EFFECT OF STRATEGIC MARKETING INITIATIVES ON THE PERFOMANCE OF EQUITY BANK, KENYA

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A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

2017

DECLARATION

I declare that this research project is my own original work and has not been submitted or presented elsewhere for examination or academic credit other than The University of Nairobi, School of Business.

Signature ……………………………. **Date…………………………**

George Kariuki Kania

D61/71633/2007

This research proposal has been submitted for examination with my approval as the university supervisor

Signature ……………………………. **Date…………………………**

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DEDICATION

This research project is a special dedication to my family, friends and colleagues for their love, care, support and enthusiasm in pursuit of my life goals.

ACKNOWLEDGEMENTS

I would like to acknowledge the Lord Almighty for the blessings and grace of health, wisdom, and intellectual curiosity which drove me to undertake a Master's Degree course and this project in general.

Secondly, I would like to sincerely appreciate and thank my supervisor Dr. Catherine Ngahu for her support, insights and intellectual critique of my work towards making me a better scholar. May God Bless Dr. Ngahu for her prompt response, guidance and availability at all times.

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LIST OF ABBREVIATIONS

CBK	Central Bank of Kenya
DRC	Democratic Republic of Congo
MNO	Money Network Virtual Operator
OLS	Ordinary Least Square
SPSS	Statistical Package for Social Sciences
SWOT	Strengths, Weaknesses, Opportunities and Threats
USA	United States of America

ABSTRACT

The objectives of the study were to examine the effect of agency banking, mobile banking and internet banking as strategic marketing initiatives on the performance of Equity Bank. The study utilized a descriptive research design. Data for the study were collected from Senior Managers at Equity Bank through questionnaires and annual reports through data collection sheets. Collected data was analyzed, edited and coded into Statistical Package for Social Sciences vs 22 for descriptive and inferential statistics analysis. The study found that a positive strong significant correlation exists between net profitability and number of transactions done through mobile and agency banking platforms at Equity Bank. Similarly, a strong positive significant relationship exists between the sales revenue and number of transactions done through mobile and agency banking implying that the use of agency and mobile banking enhanced sales generation and net profitability. Nevertheless, the use of internet banking platforms did not have a significant effect on either net profitability or sales revenue. The study found that the major challenges tempering the relationship between strategic marketing initiatives and firm performance were: lack of skilled employees, high employee turnover, legal requirements, technological changes and resource constraints.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Strategic marketing is a marketing philosophy focused on identification of needs and wants of customers and providing these needs and wants in view of resource constraints (General Electric, 1952). Kotler (2010) defines strategic marketing as a marketing activity aimed at ensuring sustainable competitive advantage and superior performance for a company. Anderson (1982) noted that strategic marketing is an arm of marketing aimed at enhancing superior firm performance through constant analysis of the needs and wants of the customers and continuous improvement of products and services to meet these changing needs. Doyle (2000) defines strategic marketing as marketing processes towards shareholder wealth maximization through a competitive advantage in the provision, communication and delivery of value proposition to customers and thus establishing long lasting relationships with the customers.

The world over, the banking industry has continued to play a critical and important role in the lives of millions of individuals. Services offered by the banking industry are unique in nature and have social as well as economic effects in a nation (Scholes & Wittington, 2008). Traditionally, marketing of banking products and services was perceived as an unprofessional and unnecessary task. This was informed by the fact that quality perceptions and customer bank relationship were sufficient for business growth and survival. Prior to the 1950's, majority of the banks had little grasp of the concept of marketing in a banking perspective as well as the role and importance of marketing for the bank. Distribution centers for banking services (buildings) were majorly built on the image of Greek temples with the sole goal of impressing the customers on the importance of a bank. In addition, the banking halls were austere while empathy and friendless were lacking amongst banking tellers who rarely smiled (John & Scholes, 2002).

Theoretical strategic marketing proposes that organizations, firms, companies or individuals are more focused on value provision through identification of needs and wants of the customers, providing the value propositions, communicating and delivery of products and services that are of value to the customer (Isoraite, 2009). As a consequence, marketing has become an integral part of banking services. Banks have had to engage in marketing initiatives in an attempt to attract, retain and keep customers loyal. This has led to the building of new banking halls, rebranding of banking halls, provision of customer specific services and products, infusion of technology in banking services delivery and the training of employees on customer service to enhance profitability of the commercial banks (Kungu *et al.,* 2014).

In an increasingly competitive banking environment, banks have been forced to be proactive and develop strategic marketing strategies that enhance strategic responses to changes in the industry trends, customer needs and preferences as well as regulatory changes (Kungu, Desta & Ngui, 2014). Porter (2004) notes that organizations in the world that seek to acquire a competitive advantage on their competitors must have in place strategies that put the customer at the core of the organization and reduce the customer service breakdown time.

At the core of the organization is profitability. Strategy making and strategic marketing are all aimed at enhancing the business performance of a firm. Increasingly, marketers are being forced to show the value they provide to the firm in form of enhancing the business performance (Morgan, 2011). The process of actualizing ideas and inventions in the market place is a product of marketing. According to Hooley, Greenley, Cadogan and Fahy (2005) marketing efforts are necessary in placing the products in the market and driving sales. Nevertheless, the relationship between strategic marketing initiatives and business performance has long been elusive. Scholars such as Srivastava, Shervani and Fahey (1998); and Hooley, Greenley, Cadogan and Fahy (2005) have found conflicting findings on the effect of strategic marketing in firms. Nevertheless, this has been largely attributed to the presence of other internal and external factors that influence the impact of strategic marketing. Furthermore, there rarely exist studies that have used all the marketing variables in a study in the analysis of strategic marketing and firm performance.

1.1.1 Strategy

Strategies refer to the plans, goals and objectives formulated by a firm to guide the firm towards set goals and objectives (Scholes & Whittington, 2005). Strategy is developed to establish the goals and objectives of the firm and how the firm can use the resources available at its disposal to achieve the goals. It is a statement of direction towards set goals and objectives (Greenstein, 2008).

According to Thompson (2003), some of the critical elements in in development which enhances strategic, structural and performance stability of futuristic companies includes the economic relations focused on trade blocs rather than countries, infusion of strategic joint ventures to improve business performance, restructuring of business towards a global economy and use of strategic marketing as a tool towards creating competitive advantage over competitors. Pearlson and Saunders (2006) noted that the development of business strategy provides for an articulate vision of the future of the firm and its plan of actions to get to that future. Nevertheless, the strategy must go beyond just a statement or a plan. A strategy must also provide for the schedule of decisions and actions that will lead to the set goals (Mintzberg, 2008).

An organizations strategy consists of the business processes, systems and structures put in place to attract and retain customers, as well as fulfill all the expectations needs and goals of all the stakeholders of the firm (Scholes & Whittington, 2005). In addition, the firm must remain competitive in comparison to its competitors. Strategic responses by a firm therefore provide platforms for the firm to respond to changes needs and wants of the customers and stakeholders of an organization as well as maintain a competitive edge in the market (Porter, 2004).

1.1.2 The Concept of Strategic Marketing

Strategic marketing as concept has been extensively used and thus acquired differing definitions. Vassinene (2006) define strategic marketing as deep customer focus based on the senior management futuristic vision to acquire a competitive advantage primarily driven by product innovation as well as other functions subservient in the marketing process. This perspective of strategic marketing postulates that an inside out as well as outside in perspective are integrated in the strategic marketing function. At this stage, product innovation as well as customer needs and wants is at the core of the business strategy (Vassinen, 2006).

Strategic marketing is a strategy focused on optimal use of available organization resources with the aim of achieving set marketing goals and objectives (Li *et al.*, 2000). It revolves around the adaptation of the marketing mix elements to curb with the dynamic and changing environmental forces and environment. Consequently, strategic marketing is utilized to identify and assess the interaction, nature, strength and direction of the marketing mix elements in relation to the environmental variables at a particular point in time. Strategic marketing is thus premised on the belief that firms must easily adapt to changes in their marketing mix variables as the environmental factors such as political, economic, social, technological, environmental and legal variables evolve (Kipkosgei, 2012).

1.1.3 Firm Performance

Firm performance can be measured utilizing a number of metrics. It can be measured through customer performance (satisfaction and numbers), financial performance, social performance amongst many other metrics (Gibson, 2010). Given the various measures of firm performance, it is therefore imperative that a firm chooses one metric that aligns to the business objectives and goals of the firm.

Firm performance can be measured as a degree to which a firm is able to meet the set goals and objectives such as profitability, market share, financial results or even survival based on existing environmental factors and variables (Koontz & Donnel, 2003). Firm performance is a yardstick through which a firm assesses its progress towards set goals, areas of strengths of weaknesses with a view of establishing a long-term roadmap to future initiatives towards performance improvement (Vanweele, 2006).

Firm performance in this study refers to profitability. This measure of firm performance is considered adequate and has been extensively used in studies such as Kipkosgei (2012), Neiill and Rose (2006) and Hooley *et al.,* (2003). Profitability is a financial performance metric that refers to the excess of revenues to total costs of a firm (Wood, 2011). Profitability as well as customer attraction and satisfaction are often considered strategic goals for a market oriented firm. Neill and Rose (2006) propose that strategic organizations and firms often engage in improvement and improvisation of their firm performance metrics to take into consideration the evolving environmental perspectives. Nevertheless, customer attraction and retention as well as financial profitability are often retained as key metrics.

In an ever dynamic and complicated market environment, strategic organizations and companies are embracing factors such as globalization, technology, knowledge management and modern managerial techniques to ensure that the firm performance improves (Asch & Salaman, 2002).

1.1.4 Marketing Initiatives

Marketing initiatives refer to the diverse channels used to deliver products and services to the end user. There are a variety of channels that a bank can utilize to deliver its products and services. These include: Automated Teller Machines, Internet banking, Mobile banking, Agency banking and others such as debit, credit and smart cards (Mabrouk & Mamoghli, 2010). This study focuses on the use of agency banking, internet banking and mobile banking on firm performance at Equity Bank.

1.1.4.1 Agency Banking

Agency banking refers to the use of middlemen or banks agents to provide selected banking services and products (Hernandez, 2015). In agency banking, banks often come into an agreement or partnership with independent business operators and owners to offer banking services and products. In agency banking, the independent business operator is given access to banking systems partially to enable him offer banking services on behalf of a bank to its clients (Mas & Siedek, 2008). Agency banking is allowed in Kenya through the Central Bank of Kenya regulations and amendments of the Banking Act 2010. Some of the services offered through agency banking include: opening of bank accounts, transfer of funds, online and bill payments, withdrawal and deposit of funds etc.

1.1.4.2 Mobile Banking

Mobile banking also referred to as telephone banking refers to the use of mobile phones and telephone services to access banking services and products (Anyasi & Otubu, 2009). In some countries mobile banking refers to the use of telephones to call the bank to give them instructions on various services you want to access or use (Siam, 2006). In the modernized and highly technological environment, mobile banking refers to the use of mobile phone based applications to access banking services such as funds transfer, funds deposits, cheque requisition, cheque cancellation, opening of bank accounts etc. (Ndungu, 2015).

1.1.4.3 Internet Banking

Internet banking refers to the use of various systems and sub systems linked together through the World Wide Web to access banking services and products (Buys & Brown, 2004). The use of internet banking is enabled by the use of interlinked personal computers through the web or other networks to access banking services. It leverages on the use of technologies such as websites, online applications and other intelligent devices to access banking services (Ayadi, 2003). Some of the banking services available through the internet include: transfer of funds, cheque book requests and cheque cancellations, online payments, bill payments etc. (Ndungu, 2015).

1.1.5 The Banking Industry

Kenya is a leader in the banking industry in the African and East African region. Kenya has over the years developed a stable and financially deep banking base. Since independence when the nation took over a British inclined and dominated financial system, the banking sector has evolved and grown over the years through liquidations, mergers, buy outs and new entries in the market.

The banking industry in Kenya comprises of the Central Bank of Kenya which acts as the supervisor and regulatory body for banking in the Kenyan nation. In addition, the banking industry in Kenya comprises of 42 commercial banks with 28 being locally owned while 14 of the commercial banks are foreign owned. In addition, there are 14 money remittance providers, 79 foreign exchange bureaus, three credit reference bureaus and one mortgage provider.

The major and dominant banks in Kenya are Equity Bank, KCB bank, Barclays Bank, Standard Chartered Bank and Cooperative bank of Kenya. Some of these banks have expanded into the East African region while others retain their local operations only. Due to increased competition, commercial banks in Kenya have embraced innovative and new strategies to acquire a competitive edge. These strategies include the adoption of online banking, mobile banking and agency banking.

1.1.6 Equity Bank

Equity Bank is a bank incorporated within the Kenya Laws, Companies Act Cap 486 of the laws of Kenya. It is a bank headquartered in Kenya but with operations in East and Central Africa. The bank undertakes banking services provisions as spelt out and regulated by the Kenya Banking Act cap 488. Equity bank focuses on the provision of retail banking, micro finance banking and other banking related services. The bank has operations through subsidiaries in countries within the East and Central African region including South Sudan, Uganda, Tanzania, Rwanda and Democratic Republic of Congo. The bank is listed within the Nairobi Securities Exchange and the Uganda Securities Exchange.

Since its inception as a Building Society in 1984, Equity bank has been a pioneer in the Kenyan banking sector. Initially, the bank provided mortgage financing within the lower income group before diversifying into retail banking over the years. It has continuously been cited as a leading example of how indigenous African firms and companies can be used to drive poverty out of Africa. The bank is currently amongst the top five largest banks in Kenya. It has over 9 million customers and controls close to 50% of total deposit accounts in Kenya. To continually grow in a rapidly changing environment, the bank has adopted a visionary and innovative approach to management including the use of technology in service delivery. The bank is built upon a visionary leadership managerial structure and lean business model to continually drive growth, expansion and outreach in the local, regional and international markets. The bank draws its expertise and knowledge from leading international schools in developed markets as well as those in Africa and Asia.

1.2 Research Problem

There exists a huge repository of knowledge and research on strategic marketing and its effects on financial performance amongst firms around the world. Morgan (2011) interrogated the role of strategic marketing in enhancing business performance using a synthesis of existing literature on strategic management based on existing empirical and theoretical literature. The study developed an integrative theoretical model to show a direct relationship between strategic marketing and firm performance. Jaakkola *et al.*, (2013) analyzed strategic marketing and business performance using three European engineering countries and found that there exists two major gaps in the business context: the effect of strategic marketing concepts (market & innovation orientation and marketing capacities (internal and external capabilities) and their link on business performance.

Using SEM analytical frameworks, the scholars found that there was a weak relationship between market orientation, external capabilities and business performance. Innovation orientation and internal capabilities had a strong correlation to the levels of business performance. Nevertheless, this study was conducted in an engineering perspective and thus complex to generalize in a banking set up. Akinyele (2010) analyzed the effect of strategic marketing on firm performance using companies in the Nigerian oil and gas industry and found that strategic marketing was instrumental in driving firm positioning in a dynamic market environment.

Locally, Anyika (2007) analyzed the strategic marketing strategies applied in the motorcycle industry in Kenya while Emily (2007) analyzes the strategic marketing interventions used by motor industry players in the country. Jumapili (2014) analyzes the strategic responses by commercial banks to competition in the retail banking sector and Waithira (2013) analyzes the strategies adopted by commercial banks in Kenya to manage service quality. While these studies were focused on strategic marketing management, they were exploratory in nature and sought to identify the actual strategic marketing initiatives employed, rather than the impact of these initiatives on firm performance. This presented a research and knowledge gap.

Kipkosegei (2012) analyzes the influence of strategic marketing practices on the performance of motor companies in Kenya. Kipkosegei (2012) utilizes the variables of product design, pricing, promotion and placement on firm performance and establishes a positive correlation. While this study had contributed to the body of knowledge, it could not be generalized to the banking industry which was heavily regulated and experienced turbulent market changes. Furthermore, these studies were focused on product, pricing and promotion, implying a research gap on how strategic marketing in regard to product distribution had enhanced financial performance. A dearth of knowledge on how strategic marketing using the element of product placement affects financial performance arose.

Equity Bank has been a leader in product innovation as a well enhancing business performance. Nevertheless, there has been a dearth on knowledge and research on how the strategic marketing response towards environmental changes had enhanced financial performance of equity bank. This knowledge gap was the motivation behind the study. Furthermore, there existed no clear policy framework (whether self-regulatory or regulator driven) on how banks could utilize strategic marketing as a tool towards improving financial performance. The study sought to answer the question; what effect had the strategic marketing initiatives by Equity bank had on firm performance?

1.3 Research Objectives

The general research objective of the study was to establish the effect of strategic marketing initiatives on firm performance in Equity Bank.

The specific research objectives of the study were to:

i. Examine the effect agency banking as a strategic marketing initiative on the performance of equity bank group ltd.

ii. Assess the effect of internet banking as a strategic marketing initiative on the performance of Equity Bank

iii. Determine the effect of mobile banking as a strategic marketing initiative on the performance on Equity bank.

1.4 Value of the Study

This case of the study was Equity Bank group Ltd. The findings of this study informs decision making for other banks on the use of agency, mobile and internet banking as innovative strategic marketing strategies towards enhancing business performance. This informs on cost benefit analysis at the senior management level.

The study is of interest to the regulators and specifically the Central Bank of Kenya. Equity bank has been leader in the field of technology use in service delivery. The Central bank can find this study to establish the effect it has on customer attraction and customer perception and act in the interest of the public. This can inform decisions of financial inclusion policy making. Furthermore, banks profitability is at the core of

CBK's decision making. The findings of this study can inform policy making towards enhancing banks' profitability.

The public can find this study very useful in analyzing their choice of banking partner. This study enumerates to the public the benefits of agency, internet and mobile banking and what effect it has on banking performance.

This study contributes to the existing repository of knowledge. It addresses key gaps in knowledge and provides a basis for future reference and source of knowledge for scholars and researchers.

1.5 Chapter Summary

This chapter has presented the background information with the aim of presenting international, regional and local experiences. The chapter lays out the research problem as well as the objectives of the study. It also presents the value of the study.

Chapter two reviews the existing literature based on theories and empirical evidence in relation to the research objectives of the study.

Chapter three presents the research methodology and design which elaborates the data collection and analysis systems

Chapter four presents the findings and results of the study based on data collected and analyzed.

Chapter five presents the summary of findings, conclusions and recommendations of the study.

CHAPTER TWO: LITERATURE REVIEW

2.0 Introduction

Chapter two reviews the existing body of knowledge, theoretical and empirical on strategic marketing and firm performance. It also provides the conceptual framework for the study.

2.1 Theoretical Review

2.1.1 Systems Theory

This study is based upon the systems theory. A system is defined as a cluster of elements exceeding one where the behavior and actions of one subsystem affects the overall performance or behavior of the entire system (Alter, 2007). The actions and behaviors of the sub systems, though interdependent, greatly affect the behavior of the entire system which is dependent on the systems (Skyttner, 1996). Summarily therefore, a system is composed of small groups referred to as subsystems. The relationship and interdependence of the subsystems leads to a state of equilibrium in the entire system (Steele, 2003).

The general systems theory concerns itself with the operations of the systems and subsystems uniquely identifying and naming the processes and systems that are common in the entire system (Bausch, 2002). The general systems theory provides a clear distinction between open and closed systems. While closed systems often disregard the external environmental variables and consider then inconsequential, the open systems take into consideration the external as well as the internal variables and view them as critical in the survival and success of the firm (Wang, 2004).

Katz and Kahn (1978) summarize the systems theory as a having cyclical interdependent patterns over a period of time and which interact with each other and the external environment to ensure the success of the firm. Further, the systems theory takes into consideration the input output matrix in the interaction between the internal and external variables and cites the structures, knowledge, information, techniques, goals and people should be coordinated and integrated to the managerial systems to ensure maximum value for the firm (Montouri, 2000).

In any adaptive and strategic organization, there is great flexibility and dynamisms in the intra and inter relationships of the subsystems of the organization as well as the external environment which is often uncontrollable using the organization variables.

Given that organizations are generally defined as complex systems, it is necessary that firms are able to learn and adapt to environmental changes and ensure that their internal structures and functions are flexible over a period of time to change to changing behavioral tenets (Sherif, 2006).

The systems theory is the primary theoretical underpinning of the study. Financial Performance is the result of the processes of various subsystems in the firm with strategic marketing being a sub system. Under strategic marketing, there are various sub systems e.g. products, distribution, promotion and pricing, all of which affect financial performance as the system. This study will analyze the product distribution sub system and its contribution to overall financial performance.

2.1.2 Resource Based Theory

The resource based theory is premised on the belief that a firm has internal resources that influence its strategy and performance (Grant, 1991; Ojo, 2012). Internal organization capabilities and resources are defined as the sum total of all the assets, liabilities, processes, characteristics, data, information, knowledge and capabilities at the disposal of the firm (Grant, 1991). These internal capabilities have the capacity to drive the firm’s strategic views and plans to enhance efficiency and effectiveness in the business.

Colliss (1991) notes that though the resource based theory postulates that tangible resources are key, it also identifies intangible resources as critical to driving the attainment of strategic goals and objectives. Intangible resources include: brand equity and customer satisfaction (Ojo, 2012; Alavin & Leidner, 2011). King (2007) finds that firms that build upon internal capabilities often rely on heavy and risky investments which enable the firm to exploit existing opportunities in the market.

In this study, the research based theory is applicable as it allows for the analysis of factors such as the banks goodwill and brand name. Equity bank is perceived to be a very strong brand in the Kenyan banking financial sector and enjoys customer goodwill. Consequently, it enjoys a tangible resource that some of the other banks do not enjoy.

Based on this underpinning, the study postulates that the bank exploits its existing brand name to push for faster adoption of new product distribution models in the market.

2.1.3 The Theory of Strategic Marketing

The field of strategic marketing has long been faced with ambiguities and lack of consensus on theoretical grounding. Nevertheless, there have been fundamental theoretical propositions that explain strategic marketing. Varadarajan (2010) proposes that theoretical grounding of strategic marketing is informed by domain, definition and fundamental grounding and focus. The resource advantage theory on strategic marketing proposes eight key pillars that inform business and marketing strategies in a firm.

Varadarajan (2010) posits that there are three key strategies that ground strategic marketing initiatives: superior value, low cost and synchronal. These three values enhance the societal wellbeing of the firm. The theory proposes that strategic marketing initiatives must be grounded on the three key values to enhance sustainable competitive advantage.

2.2 Strategic Marketing & Firm Performance

2.2.1 Orientations of Strategic Marketing

Strategic orientations have been infused in marketing with great effect on modern day marketing. Strategic orientations refer to the strategically developed directions implemented by a firm with the aim of influencing a certain behavior or enhance continued superior performance of the firm (Gatignon & Xuereb, 1997). Strategic orientations are often the reflection of the beliefs, actions and strategic thinking of senior management in any organization (Hitt *et al.*, 1997). There exist a number of strategic orientations around the world. Nevertheless, there exist two majorly researched and reviewed orientations which are the Miles and Snow (1978) prospectors and defenders model and the Porters (1980) differentiation or low cost model. Oher strategic orientation models include the internal external model as well as the opportunity seeking and problem avoiding model (Noble *et al.* 2002). In the field of strategic marketing orientation, there are a number of strategic orientations that enhance the overall competitiveness of a firm as well as promote the financial performance of the firm. These models include: innovation orientation, learning, entrepreneurial and employee market orientations.

Modern strategic marketing models exist in numbers. However, the SWOT analysis, Balanced Score Card and Porters competitive analysis are the most dominantly used strategic marketing models. The SWOT model or analysis has been widely used and is acclaimed as easy to understand and use. It is utilized to analyze the strengths, weaknesses, opportunities and threats of an organization in respect to a predetermined strategic action (Oji, 2012). The SWOT analysis takes into account the internal and external environments and seeks to infuse these variables to the attainment of organization goals and needs. The SWOT model in strategic marketing seeks to provide clarity and focused discussions towards attaining marketing objectives and goals.

A balanced score card perspective towards strategic marketing involves the identification of strategies drawn from the corporate vision and mission. Strategic marketing themes are then formulated taking into consideration the financial, customer, learning, growth and internal process considerations (Kaplan & Nortron, 2004). Financial views provide clarity on the financial strategic goals and the key financial performance indicators that present the financial performance and objectives of the firm. Internal processes on the other hand focus on the product and service quality and attempt to establish the business processes within the organization that enhance customer satisfaction (Kipkosegei,2012). Internal processes enhance product quality and provide a measure of organization productivity measured by the total number of products or services offered to customers (Brown, 1996).

Customers on the other hand provide an internal variable that has a cause effect relationship with the financial performance of a firm. Customers are the drivers of profitability for profit companies while customer satisfaction is paramount in non-profit organizations (Ojo, 2012). Learning perspectives in the balanced score card act as an enabler of the other variables and defines the human resource needs, automation needs and internal processes necessary to achieve the goals of the organizations (Kipkosegie, 2012).

In an extensive analysis of strategic marketing discourses, Vassinene (2006) found that strategic management had a strong relationship with variables such as competitive forces, operational marketing growth and performance, resources of the firm and marketing orientation. This brings to the fore the concepts of competitive marketing strategies as proposed by Porter (1980). Porter identifies four key strategies that can be used to achieve an organization's objectives. Kotler (2003) terms these four strategies as the key marketing strategies. The strategies include cost leadership, differentiation, focus and diversification. Cost leadership strategy revolves around reducing the total costs of product with the aim of having the least prices in the market. It is focused on enhancing efficiency in production in relation to costs. It is focused on the price element in the marketing mix. Differentiation refers to the provision of differentiated products in the market through identification of the needs of the customers. It is focused on the product element in the marketing mix. Focus on the other hand, refers to the provision of products to a particular segment of the market. The firm develops competencies and excellence in service to a particular marketing segment (Kotler, 2003, Kotler, 1999, Kipkosegei, 2012, Ojo, 2012).

2.2.2 Firm Performance Measurement

Firm performance can be measured using a number of metrics. It can be measured using financial performance, market and customer performance or generalized as overall performance. Financial performance revolves around quantitative measures of returns in the firm such as profitability, return on investment and return on equity. On the other hand, market performance is measured in terms of market share, number of customers, sales revenue and market dominance.

There exist ambiguities in the definition of firm performance. Neely (2002), points out that there are accounting perspectives, marketing perspectives and operational perspectives in respect to firm performance. In addition, Neely notes that there exist assessment systems that take into consideration non-financial indicators of performance such as social performance. This therefore makes the use of firm performance a complex variable. In contrast, the concept of business and firm performance is often misconstrued to be a simplistic and easy process (Clark, 2000). Lebas and Euske (2002) find that business performance cannot be observed and measured. It refers to a relative concept that revolves around time based causality based analysis of future realizations and thus is complex. Firm performance is based on the capacity to generate futuristic results (Lebas & Euske, 2002).

In a balanced scored environment, the analysis of firm performance takes into account financial, customer, learning, business processes and growth metrics (Kaplan & Norton, 1992). Performance analysis using the balanced score card takes into account desired standards of performance, collection, collation and analysis of performance information and the comparison of this information to set standards or other parameters with a view to making correction actions if necessary (Morgan, Clark and Gooner, 2002). Nevertheless, it is important to clearly define and provide measures of firm performance.

In this study, firm performance refers to financial performance as measured on the net profits of the firm. Net profit is often considered as an adequate measure of financial performance and represents the excess of total revenues against total costs (Wood, 2001, Hooley *et al.*, 2001; Hunt & Morgan, 2001).

2.3 Empirical Evidence

There exist a large number of scholars who have analyzed the relationship between strategic marketing and firm performance.

Hall and Sias (1980) conducted a study on the relationship between strategic marketing and firm performance using 64 companies in the USA. The study found that firms that adopted strategic marketing practices and specifically differentiation of products and services had a strong financial performance in comparison to firms that did not embrace strategic marketing. Further, the study noted that differentiation strategies were extended to include quality differentiation, product differentiation and customer service differentiation.

Di Patti and Gobbi (2001) in an analysis of 15 commercial banks in Rome noted that strategic marketing practices by banks had the effect of enhancing the competitiveness of the commercial banks leading to higher growth rates and access to capital by new firms and SME's. Generally, the study found that strategic marketing enhanced firm competitiveness which was a firm performance measure.

Morgan (2011) interrogated the role of strategic marketing in enhancing business performance using a synthesis of existing literature on strategic management based on existing empirical and theoretical literature. The study developed an integrative theoretical model to show a direct relationship between strategic marketing and firm performance.

Jaakkola *et al.*, (2013) analyzed strategic marketing and business performance using three European engineering countries and found that there exist two major gaps in the business contexts: the effect of strategic marketing concepts (market & innovation orientation and marketing capacities (internal and external capabilities) and their link on business performance. Using SEM analytical frameworks, the scholars found that there was a weak relationship between market orientation, external capabilities and business performance. Innovation orientation and internal capabilities had a strong correlation to the levels of business performance.

Muangakhot and Ussahawanitchakit (2015) analyzed the role of strategic marketing on marketing performance using businesses in the furniture export sector and found that strategic marketing has effects on marketing innovation as well as organization learning, entrepreneurial culture, research and development as well as strategic management. These variables had a positive effect on business performance as measured through new product development, customer attraction and retention, marketing performance and marketing effectiveness.

Akinyele (2010) analyzed the effect of strategic marketing on firm performance using companies in the Nigerian oil and gas industry and found that strategic marketing was instrumental in driving firm positioning in a dynamic market environment. It enhances firm competitiveness and firm performance. In a study on the Ghana Banking system Mathisen and Buchs (2005) analyzed the effect of strategic marketing initiatives on firm performance and found a positive correlation between the two variables. Using the Panzar Rosse Framework, Mathisen and Buchs (2005) found that strategic marketing increased revenue generation and enhanced marketing cost reduction for commercial banks in Ghana.

Ojo (2012) analyzes the marketing strategies and bank performance in Nigeria using a post consolidation analysis approach. Using ordinary least square estimate techniques, the study shows that there was a significant effect of all marketing strategies on bank performance. Nevertheless, analysis of individual marketing responses and initiatives indicate an insignificant relationship to bank performance.

Kipkosegei (2012) analyzes the influence of strategic marketing practices on the performance of motor vehicle companies in Kenya using a cross sectional research methodology and finds that there exists a positive relationship between strategic marketing and firm performance though this relationship is tempered by employee turnover. Furthermore, firms faced challenges in goal setting and communication to their employees. Chepkiyeng and Choge (2014) analyzed the effect of marketing strategies as a strategic response on competitive advantage using commercial banks in Kenya. The study found that the adoption of strategic marketing by commercial banks enhanced competitive advantage in banks in Kenya. Competitive advantage was measured using market and customer number metrics. Kisu (2015) analyzed Effect of Marketing Strategies On the Performance of Seed Companies in Kenya and found that through the use of strategic marketing strategies, seed companies are able to differentiate themselves and acquire brand equity and market share.

2.4 Chapter Summary

This chapter has reviewed existing literature on the research objectives of the study. It presents the theoretical grounding of the study as well as presents the empirical evidence existing on the objectives of the study. Despite the presence of literature there exist gaps especially in the local knowledge on how strategic marketing initiatives enhance firm performance for banks.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

Chapter three presents the research methodology framework for the study. It presents the research design, population, data collection and data analysis for the study.

3.2 Research Design

The research design refers to the overall plan or blue print that guides a research (Saunders *et al.,* 2011). This study utilized a descriptive research design. In a descriptive research design, the researcher collects the data with the aim of describing patterns and trends in the data (Bryman & Bell, 2011).

3.3 Data Collection

Data for this study was collected using a questionnaire. A questionnaire was justified for use in this study as it was easy to develop, administer and easily collected quantitative as well as qualitative data. Furthermore, it was a time and cost effective tool in data collection. The questionnaire had sections to collect demographic data and other sections to collect data on financial performance and strategic marketing. Open ended and closed ended questions were utilized to collect primary data.

In addition, the study utilized secondary data. Secondary data on financial performance such as profitability was collected over a seven-year period (2010 – 2016) to analyze the effect of strategic marketing initiatives on financial performance. Specifically, data on profits, number of transactions on agency banking, number of transactions on internet banking and number of transactions on mobile banking. The study sought to analyze the effect of these strategic marketing initiatives on firm performance. A data collection sheet was used to collect secondary data.

3.5 Data Analysis

Data analysis refers to the running of data through various statistics to acquiring meaning measures for interpretation (Saunders *et al.,* 2011). Data collected was inspected for completeness, errors and gaps. After inspection and editing of data, it was coded and keyed into SPSS vs 22 for data analysis.

The study utilized descriptive statistics of means, standard deviations in identifying patterns and trends in the data. This was used to describe the data trends.

After descriptive tests, correlation coefficients analysis was undertaken. Correlation coefficients are inferential statistics that show the strength and direction of relationship between two variables. Pearson's correlation coefficient statistic was utilized in this study. Analyzed data is presented using tables for ease of presentation and explanation.

3.6 Chapter Summary

This chapter has reviewed the research design of the study which was descriptive. Data was collected using questionnaires and data collection sheets for financial information from managers and annual reports respectively. Analysis was done using SPSS vs 22. Findings of the data collected and analyzed are presented in Chapter Four below.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSIONS

4.1 Introduction

Chapter four presents the findings of the study based on data collected and analyzed. This study utilized data from questionnaires and annual reports on the performance of the study. Findings of the study are presented in line with the objectives of the study. Further, the chapter presents a detailed discussion of the findings and finally presents a summary of the chapter.

4.2 Background Information

This study utilized data on the financial performance of Equity Bank as well as the questionnaires administered to the managers of Equity Bank. Financial performance data was collected for the period 2010 – 2016 while the questionnaires were administered to 35 managers at Equity Bank. Out of the 35 expected manager respondents, only 26 responded indicating a 75% response rate.

4.2.1 Managers Demographic Data

This section presents the background information of the managers. Data collected utilized 50% of heads of departments and 50% of respondents in other senior positions such as deputy heads in departments and Operational Managers.

Table 4.1: Job Description

	Frequency	Percent
Head of Department	13	50.0
Other	13	50.0
Total	26	100.0

Source: Primary Data

Fifty-three point eight percent of the respondents of this study indicated that they had worked in Equity bank for between 4 – 5 years. In addition, 34.6% of the respondents had worked in Equity bank for between 0 – 3 years and 11.5% of the respondents had worked for more than 5 years. The study findings indicate reliability of the data since majority of the respondents had adequate experience in the bank.

Table 4.2: Length of Working at Equity Bank

	Frequency	Percent
0 - 3years	9	34.6
4 - 5 years	14	53.8
Above 5 years	3	11.5
Total	**26**	**100.0**

Source: Primary Data

Fifty percent of the respondents to this study indicated that they were involved in the strategic marketing decision making process. On the other hand, 50% of the respondents indicated that they were not involved in the decision making process.

Table 4.3: Involvement in Strategic Marketing Decision

	Frequency	Percent
Yes	13	50.0
No	13	50.0
Total	26	100.0

Source: Primary Data

4.3 Financial Performance Summary

4.3.1 Overall Financial Performance

This study analyzed the descriptive statistics of the performance of Equity Bank for the period 2010 – 2016. The study found that the average mean profit over the 7-year period was 15,983.86 Million Kenya Shillings. The corresponding standard deviation was 6229.714.

The average number of agent transactions was 20.81 million with a minimum and maximum of 0 and 46 million respectively. The corresponding standard deviation was 16.582. In addition, the average number of internet transactions over the seven-year period was 0.86 million. Mobile transactions had an average of 27.94 million.

Total costs averaged 20,888.86 million in the years 2010 – 2016. The total sales averaged 36,872.71 over the seven-year period. This is as shown in Table 4.6 below.

Table 4.4: Financial Descriptive Summary

	Mean	Std. Deviation
Net Profit	15983.86	6229.714
No of Agent transactions	20.81	16.582
Internet transactions	.86	.321
Mobile transactions	27.94	49.770
Total Costs	20888.86	7996.874
Sales	36872.71	13487.742

Source: Primary Data

4.3.2 Trends in Financial Performance

This section presents trends in financial performance of equity bank for the period 2009 - 2015. For comparison purposes it is important to note that agency banking was introduced in the year 2010 with preliminary tests and mass roll out in the year 2011, Mobile banking was introduced in 2010 as M-Kesho and internet banking in the year 2012.

The study analysis shows that the net profit of Equity Bank increased by 17% from the year 2009 – 2010 with agency and mobile banking experiencing a 100% growth. Total costs grew by 17% and sales by 23%. Assuming all other factors constant, this study postulates that the introduction of mobile and agency banking at Equity Bank though at a market testing phase led to a 17% increase in profitability and 23% rise in Net operating income (Net sales).

In the year 2011 when there was massive roll out of mobile and agency banking at Equity bank, there was an 8% increase in the net profit of the company, while the total costs increased by 37% and total sales by 22%. Agency transactions increased by 93% and mobile transactions by 68%. In the year 2012, the net profit of Equity bank increased by 7% with a 55% increase in agency transactions and 58% increase in mobile transactions. This led to a 60% decline in total costs and 30% decline in net operating income (net sales). In this year, Equity bank introduced internet banking.

The year 2013 show a 25% increase in net profit with a 10% decline in total costs and 9% increase in net sales. According to the annual reports, this increase in net profit was attributed to reduced operational costs at Equity bank as the bank leverage on technology and the growth of the digital platforms of equity. Furthermore, the benefits of introduction of agency banking were starting to trickle in and influencing the positive performance of the bank. In the year 2014 Equity Bank embarked on massive investment in its IT infrastructure as it prepared to roll out its own mobile money wallet through a Money Network Virtual Operator (MNO) under its Equitel brand. This led to a 53% increase in the total costs of the bank. Nevertheless, the operating income grew by 42% with a 30% increase in net profit as the bank reaped the benefits of mobile and agency banking. Internet banking transactions and value in the bank have lagged in comparison to those of agency and mobile banking.

In the year 2015 the bank experienced a 13% increase in net operating profit with an increase of 9% in total costs and 10% increase in net operating income (Net Sales). According to the annual report, the increased performance was attributed to the benefits of agency and mobile banking which have become new drivers of income and profitability in the bank. Based on the findings of this study and evidence deduced from annual reports, it is evident that the introduction of mobile and agency banking has enhanced overall financial performance of equity bank.

Table 4.5: Trends in Financial Performance

	Net Profit	**Agency**	**Internet**	**Mobile**	**Total Costs**	**Sales**
2010	17%	100%	0%	100%	17%	23%
2011	8%	93%	0%	68%	37%	22%
2012	7%	55%	100%	58%	-60%	-30%
2013	25%	54%	75%	25%	-10%	9%
2014	30%	35%	47%	78%	52%	42%
2015	4%	20%	25%	73%	9%	7%

Source: Primary Data

4.3.3 Digital Banking and Firm Performance

This study the extent to which respondents felt that the use of strategic marketing initiatives such as mobile banking, internet banking and agency banking enhanced financial performance of the bank. According to the findings 61.5% of the respondents indicated that the use of strategic marketing initiatives enhanced financial performance of the bank to a very large extent. On the other hand, 38.5% of the respondents indicated that strategic marketing initiatives enhanced financial performance to a large extent.

Table 4.6: Extent to Which Strategic Marketing enhances Performance

	Frequency	Percent
Very Large	16	61.5
Large	10	38.5
Total	26	100.0

Source: Primary Data

Descriptive analysis shows that the mean rating for extent to which strategic marketing initiatives enhanced financial performance was 1.38 on a scale of 1 – 7 with 1 being very great extent. Based on the findings, this study finds that strategic decision makers at Equity bank believed that the use of mobile, agency and internet banking had a very great effect of financial performance.

Table 4.7: Strategic Marketing & Firm Performance

	N	**Mean**	**Std. Deviation**
Extent to which strategic marketing enhances performance	26	1.38	0.496

Source: Primary Data

This study used digital marketing in reference to the use of the three marketing strategies i.e. use of mobile, internet and agency banking. Majority (61.5%) of the respondents agree that the use of digital banking at Equity Bank led to a decrease in the marketing costs of Equity bank. Twenty-Six point nine percent of the respondents strongly disagreed, 7.7% disagreed and 3.8% were neutral that the use of digital marketing at Equity bank reduced the total costs of Equity bank.

The study findings show that to majority of the managers, the use of digital marketing reduced the overall costs associated with running the bank.

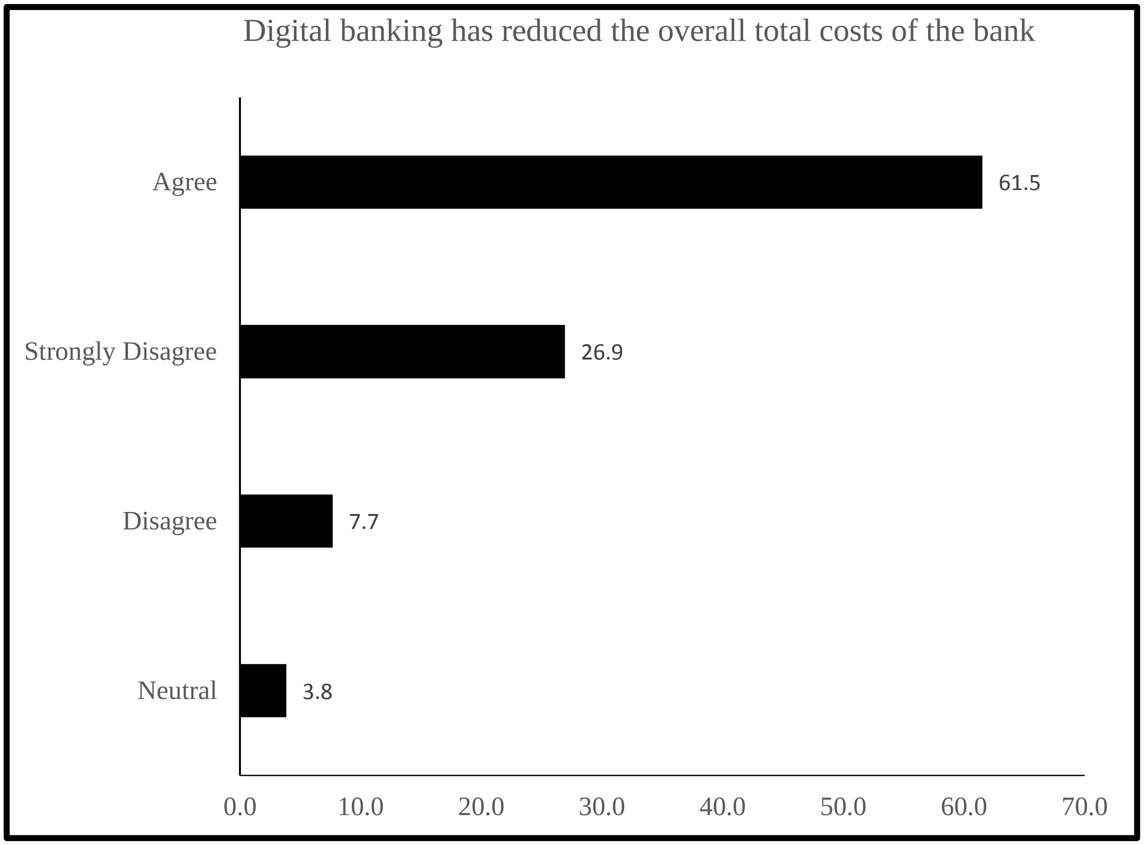

Figure 4.1: Reduced Overall Total Costs

Source: Primary Data

Manager respondents were asked the effect of digital banking and increased revenues. Seventy-six point seven percent of the respondents agreed that the use of digital banking increased the revenues of Equity Bank, 15.4% were neutral, 3.8% and 3.8% strongly disagreed and strongly agreed respectively. The study findings show that to majority of the managers, the use of digital banking platforms positive influenced revenue generation at equity bank.

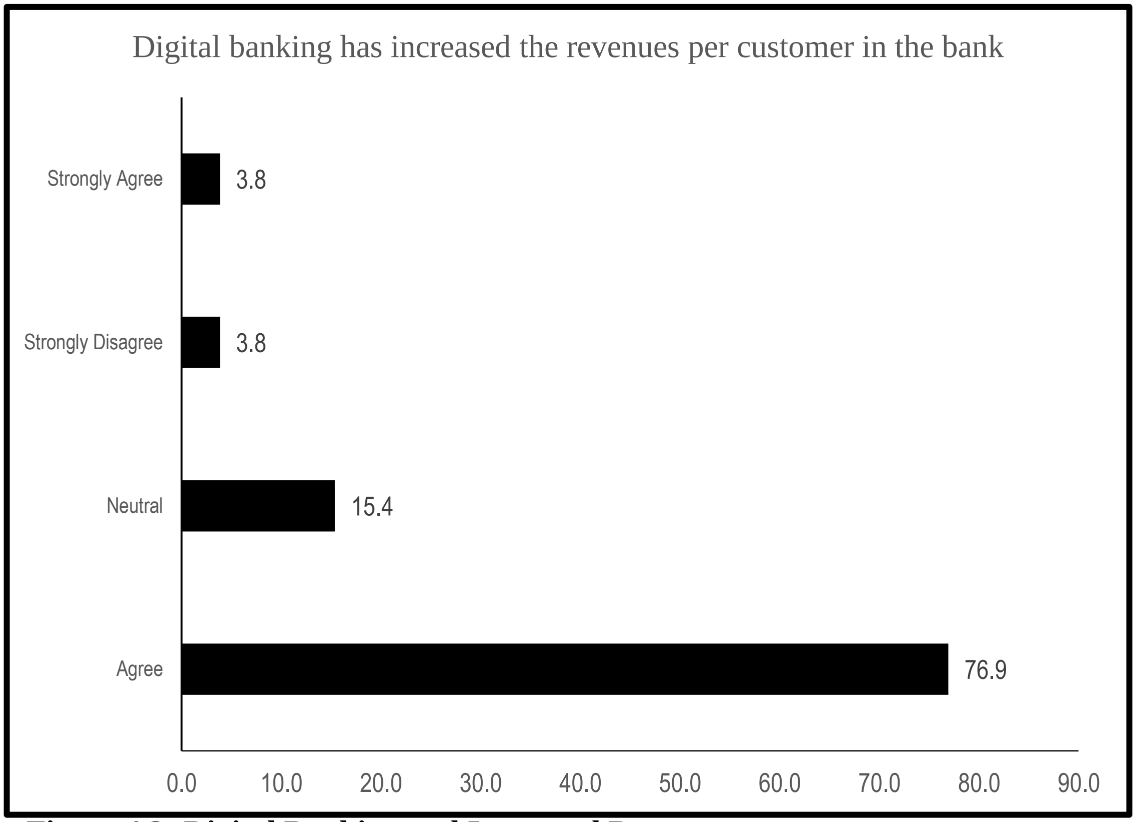

Figure 4.2: Digital Banking and Increased Revenues

Source: Primary Data

The respondents to this study were asked the effect of agency banking on the diversification of products offered by the bank. 80.8% of the respondents were neutral, 11.5% disagreed and 7.7% of the respondents strongly disagreed. The study findings show that to majority of the respondents it was not clear whether the use of digital banking enhanced product diversification at Equity Bank. This could be largely because digital banking is at its growth stages and currently more focused on market penetration rather than product development or diversification.

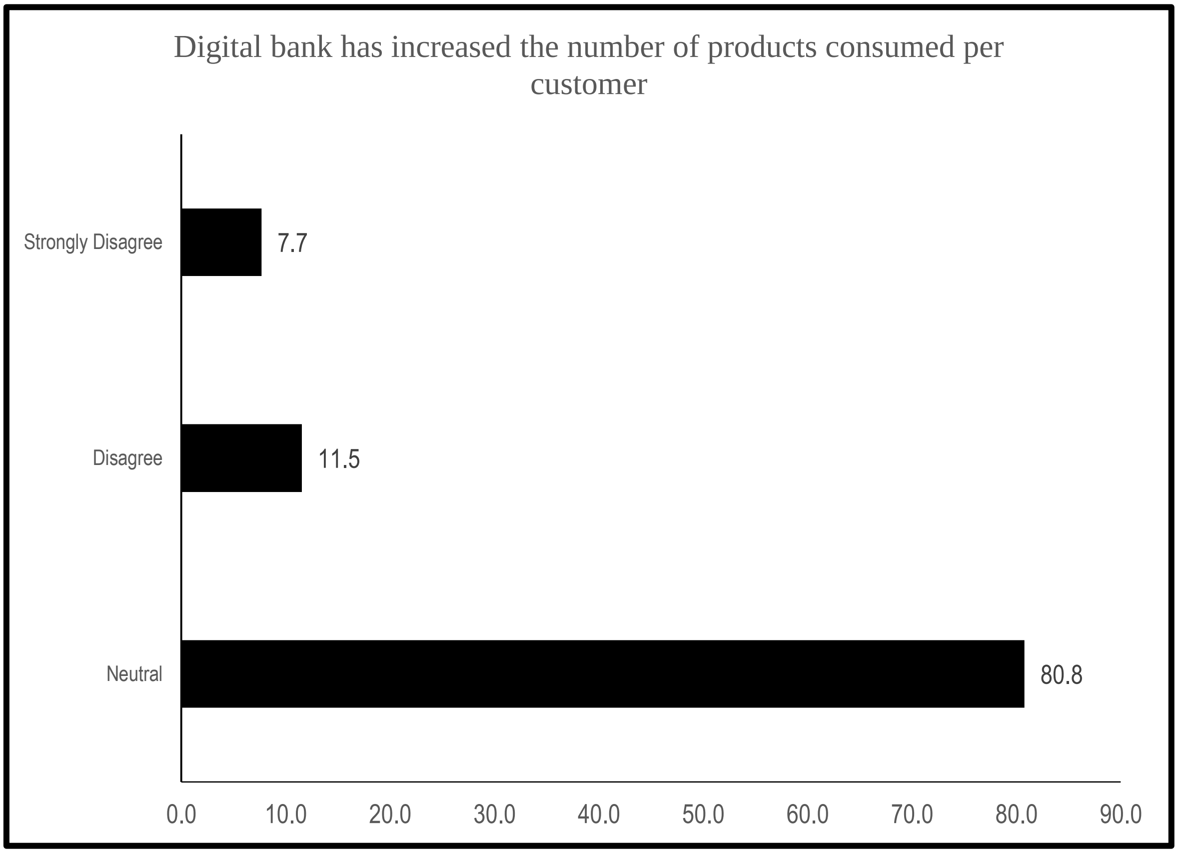

Figure 4.3: Digital Banking and Number of Products

Source: Primary Data

4.4 Mobile Banking and Firm Performance

Table 4.8: Strategic Marketing Initiatives and Firm Performance

	N	Mean	Std. Deviation
Mobile banking	26	2.54	1.029
Internet banking	26	4.58	1.362
Agency banking	26	2.92	0.845

Source: Primary Data

Managers at Equity bank were asked to rate the effect of mobile banking on firm performance. The mean rating of the respondents was 2.54. The corresponding standard deviation was 1.029. The findings imply that respondents agreed that the use of mobile banking enhanced profitability of Equity bank. Consequently, the use of mobile banking as a strategic marketing initiative had a great effect of profitability of Equity Bank. This is as show in Table 4.8.

Additional analysis of the mobile banking perceptions by the managers show that majority of the managers indicated that mobile banking had a positive influence on the performance of Equity Bank of Kenya. Fifteen point four percent of the respondents strongly agreed, 34.6% agreed, 34.6% were neutral, 11.5% disagreed and 3.8% strongly disagreed that the use of mobile banking had a positive influence on firm performance at Equity Bank. The findings show that majority of the managers believed that the use of mobile banking as a strategic marketing initiative positively enhanced firm performance at Equity Bank.

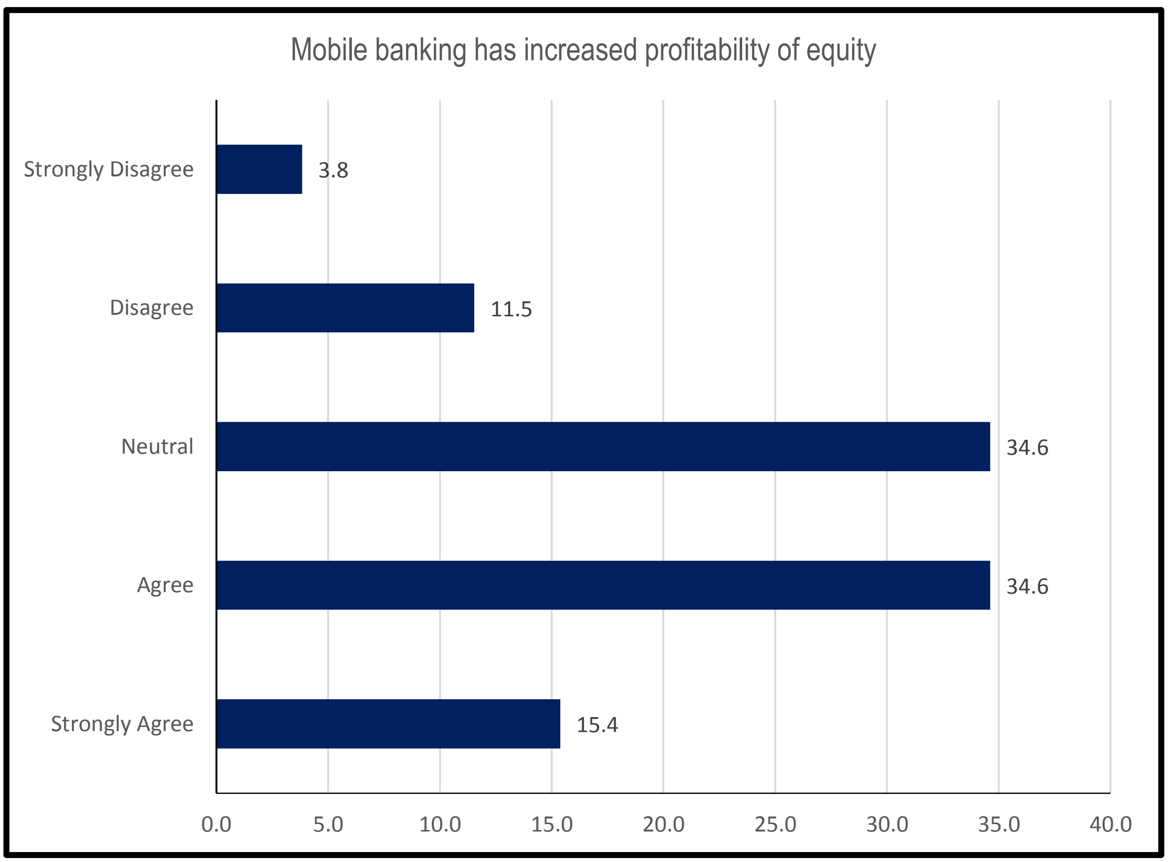

Figure 4.4: Mobile Banking and Profitability
Source: Primary Data

4.5 Internet Banking and Firm Performance

The relationship between internet banking and performance had a mean of 4.58. The standard deviation was 1.362. The findings show that the majority of the respondents felt that the use of internet banking did not enhance the profitability of equity bank to a very large extent (See table 4.8).

This is validated by the findings of the study which show that 3.8% of respondents strongly agreed that internet banking enhanced Equity bank performance, 3.8% agreed, 11.5% were neural, 19.2% disagreed, 38.5% strongly disagreed and 19.2% indicated it was not applicable.

The findings are premised on the low uptake of internet banking by the Kenyan population which preferred to use mobile and agency banking as opposed to internet banking.

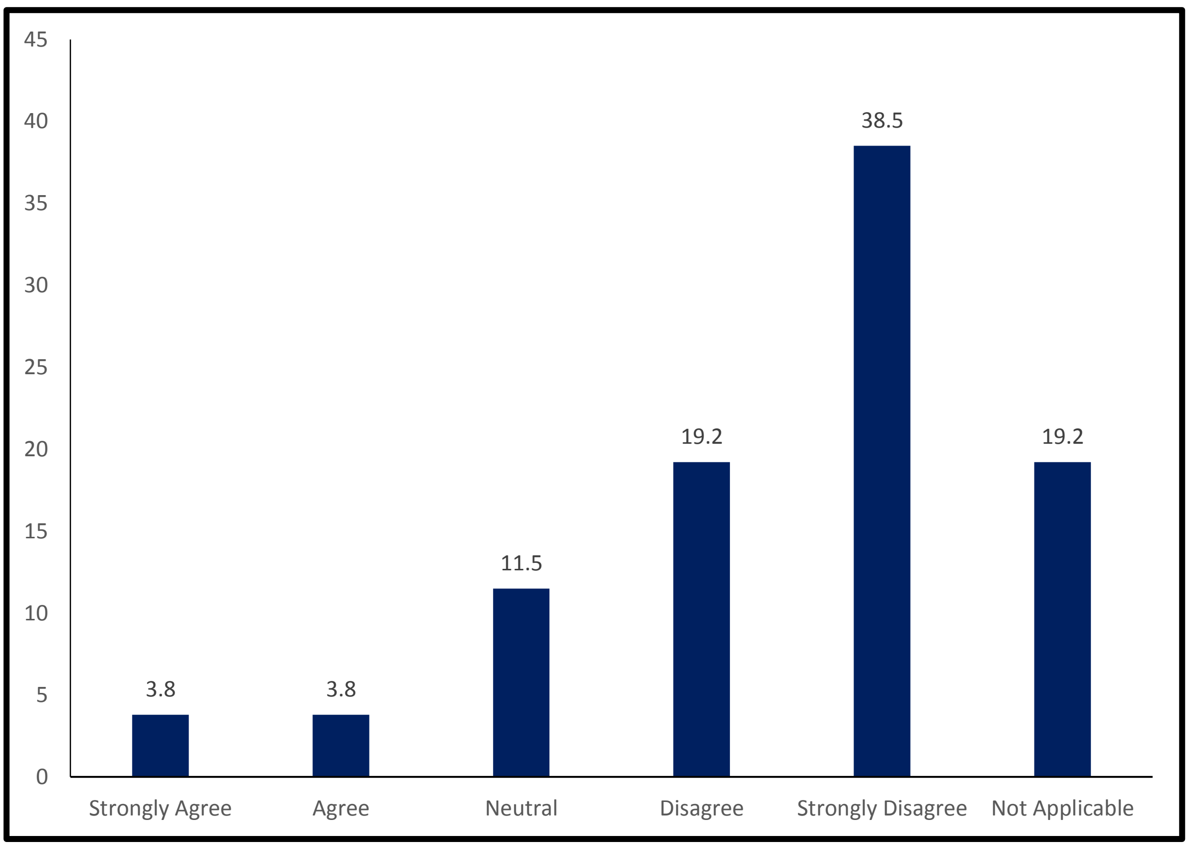

Figure 4.5: Perceptions on Internet Banking and Firm Performance

Source: Primary Data

4.6 Agency Banking and Firm Performance

The relationship between agency banking and firm performance had mean rating of 2.92. This implies that there is a strong relationship between the use of agency banking and improved profitability of Equity bank. The findings indicate that agency banking is an important driver of profitability in Equity bank. The standard deviation was 0.845 (See table 4.8)

Fifty-three point eight percent of the respondents to this study were neutral that agency banking had improved the financial performance of equity bank. In addition, 3.8 of the respondents strongly agreed, 23.1% agreed, 15.4% disagreed and 3.8% strongly disagreed. The study findings indicate that the use of agency banking improved financial performance to majority of the managers. Nevertheless, a significant proportion of the managers were not conscious to the financial benefits accrued from the use and adoption of mobile banking.

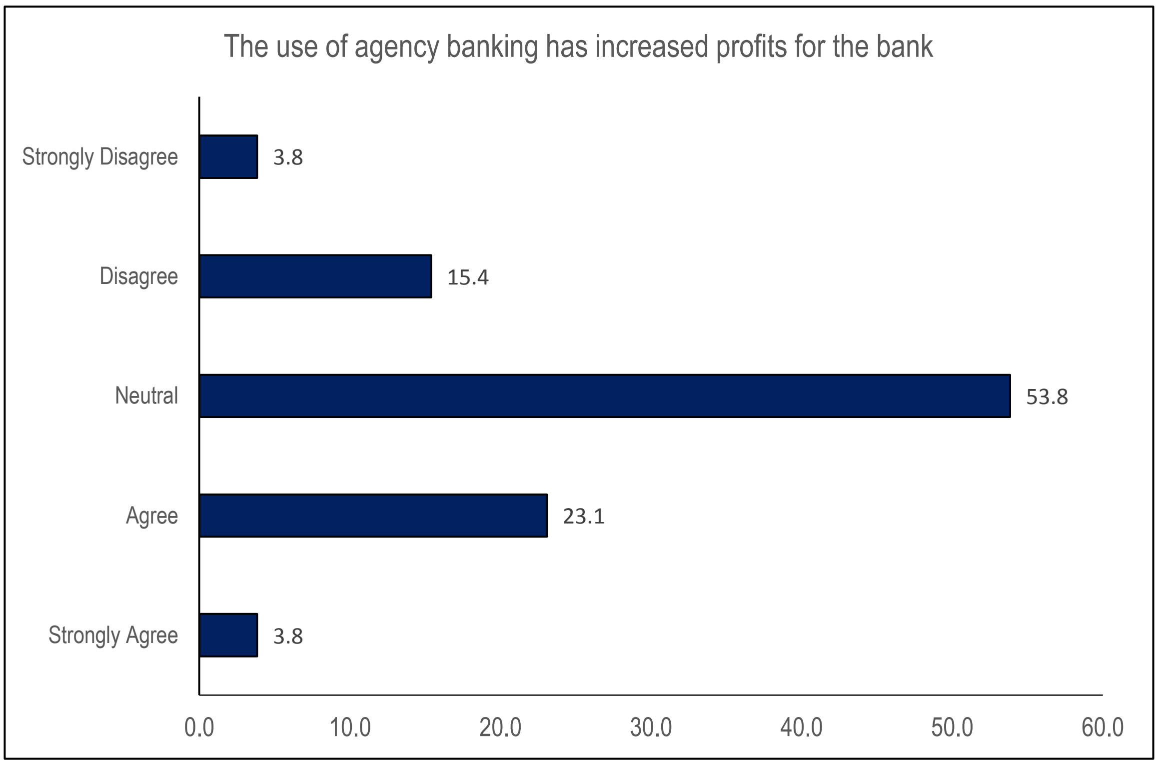

Figure 4.6: Agency Banking and Firm Performance

Source: Primary Data

4.7 Strategic Marketing Initiatives of Firm Performance

Strategic marketing initiatives involves the use of mobile, agency and internet banking as product delivery channels towards improving financial performance. This study found that the use of strategic marketing initiatives increased the total number of transactions undertaken by customers. With a mean rating of 2.31, a standard deviation of 0.788, the findings imply that the use of strategic marketing initiatives increased the transaction numbers and volumes by customers (See Table 4.9).

Secondly, the study found the use of strategic marketing initiatives reduced the overall marketing costs of the bank. The mean rating was 2.46 with a standard deviation of 1.14. The findings show that to most respondents the use of strategic marketing initiatives reduced the costs associated with marketing the banks products and services. This increased the overall profits (See Table 4.9).

Thirdly, the study analyzed the relationship of strategic marketing initiatives and overall total costs. The study found that the use of strategic marketing initiatives did not reduce the overall costs incurred by the bank. According to this study, the mean rating was 5.46 which implied that the respondents disagree that use of strategic marketing initiatives reduced overall total costs of the bank. The standard deviation was 0.811. Further, inquisitions to these findings show that majority of Senior Managers felt that the use of the strategic marketing initiatives increased the total costs of the bank due to costs such as agency commissions, agency supervision costs, technological acquisition and maintenance costs, employee related costs and risk management costs associated with the deployment of technologies (See Table 4.9).

The study analyzed the relationship between use of strategic marketing initiatives and increased revenues as a metric of financial performance. The study found that to most Senior Managers at Equity Bank, the use of strategic marketing initiatives had a positive effect on the total revenues of Equity Bank. This is premised on the findings of this study that found a mean rating of 2.35 with a standard deviation of 0.745. The findings imply that to most senior managers, the use of strategic marketing initiatives improved the overall revenues of the bank. This is supported by earlier findings of this study which showed that use of strategic marketing initiatives increased the total transactions of customers which translate to higher revenues.

Finally, this study analyzed the relationship between the use of strategic marketing initiatives and increased number of products consumed by customers. The mean rating was 3.27 with a standard deviation of 0.604. The findings show that managers perceived no effect of strategic marketing initiatives on the consumption of the banks products and services. The findings of this study could be premised on the fact that the products accessed on the banks branches are similar to those accessed through strategic marketing initiatives. Furthermore, the use of strategic marketing initiatives was aimed at retail and mass market customers who had little differentiation in the type of products they preferred to access. Customers in the target market basically wanted access to loans, savings and money transfer services.

Table 4.9: Strategic Marketing Benefits

	N	Mean	Std. Deviation
Increase in Transactions	26	2.31	0.788
Reduction in Marketing Costs	26	2.46	1.14
Reduction in total costs	26	5.46	0.811
increased revenues	26	2.35	0.745
Increased number of products	26	3.27	0.604

Source: Primary Data

4.8 Factors Affecting Strategic Marketing Initiatives at Equity Bank

This study analyzed some of the factors that influenced strategic marketing initiatives at Equity Bank. The study found that the most intense factors influencing the use of strategic marketing initiatives as profit drivers at Equity Bank were rapid technological changes in the market with a mean rating of 2.15 and a standard deviation of 1.405. Similarly, lack of skilled employees to implement, monitor and ensure the success of strategic marketing initiatives of agency, mobile and internet banking was a major factor. Lack of skilled employees had a mean rating of 2.15 with a mean rating of 1.351 indicating that it was an intense factor facing Equity bank in leveraging on strategic marketing initiatives to drive financial performance.

Other factors influencing the use of strategic marketing initiatives at Equity Bank were resource constrains to develop, deploy and implement the strategic marketing initiatives with a mean rating of 2.19 and a standard deviation of 1.386. High employee turnover had a mean rating of 2.31 with a standard deviation of 1.49. Legal requirements had a mean of 2.88 and a standard deviation of 1.306.

Consequently, this study finds that the major facing the implementation and use of strategic marketing initiatives in Equity bank in their descending order of intensity were: lack of skilled employees to implement and monitor the strategic marketing channels, rapid technological changes, resource constraints to use the three strategic marketing initiatives analyzed, high employee turnover and legal requirements.

Other factors identified by this study were high levels of competition with a mean rating of 4 and standard deviation of 1.265. Political influence with a mean rating of 4.27 and a standard deviation of 1.116. Based on the findings of this study, these factors did not affect the implementation and use of strategic marketing initiatives.

Table 4.10: Factors Affecting Strategic Marketing Initiatives

	N	Mean	Std. Deviation
Competition	26	4	1.265
Political Influence	26	4.27	1.116
Legal Requirements	26	2.88	1.306
Technological Changes	26	2.15	1.405
Resource Constraints	26	2.19	1.386
Skilled Employees	26	2.15	1.351
Employee turnover	26	2.31	1.49

Source: Primary Data

4.9 Relationship between Marketing Initiatives and Firm Performance

To analyze the relationship between strategic marketing initiatives and firm performance, Pearson’s correlation coefficients analysis was undertaken at 0.05 significance levels.

The correlations show the strength and type of relationship existing between strategic marketing initiatives and firm performance.

Analysis of the correlation between Net profit, number of agent transactions, no of internet user's transactions and no of mobile user's transactions show that, there exists a strong positive correlation between the number of agent transactions (0.948) and net profit margins at Equity Bank. The relationship was positive and very strong since it is close to 1. In addition, the relationship between the two variables was significant at 0.05 significance levels. This finding implies that, an increase in the number of agent transactions leads to an increase in the net profits of equity bank.

In the analysis of the relationship between net profit and number of internet users, this study finds that there exists a strong positive correlation between the net profit and number of internet transactions at equity bank at 0.829. Nevertheless, this correlation is not significant at 0.05 significance levels.

The correlation between number of mobile user's transactions and net profit of Equity Bank was positive at 0.795. In addition, this relationship was significant at 0.05 significance. Consequently, this study finds that there is a strong positive relationship between the number of mobile phone transactions and net profitability of Equity Bank. In summary, therefore this study finds that the major strategic marketing initiatives drivers of net profitability in Equity Bank were mobile banking and agency banking transactions.

In the analysis of the relationship between strategic marketing initiatives and cost efficiency, this study found that a positive relationship exists between the total number of mobile phone banking user's transactions and total costs. The relationship significant at 0.05 significance levels was strong at 0.763. The findings show that as the number of mobile phone transactions increased, the total costs of Equity bank increased. On the other hand, this study found that a positive correlation exists between total costs and total number of agent transactions at 0.750 and total number of internet user transactions at 0.607. Nevertheless, these relationships were not significant at 0.05 significance levels.

The relationship between strategic marketing initiatives and total revenue generation was analyzed. This study found that a significant positive correlation exists between total sales and total number of agent transactions. The relationship at 0.883 was significant at

0.05 significances and was strong. Similarly, the correlation between the total number of internet users and sales was positive at 0.743 though it was not significant at 0.05 significance levels. The relationship between number of mobile users and sales was 0.820 significant at 0.05 significance levels. This finds that the major strategic marketing initiative drivers of revenue generation in Equity Bank were agency transactions and mobile banking transactions.

Table 4.11: Correlation Analysis

		Net Profit	No of Agents	No of Internet Users	No of Mobile Users	Total Costs	Sales
Net Profit	Pearson Correlation	1	.948*	.829**	.795*	.794*	.933**
	Sig. (2-tailed)		.001	.021	.033	.033	.002
No of Agents	Pearson Correlation	.948**	1	.881**	.807*	.750	.883**
	Sig. (2-tailed)	.001		.009	.028	.052	.009
No of Internet Users	Pearson Correlation	.829*	.881**	1	.488	.607	.743
	Sig. (2-tailed)	.021	.009		.267	.149	.056
No of Mobile Users	Pearson Correlation	.795*	.807*	.488	1	.763*	.820*
	Sig. (2-tailed)	.033	.028	.267		.046	.024
Total Costs	Pearson Correlation	.794*	.750	.607	.763*	1	.960**
	Sig. (2-tailed)	.033	.052	.149	.046		.001
Sales	Pearson Correlation	.933**	.883**	.743	.820*	.960**	1
	Sig. (2-tailed)	.002	.009	.056	.024	.001	

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Source: Primary Data

4.10 Discussion

The core and major goal of any company is to maximize shareholder's wealth. This is majorly gained through promoting financial performance of the firm. In its efforts to promote shareholders as well as stakeholder's wealth maximization initiative, Equity bank through its Strategy 3.0 has identified the use of digital banking platforms such as

Agents, merchants, Mobile banking and internet banking as key to driving its next growth phase. This study sought to analyze the effect of these strategic marketing initiatives as identified in the Equity Bank Strategy 3.0 in enhancing financial performance of Equity Bank.

The study found that the use of strategic marketing initiatives was instrumental in driving net profitability at Equity Bank. According to this study, the use of agency and mobile banking had a strong positive effect on the net profitability of Equity Bank. Nevertheless, the use of internet banking did not have a significant effect on net profitability of Equity Bank. Further inquiries on the findings of this study, attributes these findings to the low uptake of internet banking in the Kenyan market due to diverse attributes and characteristics of the customers. Majority of Equity bank customers were mass market and thus preferred dealing with cash or the more easily accessible mobile money or agents as opposed to the internet which they had suspicions as well as lacked skills and expertise to use. Discussions with Senior Equity Bank managers found that majority of the customers perceived the use of internet banking as too complex for them.

Further, this study found that the use of strategic marketing initiatives had a positive effect on other firm performance metrics. The study found that the use of strategic marketing initiatives especially agency and mobile banking enhanced revenue generation at Equity Bank. This is similar to the findings of Mathisen and Buchs (2005) who found that strategic marketing increased revenue generation and enhanced marketing cost reduction for commercial banks in Ghana. Nevertheless, unlike the study by Mathisen and Buchs (2005) this study found that the use of strategic marketing initiatives led to increased costs for the bank. These differences in the findings could be attributed to the strategic marketing initiatives being deployed recently and thus capital outlays and initial high costs operating costs were still being incurred by Equity Bank as it piloted mobile and agency banking.

The findings of this study are validated by those of Di Patti and Gobbi (2001) in his analysis of Romanian banks which found that the use of strategic marketing initiatives enhanced firm performance in the Romanian banks. According to Di Patti and Gobbi, the use of strategic marketing initiatives enhanced firm performance, profitability growth and access to capital by the firm. Similarly, Morgan (2011) interrogated the role of strategic marketing in enhancing business performance using a synthesis of existing literature on strategic management based on existing empirical and theoretical literature. The study developed an integrative theoretical model to show a direct relationship between strategic marketing and firm performance.

Other scholars with similar findings to those of this study include: Mathisen and Buchs (2005) who analyzed the effect of strategic marketing initiatives on firm performance and found a positive correlation between the two variables. Using the Panzar Rosse Framework, Mathisen and Buchs (2005) found that strategic marketing increased revenue generation and enhanced marketing cost reduction for commercial banks in Ghana.

Similar to the findings of this study, Kipkosegei (2012) found that there exists a positive relationship between strategic marketing and firm performance though this relationship is tempered by employee turnover. In this study, the major challenges facing strategic marketing initiatives included employee turnover, legal requirements, technological changes, lack of skilled employees and resource constraints.

4.11 Chapter Summary

This study has identified the relationship between the strategic marketing initiatives and firm performance. It has also highlighted the major challenges facing the implementation of strategic marketing initiatives in Equity bank Kenya. The findings of this study are compared and discussed against findings of other scholars and researchers in the discussion section.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of the findings of the study, major conclusions, limitations of the study, recommendations for policy and practice as well as suggestions for further studies.

5.2 Summary of Findings

Strategy making and strategic marketing are all aimed enhancing the business performance of a firm. Increasingly, marketers are being forced to show the value they provide to the firm in form of enhancing the business performance. In an increasingly competitive environment, banks and other organizations have been forced to adapt to modern, innovative and competitive strategic marketing programs and initiatives aimed at enhancing firm performance. Equity bank through its 3.0 strategy aimed at driving growth through digital marketing platforms has leveraged on the use of technology and technological platforms such as mobile banking, internet banking and agency banking to drive organization performance, growth and competitive advantage.

Based on the findings of this study, the use of strategic marketing initiatives has had a positive influence on net profitability at Equity bank. This study found that the use of agency and mobile banking had a strong positive effect on the net profitability of Equity Bank. On the other hand, the use of internet banking did not have a significant effect on net profitability of Equity Bank. Consequently, the study summarizes that the use of strategic marketing initiatives has had a positive influence on overall profitability of Equity Bank. In addition, the study found that the use of strategic marketing initiatives has enhanced revenue generation at Equity Bank. The use of agency and mobile banking has positively influenced revenue generation at equity bank. Nevertheless, the use of internet banking has not had any significant effect on overall profitability of Equity bank.

Finally, this study found that the major challenges hampering the success of strategic marketing initiatives in Equity bank include: lack of skilled employees, high turnover of employees, legal requirements, resource constraints and rapid technological changes.

5.3 Conclusion

Strategic marketing is an integral part of enhancing firm performance. Equity bank has identified and implemented strategic marketing initiatives aimed at exploiting the advantages associated with the use of technology in service delivery. Overall, the findings of this study imply that the use of strategic marketing initiatives has had a strong positive influence on overall net profitability of Equity Bank. The use of agency banking and mobile banking has enabled Equity bank to leverage on technology to enhance overall profitability. In addition, the use of agency and mobile banking has had a positive influence on revenue generation capacity of Equity Bank. The study findings show that revenue generation and profitability had a strong positive relationship with use of agency and mobile banking. Consequently, this study concludes that the use of strategic marketing initiatives has a positive effect on overall firm performance.

At the initial stages of deployment of digital banking, this study concludes that the use of digital banking increases the total costs associated with digital banking. This involves the intensive capital costs that are associated with deployment of digital banking as well as operational and risk management costs. Consequently, this study found that the use of digital banking increases the total costs of the bank. Nevertheless, the growth in total costs is shadowed by the increase in total revenues and profits of the bank.

Finally, this study concludes that the relationship between strategic marketing initiatives and firm performance is tempered by factors such as availability of skilled employees, high levels of employee turnover, legal and regulatory requirements, availability of resources and technological changes in the market.

5.4 Limitations of the Study

This study has grounded the benefits and insights on use of strategic marketing initiatives. Nevertheless, there are limitations in the study which inhibit generalization of the findings. The access to data especially performance information is a major limitation since most companies are not willing to share their performance data which is considered private and confidential. This may hinder generalization of the findings.

Secondly, the study is conducted in a banking sector which can be highly automated. In industries that automation is complex, it may be complex to generalize the findings of this study. Furthermore, the banking industry being a service industry, can deliver its products and services on a technological platform which may be impossible for manufacturing and other industries. This may hamper generalization of the findings of this study.

5.5 Recommendations for Policy and Practice

This study found that the use of strategic marketing initiatives can enhance firm performance. This study therefore recommends that bank managers and strategic decision making embrace the use of strategic marketing initiatives in product delivery especially in the banking sector. Furthermore, this study recommends that due diligence be undertaken to ensure that initial costs associated with the use and deployment of the strategic marketing initiatives be considered to ensure that the gains in terms of revenue generation and profitability exceed the total costs of implementation and deployment.

There exist various challenges facing implementation of strategic marketing initiatives. Key challenges are high employee turnover and lack of skills by the employees. This study recommends that exchange programs be undertaken for employees to enhance knowledge acquisition and transfer especially for banks that have fully adopted the strategic marketing initiatives. In addition, on job training is recommended to build skills amongst the employees for effective execution of strategic marketing initiatives.

This recommends that the Central Bank of Kenya develop policies and regulations that promote the use of strategic marketing initiatives. This includes providing incentives for banks that use the initiatives. As a result of strategic marketing initiatives, there is increase in financial inclusion, financial education, savings and performance of banks. These are core concerns of any banking regulatory institutions. If strategic marketing initiatives can enhance achievement of the core concerns as well as enhance bank supervision and monitoring, the regulator must promote their use in the banking sector.

5.6 Suggestion for Further Research

This study was based on the banking industry, a service oriented industry. Further research and studies should be undertaken in product oriented industries such as manufacturing to provide findings for comparison and validation. The study should aim at analyze the effects of strategic marketing initiatives on firm performance and the major challenges facing their implementation.

Secondly, this study recommends that an industry wide study be undertaken. While this study was confined to Equity Bank, a study should be undertaken to provide analysis on whether there are significant differences in the performance of banks that embrace the strategic marketing initiatives and those that do not. Furthermore, this study should explore the size of the bank as a moderating factor in the relationship between strategic marketing initiatives and firm performance.

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APPENDICES

Appendix I: Questionnaire

Demographic Information

1. Indicate your job position:

    Head of Department   Other (Please Specify)

    Director

2. How long have you worked with equity bank:

    0 – 3 Years   3 – 5 years

    Over 5 years

3. Are you involved in the strategic marketing decision of equity bank?

    Yes   No

4. To what extent do you thing agency, internet and mobile banking as strategic marketing strategies have enhanced profitability of equity bank

    Very Large   Large   To some extent   Less

    Very less   No impact

Please rate the following statements on your level of agreement or disagreement ***NB Digital banking refers to use of mobile, internet and agency banking***

	Strongly Agree	**Agree**	**Neutral**	**Disagree**	**Strongly Disagree**	**Not Applicable**
5. Mobile banking has increased profitability of equity						
6. The use of internet banking has increased the profitability of equity bank						
7. The use of agency banking has increased profits for the bank						

8. There has been an increase in the number of transactions by customers due to digital banking						
9. There has been a reduction in marketing costs due to use of digital banking						
10. Digital banking has reduced the overall total costs of the bank						
11. Digital banking has increased the revenues per customer in the bank						
12. Digital bank has increased the number of products consumed per customer						

Please rate the following factors on the extent to which they affect strategic marketing programs of equity bank

	Very great extent	**Great Extent**	**Moderate Extent**	**Less Extent**	**Very less Extent**	**NO Extent**
13. Competition in the industry						
14. Political influence						
15. Legal requirements						
16. Technological changes						
17. Resource constraints						
18. Access to skilled employees						
19. High employee turnover						

Appendix II: Data Collection Sheet

	2010	2011	2012	2013	2014	2015	2016
Net Profit							
Number of Agency banking transactions							
Value of agency banking transactions							
Number of internet banking transactions							
Value of Internet banking transactions							
Number of mobile banking transactions							
Value of mobile banking transactions							