STRATEGIES USED BY STANDARD CHARTERED BANK IN BUILDING A SUSTAINABLE COMPETITIVE ADVANTAGE IN INTERNATIONAL MARKETS

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DECLARATION

This is my original work and it has not been presented for any award in this or any other university.

Signature ........................................ Date ..........................................................

MARK NZIOKI MUMO

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

Signature ........................................ Date ..........................................................

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I take this opportunity to extend my sincere gratitude to my one and only Almighty God. I thank Him for provision of strength, knowledge and seeing me through the entire course and project.

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I would also wish to extend my gratitude to my family and friends and to all the MBA students since they have all contributed to changing me from what I was to what I am. May God bless you all.
DEDICATION

To my family, you have been my number one supporter and your encouragement and belief in me has been my greatest influence. You have inspired me to reach greater heights in academic pursuit. I dedicate this project to you thanking you for your unfailing moral support throughout my period of study and for understanding and appreciating the demand of the course in terms of time and resources. God bless you!
ABSTRACT

The environment is constantly changing, and so it makes it imperative for organizations to continuously adapt their activities in order to succeed. In order to survive in this dynamic environment, organizations need strategies to focus on their customers and to deal with the emerging environmental challenges. To earn profits, firms need the perfect processes that respond to increases in the size and number of competing firms; to the expanded role of government as a buyer, seller, regulator and competitor in the free enterprise system; and to greater business involvement in international trade.

In the current changing business environment, banks, among other organizations, are required not only to create their competitive advantage to lead the trend, but also to be able to sustain and upgrade the created competitive advantage. Foreign banks have many markets to choose from when establishing a presence abroad. This leads to the question what factors affect the decision of a bank from a specific country to go abroad and to choose to establish presence in a specific country. This study determined the strategies used by the commercial banks in Kenya in building a sustainable competitive advantage in international markets, a case of the Standard chartered bank.

The study reviewed various studies done on the strategies used by banks in building a sustainable competitive advantage in banks. The study then used a descriptive case study design to achieve the set objective. The population of this study consisted of the heads of department in the standard chartered bank’s head office in Nairobi County. Data was collected through self
administered interview guides. Percentages were then used to analyse the data collected as well as tables and content analysis for qualitative data.

The study revealed the standard chartered bank’s operation in Kenya, specific methods used to target new customers, loyalty programs utilized in the past, Strategies used by the bank in enhancing service quality and gain competitive advantage, Challenges the bank encounter in fighting competition, Bank’s reliance on information gathering etc.

The study then found out that Market orientation is important for organizations to compete against one another in the worldwide global market.
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<tr>
<th>Acronym</th>
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<tr>
<td>EPC</td>
<td>Export Promotion Council</td>
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<td>SME’s</td>
<td>Small and Medium Enterprises</td>
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<td>CBIK</td>
<td>Centre for Business Information in Kenya</td>
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<tr>
<td>ITC</td>
<td>International Trade Centre</td>
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<td>WTO</td>
<td>World Trade Organization</td>
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<td>JETRO</td>
<td>Japan External Trade Organization</td>
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<tr>
<td>CBI</td>
<td>Centre for the Promotion of Imports from Developing Countries</td>
</tr>
<tr>
<td>NEMDP</td>
<td>National Export Market Development Programme</td>
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<tr>
<td>EAC</td>
<td>East African Community</td>
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<tr>
<td>COMESA</td>
<td>Common Market for Eastern and Southern Africa</td>
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<td>EU</td>
<td>European Union</td>
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<td>ATI</td>
<td>African Trade Insurance Agency</td>
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CHAPTER ONE: INTRODUCTION

1.2 Background of the Study

The intensity of competition has increased within the retail banking industries in virtually all developed economies. Creating a sustainable competitive advantage, therefore, has become of paramount importance. One way through which retail banks have sought to create this sustainable competitive advantage has been the utilisation of information technology to support the marketing function. In light of this

Ansoff (1987) notes that the environment is constantly changing, and so it makes it imperative for organizations to continuously adapt their activities in order to succeed. In order to survive in this dynamic environment, organizations need strategies to focus on their customers and to deal with the emerging environmental challenges.

The last decade has seen many foreign banks entering other markets, especially in developing countries, to provide a broad range of financial services locally. This has been driven by domestic deregulation, e.g., the removal of entry barriers, technological advances, increased financial integration and more generally heightened globalization. As for other foreign investors, individual banks have to weigh the costs and risks of going abroad against the opportunities at home and against other modalities to provide services across borders without establishing a presence, such as through cross-border lending. Furthermore, foreign banks have many markets to choose from when establishing a presence abroad. This leads to the question what factors
affect the decision of a bank from a specific country to go abroad and to choose to establish presence in a specific country (Stijn & Neeltje 2007).

The Kenyan business environment has been undergoing drastic changes for sometimes now. Some of the changes include the accelerated implementation of economic reforms, the liberalization of the economy, discontinuation of price controls, privatization and commercialization of public sector and increased competition. In this changing environment, organizations have to constantly adapt their activities and internal configurations to reflect the new external realities. Failure to do this may put the future success of the organizations in jeopardy (Aosa 1998). The above clearly shows how an organization needs to operate under the guidance of set strategies since strategies summarizes the way a company elects to relate to its environment, in what particular niche the organization wishes to fit and how it expects to fit in that niche. To achieve the role above, strategies are concerned with basic choice of technology, organization structure, type of employees, mobilization of resources, and related issues.

Managing activities internal to the firm is only part of the modern executives’ responsibilities. The modern executive also must respond to the challenges posed by the firms’ immediate and remote external environments. The immediate external environment includes competitors, suppliers, increasingly scarce resources, government agencies and their ever more numerous regulations and customers whose preferences often shift inexplicably. The remote external environment comprises economic and social conditions political priorities and technological developments all of which must be anticipated, monitored, assessed and incorporated into the executive’s decision making. However, the executive often is compelled to subordinate the demands of the firm’s internal activities and external environment to the multiple and often inconsistent requirements of its stakeholders: owners, top managers, employees, communities,
customers and country. To deal effectively with everything that effects the growth and profitability of the firm, executives employ strategic management processes that they feel will position it optimally in its competitive environment by maximizing the anticipation of environmental changes and of unexpected internal and competitive demands.

To earn profits, firms need the perfect processes that respond to increases in the size and number of competing firms; to the expanded role of government as a buyer, seller, regulator and competitor in the free enterprise system; and to greater business involvement in international trade. Perhaps the most significant improvement in these management processes came when “long range planning,” “planning, programming, budgeting,” and “business policy” were blended with increased emphasis on environmental forecasting and external considerations in formulating and implementing plans. This all encompassing approach is known as strategic management.

1.1.1 Strategic Management

Strategic management is defined as the set of decisions and actions that result in the formulation and implementation of plans designed to achieve a company’s objectives.

Strategic management involves the planning, directing, organizing, and controlling of a company’s strategy related decisions and actions. By strategies, managers mean their large scale future oriented plans for interacting with the competitive environment to achieve company objectives. A strategy is a company’s game plan. Although that plan does not precisely detail all future deployments (of people, finances and material), it does provide a framework for
managerial decisions. A strategy reflects a company’s awareness of how, when and where it should compete; against whom it should compete; and for what purposes it should compete.

Brinkerhoff (1994) characterizes strategic management as looking out, looking in, and looking ahead. ‘Looking out’ means exploring beyond the boundaries of your organization to set feasible objectives, identifying key stakeholders and build constituencies for change. ‘Looking in’ implies critically assessing and strengthening your systems and structures for managing personnel, finances and other essential resources. Finally, ‘Looking ahead’ entails melding your strategy with structures and resources to reach your goals while monitoring your progress and adjusting your approaches as needed.

1.1.2 International Business

This study is grounded on international business. Global markets present opportunities for growth and financial performance. They also place significant pressure on domestic industries to compete more intensely. A firm can experience these opportunities and pressure simultaneously, making participation in international markets necessary and strenuous.

For the firm to perform effectively within its worldwide market position, the financial and operating nuances of global competition must be learned. This experience can be costly and almost always increases the complexity of strategic decision making yet it is disastrous for a firm to avoid global trends in its industry. Avoidance inevitably produces a weakened market position as the firm’s customer base switches to global competitors that are able to leverage their worldwide scope to lower cost or spur innovation.
If global competition was only a matter of firms competing against each other on the basis of their countries of origin, we could reduce it to a comparison of national resources, economic policies and cultures. Indeed there has been much debate about whether the global success of Japanese firms in consumer and industrial durable goods industries over the past 20 years is due to their location in Japan or to their strategic acumen. The truth is undoubtedly a combination of these two factors. Honda, Mitsubishi and Sony are truly global companies producing and selling their products around the world. Their success is due both to the advantages of starting off in Japan as their home market and to their expertise in their global competition.

Global strategy is thus more than simply leveraging the benefits of the firm’s country of origin. It also means leveraging the firms resources and capabilities across national markets. Many firms have been quite successful at building strong positions in markets outside their home countries through the effective worldwide coordination of value chain activities including R&D operation, logistics, procurement and brand management.

Competing successfully as a global firm means achieving higher economic performance than indigenous rivals. To do so repeatedly requires establishing and defending a superior market position over local competitors. There are various strategies used for the success of an international business. Firms with successful global strategies extend their domestic positions to international markets and compete effectively both at home and abroad.

1.1.3 Sustainable Competitive Advantage

Ma (1999) defines competitive advantage as the asymmetry or differential in any firm attribute or factor that allows one firm to better serve the customers than others and hence create better
customer value and achieve superior performance. Competitive advantage is anything that a firm does especially well compared to rival firms i.e. when a firm can do something that rival firms cannot do, or own something that rival firms desire while strategic management is all about gaining and maintaining competitive advantage (David, 2009).

The means by which some businesses achieve and sustain a competitive advantage over other firms is the central research focus of strategic management. For nearly two decades, the dominant research paradigm has been Porter's (1980) competitive forces model which argues that the intensity of competition determines the profit potential for individual firms. Porter contends that a firm seeks a position in an attractive market that they can defend against both existing and potential competitors. Although the identification and development of the requisite capabilities are important, management's primary focus is on achieving a defensible low-cost or differentiation position, and on keeping rivals off balance through strategic investments, pricing strategies, and competitive signaling.

Creating competitive advantage is a tough task but preserving it is much harder. The more the firm combines the sources of competitive advantage, the greater the competitive advantage and the wider the gap between the market leader and its followers the more sustainable the competitive advantage. To achieve any competitive advantage, a firm has to look deeply into what it has, what it can achieve and how to use what it has for realization of success (Kleiner and Passemard, 2000).

1.1.4 Standard Chartered Bank

This study proposed to undertake a case study on Standard chartered bank being one of the commercial banks in Kenya that is involved in international trade. Standard Chartered bank has
operated in Africa for over 147 years and the region remains a core part of the Bank's Group Strategic Intent. Standard Chartered Bank has over 160 branches in 14 African countries and over 6,000 staff. Standard Chartered bank is a highly respected, well established "household name", with deep-rooted local knowledge and experience. The Bank also has a unique international footprint which enables it to facilitate the growth of international trade corridors between Africa and the rest of the world. And with world-class suites of products, services, distribution channels and systems, the Bank provides customers with increasingly sophisticated and pioneering banking services - unrivalled in Africa.

1.2 Research Problem

Every organization possesses a variety of capabilities that enable that firm to perform the activities necessary to provide its good or services. While some organizations may perform the requisite activities in only an adequate or even sometimes a poor manner, successful organizations presumably possess certain capabilities that allow them to perform key activities exceptionally well. These capabilities have been termed "distinctive competencies" and generally refer to the unique skills and activities that a firm can do better than its competitors (Selznik, 1957; Lado, Boyd, & Wright, 1992).

In the current changing business environment, banks, among other organizations, are required not only to create their competitive advantage to lead the trend, but also to be able to sustain and upgrade the created competitive advantage.

In the global competitive business scenario, banks, among other organizations, have been facing many changing challenges caused by globalization, liberalization, technological advancements, and changing customers’ technological-driven expectations (Moreno et al., 2005). Banks, among
other organizations, have been facing a dynamic business environment that is technologically driven, globally unbounded, and customer oriented. These challenges, among many others, called for extensive search for suitable strategies to be adopted by organizations for growth and survival in the changing and turbulent marketplace (Al-Mansour, 2007).

It had been widely emphasized that customers of the banks are the main business partners that use and promote the products and services. Hence the customers for a bank are more important than salesmen due to their role in attracting new customers and recommending the products and services to others (Peschel, 2008). This customer-centric global business environment forced all business organizations, especially banks, to adopt strategies that pay an increasing attention to the customers. The attention has also been given to the effect of customers’ satisfaction on the business of a bank and its strategic position.

The turbulent marketplace and the changing customers’ demands create many opportunities and challenges. These challenges, in turn, have been forcing banks, among other organizations, to be entrepreneurial in terms of exploring and exploiting the opportunities and being ready to tolerate high risks. Therefore, it has been suggested by Al-Swidi and Mahmood (2011) that banks should establish an organizational culture in which high quality and innovative products and services are the ultimate outcomes.

A search of the existing literature, therefore, reveals a limited body of research that applies the concept of distinctive competencies to the study of competitive advantage for banks in Kenya. The relatively few existing research studies do not examine explicitly the empirical issue of what specific distinctive competencies may allow independent merchants to achieve and maintain competitive advantage. Thus to bridge this gap, this study determined the strategies used by the Standard Chartered Bank in building a sustainable competitive advantage in international
markets. The research question that this study therefore sought to answer is, what are the strategies used by Standard Chartered Bank in building a sustainable competitive advantage in international markets?

**1.3 Research Objective**

The objective of the study was to determine the strategies used by Standard Chartered Bank in building a sustainable competitive advantage in international markets.

**1.4 Value of the study**

This study was of great importance to the Standard chartered bank customers who may have been in need of such information so as to know how the strategies that their bank adopts in out competing the other banks.

It was also of great assistance to the management of Standard chartered bank since it will help them understand the success strategies that the bank has been using to conquer the ever increasing competition as well as be able to perform a SWOT analysis to determine what the way forward should be and how they should attract the right staff as well as the right audience.

Finally, this study was of importance to the potential clients in the country since they may acquire information on the various ways that the bank would work best for them as compared to other competing banks in the country.
CHAPTER TWO: LITERATURE REVIEW

2.0 Introduction

By accomplishing a customer-centered focus, companies will be able to highlight their strengths and highlight opportunities for improvement. Because of its importance to the long-term success of firms, a body of literature has emerged which addresses the content of sustainable competitive advantage as well as its sources and different types of strategies that may be used to achieve it. This chapter highlighted various theories that bring out strategies for competitive advantage previously done by accredited scholars and researchers.

2.1 Strategy and Strategic Management

According to early scholars in this field such as Andrews (1971), strategy is a rational decision making process by which organisation’s resources are matched with opportunities arising from the competitive environment. Others, such as Cateora and Graham (1999), state that the environment has a strong deterministic influence on the strategy making processes in organizations. On the other hand, proponents of the resource-based view argue that it is not the environment but the resources of the organization which form the foundation of firm strategy (Gordon 2004). Despite the differences, all these frameworks have one thing in common; they all aim at maximizing the performance of an organization by improving its position in relation to other organizations operating in the same competitive environment. This however becomes more and more difficult as the level of competition in different competitive environments continues to intensify. Mike W. Peng (2009) strategy seeks to bridge the gap between the current position of the organization to its future intended direction.
According to Pearce II, Robinson (2007) Strategic management is therefore defined as the set of decisions and actions that result in the formulation and implementation of plans designed to achieve a company’s objectives. It involves the planning, directing, organizing, and controlling of a company’s strategy related decisions and actions. By strategies, managers mean their large scale future oriented plans for interacting with the competitive environment to achieve company objectives. A strategy is a company’s game plan. Although that plan does not precisely detail all future deployments (of people, finances and material), it provides a framework for managerial decisions. A strategy reflects a company’s awareness of how, when and where it should compete; against whom it should compete; and for what purposes it should compete.

2.2 Competitive Advantage

The competitive advantage is the focal point of strategy and a basic concept in strategic management. This advantage is developed by differentiating an organization in a special business compared with other competitors in the opinion of stakeholders, particularly customers. The customer must mentally feel that the organization in question is able to create more value for him than other competitors. If an organization does not possess competitive advantage, it can not survive in the long run. The more the difference between the organization and other competitors, the more sustainable and strong the competitive advantage will be. Competitive advantage is a result and sustainability is a situation created after the failure of imitative and patterning attempts of the factor causing the competitive advantage. What makes an organization a successful one in the long run is the possession of sustainable competitive advantage. Opportunism and shortsightedness will not create success in the long run. An organization cannot purchase sustainable competitive advantage from the market, but it has to acquire it through creating
superior ability in managerial activities. This is a competitive advantage to be created, conquered and maintained by organizations (Powell, 1997).

The fundamental basis of long-run success of a firm is the achievement and maintenance of a sustainable competitive advantage. Indeed, understanding which resources and firm behaviors lead to SCA is considered to be the fundamental issue in marketing strategy (Varadarajan and Jayachandran, 1999). A competitive advantage (hereafter CA) can result either from implementing a value-creating strategy not simultaneously being employed by current or prospective competitors or through superior execution of the same strategy as competitors (Bharadwaj, Varadarajan, and Fahy 1993). The CA is sustained when other firms are unable to duplicate the benefits of this strategy (Barney 1991). Because of its importance to the long-term success of firms, a body of literature has emerged which addresses the content.

2.2.1 Early Contributions to the SCA Concept

Early literature on competition serves as a precursor to the development of SCA. In 1937, Alderson hinted at a basic tenet of SCA, that a fundamental aspect of competitive adaptation is the specialization of suppliers to meet variations in buyer demand. Alderson (1965) was one of the first to recognize that firms should strive for unique characteristics in order to distinguish themselves from competitors in the eyes of the consumer. Later, Hamel and Prahalad (1989) and Dickson (1992) discussed the need for firms to learn how to create new advantages that will keep them one step ahead of competitors. Alderson was considered "ahead of his time" with respect to the suggestion that firms search for ways to differentiate themselves from competitors. Over a decade later, Hall (1980) and Henderson (1983) solidified the need for firms to possess unique advantages in relation to competitors if they are to survive. These arguments form the basis for achieving SCA.
2.2.2 Sources of Sustainable Competitive Advantage

Day and Wensley (1988) focused on two categorical sources involved in creating a Competitive Advantage: superior skills and superior resources. Other authors have elaborated on the specific skills and resources that can contribute to an SCA. For example, Barney (1991) states that not all firm resources hold the potential of SCAs; instead, they must possess four attributes: rareness, value, inability to be imitated, and inability to be substituted. Similarly, Hunt and Morgan (1995) propose that "potential resources can be most usefully categorized as financial, physical, legal, human, organizational, informational, and relational". Prahalad and Hamel (1990) suggest that firms combine their resources and skills into core competencies, loosely defined as that which a firm does distinctively well in relation to competitors. Therefore, firms may succeed in establishing an SCA by combining skills and resources in unique and enduring ways. By combining resources in this manner, firms can focus on collectively learning how to coordinate all employees’ efforts in order to facilitate growth of specific core competencies.

2.3 Strategic Analysis and Industry Implications

Strategic analysis examines both environmental and firm environments, which are integral components of strategy development. Understanding the impact that environmental factors have on organizations is of paramount importance in building successful firms (Oparanma, et al., 2009). In a worldwide study of firms spanning a variety of industries, 81% of companies reported conducting strategic analysis (Harrison, 2003). Additionally, studies have shown that firms that engage in strategic planning tend to have higher levels of performance (Miller & Cardinal, 1994). The strategic management process is a dynamic process and one of continual change and improvement. The dynamic nature of the process stems from the ever-changing
environments in which companies operate. The mere fact that change remains constant in business environments should be a driver for organizations to be proactive and embrace the strategic management process. The core of the strategic management process breaks down into three functional components: strategy formulation, strategy implementation, and strategy evaluation (David, 2009). Although the core functions appear to be simple in nature, the systematic and in depth analysis of the functions is the driving force behind the process.

The strategy formulation component is the driving force of the analysis. An in depth look at firm direction begins at this point. The focus in this stage is to assess the current vision, mission and objectives of the organization in addition to examining both the external and internal environments. From an external perspective, organizations need to look at two distinct environments: the broad environment and the task or firm environment (Harrison & St. John, 2008; Harrison, 2003). The broad environment looks at factors, including societal trends, technological advances political and legal trends, economic factors and other major industry innovations. The task or firm environment looks at factors such as customers, competition, government agencies, suppliers, and financial intermediaries. Finally, the internal environment focuses on factors within the organization such as management, financial, and human resources and general organizational competencies (David, 2009; Harrison & St. John, 2008; Harrison, 2003). After careful evaluation and measurement of these environments, executives develop strategies to pursue that will enhance the longevity of their respective organizations. The implementation stage looks at engaging both financial and human resources in the pursuit of the strategies. The final stage of the process reviews strategy execution on a continual basis and allows for feedback and adjustment (David, 2009; Harrison & St. John, 2008; Yang & Fu, 2007).
2.4 Banks in International Markets

Our finding relates to several strands in the literature. The first strand is that on the internationalization of banks, where several factors have been identified motivating FDI. Traditionally the internationalization of banks has been considered to be closely tied to the internationalization of non-financial firms; in other words, banks follow their customers to provide them with financial services abroad, especially trade and project finance, and thereby increase their businesses and profitability. Empirical studies have shown that FDI in banking is indeed correlated with the amount of bilateral trade and other forms of FDI between source and host countries (Grosse and Goldberg, 1991, Brealey and Kaplanis, 1996, Williams, 1998, and Yamori, 1998). However, the direct provision of trade- and project-related finance to non-financial firms that have expanded across borders has arguably become a less important reason to establish a bank presence abroad. With technological advances and better communications, banks are increasingly able to provide many types of financial services across borders to non-financial firms’ foreign affiliates without needing to establish affiliates in foreign markets. Furthermore, firms can increasingly obtain trade- and project-finance related services from local banks that have improved their capacities. Rather it seems banks have been expanding abroad to seek new, local market opportunities. Galindo et al. (2003) variable is reduced in significance indicates that it is not just the difference in institutional quality between host and source country that matters for foreign bank entry, but also how well a bank from a specific source country is positioned compared to its competitors to work in a certain institutional environment. The variable capturing the impact of improvements in institutional quality in the host country might be endogenous as entry of foreign banks could have had a positive impact on the institutional
quality in the host country in the following years. Levine (1996) argues that one of the benefits of foreign bank entry is the fact that they help upgrade the host country’s regulatory and supervisory framework.

Berger, Buch, DeLong and DeYoung (2004) study how cross-border mergers and acquisitions can lead to the export of financial institutions’ management skills. However, since our dependent variable is the bilateral FDI of banks from one specific source country to a specific host country, it is not clear how important endogeneity might be. Also, since not all foreign banks (especially not those from developing countries) come from better institutional environments, their influence, if any, on the quality of the institutions of the host country can be either positive or negative. Furthermore, the main institutional quality variable we use is quite general and does not just refer to the quality of the host banking system regulation and supervision, which is the most likely aspect of the institutional environment to be affected by entry. And we lag all our independent variables by one year. Similar arguments apply to our bilateral trade variable that could be affected by foreign bank entry.

2.5 Competitive Advantage in Banks

Based on the past management literature, many challenges have been facing banks in the current global environment. The first challenge is the aggressive competition in the banking sector caused by the increasing number of banks operating in the same environment and targeting the same customer segments. This aggressive competition even made worse since all banks produce almost the same products and services (Li et al., 2001).

More importantly, the second challenge is related to the customers’ sophistication. However, the new generations of customers have been knowledgeable and aware of their rights and have the
ability to express their minds if not satisfied. Moreover, these customers have been demanding for innovative and high quality products and services that get well with their technology-featured era (Li et al., 2001).

Besides, it has been noted by many researchers that there have been quick and fast changes in societies in the global context. Therefore, it has been also emphasized that in the knowledge-based societies, the quality alone is not sufficient to attract customers. Furthermore, in the era of knowledge, the basis for sustainable competitive advantage has shifted from quality to innovation that can surprises customers and gain their loyalty (Hoang, Igel, & Laosirihongthong, 2006). These challenges have been forcing banks, among other organizations, to adopt innovation and quality strategies to achieve a better strategic position (Feng, Prajogo, Tan, & Sohal, 2006).

2.6 Strategies for Competitive Advantage in other developing areas (Internet)

The internet has provided opportunities for influencing various strategies used to enhance a firm’s competitive advantage. Strategies to take maximum advantage of the marketing mix have been largely influenced by the advancement of the internet platform. Here are some of the ways the internet has influenced these strategies.

2.6.1 Product Strategy

On the Internet, consumers can easily collect information about products or services without traveling to stores to inspect products and compare prices. In the offline market researching product offerings can be extremely expensive and time consuming. As a result, consumers rely on product suppliers and retailers to aid them in the search, and the suppliers and retailers take advantage of this situation by charging higher prices (Allen and The ‘Digital Economy 2000’
report also indicated that online sales by retail establishments totaled $5.3 billion during the fourth quarter of 1999. Shin: Strategies for Competitive Advantage in Electronic Commerce Fjermestad 2000; Viswanathan 2000). Consumers end up paying more and often not getting the product they really wanted. However, this is not the case for e-commerce. In the Internet market, a complete search of product offerings is possible at virtually no cost. Because consumers can easily compare prices and find close substitutes, companies are forced to lower prices. Companies cannot achieve competitive advantage simply by exploiting consumers' search costs, as they did in the physical market. An alternative is for companies to make consumers' product comparison more difficult bydifferentiating their products from others.

One possible competitive strategy is product bundling. Product bundling promotes the benefits of the whole package, thus keeping buyers from comparing individual items. For instance, Gateway started bundling its Internet services and computers in response to plunging computer prices (Sinha 2000). AOL, recently merged with Time Warner, is strengthening its bundling strategy by adding interactive and on-demand television, music on computer, and email on mobile phone to its existing services. By adding more services to a bundle, the company could command a higher price for its bundling service. Moreover, adding services to bundles is financially attractive because it is less expensive to sell an additional service to an existing customer than it is to attract a new customer (Schiesel 2001). This product (or service) bundling strategy counteracts the threat of product substitutes and rivalry among existing firms.

Another strategy is innovation or the introduction of niche products, which also counteracts the threat of product substitutes, new entrants into the market, and competition among existing firms. By using the direct access to consumers enabled by the Internet, companies can collect information, identify target consumers, and better introduce products or services to meet
consumers' needs. Companies can also collect information on new products desired by small segments of the market. By creating products that meet the needs of consumers in these niche markets, companies can command higher prices (Sinha 2000). Another strategy associated with niche products or innovation is customer-centric strategy. Compared to a product-centric strategy, which pushes products to consumers, customer-centric strategy pulls information from consumers to improve and customize products (Viehland 2000).

An expansion into related product lines can also be a good strategy. According to Porter (1987), the expansion into related product lines can exploit transfer of skills or sharing of activities such as promotion and distribution, which will lead to competitive advantage. Sharing can lower costs by achieving economies of scale and effectively utilizing company resources such as market information, managerial or technical expertise, and knowledge. Like traditional companies, Internet companies can also expand their product line into areas related to their existing product lines. For example, Amazon.com recently started selling personal computers in addition to its existing line of electronic products such as disk drives and memory (Hansell 2001). Amazon.com holds no computer inventory and has computers shipped directly from a computer distributor to its customers. This allows Amazon.com to save inventory-holding costs. However, such expansion cannot bring increased profits to Amazon.com without effective utilization of its existing customer base and information, and managerial or technical knowledge of e-business.

2.6.2 Price Strategy

The Internet enables consumers to compare prices, products, and services across suppliers. For example, by logging onto price-comparison sites like Pricescan.com and shopping agents like Bottomdollar.com, consumers can readily compare the prices and features of more than 10,000 products available on the Web (Sinha 2000). This leads to increased price competition and
lowers the prices of products or services. According to Bakos (1998), lower search costs for price and product offerings in Internet marketplaces promote price competition among sellers. The Internet thus significantly affects competition, and intensive price competition can eliminate sellers' profits.

To overcome these threats, companies have to employ appropriate pricing strategies for selling products over the Internet. Sellers can employ a price discrimination strategy that makes it difficult for buyers to compare the prices of alternative product offerings (Bakos 1998). By collecting information about buyers, companies can perform more effective price discrimination.

For instance, Staples.com charges different prices for different markets by asking customers to enter their zip codes before they can obtain prices. Sinha (2000) suggests two strategies for price discrimination: price lining and smart pricing. Price lining refers to the practice of offering the same products or services at various price points to meet different customers' needs. For example, American Online charges five different rates that vary according to subscriber usage. Smart pricing refers to the practice of charging various prices from market to market, depending on market conditions and differences in how customers value the product (e.g., the pricing strategy of Staples.com).

Bundling can also be thought of as a type of price discrimination since it reduces the heterogeneity of choices facing consumers and thus their willingness to pay for individual items (Bakos and Brynjolfsson 1997). In bundling, a single price is applied to a bundle. If consumers' demands remain heterogeneous even after bundling, then a mixed bundling strategy, which charges different prices for different bundles, can be applied. Companies can also protect profits by achieving cost leadership in a particular market or industry. If sellers cannot price discriminate, the lowest price sellers can charge is the marginal cost of production. As
competition intensifies, companies may have to lower their production costs to protect profits. Or companies may have to improve their product or service offerings with added values. Even in intensive price competition, better products or services will raise customers' switching costs and still command higher margins. For example, OfficeDepot.com provides added value to customers' order process (Gulati and Garino 2000). Each contract customer has a customized view of the OfficeDepot.com site. When logging on, the customer's employees are automatically assigned an authorization level that limits what they can buy and how much they can spend. With this value-added service, OfficeDepot.com can protect its profits. By eliminating paper purchase orders, the authorization system also benefits customers by reducing their purchase order costs and thus keeps them from switching to other suppliers.

2.6.3 Promotion Strategy

One of the reasons why many dot.com companies do not realize profits is that they spend a great deal of money for mass marketing to promote their e-brands to consumers. One television executive recently said, "The dot-coms spent like drunken monkeys trying to build their brands. They were willing to pay any price. They were unsophisticated and in a hurry" (Elliott and Rutenberg 2000). The recent demise or downsizing of so many Internet start-ups has had a significant effect on television network revenues (Carter 2000).

Traditional mass marketing using television commercials, trade allowances, discounts, coupons, and sweepstakes is no longer successful in the Internet market, even in consumer-packaged-goods segments, where rival products now differ very little, since consumers can easily acquire information on the price and characteristics of products (Sealey 1999; Hoffman and Novak 2000). Sales promotions with coupons and discounts seldom build customer loyalty to brands because customers conclude that the lower prices are a fair reflection of the company's costs.
When the promotions are over, customers evidently believe the regular prices are excessive and turn to rival products (Sinha 2000). Thus mass marketing and sales promotions result in expensive, inefficient brand management.

To manage e-brands effectively and efficiently, companies have to employ promotion strategies different from those used by traditional marketing. One tactic is to build a direct link with consumers and enter into a dialogue with them about products (dialogue-based marketing or one-to-one marketing). This allows companies to provide customers with information about their products, collect information about their customers, and engage in data mining. They can then customize products to meet customer needs and offer promotions tailored to specific customer groups. This process helps build a base of loyal and profitable customers (Sealey 2000). Allan and Fjermestad (2000) also argue that the benefits of personalized promotions will be greatest when customers are interested in detailed product information or the product is marketed as state-of-the-art. The Internet encourages companies to employ this marketing based on direct, personalized relationships with customers (so-called ‘relationship marketing’).

According to Sealey (2000), the Internet also provides customers with an unprecedented degree of control over the entire marketing process. As consumers become proficient at using the Internet, they will only buy products that precisely match their needs. Thus, companies must formulate customer-centric promotion strategies that respond to this new customer power. Allen and Fjermestad (2000) suggest that brand management will be successful only when it is associated with beliefs and experiences such as feelings, associations, and memories. Thus, Internet promotion must also focus on presenting information about the experiences and beliefs of consumers associated with each brand.
Another promotion strategy for gaining competitive advantage is revenue-sharing marketing strategy (Hoffman and Novak 2000). A revenue-sharing marketing strategy is an affiliated marketing program with partners based on commissions. For example, Amazon.com launched its affiliate program in 1996 and now has some 400,000 affiliates. CDnow.com (the pioneer of revenue-sharing strategy), REI.com, and Dell Computers also have strong affiliate programs. As the Internet continues to mature, companies can seek out specific segments of potential customers and the corresponding Web sites, and then establish revenue-sharing marketing programs with Web sites. Evans and Wurster (1999) argue that brand-as-experience is far better suited to e-commerce than brand-as-belief. According to them, brand-as-belief is vulnerable because a credible competitor can undermine belief in the brand. However, brand-as-experience can be enhanced by richer channels of communication. Where brands are defined as experience rather than belief, the evolving medium will strengthen them. Shin: Strategies for Competitive Advantage in Electronic Commerce that can deliver those potential customers Compared to traditional mass marketing, revenue-sharing programs allow companies to keep track of purchases made by customers and draw a direct line from marketing (expenses) to sales (performance). However, traditional marketing mechanisms such as television commercials are still important in that they can attract off-line customers. Thus, Internet companies need to find a good balance between Internet promotion (one-to-one or many-to-many marketing) and traditional mass promotion (one-to-many marketing).

2.6.4 Distribution Strategy

For most companies, place refers to the supply chain (or value chain). The place aspects of the marketing mix are closely related to the distribution and delivery of products or services. The
Internet and its associated application software have significantly changed the way companies’ products or services are delivered by reducing transaction and distribution costs.

One way for companies to differentiate their products from rival companies is faster and more efficient delivery of products to their customers. The Internet allows companies to jump over parts of the traditional supply channel. Direct sellers like Dell Computer do not rely on wholesalers and retailers to deliver their products to consumers. Instead they contract with third-party providers such as FedEx and UPS, which provide fast, efficient delivery because they have superior logistical expertise and economies of scale in distribution (Bakos 1998). Delivery providers such as UPS also have programs to set up e-commerce sites for businesses that ship with them (Gosh 1998).

Another strategy related to faster and more efficient delivery is integration of online and bricks-and-mortar businesses (clicks-and-mortar strategy). E-businesses (particularly e-tailers) need fully automated distribution warehouses to meet demand from shoppers on the Internet. For example, Amazon.com leased a new 322,560 sq. ft. distribution center in Fernely, Nevada in late 1998 (New York Times, January 8, 1999). By investing in physical assets such as a warehouse, Amazon.com can compete more effectively with Barnes & Noble. The Gap also recently leased a new 424,000 sq. ft. warehouse near its existing 270,000 sq. ft. warehouse in Ohio to accommodate the growth of Web sales (Deutsch 2000). In a related development, Amazon.com recently started to sell toys on its so called co-branded Web site, forming a partnership with Toysrus.com in which Amazon.com handles merchandising and order fulfillment and Toysrus.com handles purchasing (Tedeschi 2000). Amazon.com also made an arrangement for Ingram Books, a large distributor, to ship certain books directly to its customers. This arrangement could cut in half the cost of fulfilling book orders (Hansell 2001).
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research design

This research was conducted using a case study. A case study design was adopted since it enabled the researcher to have an in-depth understanding of the factors that determine sustainable competitive advantage in banks. A case study is an in-depth investigation of an individual, institution or a phenomenon (Mugenda and Mugenda, 2003). The primary purpose of a case study was to determine factors and relationships among the factors that have resulted in the behavior under study. A case study is therefore deemed the best design to fulfill the objectives of the study since a case analysis on the Standard Chartered Bank was done to establish the strategies that the bank uses in building a sustainable competitive advantage in international markets. Yin (1984) defines the case study research method as an empirical inquiry that investigates a contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context are not clearly evident. The case study emphasizes a detailed contextual analysis of a limited number of events or conditions and their relationships.

3.2 Data Collection

In this study, emphasis was given to primary data. Secondary data was however used to determine the strategies used by the bank in fighting competition. The primary data will be collected using a structured questionnaire consisting of open and closed ended questions attached as Appendix 2. The questionnaires was administered by way of interview where necessary and where not possible a drop and pick later method was used. The respondents of these questionnaires were the heads of departments in the bank and where the heads of departments
were not available the assistant heads of departments were expected to respond to them. This made it possible to obtain data required to meet the objective of the study.

3.3 Data Analysis

The data collected from the questionnaires was analysed using descriptive statistics such as tables, charts and percentages to represent the response rate and information on the variables under study. Qualitative data from in-depth interviews was analyzed in a systematic way in order to come to some useful and meaningful conclusions and recommendations. Qualitative data was analysed using qualitative analysis. Qualitative data analysis seeks to make general statements on how categories or themes of data are related (Mugenda and Mugenda 2003). The qualitative analysis was done using content analysis. Content analysis is the systematic qualitative description of the composition of the objects or materials of the study (Mugenda and Mugenda 2003). It involves observation and detailed description of objects, items or things that comprise the object of study.
CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This study focused on finding out the strategies used by the commercial banks in Kenya in building a sustainable competitive advantage in international markets, a case of the Standard chartered bank. The questionnaire was administered to 6 heads of departments and where the heads of departments were not available, 4 assistant heads of departments responded to the questionnaire. Although this was time-consuming and difficult to control the range of answers, the method was used because it enabled the researcher to win the respondents’ cooperation. Their detailed explanations allowed a good understanding of service quality improvements and initiatives throughout the Standard chartered bank.

The population for the study consisted of all the heads of departments in the Standard chartered bank’s head office who were found to be 12 in total. This consisted of 100% population for the study. Out of the 12 heads of departments, a sample of 10 heads of departments was selected for the study since it was found out that the information that would have been given by the total population for the study is homogenous thus it was found relevant to sample the population for the study. The sample for the study therefore consisted of 83% of the total population for the study.

Table 4.1 Sample for the study

<table>
<thead>
<tr>
<th>Departments</th>
<th>Heads of Departments</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer service</td>
<td>1</td>
<td>10%</td>
</tr>
<tr>
<td>Wholesale banking</td>
<td>1</td>
<td>10%</td>
</tr>
<tr>
<td>Service</td>
<td>Count</td>
<td>Percentage</td>
</tr>
<tr>
<td>------------------------------</td>
<td>-------</td>
<td>------------</td>
</tr>
<tr>
<td>Information Technology</td>
<td>1</td>
<td>10%</td>
</tr>
<tr>
<td>Credit</td>
<td>1</td>
<td>10%</td>
</tr>
<tr>
<td>Business Banking</td>
<td>1</td>
<td>10%</td>
</tr>
<tr>
<td>Operations</td>
<td>1</td>
<td>10%</td>
</tr>
<tr>
<td>SME Banking</td>
<td>1</td>
<td>10%</td>
</tr>
<tr>
<td>Private Banking</td>
<td>1</td>
<td>10%</td>
</tr>
<tr>
<td>Business Development</td>
<td>1</td>
<td>10%</td>
</tr>
<tr>
<td>Personal Banking</td>
<td>1</td>
<td>10%</td>
</tr>
<tr>
<td>Preferred Banking</td>
<td>1</td>
<td>10%</td>
</tr>
<tr>
<td>Priority Banking</td>
<td>1</td>
<td>10%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>10</td>
<td><strong>100%</strong></td>
</tr>
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4.2 Standard chartered bank’s branches

The study found out that Standard chartered bank has 34 branches in the whole country. These branches have branch managers and assistant managers. The bank has been able to spread to all these branches since it has been able to do a lot of sales and has been able to satisfy its target market. The study found out that it is due to gaining competitive advantage that the bank has been able to open the 34 branches all over the country.

4.3 Standard chartered bank’s operation in Kenya

The study found out that the Standard chartered bank has been able to enter different countries through various strategies. In Kenya, the Standard chartered bank has been in existence since
1911, meaning that the bank has served 101 years since its entry in Kenya. The study thus found out that this bank engaged in foreign entry presumably to increase profitability, within an acceptable risk profile and to achieve risk diversification goals. Indeed, host and source country characteristics related to profitability and risks have been found to be important drivers of banks’ decision to penetrate a foreign market.

When a bank decides to expand its business abroad, however, its choice of location is not just dependent on the firm’s own internal advantage, but also on the competitive advantage that the investing bank has over not only banks already present (local and foreign) but also other foreign banks that are potential entrants. In other words, for a bank from a particular source country to enter a certain market, there must be a competitive advantage of that bank relative to local banks as well as relative to other foreign banks that can also enter.

We next construct a bilateral measure of a bank’s competitive advantage which relates to the source country and its source competitor countries’ institutional environments as well as to the specific host and its host competitor countries’ institutional environments. Together, this allows us to test whether better knowledge about a certain business environment compared to a bank’s competitors is a determining factor in its decision to enter a certain market relative to other competitor markets.

The study also found out that a combination of the quality in institutions in the source country relative to the bank’s competitors’ countries and the institutional quality of the host country relative to that of competitor host countries are the ones that determines banks’ entry decisions. In other words, it is a bank’s ability to work within a certain institutional environment relatively better than its competitors, which makes it enter a certain market. The study also found out that higher institutional quality and lower entry barriers in the host country can lead to more entry,
and that higher institutional quality in the source country leads to more outward investment. More trade between host and source country leads to more entry, whereas similarities in institutional quality between the host and source country have a positive impact on the location decision.

4.4 Duration of time worked

To ensure the quality of interview data, the study ensured that the respondents had to have spent at least two years working in the banking industry and needed to be directly involved in serving customers. The study found out that most of the employees have worked 10 to 15 years for the organization. No employee who responded to the questionnaire was found to have worked less than 5 years. The study found out that 1 respondent who consisted of 10% of the total sample for the study had worked for 5-10 years. The study also found out that 8 respondents who consisted of 80% of the total sample for the study had worked for 10-15 years. Finally, 1 employee was found to have worked for 15-20 years, this consisted of 10% of the total population for the study.

Chart 4.4 Distribution of duration of time worked
4.5 Level of the volume of your clientele

The study found out that the level of volume from the clientele was good. This was according to the majority of the clients. 30% of the respondents said that the volume of the clientele was excellent. 40% of the clientele said that the volume of the clientele was good. 2% of the respondents said that the volume of the clientele is satisfactory. 10% of the respondents said that the volume of the clientele is above average. However, no client said that the volume of the clientele is poor.

Chart 4.5 Distribution of level of volume of clientele

4.6 Specific methods used to target new customers

80% of the employees who responded to the questionnaires said that customer service to the customers was of utmost importance. The study found out that in the standard chartered bank,
competition, processes, and technological improvements in delivery systems have resulted in a gradual shift in strategic focus from price to service quality.

Continuous improvement in service quality has long been considered a requirement in the standard chartered bank especially at a time when it was undergoing an extraordinary rate of change in organization, products, and delivery methods. The study found out that supporting multiple service delivery channels with state-of-the-art technology is now a key competitive issue for standard chartered bank.

The financial performance of a financial service institution is driven to a large extent by its ability to attract and retain customers. Customers increasingly have alternatives from which they can choose. If consumers behave as Bayesians and believe all firms have the same average service quality, then they switch firms only after experiencing sufficiently volatile service quality. The study found out that service quality was an essential way of increasing competitive advantage in standard chartered bank. The study also found out that service quality has become an essential part of organizational success due to increased customer expectations and customization of services in many markets hence creating competitive advantage to the bank.

Good service quality used to mean that the output was made to conform to the specifications set by the process designers.

Today, the concept of service quality is evolving to mean uniformity of the service output around an ideal (target) value determined by the customer. However, when the dimensions or performance of a service output exceed allowable limits, the variation needs are normally identified so the problem can be corrected.

Due to the co-productive nature of most customers, the presence of heterogeneous customers usually introduces variation into the service delivery. The principal reason for this is that a
component of the production process (the customer preferences and expectations) is different for each instance of service delivery. For example, one customer may want fast service with no idle chatter and another customer may want to have a discussion amidst service delivery. Serving these customers will likely require different amounts of time, and thus will result in higher variation.

This study points out that cost efficiency alone may fail to capture a bank's ability to convert inputs efficiently into outputs since the measure focuses only on the cost aspects of banking businesses. Instead, they suggest to also assess bank's skills to maximize profits for a given production plan by estimating profit efficiency.

The study found out that standard chartered bank has been providing new services, introducing low-interest strategies and conducting promotional campaigns. However, it was found out that these strategies are not long-term compared with improving service quality. High profit is easily earned when the organisation positions itself better than its competitors within a specific market. That is the reason standard chartered bank focuses on service quality as a core competitive strategy. However, the bank also checks on some other supportive strategies which ensures that the bank out shines its competitors. Some of these strategies are: greater management skills, skilled employees, improved and faster technology, improved product variety etc.

4.7 Loyalty Programs utilized In The Past

The study found out that banks have realised the importance of concentrating on service quality as a way to increase customer satisfaction and loyalty, and to improve their core competence and business performance. This has been seen from the sales results in the bank over the years since there has been better performance now compared to the performance of the bank before. This realisation stems from believing that service quality is difficult for competitors to copy.
SCB ensures that the services they give not only meet but also exceed customer expectations and should include a continuous improvement process. The bank has realized that Customers evaluate banks’ performance mainly on the basis of their personal contact and interaction. Judgments are then formed by comparing service expectations with the service actually received.

The study found out that service quality consists of five dimensions in the standard chartered bank: tangibles (appearance of physical facilities, equipment, personnel and written materials), reliability (ability to perform the promised service dependably and accurately), responsiveness (willingness to help customers and provide prompt service), assurance (knowledge and courtesy of employees and their ability to inspire trust and confidence), and empathy (caring and individual attention the firm provides its customers). Reliability is considered the essential core of service quality. Other dimensions will matter to customers only if a service is reliable, because those dimensions cannot compensate for unreliable service delivery.

The study also found out that satisfied customers possibly share their experiences with five or six people while dissatisfied clients might inform another ten hence It costs 25 per cent more to recruit new customers than to maintain existing ones. Retaining an existing customer costs about five times less in money, time and corporate resources than attracting a new customers.

Accordingly, the study found out that there has been a growing trend to switch from personal banking services to electronic services with a matching improvement in service quality. Financing service quality is considered a winning strategy because it increases customer satisfaction, and maximizes a company’s profits and market share.
4.8 Strategies used by the bank in enhancing service quality and gain competitive advantage

The study found out that banks need to invest a lump sum of money. Standard chartered bank has been providing electronic services. The more they invest the faster and more sophisticated the service system will be. This study found out that the standard chartered bank differentiates itself in various ways, such as offering innovative features, launching effective promotion, providing superior service and developing a strong brand name.

4.9 Areas the bank dwells in most to ensure it offers differentiated products

![Diagram showing product/service (60%), price (10%), place (10%), promotion (20%)]

4.9.1 Product Differentiation

The study found out that the bank’s consumers can easily collect information about products or services without travelling to the bank to inspect products and compare prices. This is normally done with the help of the internet. This makes consumers easily compare prices and find close
substitutes and hence the bank is forced to lower prices of its products. The bank cannot achieve competitive advantage simply by exploiting consumers' search costs. What the bank aims at doing is to make consumers' product comparison more difficult by differentiating their products from others.

The study also found out that the bank considers innovation or the introduction of niche products, which also counteracts the threat of product substitutes, new entrants into the market, and competition among existing firms. By using the direct access to consumers enabled by the Internet, the bank can collect information, identify target consumers, and better introduce products or services to meet consumers' needs. The bank can also collect information on new products desired by small segments of the market. By creating products that meet the needs of consumers in these niche markets, the bank can command higher prices.

The study also found out that an expansion into related product lines can also be a good strategy since it exploits transfer of skills or sharing of activities such as promotion and distribution, which will lead to competitive advantage. Sharing lowers costs by achieving economies of scale and effectively utilizing the banks resources such as market information, managerial or technical expertise, and knowledge.

**4.9.2 Price Differentiation**

The bank employs appropriate pricing strategies for selling products. It employs a price discrimination strategy that makes it difficult for buyers to compare the prices of alternative product offerings. By collecting information about buyers, the bank can perform more effective price discrimination. The bank has been practicing price lining which refers to the practice of offering the same products or services at various price points to meet different customers' needs.
The bank also practices smart pricing refers to the practice of charging various prices from market to market, depending on market conditions and differences in how customers value the product.

The bank has also been protecting its profits by achieving cost leadership in a particular market or industry. If sellers cannot price discriminate, the lowest price sellers can charge is the marginal cost of production. As competition intensifies, companies may have to lower their production costs to protect profits. Or companies may have to improve their product or service offerings with added values. Even in intensive price competition, better products or services will raise customers' switching costs and still command higher margins. The bank has been considering that too.

4.9.3 Promotional Strategy Differentiation

The study found out that banks have to employ promotion strategies different from those used by traditional marketing. One tactic that the standard chartered bank uses is to build a direct link with consumers and enter into a dialogue with them about products (dialogue-based marketing or one-to-one marketing). This allows the bank to provide customers with information about their products, collect information about their customers, and engage in data mining. They can then customize products to meet customer needs and offer promotions tailored to specific customer groups. This process helps build a base of loyal and profitable customers. The study also found out that the benefits of personalized promotions will be greatest when customers are interested in detailed product information or the product is marketed as state-of-the-art. The Internet encourages companies to employ this marketing based on direct, personalized relationships with customers -so-called ‘relationship marketing’.
4.9.4 Distribution Strategy Differentiation

The study found out that place aspects of the marketing mix are closely related to the distribution and delivery of products or services. The Internet and its associated application software have significantly changed the way companies’ products or services are delivered by reducing transaction and distribution costs.

One way for companies to differentiate their products from rival companies is faster and more efficient delivery of products to their customers.

4.10 Challenges the bank encounters in fighting competition

The study found out that many banks offer almost similar products in the country and hence competition is very stiff within the financial sector. This has led to a lot of resources being consumed trying to come up with competitive strategies to counter competition. There is a strong preoccupation with competitors and competitive intelligence as it can have negative consequences to a firm’s financial performance. Competitor orientation has a negative effect on a firm’s market differentiation.

4.11 The Bank’s Reliance on Information Gathering

The study found out that the bank relies so much on the response or feedback from the customers since these are the reasons for either referrals which is a source of more business to the bank or negative feedback which would cause harm by creating a bad image to the bank. Information in Standard chartered bank is thus viewed very important since it is through information gathering that the bank becomes able to come up with strategies of building and sustaining competitive advantage. The bank gets information from the clients through the use of customer surveys for
proper service delivery. Customers are given suggestion boxes where they can place their complains as well as suggest on the improvement the bank should work on. This ensures proper service delivery.
CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

Market orientation is important for organizations to compete against one another in the worldwide global market. In response to the changing needs of the customers, service firms have taken various approaches to make sure that they provide adequate services to their customers. Market orientation is considered as a business culture that facilitates firms in achieving sustainable competitive advantage by creating superior customer value. The more unique your product or service offering, the more likely customers will travel some distance for it. Business owners must identify their strengths and business resources. These might include location, specialty product merchandise, or better-trained and more knowledgeable employees.

5.2 Conclusion

Market orientation is important for organizations to compete against one another in the worldwide global market. In response to the changing needs of the customers, service firms have taken various approaches to make sure that they provide adequate services to their customers. Market orientation is considered as a business culture that facilitates firms in achieving sustainable competitive advantage by creating superior customer value.

Since customer needs change rapidly, a market orientation requires a clear understanding of both the present and future demand dynamics of target customers. The salient dimensions of marketing orientation which are customer and competitor orientation are considered important
strategic orientations to achieve a competitive advantage. This research has identified the attempts by standard chartered bank to enhance service quality through establishing key quality initiatives, in response to dramatic changes in the industry. It also has shown that personal counter services and electronic services are adapting to continue improving service quality, with mutual support for each other. However, banks still need to adjust and adapt their operations in order to enhance customer satisfaction, which will lead to greater market share, profit and business survival.

The research findings also uphold the strategic importance of continuous improvement and service quality as lubricants of successful change management.

5.3 Recommendations

First, in response to the changing of customer needs, it is safe to suggest that executive management needs to make sure that they provide adequate services to their customers. In other words, executive management of the standard chartered bank should pay more attention to customer orientation. In addition, executive management should put additional emphasis and more attention to innovations differentiation as they are important instruments for achieving competitive advantage which leads to greater organizational performance. Furthermore, market differentiation appears as a critical driver for organizational performance, which also acts as a bridge carrying positive impacts of customer orientation to organizational performance. For these reasons, the executive management ought to focus and invest more on innovation differentiation and market differentiation and try to adapt both simultaneously to achieve best results.

The bank management needs to strengthen their IT systems to enhance differentiated service which can meet and exceed customers’ needs and expectations. This requires either investing in
new systems or improving the existing ones. At the same time, banks should identify and eliminate the failure points in communication between headquarters and branches, and sponsor more effective cooperation within their organisations. In providing either counter or electronic services, work processes should be improved and standardised throughout the organisation so that they are simple and compatible with customer needs and expectations. This also will help staff to work effectively and efficiently.

Banks must monitor one another to understand the competitive situation and changes in banking services. Information about competitors will assist bank managements to make effective decisions on their provision of services. Banks are information-intensive in nature and technology always changes; therefore, it is important for banks to continually pursue the advancement of technology to develop their operating systems, lessen costs, improve service quality and to find out how to differentiate their services.

Banks also need to analyse regularly the economic situation and track other factors, such as demographic and social changes, and law and regulations, to allow them to adjust their strategies.

Finally, whether they concentrate on counter or electronic services, or use both, banks must make reliability their top priority and develop their service system to be simpler, faster, more reliable, more effective, and more responsive to serve customers’ needs and to offer customers greater value. Because some bank staffs are not familiar with technology, management needs to train these employees urgently. To be successful electronic service providers, banks must realise the impact of electronic services on customer perceptions and behaviours, and educate them on the benefits in terms of convenience, no limitations of place and time, and reliability.
REFERENCES


APPENDICES

APPENDIX I: LETTER OF INTRODUCTION

University of Nairobi

School of Business

Department of Business Administration

P.O. Box 30197, 00100

NAIROBI

Dear Sir/Madam,

MBA Research Project

This letter is to introduce to you Mark Nzioki Mumo an MBA student who is carrying out a study on the strategies used by Standard chartered bank in building a sustainable competitive advantage in international markets.

We kindly request your cooperation and adequate information that will assist the researcher in attaining his objective. Please also provide further comments or suggestions that you consider necessary in the development of adequate strategies for building sustainable competitive advantage by the bank. Thank you.

Yours Faithfully,


Mark Mumo
Researcher

Eliud O. Mududa
Supervisor
APPENDIX II: QUESTIONNAIRE

Instructions

For certain questions, you are required to choose by ticking (✓) one answer among the alternatives. For other questions you are asked to rank the alternatives in terms of their relative importance to the firm. For certain questions, you are encouraged to specify other alternatives in the space provided or to expound on blank spaces. For questions where boxes are given, tick inside the box to indicate the option selected. Also feel free to write helpful comments where appropriate in the margins.

1. What is your position in the organization?

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2. How many branches do the Standard chartered bank has in the country?

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3. For how long has this bank been in operation in Kenya?

Choose one

(a) Less than five year
(b) 10– 15 years
(c) 15 – 20 years
(d) Over 20 years

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4. How would you rank the level of the volume of your clientele?
Choose one

(a) Excellent ( )
(b) Good ( )
(c) Satisfactory ( )
(d) Above average ( )
(e) Poor ( )

5. What specific methods have you been using to target new customers?

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6. What loyalty programs have you utilized in the past and what has been their impact as reflected by sales analysis and trend analysis?

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Do you think these loyalty programs had a direct positive effect on sales?

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7. What specific differentiation strategies has the Standard Chartered Bank been using to set itself apart from the other banks? What are you doing different from the other banks? Or, what do your clients say is different with you from the other banks?

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8. How sustainable do you think are these differentiation strategies? Do you foresee any need for change in differentiation strategy by this bank in the near future?

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9. Have consumer behavior patterns changed in the last ten years? If ‘yes’, what would say was the main catalyst for this change?

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10. What is the main strategy that this bank uses in entering foreign markets?

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11. In your own view, what strategies does the bank use in enhancing the service quality and to gain competitive advantage?

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12. Whenever there is stiff competition like in today’s world, which of these four areas do you dwell in most to ensure that your bank offers differentiated products from the rest of the banks and how?

(a) Product/service

(b) Price

(c) Place

(d) Promotion

Explain what you have ticked above

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13. What challenges does your bank normally encounter in fighting competition as well as creating a good image to the bank which is different from other banks?

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14. Does your bank dwell and rely on information gathering e.g. through the use of customer surveys for proper service delivery?

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Thank you for your cooperation