: Work Plan

ACTIVITIES	APRIL 2018	MAY 2018	JUNE 2018	JULY 2018	AUGUST 2018
Writing a research proposal					
Consultation					
Submission of research proposal					
Data collection					
Data analysis and processing					
Submission for defense					
Defense					

Source: Author, 2018

Appendix III: Budget

Stationery	
4 pens @20	150
2 rim of foolscap	1000
Binding and cover	300
Library fee in 30 days	1500
Total	**2,950**
Internet	
Browsing fee	2000
Typing and printing	2500
Total	**4,500**
Travel and accommodation	2000
Fare	1500
Telephone charges	2000
Lunch	1000
Total	**6,500**
Others	**5000**
GRAND TOTAL	**18,950**

Source: Author, 2019