

**THE EFFECTS OF MARKETING STRATEGIES ON SALES  
PERFORMANCE OF COMMERCIAL BANKS IN KENYA**

**BY**

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## **DECLARATION**

This research proposal is my original work and has not been presented for exam in any other university

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This research project has been submitted with my approval as a supervisor.

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I dedicate this work to my loving husband Kithinji and Son Mwenda

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## **ABBREVIATIONS AND ACRONYMS**

**AVE:** Advertising Value Equivalent

**CBK** Central Bank of Kenya

**CRM** Customer Relationship Marketing

**KCB:** Kenya Commercial Bank

**PBT** Profits before Tax

**SMEs** Small and Medium Enterprises

**SPSS** Statistical Package for Social Sciences

## **ABSTRACT**

Marketing strategies, in any form of business, is an integral part to the policies that determine the performance of that business. Sales, on the other hand, have a direct impact on the profits and losses of a business. In this case, banks. Banks need to sell loans, accounts, and some banks insurance and even mortgages. The determinants of the number of sales are directly linked to marketing. Therefore, to make more sales, one needs to have very strategic marketing plans. The objective of this study is to determine the effects of marketing strategies on sales performance of commercial banks in Kenya. The study was carried out in Nairobi. The target population was the 43 commercial banks registered by the Central Bank of Kenya. The researcher collected data using semi structured questionnaires. The quantitative data generated was analyzed with the help of Statistical Package for Social Sciences. The study revealed that marketing has become a major function in the banking industry as a result of increased competition brought about by bank consolidation and reforms. As a matter of fact, banks staff involved in marketing activities in the post consolidation era have surpassed those in the pre consolidation era. Thus, there is a connection between banks competition brought about by banks reforms and marketing activities. The competition is supposed, among others, to facilitate effective deposit mobilization, technical efficiency, varieties of services, convenience banking services, productive efficiency, a locative efficiency, lower cost of fund, absence of customer exploitation, higher compensation to depositors, safety of depositors' funds, availability of funds for investment, increase savings that will transform and high quality services among others. The findings in this study shows an overall significance of the marketing variables adopted, although not much effect is seen when a marketing variable is compared with bank performance in isolation of other variables. This helps to conclude that the marketing strategies techniques must be adequately combined in order to bring about improved performance. For example, if a bank should engage in promotional activities without adequate knowledge of the market, the aim of marketing will be defeated. It was intended that the study would benefit various stakeholders in the banking industry in Kenya and beyond; the government and especially the Ministry of Finance for making policy decision, contribute to the existing literature in the field of marketing and sales performance, the firms in the banking industry in formulating marketing strategies that improve their effectiveness at national and international levels.

# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 Background**

Marketing is the direct way in which an organization tries to reach its public. This is performed through the five elements of the marketing mix. With the growing importance of the financial sector, pressures are escalating for more effective marketing management of the financial services. Effective marketing strategies are the key to frontline sales performance. Financial institutions typically use a variety of sales tools and processes to achieve their sales goals. Among the best practices of those with highly successful sales programs is having the marketing strategies provided to management and front line staff at all branches that describes tools and processes in detail, helping to ensure that everyone involved in sales, no matter how remotely, operates on a coordinated basis.

Marketing strategies and sales performance has been grounded on marketing mix theory and theory of push and pull. Marketing mix theory is still used today to make important decisions that lead to the execution of a marketing plan. The idea of a marketing mix theory is to organize all aspects of the marketing plan around the habits, desires and psychology of the target market (McCarthy, 2004). The theory of push and pull is applied in today's market; pushing solutions are sometimes seen by the customer as intrusive or overlooked by the customer as the solution gets lost due to information overload.

Pulling solutions has always been a part of most organizations. A customer would visit the organization and ask questions and someone would answer them. Financial institutions that emphasize the push theories often do so to increase efficiency. They believe that if, for instance, they create the penultimate user manual that will cover all the questions the customer might have; they will limit the amount of contact the customer needs to make to the financial institutions (Richard, 2009).

Studies have been carried out on the significance of marketing in management, strategies to improve sales in organizations but there is no specific study done the effects of marketing strategies on sales performance among commercial banks in Kenya. This is the main reason behind the researcher's decision to study this area. The researcher was motivated by the fact that in Kenya, a wide market in the commercial banking industry has not been secured. The big fraction of persons, organizations remain unreached by the commercial banks in Kenya. Despite the increase in the number of commercial banks in Kenya, 80% of the Kenyan population is still un-banked. Only 20% of the population operates bank accounts in the various banks. Players in this sector have experienced increased competition over the last few years resulting from increased innovations among the players and new entrants into the market (Kathuni & Mugenda, 2012).

Due to this competition, banks in Kenya have tried to come up with new strategies so as to improve their performances. The Kenya Banking sector has demonstrated a solid growth over the past few years. The industry continues to offer significant profit opportunities for the major participants. Kenya has attracted worldwide acclaim by expanding financial services to millions of poor households especially via mobile phones.

This has compelled banks to adopt new marketing strategies so as to diversify the bank products and services. As a way of expanding the market share and need to reach the unbanked in the local set up, banks in Kenya have adopted agency banking as one of the diversification strategies.

### **1.1.1 Marketing Strategies**

Marketing strategy is the fundamental goal of increasing sales and achieving a sustainable competitive advantage (Silva, 2006). Marketing strategy includes all basic, short-term, and long-term activities in the field of marketing that deal with the analysis of the strategic initial situation of a company and the formulation, evaluation and selection of market-oriented strategies and therefore contributing to the goals of the company and its marketing objectives.

Market penetration strategy is also called the concentrated growth strategy because a firm thoroughly develops and exploits their knowledge and expertise in a specific market with known products (Ballowe, 2009). One of the goals is to increase present customers' rate of use. This can be achieved through increasing the size of the purchase, maximising the rate of product obsolescence, finding new users for the product, advertising other uses and offering incentives for increased use.

Product development is due to changes in consumer preferences, increasing competition and advances in technology. These can be products that have never been introduced in the market, product innovations on new products or existing products that have been modified and improved.

Successful product development strategies are as a result of leveraging three internal elements, technical advantage and experience, marketing savvy and better understanding of the customer (Ungvari, 1999).

Market development strategy for a current product is achieved through new users in new geographic segments, new demographic segments, new institutional segments or new psychographic segments (Weifels, 2002). Finally, Product diversification is a corporate strategy to enter into a new market or industry which the business is not currently in, whilst also creating a new product for that new market. This is the riskiest section as the business has no experience in the new market and does not know if the product is going to be successful.

One facet of marketing development that is critical for market penetration is convincing current customers to buy new products and services that they are not already purchasing (Stokes & Lomax, 2002). This is a great place to start because these clients already know and use the company's products and services, so a relationship that can be expanded has been established earlier.

Marketing strategy allows firms to develop a plan that enables them to offer the right product to the right market with the intention of gaining competitive advantage. A marketing strategy provides an overall vision of how to correctly position products in the market place while accounting for both internal and external constraints.

Marketing strategy research has primarily been focused in either one of two arenas: marketing strategy formulation or marketing strategy implementation. Marketing strategy formulation research examines the impact of certain variables on the development of marketing strategies themselves (Weifels, 2002).

### **1.1.2 Sales Performance**

As businesses grow more optimistic about opportunities for growth, the pressure is on for sales organizations to meet ever-higher revenue targets. For these reasons, optimizing sales performance in economy calls for a more rigorous and data-driven approach to foundational sales processes, including strategic planning, territory allocation, resource planning and compensation programming. Performance can be defined as the extent of actual work performed by an individual or to what extent the actual work is shown by an individual (Richard, 2009). In an era of intensifying competition and fierce negotiations with buyers, tactical selling approaches simply don't work. The key to sales success is creating value the buyer is not currently considering in their decision making.

Sales performance has been conceptualized to include both the outcome and behavioral dimensions. Sales outcomes have always been seen by performance oriented sales people as evidence to their behavioral performance and consequently a positive relationship has been found to exist between job involvement component of commitment and sales performance. In other words, committed sales people are expected to extend greater efforts on the job thereby having a direct effect on job performance (Silva, 2006). Richard (2009) defines performance measures as the vital signs of the organization, which "quantify how well the activities within a process or the outputs of a process achieve a specified goal".



Performance measures help us understand, manage and improve what our organizations do. Effective performance measures can let us know, how well we are doing, if we are meeting our goals, if our customers are satisfied, if our processes are in statistical control, and if and where improvements are necessary

### **1.1.3 Banking industry in Kenya**

The banking industry in Kenya is governed by the Companies' Act (CAP 486), the Banking Act, (Chapter 488), the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK, 2010). During the quarter ended September 30, 2010, the banking sector comprised 43 commercial banks, 1 mortgage finance company, 2 deposit taking microfinance institutions, 2 representative offices of foreign banks and 126 foreign exchange bureaus in Kenya. The Kenyan Banking sector registered improved performance as indicated by the size of assets which stood at Kshs. 1.6 trillion, loans & advances worth Kshs. 879 billion, deposits of Kshs. 1.3 trillion and profit before tax of Kshs. 53.2 billion as at 30th September 2010.

Similarly, the number of bank customer deposit accounts stood at Ksh.11.14 million with a branch network of 1, 030 (CBK, 2010). Banks in the industry are using different promotional strategies in order to remain competitive in the industry which has been very competitive. Equity bank uses regular press advertisements in print and electronic media, telemarketing and direct marketing to promote its products (Equity Bank, 2010).

Kenya Commercial Bank (KCB) media publicity index had a positive change of 13.24% up from 364.80 in 2008 to 413.10 while in terms of its Advertising Value Equivalent (AVE) there was a total increase of 55.34% in 2009 from a total of Ksh.254, 918,000 in 2008 to Ksh.396 million in 2009 (KCB, 2009).

#### **1.1.4 Commercial Banks in Kenya**

The Central Bank of Kenya Regulates the Commercial Banks and Mortgage Finance Institutions in Kenya pursuant to the provisions of the Banking Act and the Regulations and Prudential Guidelines issued thereunder. They are the dominant players in the Kenyan Banking system and closer attention is paid to them while conducting off-site and on-site surveillance to ensure that they are in compliance with the laws and regulations. The Kenyan banking sector comprising of forty-three banks registered total net assets of Kshs. 2.7 trillion as at 31st December 2013. There are twenty-six local private commercial banks with Kshs. 1.7 trillion net assets accounting for 61.4% of the total assets. There are fourteen commercial banks owned by foreigners with Kshs. 900 billion and accounted for 34% of the total net assets. The remaining three are local public commercial banks with Kshs. 100 billion which is 4.6% of the sector's total assets. (CBK, 2013).

According to (Obulutsa and Merriman 2014), commercial banks` performance in Kenya over the last decade has not been impressive. Several reforms have been implemented in the financial sector since 1990s aiming at increasing performance, stability, productivity, financial access and efficiency. However, bank profitability on average has been erratic. In the period 2008- 2013, increases in Profits before Tax (PBT) has been below 20% on average terms. In the year 2013 PBT of the Kenyan commercial banks increased by 16.6% as compared to the year 2012 when PBT increased by 20.6%.

## **1.2 Research Problem**

The current globalization market has made companies to see the internationalization of their activities as a way to remain competitive. Marketing strategy has become important tool globally for any organization to remain in competitive market environment and was stronger. Aremu and Lawal (2012), sees strategy as a pattern of resource allocation decisions made throughout an organization. This encapsulates both desired goals and beliefs about what are acceptable and most critically unacceptable means for achieving them. Marketing strategy implies that the analysis of the market and its environment, customer buying behavior, competitive activities and the need and capabilities of marketing intermediaries.

The banking industry in Kenya faces the challenges of fluctuating demand and stiff competition. The competitive environment in the banking industry is widely recognized as being complex, dynamic, and highly segmented which makes customers acquisition an uphill task.

Increasingly banking companies are competing directly with one another in the same locations (Walsh& Lipinski, 2009). The banking industry in Kenya is characterized by price competition, customer sophistication, and perceived product equality. Changing market growth rates and shifting market shares are key determinants of the competitive environment in Kenya.

Abdul (2009), did a research on marketing strategy of manufacturing firms in Malaysia he used the structured questionnaire method. The researcher found out that innovative differentiation strategy which includes technological superiority of items and new items improvement and use of advanced communication strategies is most adopted by the SMEs exporters. It has been discovered to finally enhance their export performance. Similarly, Berhe and Jooh (2008) studied the impact of major marketing factors on firms accounting performance in the pharmaceutical industry in France. They used a research design called survey method. They discovered that there is a relationship between the firm size and the return on equity.

Oyewale (2013), studied the impacts of marketing strategy on business performance, a study of selected Small and Medium Enterprises (SMES) in Oluyede local government, Ibadan, Kenya, the study found that, marketing strategies (product, place, price, packaging, and after sales service) were significantly independent and joint predictors of business performance. The study however, discovered that promotion has no positive significant effect on business performance.

Odunlami (2011) did a study on effects of sales promotion as a tool on organizational performance, a case study of sunshine plastic company in Kenya. The study found that sales promotion has significant effect on organizational performance. Sales promotion is any initiative undertaken by an organization to promote an increase in sales, usage or trial of a product or service (i.e. initiative that are not covered by other elements of the marketing communications or promotional mix).

For instance, Wanza (2010), conducted a survey of relationship marketing practices among commercial banks in Kenya and found that banks have applied products oriented Customer Relationship Marketing (CRM) practices to a great extent. The findings indicate that employee oriented CRM strategies are present and enhanced to a great extent. Similarly, Kathuni & Mugenda (2012), conducted a study on direct sales strategy applied by commercial banks in Kenya and they found that although majority of the banks are predominantly local, the number of foreign owned banks is high and intense competition exists between the locally-owned and foreign-owned banks.

On the other hand, Aliata, et al (2012), carried out a research on the Influence of Promotional Strategies on Banks Performance on National Bank of Kenya and they concluded that Positive relationship was found to exist between promotional strategies expenditure and bank performance. Spending on promotional mixes individually had little effect on bank performance. Finally, Lilly and Juma (2014) conducted a study on the influence of strategic innovation on performance of commercial banks in Kenya.

The study found out that the strategic innovation measures adopted by the bank greatly affects the bank's performance. From the local studies, little has been done on the effect of marketing strategies on sales performance of commercial banks in Kenya. This study seeks to determine the effects of marketing strategies on sales performance of commercial banks in Kenya; therefore, the study seeks to answer the following question: what are the effects of marketing strategies on sales performance of commercial banks in Kenya?

### **1.3 Research objective**

To determine the effects of marketing strategies on sales performance of commercial banks in Kenya.

### **1.4 Value of the study**

The findings from this study are important because they have the capacity of being used to formulate positive fiscal policies which are relevant and sensitive to the forces influencing the banking sector performance and penetration in Kenya. This study benefits the government and especially the Ministry of Finance for making policy decisions whose overall objectives are to reduce bottlenecks in distribution of banking services and at the same time accelerate the rate of growth in the banking industry sector and take advantage of the improved economy thus more lending to individuals and institutions.

To the academicians the study contributes to the existing literature in the field of marketing and sales performance. It acts as a stimulus for further research to refine and extend the present study especially in Kenya.

Findings of the study are useful to researchers and scholars as it contributes to the body of knowledge in the area of marketing. It also assists other researchers to further their studies on areas of interest not yet exploited. It assists the management of commercial banks to evaluate how effective they have been in adopting appropriate distribution channel strategies of their services and products. This may enable them identify gaps in their strategies which may enhance their strategic response as a result move to effectively manage the existing strategies which will improve their financial performance.

The study findings benefit firms in the banking industry in formulating marketing strategies that improve their effectiveness at national and international levels. The stakeholders and employees in Kenya's banking sector would appreciate and prioritize appropriate marketing strategies as tools of marketing positioning in local and international markets.

It assists the management of commercial banks to evaluate how effective they have been in adopting appropriate distribution channel strategies of their services and products. This may enable them identify gaps in their strategies which may enhance their strategic response as a result move to effectively manage the existing strategies which will improve their financial performance.

It is useful to the shareholders of the bank in evaluating the effectiveness of the banks distribution strategies as they cope with the increasingly competitive financial market locally. Other organizations can also use the distribution strategies employed by the bank to improve their performance. In addition, the study is an invaluable source of material and information to the many other banks operating in the country since the banking industry has a great role to play in the country's quest to become a middle income country as envisioned in the Vision 2030. By identifying the appropriate distribution strategies, the industry will also be able to achieve their objective much faster and growth of the individual firms.

## **1.5 Chapter Summary**

This chapter introduced the concepts of marketing strategies, sales performance and organizational performance. Further, it identified the research problem therefore creating the research objective: to determine the effects of marketing strategies on sales performance of commercial banks in Kenya. Moreover, the chapter outlined the importance of the study by stating its benefits to different entities, banking as a sector of the economy, policy makers and to the existing literature.



## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter presents a review of the related literature on the effects of marketing strategies on sales performance as presented by various researchers, scholars, analysts and authors. The chapter also provides the theories underpinning the study.

#### **2.2 Theoretical Foundation**

This section examines the various theories that were used to inform the study on the effects of marketing strategies on sales performance. The study is guided by the following theories; marketing mix theory and theory of push and pull.

Banking sector reforms and consolidation all over the world are predicted upon the need for repositioning of the existing state of affairs in the sector in order to attain an effective and efficient status. This is more so in the developing nations like Kenya where the banking sector has not been able to effectively provide the needed funds and services for the development of the real sector as expected. Hence, banking reforms become inevitable in the light of the global dynamic exigencies and emerging landscape. Consequently, the banking sector, as an important sector in the financial landscape, needs to be reformed in order to enhance its competitiveness and capacity to play a fundamental role of financing investments.

The Kenyan experience indicates that banking sector reforms are propelled by the need to deepen the financial sector and reposition it for growth; to become integrated into the global financial architecture; and evolve a banking sector that is consistent with regional integration requirements and international best practices.

Bank consolidation is viewed as the reduction in the number of banks and other deposit-taking institutions with a simultaneous increase in size and concentration of the consolidated entities in the sector. It is mostly motivated by technological innovations, deregulation of financial services, enhancing intermediation and increased emphasis on shareholder value, privatization and international competition (Berger, N. Allen., (1998); De Nicolo and Gianni 2003; IMF, 2001).

The nexus between consolidation and financial sector stability and growth is explained by two polar views. Proponents of consolidation opine that increased size could potentially increase bank returns, through revenue and cost efficiency gains. It may also, reduce industry risks through the elimination of weak banks and create better diversification opportunities (Berger, 2000,). On the other hand, the opponents argue that consolidation could increase banks' propensity toward risk taking through increases in leverage and off balance sheet operations. In addition, scale economies are not unlimited as larger entities are usually more complex and costly to manage.

Banking reforms involve several elements that are unique to each country based on historical, economic and institutional imperatives. For example, in the reforms in the banking sector proceeded against the backdrop of banking crisis due to highly undercapitalization of state owned banks; weakness in the regulatory and supervisory framework; weak management practices; and the tolerance of deficiencies in the corporate governance behavior of Banks (Gyargy Szapáry, 2001).

In the Yugoslav economy, banking industry restructuring was motivated by the need to establish a healthy banking sector that will carry out its financial intermediation role at a minimal cost; effectively provide services consistent with world standards and which will involve foreign financial institutions; and banks privatization as the ultimate goal. The central focus was to shore up the capital base of banks consolidated through mergers and takeovers of local banks and selection of strategic investors for additional capitalization. Specifically, foreign banks permeated the industry exclusively by providing additional capitalization through investment in the existing infrastructure, particularly new banking products and operating technologies and buying shares of the existing banks.

Also, the banking sector reforms and consolidation in Japan involved the reform of the regulatory and supervisory framework, the safety net arrangements, as well as mechanisms to speed up attempts at resolution of banks' non-performing loans. From the above, it is obvious that the fundamental objective of banks consolidation is the repositioning of the banking industry to attain an effective and efficient status that will promote economic development. Consequently, consolidation has increased the level of competition in the industry and this in turn has increased the marketing activities in the Kenyan banking industry as well as other nations of the world.

Various models have been developed empirically to analyze the impact of marketing strategies on corporate performance.

### **2.2.1 The Resource Based View**

This model recognizes the importance of a firm's internal organizational resources as determinants of the firm's strategy and performance (Grant 1991; Wernerfelt 1984,). Grant (1991) defines the term internal organizational resources as all assets, capabilities, organizational processes, firm attributes, information, knowledge, that are controlled by a firm and that enable it to envision and implement strategies to improve its efficiency and effectiveness.

Although the RBV recognizes that a firm's physical resources are important determinants of performance, it places primary emphasis on the intangible skills and organizational resources of the firm (Collis, 1991). Some intangibles resources of the firm are the market-assets such as customer satisfaction and brand equity.

### **2.2.2 The Dynamic Capabilities Model**

The Dynamic Capabilities view strengthens the RBV, it emphasis on how combinations of resources and competences (Teece et al., 1997) can be developed, deployed and protected. The factors that determine the essence of a firm's dynamic capabilities are the organizational processes where capabilities are embedded, the positions the firms have gained (e.g. assets endowment) and the evolutionary paths adopted and inherited.

Based on this perspective, the marketing factors that determine the competitive advantage are marketing efficiency resulting from the marketing organizational process and the endowments of market assets that has generated such as customer satisfaction and brand equity for example marketing positions. In the context of global competition, RBV and Dynamic capabilities theory suggest that historical evolution of a firm (accumulation of different physical assets and acquisition of different intangible organizational assets through tacit learning) constrains its strategic choice and so will affect market outcomes (Collis, 1991).

According to Douglas and Craig (1989), the development of a Marketing Strategy is carried out during the stage of global rationalization. It means that the firm has had to take the step of initial foreign market entry and expansion of national markets during its process of internationalization. Consequently, in the two previous stages, the firm learned and accumulated not only different physical assets but also different intangible organizational assets; likewise, it faced and took risks in different and complex market contexts. This process of learning affected its performance.

### **2.2.3 Marketing Impact Model**

The need for measuring marketing impact is intensified as firms feel increasing pressure to justify their marketing expenditures (Gruca and Rego 2005; Rust et al., 2004; Srivastava et al., 2001). Accordingly, marketing practitioners and scholars are under increased pressure to be more accountable for showing how marketing activities link to shareholder value.

It is important to know that marketing actions, such as packaging, brand name, density of the distribution channel, advertising, permanent exhibitions, sponsoring, press bulletins, among others (Van Waters hoot and Van den Bullet, 1992) can help build long-term assets or positions as brand equity and customer satisfaction (Srivastava et al., 1998). These assets can be leveraged to deliver short-term profitability and shareholder value.

#### **2.2.4 Marketing Efficiency Model/ Data Envelopment Analysis (DEA)**

The other way by which research in Marketing has faced Marketing performance is related to efficiency. Charnes, Cooper and Rhodes (1978) define the efficiency as the comparison among firms of the ratio of outcomes over the inputs required to achieve them. On the other hand, Sheth et al. (2002) define marketing efficiency as the ratio of marketing output over input. Sheth and Sisodia (1995) in referring to their definition of marketing productivity, include two of the dimensions, efficiency as well as effectiveness, for instance getting loyal customers at low marketing costs.

On the other hand, Rust et al. (2004) use the term marketing productivity to refer to how marketing activities are linked to short-term and long-term profits. In reference to literature review, Charnes et al. (1985) first suggested applying DEA to gain insights into efficiency of marketing efforts. Since then, there have been some marketing studies that used the DEA as a methodology. Kamakura et al. (2002) used DEA to measure welfare loss and market efficiency. Mahajan (1999) studied a DEA model for assessing the relative efficiency of sales units that simultaneously incorporates multiple sales outcomes, controllable and uncontrollable resources, and environmental factors.

## **2.3 Marketing Mix Theory**

According to Kotler and Keller (2006), the theory of Marketing Mix was coined by Borden. The theory is still used today to make important decisions that lead to the execution of a marketing plan. The idea of a marketing mix theory is to organize all aspects of the marketing plan around the habits, desires and psychology of the target market (McCarthy, 2004). This orientation considers marketing as it applies to the theory of the "4 Ps." The first P is product, and takes into account its design, features and competitors.

The second P, price, is a factor that can be adjusted to manage demand, to determine profit margin, and to drive market share. Promotion is the third P. It seeks to find which media to engage in order to make the right people aware of the product's benefits, and which slogans, tag lines and logos will resonate with the target market. Placement, the fourth P, determines where and how potential customers can access the product. Young people may want to browse, buy and pay online. Others may prefer the personal service of a trained salesperson.

Later Robert (2000), proposed a four Cs classification in which is a more consumer-oriented version of the four Ps that attempts to better fit the movement from mass marketing to niche marketing. The Cs represents; Consumer, cost, communication and convenience. Firstly, a company will only sell what the consumer specifically wants to buy. So, marketers should study consumer wants and needs in order to attract them one by one with something he/she wants to purchase. Secondly, Price is only a part of the total cost to satisfy a want or a need.

The total cost will consider for example the cost of time in acquiring a good or a service, a cost of conscience by consuming that or even a cost of guilt "for not treating the kids. It reflects the total cost of ownership. Many factors affect cost, including but not limited to the customer's cost to change or implement the new product or service and the customer's cost for not selecting a competitor's product or service (Richard, 2009). Thirdly, while promotion is manipulative and from the seller, communication is cooperative and from the buyer with the aim to create a dialogue with the potential customers based on their needs and lifestyles; it represents a broader focus. Communications can include advertising, public relations, personal selling, viral advertising, and any form of communication between the organization and the consumer.

### **2.3.1 Theory of Push and Pull Customer Service**

According to Hopp and Spearman (2013), the theory of push and pull was developed in 1911 by Fredrick Winslow Taylor during his work on 'The Principles of Scientific Management'. In today's market pushing solutions are sometimes seen by the customer as intrusive or overlooked by the customer as the solution gets lost due to information overload. Pulling solutions has always been a part of most organizations.

A customer would visit the organization and ask questions and someone would answer them. In the case of "pull," the customer initiates the request for a solution rather than merely choosing a solution from the solutions offered by the organization (Richard, 2009).



## **2.4 Marketing Strategies and Sales Performance**

According to Silva (2006), different marketing strategies have different effects on organizational sales performance, Kotler and Armstrong (2006), define a product as anything that can be offered to a market for attention, acquisition, use, or consumption that might satisfy a want or need. They further defined a consumer product as the product bought by the final consumer for personal consumption. Consumers buy products frequently, with careful planning, and by comparing brands based on price, quality and style. Cornish (2007), sees a product as about quality, design, features, brand name and sizes. Mohammad (2012), also say that product is the physical appearance of the product, packaging, and labelling Information, which can also influence whether consumers notice a product in-store, examine it, and purchase it. Past researchers have clearly suggested that product influences have a significant impact on business performance.

In regard to marketing, it has been argued that there are four different ways in which marketing strategies can enhance companies' value creation and that way increase performance. First, marketing can speed up cash flows through reducing customer risk and building strategic alliances. Second, marketing can increase cash flows through innovation and differentiation. Third, marketing can build assets like brand equity. Fourth, marketing can reduce risks in for example helping to increase customer retention. It is assumed that at least some of these issues are such that marketing and sales can affect them jointly. After all, marketing and sales are jointly responsible for generating revenue and profit for an organization (Smith, 2006).

According to Krohmer (2002), Marketing relates positively to some performance indicators including sales performance, business unit performance, profitability and both product development and product management performance. Cross-functional cooperation in arranging marketing activities so that various departments contribute to those activities usually increases the performance of the company or a strategic business unit. Still, there are always both sides, for example inter-functional integration can make the decision making slower (Krohmer, 2002).

Moreover, empirical evidence exists considering particularly the collaboration between marketing strategies and sales performance and its effect on the overall business performance. Both qualitative and quantitative research has indicated that sales performance is positively affected by effective marketing and sales relationship (Guenzi & Troilo 2007). It is found in a qualitative study that a high level of collaboration between these two units is associated positively to business performance outcomes.

As Zubes (1999), states, the purpose of marketing in banking industry is Maximization of bank's profit alongside executing some additional functions. Zubes (1999), confirms that marketing in banking is powerful enough to differ from marketing existing in the field of commodities production. At first this is connected particularly with the banking business, surrounded by which main are: long period life of the amount banked, long term character of interaction banker and consumer, determined by validity of the contract, therefore in a number of cases, profitability, the properties and characteristic of the bank product become to be comprehensible through many years after its sale. Modern marketing strategies such as diversification in financial institutions are applicable in many countries in the world.

## **2.5 Empirical Studies and Research Gap**

Abdul (2009), did a research on business strategy of manufacturing firms in Malaysia he used the structured questionnaire method. The researcher found out that innovative differentiation strategy which includes technological superiority of items and new items improvement and use of advanced communication strategies is most adopted by the SMEs exporters. It has been discovered to finally enhance their export performance. Similarly, Berheand Jooh (2008) studied the impact of major marketing factors on firms accounting performance in the pharmaceutical industry. They used a research design called survey method. They discovered that there is a relationship between the firm size and the return on equity.

On the other hand, Heiner and Mühlbacher (2010), studied Strategic marketing and business performance in three European 'engineering countries, they used the survey research design. They found out that the key contradiction of the study is the low impact of market orientation on financial performance, which is not assumed, as several previous studies propose the link to be strongly positive. Also, this result is surprising in light of a recent, general development of increased customer focus. Nevertheless, it is characteristic to market orientation that it also contributes to the accumulation of other organizational resources and increases their value.

Farshid (2011) looked at the influence of export marketing strategy determinants on firm export performance between 1993-2010. They used the questionnaire research design. They discovered that it is possible to design export marketing strategy determinants of export performance model, which may help firm to focus on export marketing strategy elements as one of important elements to enhance export performance in global markets.

Similarly, Kamau (2013) did a research on effects of differentiation strategy on sales performance in supermarkets in Nakuru town central business district. The research design employed was non experimental research survey design. The outcome was product differentiation strategy has a positive correlation with sales performance. In most supermarkets product selection, assortment and positioning is demand driven.

Kiprotich (2012), did a study on effects of 4ps marketing mix on sales performance of automotive fuels of selected service stations in Nakuru town. The research employed the research design called questionnaire design. The oil marketers' performance is significantly influenced by the 4 ps. Each of the elements however carries a unique contribution to sales performance of automotive fuels in the selected stations in Nakuru town.

Mokaya (2012) looked at the effect of market positioning on organizational performance in the airlines industry in Kenya; case of Kenya airways. They used the research design called explanatory design and they found the following. Within the general segmentation-targeting-positioning Framework in a company and positioning plays a pivotal role in marketing strategy, since it links market analysis, segment analysis and competitive analysis to internal corporate analysis. The measures of performance that affect marketing positioning strategies at the company include employee turnover, increase in assets, increase in products, increase in revenue/profitability.

On the hand, Karanja (2014) studied the effect of marketing capabilities and distribution strategy on performance of MSP intermediary organizations' in Nairobi County, Kenya. The researcher used the descript to-explanatory cross-sectional survey research design. In this case, the research found out that superior marketing capabilities and the choice of distribution strategy contributed significantly to the performance of MSP Intermediary organizations. Based on the results obtained, it was established that the composite effect of marketing capabilities and distribution strategy further enhanced the performance of MSP Intermediary organizations. From the above local studies little has been done onthe effects of marketing strategies on sales performance of the commercial banks in Kenya, hence the research gap.

## **2.6 Chapter Summary**

This chapter presented a review of the related literature on the effects of marketing strategies on sales performance as presented by various researchers, scholars, analysts and authors. It further explained how marketing strategies are likely to affect sales. The review of published literature was presented under the following major themes; theoretical foundation marketing strategy models the resource based view the dynamic impact model, marketing efficiency model data envelopment analysis (DEA) marketing mix theory, the theory of push and pull customer service, marketing strategies and sales performance, empirical studies, the research gap, capabilities model and finally the marketing strategies.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter provides a discussion of the outline of the research methodology that were used in this study. It focuses on the research design, data collection methods and comes to a conclusion with the data analysis and data presentation methods that were used in this study.

#### **3.2 Research Design**

Research design forms the blue-print or maps that details how the research collected information that is relevant to addressing the research questions. It is a general blue-print for the collection, measurement and analysis of data, with the central goal of solving the research problem. It includes the outline of what the research did, from writing the hypothesis and its operational application to final analysis of data (Creswell & Clark, 2007).

The function of a research design was to ensure that the data obtained during the data collection was adequate in answering the initial question(s) as unambiguously as possible (Muganda, 2010). According to Kothari (2004), a good research design must yield maximum information and provide an opportunity for considering many different aspects of the problem. The nature and the context of the study determine a research design since a good design for a certain study might be inappropriate for another study.

A research design is governed by the notion of “fitness” for the purpose and therefore the purpose of the research determines the methodology and the design of the research. The study employed a descriptive cross-sectional survey as its research design. A descriptive survey enabled the researcher to describe the characteristics of the variables of interest. This study was about determining the effect of marketing strategies on sales performance in the banking industry in Kenya.

It is therefore justified that descriptive design was the most suited and justifiably adopted in this study. Surveys are useful in describing the characteristics of a large population. Additionally, high reliability is easy to obtain by presenting all subjects with a standardized stimulus which ensures that observer subjectivity is greatly eliminated (Mugenda and Mugenda, 2003). Surveys according to Robson (2002), is the collection of information from a group through interviews or the application of questionnaires to a representative sample of that group.

### **3.3 Population of the Study**

Population refers to the entire group of people, events or things of interest that the researcher wishes to investigate (Sekaran, 2005). A study population can be defined as the entire collection of cases or units about which the researcher wishes to draw conclusions. One of the major steps in formulating a research design is to define the population according to the objectives of the study.



Target population in statistics is the specific population about which information is desired. According to Ngechu (2004), a population is a well-defined or set of people, services, elements, and events, group of things or households that are being investigated. According to a report by CBK (2014), there are 43 commercial banks which are fully registered. This study focused on all 43 commercial banks which are fully registered by CBK as at 31 December 2014.

### **3.4 Data Collection**

Primary data was collected by means of a semi- structured questionnaire. The questionnaires were self-administered via the use of email, drop and pick later method to the respective sales managers and customer relations managers or equivalent of various banks. The questionnaire allowed greater uniformity in the way questions were asked, ensuring greater compatibility in the responses. According to Cooper and Schindler (2006) the use of structured questions on the questionnaire allows for uniformity of responses to questions; while unstructured questions gave the respondent freedom of response which helped the researcher to gauge the feelings of the respondent, he or she used their own words. The structured questions were in form of a five point Likert scale, whereby respondents were required to indicate their views on a scale of 1 to 5.

The researcher exercised care and control to ensure all questionnaires issued to the respondents were received and achieved this, the researcher maintained a register of questionnaires, which were used. The structured questions were used in an effort to conserve time and money as well as to facilitate in easier analysis as they are in immediate usable form; while the unstructured questions were used so as to encourage the respondent to give an in-depth and felt response without feeling held back in revealing of any information. Each questionnaire was coded and only the researcher knew which person responded. The coded technique was used for the purpose of matching returned, completed questionnaires with those delivered to the organizations.

This research adopted the Data Envelopment Analysis (DEA) formulated by Charnes et al (1985). Data envelopment analysis is a model that tests marketing efficiency of an organization. The method was developed as an evaluation tool to measure and compare decision-making unit productivity. It is a mathematical method of comparing different decision making productivity base on multiple inputs and multiple outputs. The Data Envelopment Analysis also called marketing efficiency model has revenue and operating profit as the output variables and advertising as the input variables.

Functionally, the relationship between marketing strategy and sales performance can be expressed as:

Advertising  $\longleftrightarrow$  Revenue  $\longleftrightarrow$  Operating profit

This implies that:

Revenue and operating profit =  $f$  (Advertising)

From the above relationship, the model of Charnes et al (1985) shows that there is relationship between marketing strategies represented by advertising and profit represented by revenue and operating profit. This is what this study adopted to test the effect of marketing strategies on banks performance.

### 3.5 Model Specification

Based on the research design, the Data Envelopment Analysis model was modified and expressed in functional relationship to accommodate more marketing strategies apart from advertising. These include: Price, Product development and distribution channels. The essence of modification of the marketing efficiency model is to enable the model to fit into the analysis. The relationship between marketing strategies and bank performance were represented with respect to the following two models:

### 3.5.1 Model 1

This model denotes the effect of the various marketing mix on bank's performance represented by profit

$$PAT = f(PX, PD, PM, PL) \dots\dots\dots (1)$$

Where: PAT = Profit after Tax

PX = Price of Service

PD = Product Development

PM = Promotional Activities

PL = Place and channel of distribution of banking services

### Model 2

This model denotes the benefits and costs of marketing activities on bank's earnings.

$$EPS = f(TCD, LA, OPE) \dots\dots\dots (2)$$

Where:

EPS = Earnings per Share

TCD = Total Customers' Deposit OPE = Operating Expenses

### **3.6 Population of the Study**

In Kenya as at today, there are 43 banks all of these banks were selected for this study with the interview elements selected based on simple random techniques. The study population consisted of managers in the sales department and customer relations departments

### **3.7 Data Collection**

The data for this study were generated from both primary and secondary sources. This is to capture both the quantitative and qualitative aspect of marketing. The primary data were sourced through structured questionnaire. Copies of the questionnaire were administered to Sales Managers or equivalent and Customer relations managers of the 43 commercial Banks.

The questionnaire was administered in the 43 commercial banks and the responses of the questionnaire were ranked with the aid of Likert Scale. Cross sectional secondary data were sourced from the financial statement of the selected banks, Kenya Stock Exchange Fact book, Central Bank of Kenya publication. Some of the secondary data sourced for the study are: Incomes and Profit figures of the banks, Operating Expenses of the banks, Deposit base of the banks and Total credit to the private sector among others.

### **3.8 Data Analysis**

Data analysis, according to Sekaran (2005), involves a number of closely related operations which are performed with the purpose of summarizing the collected data and organizing them in such a manner that they answer the research questions. The operations include editing, coding, classifying and tabulating. It also entails categorizing, ordering, manipulating and summarizing data, to find answers to the research questions. Before the actual analysis of data using SPSS, data was cleaned, edited, checked for accuracy and coded. These processes are essential to ensure that the collected data is systematically organised in a manner that facilitates analysis (Mugenda & Mugenda, 2003).

The data collected was analysed using descriptive statistics (measures of central tendency and measures of variations) to achieve the objectives of the study. The process of data analysis involved several stages: the completed questionnaires were edited for completeness and consistency; data was checked for errors and omissions. The research yielded both qualitative and quantitative data. The qualitative data collected by the questionnaires was analyzed through content analysis where thematic framework was developed according to Cooper & Schindler, (2006).

Content analysis is the best method of analyzing the open-ended questions because of its flexibility and allows for objective, systematic and quantitative description of the content of communication. The quantitative data generated was analyzed with the help of Statistical Package for Social Sciences (SPSS) version 20. The findings have been presented using tables, frequencies and percentages.

### **3.9 Chapter Summary**

This chapter introduced the methodology of data collection whereby both primary and secondary data sources were used. For primary data, 43 questionnaires were administered to sales managers and customer relations managers to the 43 commercial banks registered by the Central Bank of Kenya.

The data collected was analysed using descriptive statistics (measures of central tendency and measures of variations) to achieve the objectives of the study. The qualitative data collected by the questionnaires was analyzed through content analysis where thematic framework was developed according to Cooper & Schindler, (2006).

## **CHAPTER FOUR**

### **DATA ANALYSIS, RESULTS AND DISCUSSION**

#### **4.1 Introduction**

This chapter presents a summary of data collected from both primary and secondary sources. The data collected by semi-structured questionnaires was transcribed, tabulated and finally processed to yield these summary presentations in tables by SPSS.

Although results could still have been expressed within the text of a report, data are usually more digestible if they are presented in the form of a table as they can quickly convey to the reader the essential points or trends in the data. Tables are particularly useful when data are being presented to an audience, because information has to be conveyed in a limited time period.

#### **4.2 The Response Rate**

The study received 100% response from the targeted 43 commercial banks in Kenya. As a strategy to mitigate against non-response, follow ups were made to ensure that all the questionnaires were filled and returned.



### 4.3 Demographic Characteristics

The demographic characteristics of the target respondents and their respective banks have here been summarized and presented in the form of tables showing their independent and cumulative percentages

**Table 4.1: Distribution of Employees by Designation**

Designation		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Sales Manager	25	58.14	58.14	58.14
	Customer Relationship Managers	18	41.86	41.46	100.0
	Total	43	100.0	100.0	100.0

Source: Author, 2015

Table 4.1 shows the distribution of employees by their job designation. A majority of the respondents (58.14%) were sales managers and Customer relationship managers were (41.86%). Sales Managers/Customer relationship managers was the target group because of the relevance of their experience and information to the study requirements

**Table 4.2: Distribution of Employees by Duration Served at the Firm**

	Duration of service	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 2 years	7	16.28	16.28	16.28
	3 - 5 years	13	30.23	30.23	46.51
	5 - 8 years	16	37.21	37.21	83.72
	more than 10 years	7	16.28	16.28	100.0
	Total	43	100	100	100.0

Source: Author, 2015

Table 4.2 shows the distribution of employees according to the period of time they have served in their stations. As illustrated, a majority of the respondents (37.21%) had served their respective banks for 5-8 years. This implies that being a senior level management, most of the employees may have attained their current level in management over a period of time pegged on years of experience and performance over time.

**Table 4.3: Distribution of branches per bank in Kenya**

Distribution		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 50	21	48.84	48.84	48.84
	51-100	15	34.88	34.88	83.72
	101-150	5	11.63	11.63	95.35
	more than 150	2	4.65	4.65	100.0
	Total	43	100.0	100.0	100.0

Source: Author, 2015

Table 4.3 shows the distribution of branches per banks in Kenya. A majority of the banks, (48.84 %) had less than 50 braches. This implies that most of the banks could still be new in the market, limited by the market segmentation strategy, or limited by capacity in capital for expansion.

**Table 4.4: Distribution of banks by the Length of time bank has operated in Kenya**

Length of operation		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 10 years	2	4.65	4.65	4.65
	11 - 20 years	16	37.21	37.21	41.86
	21 - 30 years	10	23.26	23.26	65.12
	more than 30 years	15	34.88	34.88	100.0
	Total	43	100	100	100

Source: Author, 2015

Table 4.4 shows the distribution of banks according to the length they have operated in Kenya, a majority of the banks (37.21%) have been in Kenya for the last 11-20 years. This could be attributed to economic growth in Kenya from early 2000s.

**Table 4.5: The Distribution of Banks by ownership**

Ownership		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Foreign	14	33.00	33.00	33.00
	Local	29	67.00	67.00	100.0
	Total	43	100.0	100.0	

Source: Author, 2015

Table 4.5 shows the distribution of banks according to their ownership. A majority of the banks (67%) are locally owned as compared to only 33% that are foreign owned. This could be attributed to government policy on investment environment; the revenue authority – high taxation, rules and regulations of the Central Bank of Kenya, political goodwill, insecurity among other business environmental factors.

**Table 4.6: Distribution of employees per bank**

Employees Distribution		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 50	3	6.98	6.98	6.98
	50 - 100	5	11.63	11.63	18.61
	101 - 150	5	11.63	11.63	30.24
	151 - 200	10	23.26	23.26	53.5
	More than 200	20	46.51	46.51	100.0
	Total	43	100	100	100

Source: Author, 2015

Table 4.6 shows the distribution of table according to the number of employees they have. A majority of the banks (46.51%) had more than 200 employees. This means that due to the varied number of specialized functions, regional distribution, security measures such as; the powers to authorise major transactions cannot be done by an individual employee

#### 4.4 Marketing Strategies

The respondents' feedback on the effects and role marketing strategies have here been summarized and presented in tables illustrating their respective frequencies valid percentages and cumulative percentages

**Table 4.7: Respondents opinion on whether their respective banks had strategies used to improve sales performance**

Strategies used to improve		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	33	76.74	76.74	76.74
	No	10	23.26	23.26	100.0
	Total	43	100.0	100.0	100.0

Source: Author, 2015

Table 4.7 shows the respondents opinions on whether their respective banks had strategies used to improve sales performance. Most of respondents (76.74%) agreed that their banks had laid down strategies to improve sales performance. This implies that the role of marketing strategies to improve sales is highly practical in the banking industry in Kenya.

**Table 4.8: Respondents’ feedback on the Marketing strategies adopted by their respective financial institution**

Marketing strategies adopted	Frequency	Percent	Valid Percent
Valid Personal Selling	43	100.0	100.0
Relationship Marketing	43	100.0	100.0
Internet Banking through Social platform	43	100.0	100.0
Internet Banking	43	100.0	100.0
Advertising	43	100.0	100.0
Pricing Strategy	43	100.0	100.0
Market Segmentation	43	100.0	100.0
Total	43	100.0	100.0

Source: Author 2015

Table 4.8 shows the respondents’ feedback on the Marketing strategies adopted by their respective financial institution. All the respondents (100%) indicated that all the marketing strategies: personal selling, relationship marketing, internet banking, social media platforms advertising, pricing strategy and even market segmentation were adopted by their respective banks.



**Table 4.9: Respondents' opinion on the effectiveness of marketing strategies in Banking**

Effectiveness of marketing strategies		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Highly Effective	15	34.88	34.88	34.88
	Effective	20	46.51	46.51	81.39
	Moderately Effective	8	18.60	18.60	100.0
	Little Effective	0	0	0	100.0
	Not effective at all	0	0	0	100.0
	Total	43	100	100	100.0

Source: Author, 2015

Table 4.9 shows the respondents' opinion on the effectiveness of marketing strategies in Banking. 34.88% respondents were of the opinion that marketing strategies are highly effective, 46.51% effective and 18.60%, moderately effective. This is attributed to marketing strategies being very vital in success of sales.

**Table 4.10: Extent to which marketing strategies are used in banking industries**

Extent of marketing strategies use		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very great extent	10	23.26	23.26	23.26
	Great Extent	25	58.14	58.14	81.4
	Moderate Extent	8	16.60	16.60	100.0
	Little Extent	0	0	0	100.0
	No Extent At All	0	0	0	100.0
	Total	43	100	100	100.0

Source: Author, 2015

Table 4.10 Shows respondents' opinion on the extent to which marketing strategies are used in banking industries. 23.26% respondents were of the opinion that marketing strategies are used in banking industry in Kenya, 58.14% were of the opinion that it is used to a great extent and 16.60% moderately used. Cumulatively, they all total to 100% therefore, showing that marketing strategies are incorporated into banking industry. This can be attributed to the need for making more sale, and competition hence investment in marketing strategies to increase sales.

## **4.5 Regression Analysis**

This section presents an analysis of the statistical response from the questionnaires. The reaction of the key variable Marketing Strategies-sales performance in line with the number of employees, number of branches per bank, duration employees have worked at their respective banks and the period the bank has been in existence as entailed in the objectives of the study have here been computed using the linear regression 1,2 and ANOVA.

### **4.5.1 Comparison of Means**

The means of computations of data entailing effectiveness of marketing strategies on sales volumes was the dependent, duration which the bank has been in existence and data entailing performance of Sales Verses Employees, Existence, Duration, Branches have here been summarized

**Table 4.11: Effective Sales \* Duration**

Duration		Effective	Sales
< 2 Years	Mean	1.00	1.29
	N	14	14
	Std. Deviation	.000	.469
3 to 5 Years	Mean	1.93	2.00
	N	15	15
	Std. Deviation	.258	.000
5 to 8 Years	Mean	2.57	2.57
	N	14	14
	Std. Deviation	.514	.514
Total	Mean	1.84	1.95
	N	43	43
	Std. Deviation	.721	.653

Source: Author, 2015

Table 4.11 above shows a comparison of means; the effectiveness of marketing strategies on sales volumes was the dependent variable, while duration which the bank has been in existence was the Independent variable. It is clear from the table that irrespective of the duration of existence, all banks share the same sentiments that marketing has an impact on the sales volumes realized.

**Table 4.12: Effective Sales \* Branches [Dependent: effectiveness of marketing;  
Independent: Number of Branches]**

Branches		Effective	Sales
< 50 Branches	Mean	1.00	1.00
	N	21	21
	Std. Deviation	.000	.000
51 - 100 Branches	Mean	1.38	1.77
	N	15	15
	Std. Deviation	.506	.439
101 - 150 Branches	Mean	2.06	2.06
	N	5	5
	Std. Deviation	.250	.250
> 150 Branches	Mean	3.00	3.00
	N	2	2
	Std. Deviation	.000	.000
Total	Mean	1.84	1.95
	N	43	43
	Std. Deviation	.721	.653

Source: Author, 2015

Table 4.12 shows a comparison of means; the effectiveness of marketing strategies on sales volumes was the dependent variable, while the number of branches was the Independent variable. It is clear from the table that irrespective of the number of branches, all banks agree on the opinion that marketing strategies have an immense contribution on the sales volumes realized.

**Table 4.13: Effectiveness of Sales \* Employees**

Employees		Effective	Sales
< 50 Employees	Mean	1.00	1.00
	N	3	3
	Std. Deviation	.000	.000
50 - 100 Employees	Mean	1.00	1.00
	N	5	5
	Std. Deviation	.000	.000
101 - 150 Employees	Mean	1.00	1.60
	N	5	5
	Std. Deviation	.000	.548
151 - 200 Employees	Mean	1.80	2.00
	N	10	10
	Std. Deviation	.422	.000
> 200 Employees	Mean	2.40	2.40
	N	20	20
	Std. Deviation	.503	.503
Total	Mean	1.84	1.95
	N	43	43
	Std. Deviation	.721	.653

Source: Author, 2015

Table 4.13 shows a comparison of means; the performance of sales was the dependent variable, while the number of employees in a bank was the Independent variable. It is clear from the table that irrespective of the number of employees, all banks agree on the opinion that marketing strategies have an immense contribution on the sales performance experienced by the different banks.

**Table 4.14: Effectiveness of Sales Verses Employees, Existence, Duration, Branches**  
ANOVA<sup>b</sup>

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	18.943	4	4.736	61.681	.000 <sup>a</sup>
	Residual	2.918	38	.077		
	Total	21.860	42			

a. Predictors: (Constant), Employees, Existence, Duration, Branches

b. Dependent Variable: Effective

Source: Author, 2015

Table 4.14 shows a regression computation comparing the number of employees, number of years in existence, number of branches countrywide and the period an employee has served the bank (Independent variables) with their thoughts on the effectiveness of marketing strategies on sales volumes. The resultant coefficient  $p=.000$  shows the existence of a high statistical significance.

This means that they all agree marketing is an effective method of boosting sales volumes. It also means that there is no statistical change in the mean values of the dependent and independent variables of the study, a fact that points to the existence of consistency in the resultant line of best fit.

**Table 4.15: Performance of Sales Verses Employees, Existence, Duration, Branches**

**ANOVA<sup>b</sup>**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	14.014	4	3.503	34.198	.000 <sup>a</sup>
	Residual	3.893	38	.102		
	Total	17.907	42			

a. Predictors: (Constant), Employees, Existence, Duration, Branches

b. Dependent Variable: Sales

Source: Author, 2015

Table 4.15 shows a regression computation comparing the number of employees, number of years in existence, number of branches countrywide and the period an employee has served the bank (Independent variables) with their thoughts on the effectiveness of marketing on sales performance. The resultant coefficient of regression  $p=.000$  shows the existence of a high statistical significance. This means that they all agree marketing has an impact on sales performance. This means that the line of best fit will be nestled at the modal point of observed data items. The existence of statistical significance in the responses collected as shown by the regression analysis points to a high consistency in the mean values.



## **4.6 Discussion**

From the findings, it has been established that majority of the Commercial Banks do employ Market strategies to improve Sales Performance. Some of the strategies established are personal selling, relationship marketing, internet marketing through social platform, internal marketing, advertising, pricing strategy and market segmentation. This view is supported by Khromer (2002), who argues that marketing relates positively to some performance indicators including sales performance, business unit performance, profitability and both product development and product management performance.

The study also sought to find out some of the marketing strategies adopted by the financial institutions where the respondents were working. All respondents answered in affirmative by indicating that their institutions use marketing strategies to improve sales performance, for example pricing strategy, as opined by Silvia (2006), who adds that different strategies have different effects on organizational sales performance.

The researcher also established that nearly 50% of the respondents held the opinion that marketing strategies in banking are effective with just under 35% of the marketing strategies being highly effective. In essence, over 80% of the respondents believed that marketing strategies are effective. This stand point is supported by Guenzi & Troilo (2007) who coined that both qualitative and quantitative research has indicated that sales performance is positively affected by effective marketing and sales relationship.

The study also established that marketing strategies are used in banking industry. Only 16% of the respondents answered that marketing strategies are used to a moderate extent while an overwhelming 81.4% were of the opinion that marketing strategies are used to a great extent. This is supported by Stokes & Lomax (2002), who indicated that one facet of marketing development that is critical for market penetration is convincing current customers to buy new products and services that they are not already purchasing.

#### **4.7 Chapter Summary**

This chapter reported on the data presentation, analysis and discussion. This included; the introduction the response rate, the demographic characteristics, the data on marketing strategies, the regression analysis, the comparison of means and the summary discussion of findings.

The response rate was 100% suggesting the ease with which the data was obtained. The demographics covered were sales managers and customer relationship managers because of the relevance of their experience and information to the study requirements, and majority of employees had served in the various banks between 5 and 8 years, long enough to have in-depth understanding of banking. Most banks have clocked eleven years and above, majority of which are locally owned.

Majority of Banks employ marketing strategies to deliver sterling sales performance. Well over 80% of the respondents had indicated that banks employ effective, timely and efficient marketing strategy programmes that enhance sales performance. These strategies appear to cut across all the Commercial banks.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **Introduction**

This chapter presents the summary and conclusion of the research findings. It further explains the implications of the study as well as relating them to existing literature. Moreover, it outlines the recommendations that should be considered in light of marketing strategies and how they will affect sales performance. It also highlights the limitations that were faced by the researcher in collecting the data as well as the areas that should be researched further.

#### **5.1 Summary**

The study revealed that marketing has become a major function in the banking industry as a result of increased competition brought about by bank consolidation and reforms. As a matter of fact, banks staff involved in marketing activities in the post consolidation era have surpassed those in the pre consolidation era. Thus, there is a connection between banks competition brought about by banks reforms and marketing activities. The competition is supposed, among others, to facilitate effective deposit mobilization, technical efficiency, varieties of services, convenience banking services, productive efficiency, a locative efficiency, lower cost of fund, absence of customer exploitation, higher compensation to depositors, safety of depositors' funds, availability of funds for investment, increase savings that will transform and high quality services among others.

## **5.2 Conclusion**

The study revealed that marketing has become a major function in the banking industry as a result of increased competition brought about by bank consolidation and reforms. Indeed, marketing strategies affect sales performance among commercial banks in Kenya. Irrespective of the duration of existence, or the number of branches they have, all banks shared the same sentiments that marketing has an impact on the sales volumes realized. All banks agree on the opinion that marketing strategies have an immense contribution on the sales volumes realized. Irrespective of the number of employees, all banks agree on the opinion that marketing strategies have an immense contribution on the sales performance experienced by the different banks.

The findings in this study show an overall significance of the marketing variables adopted, although not much effect is seen when a marketing variable is compared with bank performance in isolation of other variables. This helps to conclude that the marketing strategies techniques must be adequately combined in order to bring about improved performance in sales. For example, if a bank should engage in promotional activities without adequate knowledge of the market, the aim of marketing will be defeated.

### 5.3 Recommendations

In view of the above discussion and findings, the following recommendations will be useful to banks in the process of marketing their services for better delivery of services to their customers which will in turn increase performance through patronage and customer loyalty. Banks should embark, from time to time on marketing research. This is because effective marketing strategies are a product of marketing research. Thus, good and adequate marketing mix is a product of effective marketing research too. Marketing research will bring about innovation, better services for customer and better method of production and processing.

With the cost of acquiring new retail, small business or commercial customers being five to ten times the cost of retaining an existing one, and with the average spend of a repeat customer being 50-100% more than a new one, bank marketers need to remember that the most efficient investment of marketing funds is to market to customers that already bank with them. In adopting marketing strategies, banks should also compare different company's strategies and assess the success and the failure of such strategies in the industry.

**Do Consultative selling.** This has been discussed the focus of the banking industry for decades. In a nutshell, the process begins by clearly analyzing a customer's situation before presenting services or products. From the outset, a failure to cross-sell a new customer is a failure to develop a consultative relationship and a failure to ask the right questions.

Without these questions (which are close to impossible to ask later), the opportunity to offer the right services initially or later in the relationship is made more difficult. In addition, as opposed to going through a long set of questions that make the banker (and customer) feel uncomfortable, the dialogue should be free flowing and natural. Another option is to engage the customer with tools that can be used to complete the profile easily such as a tablet device.

In addition, banks are encouraged to be more customers-focused and embrace relationship marketing rather than transaction marketing. This will enable them to gain customers loyalty and maintain a long term relationship with customers. The management of the banking institutions should be transparent and follow the laid down rules so as to create and sustain public confidence. This will definitely increase savings and in turn improve the level of economic growth.

**Stay connected:** While some banks have very successful on-boarding programs to help stay connected with new customers, a surprising number of banks still rely on the customer to onboard themselves. And unless the customer either opens a number of accounts initially or is successfully on-boarded soon after they open a new account, their bank may never include them in a model-driven cross-sell program. This is because model-driven marketing programs usually focus on customers with broader relationship. Effective management of depositors' fund that will disallow failure should be stipulated by the monetary authorities.

**Continually evaluate up-sell opportunities:** Rather than using product-driven programs that are done seasonally, banks should consider funding more customer-focused programs that evaluate each customer's propensity to open one or more of the products and services you offer. With some of the clients, consider evaluating each customer's transactional, product ownership and even behavioral characteristics to determine what would be the most likely next purchase and whether the propensity to purchase is high enough to make an offer.

In some of most successful programs, this evaluation of opportunities is done monthly, with smaller mailing universes, but much higher response rates. As the ability to use 'big data' increases, the movement from sales 'programs' to sales 'processes' becomes a necessity. The goal is to offer the right product, at the right time, to the right customer through the right channel. This takes customer data analytics. Bank should avoid unethical marketing behavior such as: dishonesty, unexpected price change, being rigid, abuse of position, misuse of information, violation of confidentiality, lack of equitable treatment, and poor product quality among others.

**Measure and reward what the bank wants done:** By providing ongoing measurement of the cross-selling objectives the bank wants to achieve and paying for the achievement of these objectives, the bank has a much better chance of reaching its goals. This continuous reinforcement of the cross-sell mission allows its team to be focused on what's important. The banks can also turbo-charge its results by communicating how it is assisting in their efforts. Provide opportunity reports of the customers where they may have the greatest opportunity for success. As part of these reports, it is also helpful to provide background as to why the customer is being selected for a specific offer.

Finally, it is good to remember that current customers like to be rewarded for their loyalty. One of the best ways to do this is to remember to include an offer with any cross-sell or up-sell message. Without an offer, the sales initiative may be perceived as simply 'pushing product' without leveraging the relationship value already in place. A strong offer will not only generate a better response to your communication, but also remind the customer of the value of doing business with your organization.



## **5.4 Implications of the study**

To the academicians the study contributes to the existing literature in the field of marketing and sales performance. It acts as a stimulus for further research to refine and extend the present study especially in Kenya. Karanja, G.P. (2008) studied the effect of marketing capabilities and distribution strategy on performance of MSP intermediary organizations' in Nairobi County, Kenya. This research sheds more light to the existing literature as it further shows the relationship between marketing strategies and sales performance in banking industry.

The findings from this study are important because they have the capacity of being used to formulate positive fiscal policies which are relevant and sensitive to the forces influencing the banking sector performance and penetration in Kenya. This study benefits the government and especially the Ministry of Finance for making policy decisions whose overall objectives are to reduce bottlenecks in distribution of banking services and at the same time accelerate the rate of growth in the banking industry sector and take advantage of the improved economy thus more lending to individuals and institutions.

This may enable them identify gaps in their strategies which may enhance their strategic response as a result move to effectively manage the existing strategies which will improve their financial performance. Richard (2009) defines performance measures as the vital signs of the organization, which “quantify how well the activities within a process or the outputs of a process achieve a specified goal”. Increase in sales is a vital sign that banks as organizations are performing well. This research explains how marketing strategies improve sales; therefore, findings can be harnessed into powerful tools that can be channeled into improving sales.

The study findings benefit firms in the banking industry in formulating marketing strategies that improve their effectiveness at national and international levels. The stakeholders and employees in Kenya's banking sector would appreciate and prioritize appropriate marketing strategies as tools of marketing positioning in local and international markets. It assists the management of commercial banks to evaluate how effective they have been in adopting appropriate distribution channel strategies of their services and products.

### **5.5 Limitations of the Study**

Most of the target respondents were in busy management positions, as others were actively involved in field operations. This posed a great challenge to the researcher in collecting data. This was handled by using secondary means of questionnaire delivery, use of email. Some respondents did not return the questionnaires on time. As a result, the researcher had to follow up on the respondents to ascertain that all questionnaires were returned within the timeframe of the research.

During the allocated data collection timeframe, there were heavy rains in the target area posing a great challenge in accessing respondents. This was handled by using electronic means to retrieve back scans of filled questionnaires using emails.

## **5.6 Areas for further research**

There is a need to do more research on other factors that affect sales performance which could be used alongside marketing strategies that could contribute to even more sales performance in banking industry. For instance, research could be carried out on factors or policies that could be put in place to improve the performance of sales personnel. This is vital in banking industry as the efforts and willingness of sales personnel to work hard has a direct impact on the delivery of their services; improving sales performance.

Research that could shed more light on how the correlation between sales departments and other bank departments affect sales performance. This is key because as policies are formed, they will be considering all factors that contribute to the success of sales departments. For instance, sales departments depend on finance departments to approve budgets for marketing outreach programs. Therefore, the effectiveness of the marketing strategies will depend with the support from finance department. As a result, research should be done to find out exactly how each banks department affect sales activities.

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## APPENDICES

### APPENDIX I: Request for Data Collection



UNIVERSITY OF NAIROBI  
SCHOOL OF BUSINESS  
MBA PROGRAMME

Telephone: 020-2619162  
Telegrams: "Varsity", Nairobi  
Telex: 22095 Varsity

P.O. Box 30197  
Nairobi, Kenya

DATE 22/09/2015

TO WHOM IT MAY CONCERN

The bearer of this letter WINIFRED KARIMI MUTHENGI

Registration No. D61/73236/2012

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

PATRICK NYABUTO  
MBA ADMINISTRATOR  
SCHOOL OF BUSINESS



## APPENDIX II: INDIVIDUAL SAMPLE QUESTIONNAIRE

This questionnaire is to collect data for purely academic purposes. All information will be treated with strict confidence. Do not put any name or identification on this questionnaire. *Answer all questions as indicated by either filling in the blank or ticking the option that applies.*

### Section A: Background Information

1. Indicate your job title

.....

2. For how long have you worked with this bank?

Less than 2 years (      )

3 to 5 years (      )

5 to 8 years (      )

More than nine years (      )

3. How many branches does the bank have in Kenya?

< 50 (      )

51 - 100 (      )

101 -150 (      )

150 > (      )

4. For how long has the bank operated in Kenya?

< 10 years ( )

11 to 20 years ( )

21 to 30 years ( )

30 years> ( )

5. Indicate the banks ownership

Foreign ( )

Local ( )

6. Indicate the approximate number of employees the bank has?

< 50 ( )

50 - 100 ( )

101 - 150 ( )

151 - 200 ( )

200 > ( )

## Section B: Marketing Strategies Used To Improve Sales Performance

7. Does the bank employ marketing strategies in order to improve sales performance?

Yes (            )                      No     (            )

8. If yes kindly indicate them

.....

9. Indicate some of the marketing strategies adopted by the financial institution you work with (Can choose more than one)

Strategies	Yes	No
Personal selling		
Relationship marketing		
Internet marketing through social platform		
Internal marketing		
Advertising		
Pricing strategy		
Market segmentation		

10. To what extent are marketing strategies used by banking industry in Kenya effective

Highly effective ( )

Effective ( )

Moderately effective ( )

Little effective ( )

No effective at all ( )

11. Indicate your level of agreement with the following statements relating to marketing strategies

(Key 1= strongly disagree, 2= disagree 3 = moderately agree, 4 Agree and 5 = strongly Agree)

Statements	1	2	3	4	5
Promotion marketing strategy is crucial in awakening and stimulating customer demand for a service					
Word of mouth has the potential to attract customers to a bank and draw customers away from a bank.					
Financial institutions should focus on relationship marketing as it emphasizes long-term relationship building with customers					

Customer relationship marketing can help to develop loyalty between a financial institution and a targeted customer base.					
To enhance sales performance, commercial banks should use social media to interact with customers.					
Adoption of internet marketing enables banks to build relations with customers and prospects through regular, low-cost personalized communication.					
Internet marketing enables banks keep customers updated 24hrs.					
The Internet provides an important platform for building relationships with customers and increasing customer retention levels.					
Promoting a bank requires convincing consumers to trust a bank with their money and make customers feel like they are getting the most value for their money					
Developing relationships with media that cover the banking industry can keep public informed of their best practices.					
Offering training and employee motivation programs helps the bank deliver on business promises to the clientele.					

Financial institutions should have manageable market segments in order to improve on marketing efficiency, sales and service delivery.					
Use of traditional media like radio, television, newspapers and magazines and notifications will keep customers informed about issues surrounding banking sector.					

12. In your own opinion, comment on the effectiveness of marketing strategies employed by the bank?

.....

### **Section C: Effect of Marketing Strategies on Sales Performance**

13. Do marketing strategies used by banking industry in Kenya affect sales performance?

Yes (       )                      No (       )



14. To what extent do marketing strategies used by banking industry in Kenya affect sales performance?

Very great extent ( )

Great extent ( )

Moderate extent ( )

Little extent ( )

No extent at all ( )

15. Indicate your level of agreement with the following statements relating to Effect of marketing strategies on sales performance (Key 1= strongly disagree, 2= disagree 3 = moderately agree, 4 Agree and 5 = strongly Agree)

Statements	1	2	3	4	5
Marketing efforts and know-how are instrumental in commercializing ideas.					
Adoption of right marketing strategy allows banks to develop a plan that enables them to offer the right product to the right market.					
The effectiveness of the marketing tools is essential for an appropriate marketing strategy.					

An effective brand strategy enables marketers to sell more and win the market share					
The proposition an banks sales promotion strategy must be very compelling, attractive and unique among competitive offerings					
Effective marketing campaign should enable the bank to successfully out-brand its competitors.					
Marketing is one of the salient and important organic functions which help to service organizations to meet their business challenges and achieve set goals and objectives					
Marketing strategy should determine the nature, strength, direction, and interaction between the marketing mix-elements and the environmental factors in a particular situation.					

16. Indicate other ways through which marketing strategies enhance sales performance in banking industry

.....

**Thank you for your time**

### APPENDIX III: List of Commercial Banks in Kenya

Classification	Description	Commercial Banks
Tier I	Comprises of banks with a balance sheet of more than Kenya Shillings 40 billion	<ol style="list-style-type: none"> <li>1. Citibank</li> <li>2. Equity Bank</li> <li>3. Standard Chartered Bank</li> <li>4. Barclays Bank of Kenya</li> <li>5. NIC Bank</li> <li>6. Kenya Commercial Bank</li> <li>7. National Bank of Kenya</li> <li>8. Diamond Trust Bank</li> <li>9. Co-operative Bank of Kenya</li> <li>10. CFC Stanbic Bank</li> </ol>
Tier II	Comprises of banks with a balance sheet of less than Kenya Shillings 40 billion but more than Kenya Shillings 10 billion	<ol style="list-style-type: none"> <li>11. I&amp;M Bank</li> <li>12. Bank of India</li> <li>13. Bank of Baroda</li> <li>14. Family Bank</li> <li>15. Prime Bank</li> <li>16. Commercial Bank of Africa</li> <li>17. Bank of Africa</li> <li>18. Consolidated Bank</li> <li>19. Chase Bank</li> </ol>

		20. Fina Bank
		21. EcoBank
		22. HFCK
Tier III	Comprises of banks with a balance sheet of less than Kenya Shillings 10 billion	23. Habib A.G. Zurich 24. Victoria Commercial Bank 25. Credit Bank 26. Habib Bank (K) Ltd 27. Oriental Commercial Bank 28. K-Rep Bank 29. ABC Bank 30. Development Bank of Kenya 31. Middle East Bank 32. Equatorial Commercial Bank 33. Trans-National Bank 34. Dubai Bank 35. Fidelity Commercial Bank 36. City Finance Bank 37. Paramount Universal Bank 38. Giro Commercial Bank 39. Imperial Bank 40. Guardian Bank 41. Southern Credit Bank

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42. Gulf African Bank

43. First Community Bank

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**Source: The Banking Survey by CBK 2014, pp. 191**