INFLUENCE OF DIFFERENTIATION STRATEGIES ON COMPETITIVENESS OF FAMILY BANK LTD, KENYA

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

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DECLARATION

I Faith Mwalili do hereby declare that the presented research project is my own work and hasn't been presented to any institution of higher learning for academic award.

Sign………………………   **Date………………..**

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This research project has been submitted to University of Nairobi School of Business with my approval as the university supervisor.

Sign…………………………….   **Date………………..**

Dr. Victor Ndambuki

DEDICATION

I would like to dedicate this project to my family and friends, for their support and encouragement throughout the study.

To my supervisor for his patience, guidance and support too.

God bless you all.

ACKNOWLEGMENT

My profound gratitude and sincere regards to my supervisor for academic insight and professional support. Also thank the entire teaching fraternity of the University of Nairobi for their mentorship and training. I cannot forget to thank my dear classmates who in one way or another lent me an helping hand. Special thanks to my family for their support in presenting seminar smoothly and successfully. Lastly, I thank the Almighty God for good health, strength and knowledge throughout my study.

ABSTRACT

Purpose –The aim of the study was to identify how differentiation strategies influence the competitiveness of an organization hence giving it a competitive advantage. Sought to identify to what extend family bank has utilized differentiation strategies to remain competitive in the market and increase profitability.

Methodology-The study was conducted using a case study research design which would give and in-depth investigation and would be more relevant. The study collected information from five informants identified using an interview schedule.

Findings-concerning competitiveness, most respondents were of the opinion that there was a general increase in competition in terms of profitability which measured distinction of Family Bank activities from those of competitors that affected the bank's competitive position. Majority agreed that customer responded to differentiation activities by the Bank most agreed that competitiveness was sustainable.

Conclusions-In regards to competitiveness, the bank differentiated its products to meet customer orientation and convenience and thus attracting more customer's .Also the bank had averagely covered the differentiation practices and this led to an average competition by the bank in different sectors.

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CHAPTER ONE

INTR ODUCTION

1.1 Background of the Study

Companies that operate in a hypercompetitive environment have a great need to achieve an extremely sustainable competitive advantage which is through a strong product differentiation strategy. As per Yasai (2008) competitive strategy involves the search for both favorable and competitive position within their sector level operations. Differentiation strategies enable an organization to lure and retain existing customers, due to homogenous of products and services offered by commercial banks which make competition extremely stiff.

Differentiation strategy related banks enjoy making their competitors uncomfortable as competitors spend heavily to reach already differentiated banks. Competitiveness arises from superior productivity especially with low costs or ability to offer products with superior value (value addition) (Liliana, 2009). Kumar (2007) states that focus on differentiation establish stiffer competition.

Resource Based view theory (RBV) and Theory of competitive advantage related to market competitiveness and cost leadership. The RBV suggests that the method in which resources are applied within an organization can create a competitive advantage (Masila, 2009).

The RBV allows the firm to address new products, market scope expansion and value addition. Organizations can either fail or succeed based on their resources and how they are utilized, organization resources fall into various criteria for them to provide competitive advantage that is: valuable-must provide value to enable the firm to exploit new market opportunities and beat competitors.

Rare-resources should be value adding and difficult to find by the competitors. Imperfect imitability-resources making copy or imitation should be not feasible. Resources should have a competitive advantage. On sustainability resources that cannot be substituted by alternative resources. Competitive advantage leverages a business over sectorial competitors by offering clients better and greater value achieved when a firm develops attributes that enable them to outdo competitors.

Commercial banks operate in every competitive changing environment therefore each one of them is seeking to develop differentiation strategy that will enable them to obtain market leadership. Most commercial banks products and services are similar therefore to enhance competitiveness there is need for continuous innovations and product differentiation .Family bank being a tier two bank has greatly embraced differentiation in order to enhance its competitiveness in the market and compete with other commercial banks and increase its profitability. This has been done through product innovation and differentiation in service delivery in order to attract more customers.

1.1.1 Differentiation Strategies

Adopting competitive strategies includes using differentiation, cost leadership, and focus strategies. One or a combination of the three strategies can enable organization to become sustainable and compete in a very sophisticated market.

The extent that institution apply differentiation strategies is caused by developing services targeted to existing customers, develop unique customer service levels, develop services according to the needs of the customers, differentiate service features for different customer preferences, develop different service quality levels that suit the customer pocket, develop organizational brand image to create uniqueness, develop organizational technology leadership positioning (Masila, 2009).

According to Wanyande (2006), enhancing quality of service focus heavily relies on differentiation as the main type of strategy. Individual customers expect high services quality. Competition environment, character, and changes over time. Acquaah and Yasai-Ardekani (2008) stated that differentiation strategies provide uniqueness product and service, outdoing their competitors, and still maintain low prices. Baroto (2012) was of the opinion that innovation develops products and services that compete in the market, aiming on new, different, higher quality items.

1.1.2 Firm Competitiveness

Competition in banking sectors is measured through financial gains. The desire to increase income per customer investment and profit are considered goals of most banks. In relation to this, the competitiveness of commercial banks can also be increasingly measured through other various financial measures including shares, market value ratio, income, profit, return on equity and return on assets.

According to Ahmad, et al (2011), the differences in competition of companies can be determined through benchmarking, financial ratios analysis, and competitiveness against budget ratio methods (Valentina, Flamini, McDonald & Liliana, 2009).

Goal achievement defines competitiveness (Alam et al., 2012). Bank competitiveness is achieved through meeting internal and external goals of banks (Tavitiyaman et al., 2012).

Money is not the only indicator for competitiveness rather as non-financial indicators of competitiveness include stakeholder and customer satisfaction, market value and ranking (Bagorogoza & Waal, 2010). In achieving high competitiveness, banks increased capacity to adopt innovative strategies.

1.1.3 Family Bank Limited

Family Bank Limited forms the study area, established in 1984 (Kariuki, 2013). Small and medium enterprises form the core clientele. Family Bank's lack of competitiveness raises the question as to what the bank is doing towards becoming a giant bank in Kenya in terms of competition; and increased use of differentiation strategies in daily operations. Pesa-pap mobile banking service is one of a kind, its internet-banking solution, and web-based channeling of customer transactions makes it interesting for the study.

In comparison to other existing commercial banks, Family bank had an overall Z score average of 1.19 with a return on asset ratio of 2.94.The scores for the period between 2008 to 2012 were 1.58,1.06,1.22, 0.9 and 1.19 with ROAs of 5.0,2.5,2.48,2.01 and 2.7 respectively. This means Family Bank Limited had financial distress in 2008, 2009, 2010, 2011 and 2012. The bank had high return on asset ratios which is encouraging but measures should be taken to resolve financial distress as it could eventually lead to declining competitiveness leading to bankruptcy (Kariuki, 2013).

In 2016, the bank made profit after tax worth 711 million Kenya shillings on the first half of the year. Non-performing loans increase by 4.7 billion. Similarly total liabilities also increased marginally by 1.1 percent to Sh57.4 billion up from KSh 56.7 billion realized. Net non-performing loans also surged 63% to stand at KSh 6 billion up from KSh 3.7

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billion. Family Bank had a Ksh. 1 billion net loss for 2016/2017 financial year. This was more likely linked to interest rate capping which was introduced to the banking sector in Kenya (CBK, 2018).

In the 2017 financial statement, the bank recorded a total asset of Ksh. 81,190 million in 2015, which then dropped to Ksh. 69,432 million in 2016. Total liabilities was found to be Ksh. 69,263 million in 2015, which dropped from Ksh. 56,813 million in 2016. In terms of working capital, Ksh. 765 million was reported in 2015, which rose to Ksh. 1,159 million in 2016. Retained earnings were Ksh. 4,818 million, which decreased from Ksh. 5,021 million in 2015. Total asset was reported to be Ksh. 69,050 million, and Ksh. 57,442 million of total liabilities. Non-performing loans went up to KSh 4.7 billion and interest income reduced by 50% in the first half to June as lending went down.

According to CBK (2018) reports, in the mid of 2018, Family Bank recorded a Ksh. 101.5 million profit of, half-year results, a growth attributed to cost containment measures, drive in digital banking and a rise in deposits. Customer deposits were found at 47.8 billion shillings. Non-interest income improved from 1.1 billion to 1.25 billion.

The 2018 half-year loss was reported at 492.4 million shillings. Net interest income grew by 3.8 percent. Gross non-performing loans and advances increased by 7.2 percent. Interest income from loans and advances decreased by 7.0 percent and stood at Sh2.8 billion compared to 2.9 billion shillings in mid-2017, partially offset by a 31.1 percent increase in interest earned on government securities.

1.2 Research Problem

In business environment competition and innovation rates have highly increased, also emerging trends of global knowledge based economy making commercial banks to have product differentiation knowledge and practices provide competency (Seng &Lin 2004). The manifestation of differentiation in banking sector entails many strategic plans towards improving financial outcome of banks.

Differentiation being a key factor in many monopoly related businesses can create an entirely new industrial way of operation. Making the dominant banks in terms of differentiation more successful, more competitive and thus, increase market shares. This must be indicated by high market shares, profitability, and sales volume of individual companies.

However, most banks are performing poorly. Family bank's recording of low competition is rising the question on whether the adoption and implementation of differentiation strategies is properly done. This is because the bank is losing sales volume due to very high charges on services offered (Tavitiyaman et al., 2012). It has also been noted that there is a very high resemblance in product and services provided by the individual banks close to Family Bank, which significant dropped competition.

This raises the question on whether Family Bank applies differentiation as a competitive strategy. Competitiveness has also been decimal; indicated by the small market shares per company (below 40%) (Central Bank of Kenya, 2018). There is lack of studies that show the profit margin and sales volume of banks.

Fewer studies apply content on differentiation strategies affecting competition and none of them explains Family Bank limited as a case study; an indication of a huge knowledge gap.

Thus, this research investigated differentiation strategy application on competition of Family Bank.

Mwangi and Ombui (2013) in Kenya Commercial Bank (KCB) on the effect of competitive methods on competitiveness, suggest differentiation being least effective on competition. Kimotho (2012) on the relationship between competitiveness and growth of finance in the Bank of Africa indicated innovative new products and services to be effective for market growth. This research intended close knowledge gaps through answering how differentiation influences competitiveness in Family Bank Limited.

1.3 Research Objectives

To investigate influence of differentiation strategies on competitiveness of Family Bank Limited, Kenya.

1.4 Value of the Study

Family Bank Limited will be provided with information regarding what is happening within the country differentiation strategies and competition. The findings will also be valued when identifying the level of competition at the bank. This will be useful in that it will be used to benchmark with different banks in the area.

To other banks in the market, the study will be crucial, as it will provide answers to questions regarding the contribution of innovative strategies on competitive strategies in Family bank. The findings of the study will also prove information regarding the types of competitive strategies that Family bank will use to improve competitiveness.

Finally, findings will be used to add literature and information to be used by other scholars in similar fields. This means that other students undertaking similar courses will be able to further their studies by expanding on this research and thus filling the knowledge gap on the existing literature and findings that will be provided.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

Theories related to the research contents guided the study towards the most applicable aspects of empirical reviews and conceptual framework; in addition to other studies on differentiation strategy(s).

2.1 Theoretical Review

Theories are principles that explain facts that repeatedly apply to real life conditions and are acceptable in different scenarios (Mugenda, 2012). Resource Based and Competitive Advantage theories were used.

2.1.1 Resource Based View Theory (RBVT)

RBVT by Barney (1991) reveals how strategic development starts at a firm's relative position within relevant industries. This considers a firm's environment, and strategies applied to maximize competitiveness. According to Barney the firm in question is assessed in terms of competitive advantage, resources and capabilities which are core strategies (Dang, 2011).

The theory has a missing link in explaining managerial operations. The theory explains how managers develop innovative resources to meet product and service uniqueness (Connor, 2002; cited in Hasan, 2009). According to Connor (2002) RBV fails to be applied in smaller firms due to lack of the relationship between competitive advantage and static resources.

2.1.2 Theory of Competitive Advantage

The theory was introduced by Michael in 1990, the theory explains that competition is dependent on capital, labor, infrastructure, assets, land and material.

Second, the importance of demand conditions affects competitive advantage. Demand determines how firms interpret, respond, and perceive customer behavior. Segment structure to demand is a favorable competitiveness market representation but has fewer shares. Buyers' sophistication or demand exerts pressure towards quality. This sustains acquiring of better competition. Competion involves anticipating buyer's needs over firm's priority.

The relationship between demand and competitiveness depend on a number of things that spur activities that create competitive advantage, and growing demand. The latter leads to increase in efficiency. In supporting industries, competitiveness is determined by specific industries, so as to provide international market access advantage. Access to competitive industries provides cost-effective operations. Increased globalization increases investment on international markets with emphasis on effective utilization.

Partner firms assist firms with competitive advantage to apply new methods and opportunities such as technological innovation. Influencing a partners' technical efforts leads to development of new ideas. Firm structure, strategy, and rivalry factors determine competitive advantage. The goals of strategies are influenced by a country's environment. Organization structure is a reflection of prestige, goals and priority. Leaders, owners, and incentivized suppliers and partners determine company goals. The theory assumes adequate competitive opportunities is engaged in competitive advantage of the degree that optimizes firm's potential, and move up the value chain.

2.2 Empirical Review on Influence of Differentiation Strategies on Competitiveness

Increased competition in any industry reduces profitability of individual firms if there is no proper innovation strategies employed. Competition exerts pressure towards pro-activeness; and formulation of strategies to respond to changes in market dynamics (Masila, 2009). Companies are now using competitive advantage to compete effectively.

By identifying core competences, firms concentrate on competitors and competitiveness (Moha, 2009). Wasuna (2014) found that core competences are difficult to imitate because management links the distribution chains. Bohman (2009) notes how management primarily develops both organization environment and employees (Wanyande, 2006). Combined strategy are matched with corporate aims for available resources. Managements are concerned about reconciliation of business through allocation of resources (Tindi, 2016). According to Tavitiyaman (2012), partnership as a goal aims at achieving competitiveness.

Diversification helps a firm to eliminate unevenness in geographical scope, innovation, and economies of scale. Diversification benefits mobilization of capital. Diversification earns banks income from securities brokerage, insurance, and new packages of financial services. As per Routledge (2013) banks get motivated by diversification such as capital strength, value maximization, managerial, market power and risk diversification motives. External determinants of diversification entail global financial conglomerates presence, competition dynamics, economies of scale, and disintermediation; and internal motivations such as risk reduction, interest, production cost, capital, and technology (Prinz, 2012).

Diversification contains four categories namely: direct cross-border sales whereby financial services are non-physical in existence within the markets. Integration of retailers is achievable through crossing border sales (Wasuna, 2014); another category is product differentiation, which meets customer needs. Satisfying individual needs largely depends on quality differentiation (Odoyo & Simiyu, 2014), and targets to have them willing to pay, and benefits the organization by making them competitive in product differentiation; finally, cost differentiation requires broad targeting of larger markets. Cost leaders provide lowest price tag which is comparable to their competitors. Firms achieve cost leadership using efficient distribution and economies of scale (Porter, 1985).

Cost leadership reduces products' prices, through the cumulative lowering of the cost of input and operations (Johnson, et al., 2011). Low cost affects profitability. Cost leadership, differentiation approaches connect to profit making and performance (Porter, 1985).

Differentiation approaches produce unique services. Products offering through this approach have variation in value. Armstrong and Kotler (1999) suggest that differentiation drives to durability, competitiveness, reparability, consistency and reliability.

Many times, differentiation is portrayed in responsiveness, speed, competitiveness, quality, integration and availability. Organizations' unique position to offer customers bank services consider partners and provide customer specifications (Porter, 1980). Rapid expansion is based on resource positioning (Jahnukainen & Vepsäläinen, 1998); with resource base and organizing principle dimensions. Resource base increases marketing scope. The dimension of organization structure functions in that hierarchy increase complexity in structures.

2.3 Summary of knowledge gaps

This chapter captured literature pertaining differentiation strategies. This section detailed the existing gap in knowledge that the study intends to fill. From the outlined studies, banks want to be competitive (Pearce & Robinson, 2005).

Differentiation strategies involved product differentiation towards competitive advantage (Shammot, 2011). Cost differentiation was discussed towards mass market. In the Kenyan perspective, the applied literature was less applicable to the banking sector.

This implies to mean that there was lack of proper evidence to address differentiation strategies in Kenyan banks, and thus the need to conduct this study in Kenya. There was evident on the lack of adequate information regarding current studies addressing differentiation on competitiveness in Family Bank especially in Kenya.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This section concerned research design, population, research tools, data collection and data analysis.

3.2 Research Design

The research was conducted using case study research design at the Family Bank Ltd Kenya. The research design allowed a lot of detail to be collected, and that it was conducted using the whole population of managers at the bank's management department. It saved operation cost since it concentrated on one place unlike survey research. It also allowed the collection of data using an interview.

3.3 Target Population

Population refers to a large number of items or organisms in which a sample is made, retrieved or taken (Mugenda & Mugenda, 2008). The population consisted of senior managers at Family Bank. The respondents included finance, marketing, strategy, operations and the human resources directors. This gave rise to total of Five (5) respondents.

3.4 Data Collection Methods

The research was informed through interview schedule. The interview mode of data collection according to Kothari (2000) was very useful in extensive inquiries and led to reliable results.

The study used interview schedules to interview employees and heads of departments. Interview schedules were important because they helped to elicit effective responses from the respondent's through probing process.

3.5 Data Analysis

Data was analyzed through content analysis, an analytical method where responses were obtained from uniformly grouped respondents and themes. These similarities were then explained by the researcher. It was a useful method of analysis especially when the researcher was interested in qualitative information, which was rich in content.

CHAPTER FOUR

PRESENTATION, INTERPRETATIONS AND DISCUSSIONS

4.1 Background Information

This section presented findings based on respondent's relation to the subject of discussion in term of position, and finally knowledge and practice on the bank's mission statement and competitor analysis.

4.1.1 Response rate

The reliability test showed that differentiation strategy measured 0.682 while competitiveness measured 0.798. An average of 0.74 exceeded the expected reliability test results. This was considered reliable enough for data analysis. This was important as the study had less number of respondents and thus focus was important as any form of a larger deviation in terms of response, which mostly results from respondents not being of the same education, same working organization and same understanding of happenings within the study areas would have seriously negative consequences to the study.

4.1.2 Position

The study aimed at establishing the positions of each respondent. The study found all the departments required and the participation of all the senior managers at Family Bank, which consisted of the finance director, marketing director, strategy director, operations director and human resources director.

4.1.2 Understand the banks mission statement

The findings on respondents understanding of the banks mission statement. All the five respondents agreed that they understood the banks mission statement .On the other hand, three respondents had a habit of reading or reminding themselves the mission of the bank occasionally while the other two did this all the time. This finding implied to mean that the bank staff was also focused on attaining the mission of the bank and thus, their approach towards differentiation officiated the mission statement. That their definition of competitiveness was the attainment of banks mission. According to the Family Bank website and documents, their mission is to positively transform peoples' lives by providing quality financial services through innovative, efficient and reputable practices, This meant that when assessing their competitors, they position themselves in terms of being top of the banking sector in terms of the outlines of their mission which includes innovative, efficiency and reputable practices.

4.1.3 Competitor analysis

The study found that five of the respondents were in agreement that the bank carried out competitive analysis and other similar number showed that the bank compared its activities with competitors. This implied to mean that Family Bank was involved in benchmarking better performers and correcting their operations and policies towards better performances in terms of service and product delivery to its clients. That to be effective ,the bank required an assessment of other banks characteristics, competitiveness and thus the information acquired was used to create a more competitive and different product or service, which would be dominant for some time in the market .This helped the bank to catch up with banking giants in areas where the bank has lagged behind. In most case, differentiation was important to be informing of the competition within the sector.

4.2 Differentiation Strategy

This section entailed data analysis on differentiation strategies adopted by the bank and how these strategies affected the banks competitiveness in the region.

4.2.1 Level of distinguishing activities from competitor

The study sought to distinguish the activities of the bank from those of competitors. The study found that all five respondents agreed that the bank seeks to distinguish the activities of the bank from competitors. This implied to mean that differentiation was being put to effective use towards attaining competitive advantage.

4.2.2 Dimensions of distinguishing bank’s activities from competitors’

The study aimed at assessing the dimensions (services, products, employee work ethic, processes etc.) the bank distinguished its activities from those of competitors.

The main finding was that three of the respondents stated that dimensions of distinguishing bank’s activities from competitors’ was majorly done through the bank's multiple of services and products as compared to the previous years. Other responses were as follows: one respondent stated that the bank had reposition itself by offering agency services and thus reaching a lot of customers, and finally, one respondents stated that this was done by ensuring that the bank never failed in providing any particular financial package to its customers.

The main finding can be interpreted to mean that Family Bank had adopted more than one type of banking product and service that they used to increase their scope of operation. That, the increasing number of services being offered by the bank aim at increasing the number of users based on their customer preference. That, the use of many products offered by the bank is to increase market shares and increased customers. That, increase in the products offered by the bank has resulted to increase in demand of new products. That, the bank is using different approaches when adopting more product packages for the reasons of providing solutions to users and for the purpose of increasing their competitive advantage. A significant relationship exists between product innovative strategy and financial competitiveness.

4.2.3 Drive towards decisions to distinguish the bank's activities from competitors'

The study aimed at finding out what informs your decisions to distinguish the bank's activities from those of competition. The main finding was that two respondents were of the opinion that demand was the leading drive towards differentiation of services and products while another two also suggested that the bank was motivated by the need to cut cost of service delivery and yet capture a larger area in terms of market. Finally, one respondent suggested that changes in trends for cashless money transfer informed decision making process.

The main finding meant that market drivers were analyzed and adopted by the bank towards differentiation. This implied to mean that the bank looked for the best option that would influence the market very differently and originally to make banking convenient as compared to competitors. This also implied to mean the bank management was focused on the provision of banking packages that could entirely suit different user preference, thus, the emerging of new product innovation strategies depending on market demand and market shift. That financial competitiveness majorly relies on product innovation, thus most banks that are using newly advanced products have high levels of competitiveness.

4.3 Competitiveness

4.3.1 Effect of distinguishing services and products on competitiveness of Family Bank

The study wanted to investigate how distinguishing your activities from those of competitors has affected the banks competitive position. The results showed that most respondents too were of the opinion that there was a general increase in competition in terms of profitability which measured distinction of Family Bank activities from those of competitors that affected the banks competitive position. There respondents are different opinions individually as follows: one respondent suggested that the bank has acquired more customers which meets the target the management set, another one respondent states that they believed there were more transactions than those of competitors. Finally, one respondent stated that there was an increase in return on assets, which measured the competitiveness of the bank because of differentiation.

4.3.2 Customer respond to your differentiation activities

The study intended to analyze customer response to differentiation activities. The findings were that four respondents agreed while one respondent disagreed to the level to which customer responded to differentiation activities by the Bank. This implied to mean that the bank was customer oriented when implementing differentiation strategies. That, differentiation strategies focused more on increasing customer convenience and thus increasingly attracting customers.

4.3.3 Sustainability of Competitiveness

The study was interested in finding out the banks competitiveness sustainable and found that most of the respondents three agreed and two disagreed to the statement that competitiveness was sustainable. This implied to mean that the bank has averagely covered the differentiation practices and this led to an average competition by the bank in different sectors.

4.4 Discussion of Key Findings

4.4.1 Differentiation Strategies

The finding of the study could be related to a study conducted by Karina (2013) in Kenya which indicated that innovations of products generally has an effect the competitiveness of banks. Product replacement and product repositioning causes profitability. That bank had more than one product innovative strategies that were used to increase their competitiveness.

The bank management was focused on the provision of banking packages that could entirely suit different user preference, thus, the emerging of new product innovation strategies depending on market demand and market shift. That financial competitiveness majorly relies on product innovation, thus most banks that are using newly advanced products have high levels of competitiveness.

Another study was done by Marta (2015) in Kenya which identified that UBA bank had adopted product innovative strategies which had enabled the bank to offer distinct and superior financial product in the competitive markets. The study also revealed that the bank was able to use a variety of products to increase the range of service provided to customers and thus increase customer satisfaction levels; that the UBA bank had many product varieties that gives customers a unique banking service which is necessary for competitive advantage.

The finding of the study could be linked to another study done by Bett (2016). The study revealed digital finance at banks, in this case Equity have led to the acquiring of reasonable number of customers. That technology has increased the number of transactions, thus higher profits.

In another study by Armed (2015), technology has improved circulation of money via digital technology such as use mobile phone where customer can send, withdraw or make payment any time regardless of the location, this therefore improves the market share within a bank which in term increases the profit due to the charges made on withdraws and sending transaction from on client to another.

According to Simiyu (2014) most bank branches in Nairobi have adopted more than one type of banking product and service that they used to increase their scope of operation. That, the increasing number of services being offered by the bank aim at increasing the number of users based on their customer preference. That, the use of many products offered by the bank is to increase market shares and improved customers' turnout in banks. That, increase in the products offered by the bank is the result of increasing demand for new services and items. That, the bank is using different approaches when adopting more product packages for the reasons of providing solutions to users and for the purpose of increasing advantage in scoping off the market. Product innovation is significantly affecting financial competitiveness.

This main finding could be linked to findings from a study by Singh and Malhotra (2014) which stated that most commercial banks offered internet banking, which had a huge scope of banking products. That internet banks packages accounted for most systems' increase in assets and deposits account. In conclusion, internet banking packages increase income activities compared to activities outside internet banking packages and activities.

Okuttah and Wasuna (2014) revealed that a bank in Nairobi must use long durations of service since the customers are seeking more services with the increasing 24 hour economy that is witnessed in the region. That the bank branches in Nairobi are currently providing 24 hour services that are technologically connected between the users and the bank. This includes the services involving withdrawal and depositing of cash. That most banks now providing services that are linked to online customer care. This is to enable the bank to react to customer complaints and thus provide urgent solutions for customers at any time of the day. The banking services in the bank within the study are being provided using technological platforms, thus, the bank venture in to 24 hour banking services so as to improve on their income and profitability.

The study was also related to another study by Mberi (2013) which stated that digital finance improves circulation of money via digital technology such as use mobile phone where customer can send, withdraw or make payment any time regardless of the location, this therefore improves the market share within a bank which in term increases the profit due to the charges made on withdraws and sending transaction from one client to another.

4.4.2 Competitiveness

The bank has been performing through expanding its branches as other banks have been keen in reducing operational cost through reducing branches. The fact that the bank is expanding its branches is the fact that it is determined to offer more services and products to the customers who visit the bank and agents on a daily basis. The presence of a physical bank makes the bank considerable towards one on one customer interaction (Otini, 2012; FBL; 2014; Langat, 2014; Mutegi, 2016).

According to Guguyu (2019), Family Bank has been reported to have made a four-fold increase in net profit (Ksh. l60.8 million from Ksh. 35.8 million) in the first quarter of 2019. The profit has largely resulted from the increase in mobile loans. The bank continues to invest in digital channels to enhance mobile and online banking services.

According to the 2019 statement, the bank reports that it attained Ksh. 230 Million at the quarter statement, which is three times as compared to Ksh. 51 Million december last year. Currently, Family Bank Limited net interest has increased because of an increase in interest and income. Bank deposits increased by 11% as per records in the month of March. The competitiveness was a measure of Family Bank’s customers and innovation differentiation strategy on ongoing product and process automations.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This study sought to identify the extent to which Family Bank performance in the financial sector has been influenced by differentiation strategies, hence the following conclusions and recommendations were made.

5.2.2 Summary

On background information, Family Bank respondents consisted of five directors in five different departments namely, finance, marketing, strategy, operations and human resources. All the respondents understood the banks mission statement. All the respondents stated that the bank carried out competitive analysis and compared its activities with competitors.

Regarding differentiation strategy, all the respondents sought to distinguish the activities of the bank from competitors. Majority stated that dimensions of distinguishing bank's activities from competitors' was majorly done through the bank's multiple packages more than previous years. Most respondents were of the opinion that demand was the leading drive towards differentiation of services and products while another similar number suggested that the bank was motivated by the need to cut cost of service delivery and yet capture a larger area in terms of market.

Concerning competitiveness, most respondents were of the opinion that there was a general increase in competition in terms of profitability which measured distinction of Family Bank activities from those of competitors that affected the bank's competitive position. Majority agreed that customer responded to differentiation activities by the Bank. Most agreed that competitiveness was sustainable.

5.3 Conclusions

Based on differentiation strategy, differentiation was being put to effective use towards attaining competitive advantage. Family Banks had adopted more than one type of banking product and service that they used to increase their scope of operation to increase number of services being and meet the increasing demand. Market drivers were analyzed and adopted by the bank towards differentiation. The bank looked for the best option that would influence the market very differently and originally. Bank management was focused on the provision of banking packages that could entirely suit different user preference.

Relating to competitiveness, the bank differentiated its products to meet customer orientation and convenience and thus attracting more customers. That the bank had an averagely covered the differentiation practices and this led to an average competition by the bank in different sectors.

5.4 Recommendations

The following were the recommendations of the study:

The banks needs to maximize the number of packages for customers' satisfaction. This will increase the banks' competitiveness since the more the packages, the more income and profit the bank will get from the use of these packages.

In relation to technology, Family Bank should increase their reliability through providing advanced technology such as applications and MMS or SMS services, or development of phones and sim technologies to serve instant transactions in single time. This could be used in increasing transactions needed to improve profits per time taken to transact.

Finally, in regards to market, the study recommends that Family Bank should promote marketing strategies that can improve their sales volume by increasing their financial competitiveness through agency banking.

5.4 Suggestion for Further Studies

There is need to conduct studies on how mobile technologies in banks affect profits, to increase knowledge in profit making strategies. There is need to increase studies on the effects of APK on competitiveness to provide necessary information needed to help continuous assessment of technological advancement through the use of mobile phones.

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APPENDICES

Appendix I: Interview Schedule

a) What is your position in the bank?

b) Do you understand the banks mission statement?

c) How regularly do review the mission statement?

d) Do you carry out competitor analysis?

e) Do you compare your activities with those of competitors?

Differentiation Strategy

1. Do you seek to distinguish the activities of the bank from those of competitors?
2. In what dimensions do you distinguish the bank's activities from those of competitors e.g. your services (products), employee work ethic, processes etc.
3. What informs your decisions to distinguish the bank's activities from of competition?

Competitiveness

1. How has distinguishing your activities from those of competitors affected the bank's competitive position?
2. Does the customer respond to your differentiation activities?
3. Is this competitiveness sustainable?