FACTORS THAT AFFECT THE ADOPTION OF NEW PRODUCT IN KENYA COMMERCIAL BANKS

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DECLARATION

I hereby certify this research project as my original work and has not been presented for examination in any other institution of higher learning.

Sign: ……………………………… Date: ………………………

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D61/70154/2008

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

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DEDICATION

I dedicate this work to family for the sacrifice they made for me to complete this project. Their love, care, concern, support, encouragement and enthusiasm inspired me to achieve this goal.

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I wish to thank almighty God for giving me the gift of life and the strength and determination to surmount the odds that come with a rigorous programme such as the MBA. More importantly my thanks go to my lecturers and my colleagues at University of Nairobi for refining my idea that eventually culminated in this work. My sincere gratitude's goes to my supervisor for his dedication and able guidance without which this work would not have been accomplished in time. The stimulating academic environment at the university, more so, my classmates motivated me to embark on this research. Special thanks go to my family and friends who stood by me throughout this period. To all those who contributed in one way or the other towards realization of this project and who have not been specifically mentioned, note that your invaluable support and encouragement is deeply appreciated and for which I thank you most sincerely and pray that the lord showers you with blessings and good health all your lives.

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ABSTRACT

Successful new product/service introductions are important for a firm's long-term performance. This holds especially for industries in which firms invest heavily in technologies, such as mobile networks, under the premise that firms will be able to introduce new services using these technologies. A major stumbling block in the adoption of new products is that information about their existence and their unique characteristics are not easily or readily available.

This research study sought to determine the factors affecting new products adoption in commercial banks. The study used descriptive research design. The population of the study constituted the entire 45 commercial banks operating in Kenya. Data was collected from a total of 45 product managers from all the 45 commercial banks in Kenya using a questionnaire. The data was then be summarized, coded and entered into the Statistical Package for Social Sciences (SPSS) for analysis. Descriptive statistics such as means, standard deviation and frequency distribution was used to analyze the data. Inferential statistic like correlation was carried out.

This study found that majority of the commercial banks analyzed were involved in the development of new products. The study also realized that new products and services in commercial banks had been adopted by customers at a moderate rate. This study recommends that all commercial banks should be involved in the development of new products and services. Commercial banks should lower the cost of new products and services. The study also found that cost of new products hinders consumer adoption of the new products.

Commercial banks should increase information providers in their banks and open detailed websites. This research study found that lack of information on new products hinders customers' adoption of the new products at commercial banks and ineffective communications act as a great barrier to adoption of new commercial banks products.

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Adoption is the acceptance and continued use of a product, service or idea. According to Rogers and Shoemaker (2001), consumers go through a process of knowledge, persuasion, decision and confirmation before they are ready to adopt a product or service. The adoption or rejection of an innovation begins when “the consumer becomes aware of the product (Rogers and Shoemaker, 200). In the context of bank marketing planning, Guiltinanand Donnelly (2004) identifies information about the benefits of using a product/service, as an essential service/product promotion strategy.

The Wallis Report (1997) states that consumers will seek out those financial products and suppliers which offer the best value for money and they are educated about it”. Hence, for adoption of Internet banking, it is necessary that the banks offering this service make the consumers aware about the availability of such a product and explain how it adds value relative to other products of its own or that of the competitors. The added value in electronic banking, according to Trethowan and Silicone (quoted in Daniel, 1999), was convenience, sales orientation and lower costs. Howard and Moore (1982) emphasize that for adoption “consumers must become aware of the new brand”. An important characteristic for any adoption of innovative service or product is creating awareness among the consumers about the service/product. “Don’t assume good products sell themselves” (Cooper, 1997). Hence, if Australian consumers are not adopting Internet banking, it may be because they are not aware about such a service being available and the added value that it offers. Customer service may be provided by a sales person and service representative, or by automated means called self-service. Examples of self service are Internet sites. The experience a customer has of a product also affected the total service experience, but this is more of a product direct feature than what is included in the definition of customer service.

1.1.1 Concept of New product Adoption

New products either revolutionize existing product categories or define new product categories. An example of the former would be the electronic typewriter, while an example of the latter would be desktop computers. In cases in which the new products are so different from existing products (in terms of features offered or benefits derived) that a new product category is created, providers as well as consumers may fail to grasp its significance. When some IBM managers predicted that personal computers would never be widely used (Fisher and Price, 2002), they were viewing personal computers from the perspective of an existing product category (fast computing devices). This perceptual limitation contributed to the failure to recognize the potential uses to which computers could be put in a home or office setting as a means of fast and reliable communications, word processing, entertainment, record keeping, and information retrieval. These new uses created a completely new product category with significant growth potential.

The incongruity between new products and their associated product categories is likely to affect the way in which consumers evaluate them (Fiske, 2004). It has been demonstrated that an inverted U-shape relationship exists between the level of incongruity between a product and its associated product category and favorable product evaluations (Meyers-(Lifton, and Lifton, 2000). When the level of incongruity is very high (as is the case for RNPs), consumers are likely to evaluate products unfavorably. As a consequence, new products are likely to enter the market at an inherent disadvantage in terms of favorable evaluations from potential consumers, and are likely to be viewed with doubt and skepticism when first introduced. Level of incongruity may also affect the manner in which the information related to decision making is gathered and processed. When faced with extreme incongruity, consumers tend to limit the extent of their information search. Instead of seeking out more information, they resort to alternative internal strategies such as sub typing or activating an alternative product.

1.1.2 Commercial Banks in Kenya

The Companies Act, the Banking Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK), governs the Banking industry in Kenya. The banking sector in Kenya was liberalised in 1995 and exchange controls lifted. The CBK, which falls under the Minister for Finance's docket, is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system. The CBK publishes information on Kenya's commercial banks and non-banking financial institutions, interest rates and other publications and guidelines. The banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the banks' interests and addresses issues affecting its members (Kenya Bankers Association annual Report, 2008).

There are forty-six (46) bank and non-bank financial institutions, fifteen micro finance institutions and forty-eight foreign exchange bureaus in Kenya. Thirty-five (35) of the banks, most of which are small to medium sized, are locally owned. The banking industry in Kenya is dominated by a few large banks most of which are foreign-owned, though some are partially locally owned. Six of the major commercial banks are listed on the Nairobi Stock Exchange. The banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the banks' interests and addresses issues affecting member institutions. The commercial banks and non-banking financial institutions offer corporate and retail banking services but a small number, mainly comprising the larger banks, offer other services including investment banking (Kenya Bankers Association annual Report, 2008).

1.2 Statement Problem

Successful new product/service introductions are important for a firm's long-term performance. This holds especially for industries in which firms invest heavily in technologies, such as mobile networks, under the premise that firms will be able to introduce new services using these technologies. A major stumbling block in the adoption of new products is that information about their existence and their unique characteristics are not easily or readily available. Inaccessibility or lack of information may cause the commercial banks new products to miss a large segment of potential adopters. A lack of awareness on the part of potential adopters may be misinterpreted as an aversion to adopting a new product. Wernerfelt (1991) calls this inertial loyalty, consumers' perceived or presumed loyalty to the previous innovation (or available product) which is largely due to consumer inertia resulting from lack of awareness or search. If consumers are made aware of the new products, there is significant potential that they will become adopters.

The banking industry being very competitive and homogeneous, adoption of new products by the consumers is not easy as various issues are considered vital before adoptions. A number of studies have been done in the area of strategic management. For instance Odhiamo (2007) did an analysis of strategic responses to increased competition amongst commercial banks in Kenya. Kariuki (2008) did a study on competitive strategies adopted by commercial banks. However there had been no known study that had been done on factors affecting adoption of new products in commercial banking industry in Kenya .This study therefore sought to fill this gap of knowledge by investigating factors affecting adoption of new products in commercial banks .

The study was guided by the following questions,

i. To what extent does perceived usefulness of use of products affects adoption of new products in commercial Banks in Kenya?
ii. What is the effects technology on adoption of new products in commercial Banks in Kenya?
iii. Does level of risks affects adoption of new products in commercial Banks in Kenya?
iv. How does lack of information affects in commercial Banks in Kenya?

1.3 Research Objectives

The general objective of the study was to determine the factors affecting new products adoption in commercial banks.

The following are the specific objectives of the study;

i. To assess the effects of perceived usefulness of use of products on adoption of new products in commercial Banks in Kenya.

ii. To find out the how use of technology affects adoption of new products in Commercial Banks in Kenya
iii. To assess the how level of risks affects adoption of new products in Commercial Banks in Kenya
iv. To determine how lack of information affects adoption of new products in Commercial Banks in Kenya.

1.4 Significance of the study

The managers at the commercial banks of Kenya will gain knowledge in relation to the factors affecting adoption of new products. This will enable them improve on them so as to ease acceptance of new products by commercial bank customers. The study will be useful to the government as it will offer a deep insight on issues affecting customers in commercial bank in adoption of new products and come up with policy that will guide bank develop better brands. The study will be valuable to scholars in this area who will use this study as a form of reference to undertake further research.

1.5 Scope of the Study

The study focused on the factors affecting adoption on new products in Commercial Banks in Kenya. A questionnaire was addressed to managers working at Commercial Banks. The data for analysis was collected from the banks in Nairobi .The study focused on 115 respondents.

1.6 Assumptions

The study assumes that the bank develop new products which are of high quality. The study also assumed that the information that was collected from the respondents was correct as required to achieve the objective of the study.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

In this chapter, the researcher is going to discuss what other authors have said in regard to factor affecting adoption of new products in commercial banks. Only the issues in the objectives will be featured, critically reviewed and discussed.

2.2 Theoretical on Adoption of New products

Cooper RG (2003) introduced five main dimensions that influenced the adoption of new products, namely, complexity, compatibility, observability, trialability, and relative advantage. Rogers and Shoemaker (2001) further discussed these five dimensions which formed the foundation of subsequent studies on adoption of new products. Ostlund LE (2004),, built on this research by adding a sixth dimension, the perceived risk of adoption. Perceived risk and risk attitudes were further discussed in various literatures. For instance, Rogers (1995) indicated that early adopters tend to be less risk averse than late adopters, hence providing an association between risk attitudes and adoption of new products. Smith and Andrews (1995) explained that when the perceived risk of the new product increased, it would have a negative impact on the evaluation of the product; this further correlated risk with the adoption of brands.

The number of dimensions thought to effect adoption continued to expand through the years with Tornatzky and Klein (2002) proposing 10 dimensions. They conducted a meta-analysis of all past studies on the new products features that had an impact on new products adoption. Of the 10 dimensions they introduced, five were those proposed. The additional five new dimensions introduced were cost, communicability, divisibility, profitability, and social approval. Of these additions, communicability tended to mirror observability; and divisibility and cost paralleled trialability; the original dimensions laid down by Rogers (2005).

Of these newly introduced dimensions, cost of bank new products to consumers received much attention by researchers and as a result, various studies on prices affecting rate of adoption followed. Kalish and Lilien (2006) postulated that the price of the new products n would affect its market potential. However, Jam and Rao (2000) contended that prices affect the rate of adoption rather than the market potential. In an earlier study, Kamakura and Balasubramanian (2008) had suggested that prices of new products affect the timing of adoption and not whether consumers would adopt the product or not. They believed that lower prices would encourage consumers to buy the product at an earlier date, but not necessarily motivate them to buy just for that reason. They also stated that prices affecting rate of adoption would be true only to products with a narrow price range. Another view of price affecting rate of adoption was by Nielsen NetRatings 2002, who provided empirical evidence that product attributes rather than price should be the ma in impetus for adoption.

In view of the various opinions, Stephen LP and CP Edward (2004) tried to summarise and redefine the various dimensions. After an extensive instrument development process, they arrived at a classification of seven characteristics that included compatibility, complexity, trialability, relative advantage, result demonstrability, visibility, and image. However, they did not incorporate price as one dimension but treated it as part of trialability. Besides exploring the factors that influence new products adoption, some researchers have proceeded to explore the impact of marketing mix on new product adoption. In Herbig and Kramer (2004), witnessed extensive coverage on how advertising could affect new product adoption and in product characteristics affected the rate of adoption. Implementation would only occur when the innovation was accepted, and confirmation involved the post adoption behaviour by the adopter.

2.4 Factors Affecting Adoption of New products

2.4.1 Perceived usefulness, ease of use and frequency of use

Davis introduced in 1989 a development of the theory of reasoned action that was supposed to explain why people accept or reject new products (David 2000),). It was specifically designed while keeping in mind the adoption of information-technology related products in the organizational context. The key components of his model were perceived usefulness and perceived ease of use (Davis, 2000). Studies have used this model also in the setting of private individuals, as the theory is relevant outside the organizational context as well. The model stipulates that usage behaviour depends on the subject's intention to use, which depends on the perceived usefulness of the product and the perceived ease of use of the new products.

The perceived usefulness is defined as “the extent to which a person finds that using the bank new products will enhance his or her job performance. (Doll et al., 1998). The perceived usefulness of the products is its ability to provide a means-end relationship that is the given thing as a means to a desired end, or to provide a rationale upon which to make decisions. Means-end knowledge accounts for why consumers use a product (Barczak et al., 2007). The perception of usefulness is formed in interaction with other individuals and a system (Venkatesh and Davis, 2000). The perceived usefulness of the knowledge a person gains depends on how that knowledge can be applied in a particular decision-making situation. The perceived usefulness of gained knowledge in a decision-making situation is contingent upon

2.4.2 Triability on New products

Trial involves actual use of the product and can occur either prior to adoption test driving an automobile or using a demonstration racquet at a tennis club or following adoption. Learning a new software package, because learning is active and requires the acquisition and processing of product-related information, it is hindered in situations in which information pertaining to the new products is not available to the consumer or in which it is difficult to comprehend. In case, assimilation and internalization of information pertaining to the new products on the part of the consumer is difficult.

Consumers learn about goods and services to a large extent by the development of experiences from trial and error. Consumer experiences are a major determinant of consumer choice and preferences (Foxall, 2003). However, experience is an ambiguous concept because it refers both to experience of the service content and of the delivery channel. For instance, experiences determined how consumers assessed the service, through one or multiple channels, and how they perceived channel richness (Carlson and Zmud, 1999). Services are often delivered and consumed in a channel, making determination of which experience, is the important one, that of content or that of deliver, especially difficult.

One way of resolving this issue is to focus on consumer use as an important predictor of experience. Consumer use reduces consumer uncertainty, builds consumer habits (Sujan, M. (2005), and develops understanding in social exchange processes. The ultimate goal of marketing is often that the seller becomes part of a buyer's life concerning the need for the seller's product or service. To achieve such a goal, use of the product or service may be instrumental. For instance, relational marketing is based on the premise that a series of transactions are transformed into a relationship (Forrester 2000). Relationship duration and interaction frequency have been found to be good predictors of relationship development. Similarly, theories of social practice also hold that more use leads to more automatic and taken-for-granted behaviour (Brown and Duguid, 2001).

Turning to a technology context of use, the frequency of use has been found to capture the consumer's use of a technology (Lang and Colgate, 2003; Ricard et al., 2001). Another valid representation of technology use is the duration of the experience with the technology. The features of a technology are likely to influence how the consumer makes sense of the bank, which also influences use (Gupta and Rogers, 2001). For bank customers, their relationship to the bank will thus be characterized by complex sense making of both the more tangible material interface with the bank, such as the layout and function of the new products and the more social response to interaction via the bank's physical site. A study showed that individuals' experience with a new product is important when they start to use a the product, but that the importance of such channel experience decreases over time (Dowling and Staelin, 2004). This result indicates that experiences with a new kind of channel are important at first, but that they decreases in importance relative to the benefits of other factors as the consumer continues learning to exchange in the new way

2.4.3 Level of risks of new Products

Newer products may be perceived by consumers as more risky. Research has shown that the perceived risk is a critical determinant of a consumer's willingness to buy a new product. The first distinguishes between performance and financial risk. Performance risk is the possibility that the product will malfunction or fail to deliver the desired benefits. Financial risk refers to the "potential monetary outlay associated with the initial purchase price as well as the subsequent maintenance costs of the product.

It stands to reason that because commercial new products have no history of use, consumers associate higher levels of performance risk with adoption. Limited data on actual product performance and limited experience with the product or product category are likely to cause consumers to experience greater uncertainty and risk. Similarly, new technologies are typically introduced in the market at high prices. Thus, at introduction, the initial financial outlay required for consumer adoption will in all likelihood be high. For example, when pocket calculators were first introduced, they sold for more than 50 times their current price (Rogers, 1983).

Thus, even though pocket calculators represented a revolutionary new technology, the financial risk involved in their adoption was huge. This would have seriously limited the number of potential buyers purchasing these new products. Similarly, electric cars also are an example of new products whose adoption entails both performance and financial risk. Consumer experience with the product is negligible, leading to expectations of high performance risk, and initial outlay considerable at over $30,000 (Visnic, 2006),), entailing substantial financial risk.

Perceived risk and uncertainty pose considerable barriers to adoption of new commercial bank products, even in situations in which the consumer has evaluated and considered adopting new products. Favorable attitudes may not be converted to actual purchases without the "final push. Bank can play a significant role in providing that extra impetus. Accountability in making recommendations may reduce consumer uncertainty in that they have both expert endorsement and an avenue for formal recourse should the product not meet their expectations. Another barrier to adoption is limited availability of the new products.

Adoption of new products at times involves major behavioral and lifestyle changes. Although a new products offers significant relative advantages over existing products, if consumers are not willing to make required lifestyle or behavioral changes that adoption entails, the new products has a rather slim chance of commercial success. It also is possible for consumers to fail to realize behavioral changes required at the time of adoption.

2.4.4 Communication and Learning

New products require effective communication and active learning and sometimes significant cognitive investment on the part of consumers. On the one hand, consumers learn about new products in the sense that they become aware, through information channels, of the product and its benefits, and often engage in active search to acquire more information to supplement that which they have already acquired. On the other, consumers learn about new products through trial.. Inaccessibility, for whatever reason, impedes consumers' ability to learn about new products, which reduces chances of adoption.

Conversely, in an age of information and "innovation overload" (Herbig and Kramer, 2004) in which bank new products are continuously being introduced, many new products providers are extremely conscious of the need to provide consumers with as much information as possible about their product. Rather than stimulate learning, excessive information by its sheer quantity and variety may prove an impediment to learning (Malhotra, 2002), creating barriers to the adoption of new products. Although not readily apparent, post-adoption trial is a significant issue for consumer learning about new products. With new products which require significant cognitive investment in post-adoption learning, consumers may be resistant to adopt subsequent new products despite potential benefits due to the investment which they have made in the existing product.

Lack of knowledge and inability to appreciate the relevance of attributes and benefits of new products make many consumers not to actively seek information related to new products. It has been shown that new products are generally perceived as risky and as having little relative advantage to consumers due to consumers' inability to understand the product. However, if a commercial bank consumer is involved in the adoption decision, they will collect and process the information on behalf of the consumer. Since bank consumers are experts in their areas, they are efficient information processors and are therefore less likely to experience information overload (Alba and Hutchinson, 2007). Therefore, it is easier for them to process information on new products and communicate it to the consumer in order to create interest in new products. Surrogate buyers can first gauge the level of interest and product knowledge of potential adopters and provide them with appropriate information to encourage further interest in the adoption of the new products.

2.5 Perceive Complexity on New Products

Since new products define or significantly modify existing product categories, one of the most difficult tasks facing a consumer when adopting an new products is finding ways to evaluate it meaningfully. Often new products possess new and complex features which do not communicate obvious credible advantages over existing products. The consumer may not know what a particular attribute is (a zip drive, its relevance, how to evaluate potential benefits) or the optimal level of the attribute to have (do I need a 4MB RAM or 16MB?). This potentially increases the functional, social, financial, and/or Personal risks associated with the adoption of new products. As experts, financial consumers possess the knowledge to evaluate new products based on their consumers' needs and expectations and then customize recommendations about adoption.

Processing and evaluation is reduced to a manageable level for the consumer. In addition, most banks customers often have access to specialized media not readily available to consumer's trade publications and professional journals, trade shows at which new products may be introduced. This access to specialized new products-related information gives surrogates an advantage in effectively and comprehensively evaluating new products and conveying potentially not-so-obvious benefits and information to potential adopters. Bank consumers may also act as a super ordinate group (Fisher and Price, 1992), since their recommendation to adopt may in itself act as a form of product endorsement. Implicit in a recommendation is an understanding that the bank consumers has evaluated the new products and found it to be worthy of recommendation. In this way, surrogate buyers are in a unique position to sell the needs rather than the newness of new products (Lunsford and Burnett, 2002).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the method that was used in the collection of data pertinent in answering the research question. It is divided into research design, study population, sample design, data collection and data analysis methods.

3.2 Research Design

This study used descriptive research design. This design refers to a set of methods and procedures that describe variables. It involves gathering data that describe events and then organizes, tabulates, depicts, and describes the data. According to Mugenda and Mugenda (2003), descriptive design is a process of collecting data in order to answer the questions of the current status of the subject under study.

3.3 Population

The population constituted the entire 45 commercial banks operating in Kenya.

3.4 Data Collection

The information from the respondents was collected by use of structured questionnaire. Data was collected from a total of 45 product managers from all the 45 commercial banks in Kenya. This involved mainly of closed-ended forms of questions to the respondent. The questionnaire was divided into two sections. Section one is concerned with the general information about respondents, while section two deals with the issues of factor affecting adoption of new products in commercial banks. The questionnaire was distributed to the selected respondents where the respondents dropped and picked the questionnaire later. This enabled the researcher to collect data from the main management unit which is usually involved in the normal operations of the banks.

3.5 Data Analysis

The collected data was thoroughly examined and checked for completeness and comprehensibility. The data was then be summarized, coded and tabulated. Data was coded and entered into the Statistical Package for Social Sciences (SPSS) for analysis.

SPSS was used to analyze data. This program aids in organizing and summarizing the data in interpretable forms such as tables, graphs and charts. This ensured that the gathered information is clearly understood. Descriptive statistics such as means, standard deviation and frequency distribution was used to analyze the data. Inferential statistic like correlation was carried out.

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION OF FINDINGS

4.1 Introduction

This chapter discusses the interpretation and presentation of the findings. The objectives of this study were to assess the effects of perceived usefulness and ease of use on adoption of new products in commercial Banks in Kenya, to find out the how use of technology affects adoption of new products in commercial Banks in Kenya, to assess how level of risks affects adoption of new products in commercial Banks in Kenya. This chapter focused on data analysis, interpretation and presentation. The researcher made use of frequency tables and percentages to present data.

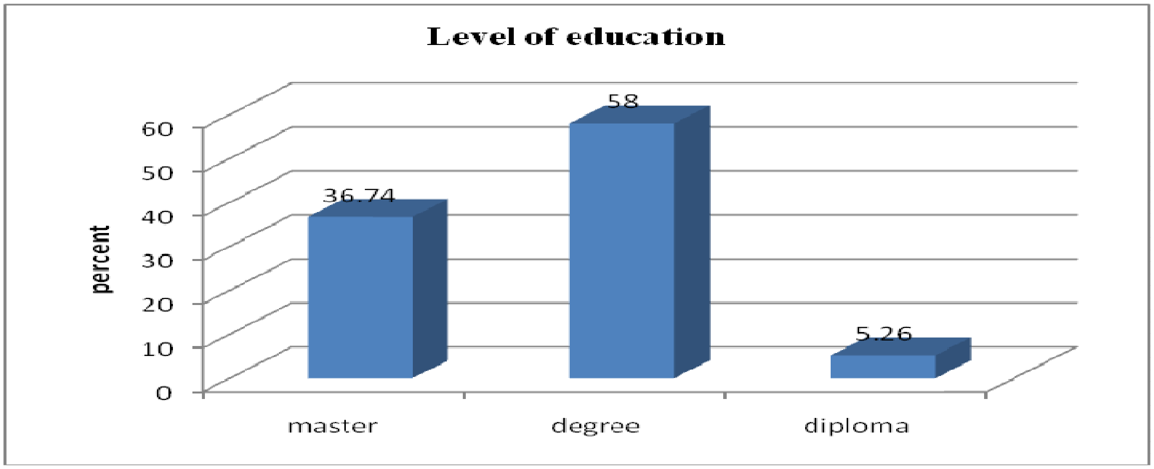
The researcher targeted a sample of 45managers from all the 45 commercial banks out of which 41 responses were obtained. This represented a 91.1% response rate. According to Babbie (2002) any response of 50% and above is adequate for analysis thus 91.1% is even better.

4.2 General information

From the findings 57.89% of the respondents indicated that they were female while 42.11% were male. This shows that majority of the respondents were female.

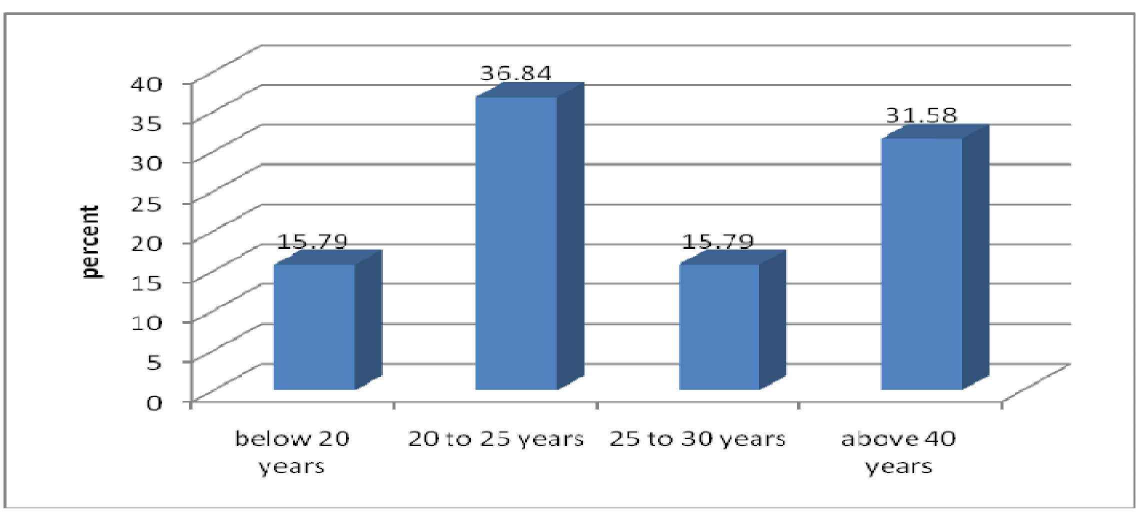
The researcher requested the respondents to indicate their highest level of education. The results are shown in figure 4.1. 36.74% of the respondents indicated that they had masters level of education, 58% had degree level of education and 5.26% had diploma level of education. These findings show that majority of the respondents had degree level of education and hence they had the information required on adoption of new products in commercial banks.

Figure 4: 1: level of education



The researcher requested the respondents to indicate the duration of time their banks had been in operation. The results are shown in figure 4.2. From the findings 15.79% of the respondents indicated that their banks had been in operation for below 20 years, 36.84% indicated that their banks had been in operation for between 20 and 25 years, 15.79% of the respondents indicated that their banks had been in operation for between 25 and 30 years and 31.58% of the respondents indicated that their banks had been in operation for above 40 years. From the findings above, majority of the respondent indicated that their banks had been in operation for between 20 and 25 years.

Figure 4: 2: Duration the bank has been in operation



4.3 Perceived usefulness of use on adoption of new products

Development new products/services

The researcher requested the respondents to indicate whether their banks were involved in the development of new products. 84.21% of the respondents indicated that their banks were involved in the development new products while 15.79% indicated that their banks were not involved in the development of new products. This clearly shows that majority of the banks were involved in the development of new products.

The researcher requested the respondents to indicate the rate of adoption of new products/services by customers in their banks. The results are shown in table 4.1. From the findings as shown by table 4.1, 84.2% of the respondents indicated that their bank customers had adopted new products and services at moderate rate which 15.8% indicated that their bank customers had adopted new products and services at high rate. From these findings we can deduce that new products and services in commercial banks had been adopted by customers at a moderate rate.

Table 4. 1: Rate of adoption of new products/services by bank customers

Rate	Frequency	Percent
moderate	35	84.2
high	6	15.8
Total	41	100.0

Table 4.2 shows the respondents response on the perceived usefulness and ease in adoption of new products. The respondents were instructed to rate their agreement based on a five-point Likert-scale) where 1 = not at all, 2 = low extent, 3 = moderate extent, 4 = great extent and 5 = very great extent). A mean score of 1.00 – 1.49 means the respondents disagreed, 1.50 – 2.49 means the respondents agreed to a low extent, 2.5 – 3.49 means the respondents agreed to a moderate extent, 3.50 – 4.49 means the respondents agreed to a great extent and 4.50 – 5.00 means the respondents agreed to a very great extent with the factors. A standard deviation (SD) of > 1 shows significant variability of responses and that of < 1 slight to non-variability of responses.

The respondents agreed with a mean of 4.05 and a standard deviation of 1.03 that customers fail to adopt new products/services at commercial bank because they fail to understand their immediate use. The statement that customers fail to accept new products at commercial banks due to intentions of use of the products was agreed with a mean of 3.00 and a standard deviation of 1.20. Inadequate information on new products e.g. loan was agreed with a mean of 3.79 and a standard deviation of 0.92 and lack of differentiation between existing and new products/services was agreed with a mean of 3.47 and a standard deviation of 0.96.

Table 4. 2: Perceived usefulness of use on adoption of new products

Factors	Mean	Std dev
Customers fail to adopt new products/services at commercial bank because they fail to understand their immediate use.	4.05	1.03
Customers fail to accepts new products at commercial banks due to intentions of use of the products	3.00	1.20
Inadequate information on new products e.g. loan	3.79	0.92
Lack of differentiation between existing and new products/services	3.47	0.96

4.4 Level of risks on new products adoption

The researcher requested the respondents to indicate whether they agreed with the statements on the level of risks on new products adoption. A five point Likert scale was used to interpret the respondent's responses. According to the scale, those factors which were strongly disagreed were awarded 1 while those which were strongly agreed were awarded 5. Within the continuum are 2 for disagreed, 3 for neutral and 4 for agreed. Mean (weighted average) and standard deviation were used to analyze the data.

According to the researcher those factors with a mean close to 4.0 were considered as agreed, those with a mean close to 3.0 were rated as neutral while those with a men close to two were considered as disagreed. On the same note the higher the standard deviation the higher the level of dispersion among the respondents. The findings are shown in table 4.3.

As shown in table 4.3, the statement that customers in banks regard customer new products as more risky and fail to adopt it easily was agreed with a mean of 3.00 and a standard deviation of 0.816, customers fail to accept new products/services due to perception they will not achieve desired benefits was agreed with a mean of 3.37 and a standard deviation of 0.761, customers fail to accept new products because they don't know it history of use was agreed with a men of 3.47 and a standard deviation of 0.513, cost of new products hinders consumer adoption of the new products was agreed with a mean of 2.74 and a standard deviation of 0.817, lack of customer experience with the new developed products make customers reluctant in adopting it was agreed with a mean of 3.68 and standard deviation of 0.749, bank has knowledgeable staff was agreed with a mean of 3.05 and a standard deviation of 1.43 and customer are offered good free consultant service was agreed with a mean of 3.11 and a standard deviation of 1.19.

Table 4. 3: level of risks on new products adoption

	Mean	Std dev
Customers at our bank regards customer new products as more risky and fails to adopt it easily	3.00	0.816
The customers fail to accept new products/services due to perception they will not achieve desired benefits	3.37	0.761
Most customers at the our bank fails to accept new products because they don't know it history of use	3.47	0.513
The cost of new products hinders consumer adoption of the new products	2.74	0.817
Lack of customer experience with the new developed products make customers reluctant in adopt it.	3.68	0.749
The bank has knowledgeable staff	3.05	1.43
Customer are offered good free consultant service	3.11	1.19

4.5 Effects of communication on adoption of new products in banks

The researcher requested the respondents to indicate the extent to which they agreed with the effects of communication on adoption of new products in banks. The results are shown in table 4.4.

Table 4.4 above shows the rate of respondents' agreement of the effects of communication on adoption of new products in their banks. The respondent agreed with a mean of 3.42 and standard deviation of 0.769 that lack of information on new products hinders customers' adoption of the new products at commercial banks. It was also agreed with a mean of 3.36 and a standard deviation of 0.895 that ineffective communications act as a great barrier to adoption of new commercial banks products. Ability to learn on usage of the new products in bank affects adoption of the new products/services was agreed as an effect of communication on adoption of new products in banks with a mean of 3.74 and a standard deviation of 0.653. The respondent also agreed with a mean of 3.74 and a standard deviation of 0.653 that lack of awareness on new products at our bank affects its adoption by the customers.

Table 4. 4: Effects of communication on adoption of new products in banks

	Mean	Std dev
Lack of information on new products hinders customers adoption of the new products at commercial banks	3.42	0.769
Ineffective communication act as a great barriers to adoption of new commercial banks products	3.36	0.895
Ability to learn on usage of the new products at our bank affects adoption of the new products/services	3.74	0.653
Lack of awareness on new products at our bank affects it adoption by the customers.	3.74	0.653

Lack of knowledge on new products adoption

The researcher requested the respondents to indicate whether lack of knowledge on the new developed products at commercial banks affects the new products adoption. From the findings 63.16% of the respondents indicated that lack of knowledge on the new developed products at commercial banks affects the new products adoption while 36.84% indicated that it was not. From these findings we can deduce that lack of knowledge on the new developed products at commercial banks affects the new products adoption.

The researcher requested the respondents to indicate the extent to which customers' evaluation affected adoption of ne products/ services. The findings are shown in figure 4.5. From the findings 15.8% of the respondents indicated that customer's evaluation affects adoption of new products/services in commercial banks to a low extent, 68.4% to a moderate extent, and 15.8% to a great extent. From these findings we can deduce that ccustomers' evaluation affects adoption of new products/services in commercial banks to a moderate extent.

Table 4. 5: Customer's evaluation affects adoption of new products/services

	Frequency	Percent
low extent	6	15.8
Moderate extent	29	68.4
great extent	6	15.8
Total	41	100.0

The researcher requested the respondents to indicate the extent to which the respondents agreed with the effects of triability on adoption of new products in Commercial banks. The findings are shown in table 4.6. From the findings the statement that cconsumers' learn about goods and services to a large extent by the development of experiences from trial and error was agreed with a mean of 3.68 and a standard deviation of 1.25, failure of staff to be attentive to customer need affect customer relationship at the bank was agreed with a mean of 3.53 and a standard deviation of 0.96, consumers' assessment of the new products/services at the bank affects adoption of the bank was agreed with a mean of 3.00 and a standard deviation of 0.58 and customers relationship duration and interaction frequency with the new products affects it adoption was agreed with a mean of 4.00 and a standard deviation of 0.00.

Table 4. 6: Effects of triability on adoption of new products in Commercial banks

	Mean	Std dev
Consumers learn about goods and services to a large extent by the development of experiences from trial and error.	3.68	1.25
Failure of staff to be attentive to customer need affect customer relationship at the bank	3.53	0.96
Consumers' assessment of the new products/services at the bank affects adoption of the bank.	3.00	0.58
Customers Relationship duration and interaction frequency with the new products affects it adoption	4.00	0.00

The researcher requested the respondents to indicate the extent to which they agreed with the statement that advancement in technology affects adoption of new products in Commercial Banks. The findings are shown in table 4.7. As shown in table 4.7, 15.8% strongly disagreed that advancement in technology affects adoption of new products in Commercial Banks, 21.1% disagreed, 47.4% agreed and 15.8% strongly agreed. From these findings we can deduce that advancement in technology affects adoption of new products.

Table 4. 7: Advancement in technology

	Frequency	Percent
strongly disagree	6	15.8
disagree	9	21.1
agree	20	47.4
strongly agree	6	15.8
Total	41	100.0

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the discussion of key data findings, conclusion drawn from the findings highlighted and recommendation made there-to. The conclusions and recommendations drawn were focused on addressing the objectives of this study which were to assess the effects of perceived usefulness and ease of use on adoption of new products in commercial Banks in Kenya, to find out the how use of technology affects adoption of new products in commercial Banks in Kenya, to assess how level of risks affects adoption of new products in commercial Banks in Kenya.

5.2 Summary of Key Findings

This study found that majority of the commercial banks analyzed were involved in the development of new products. The study also realized that new products and services in commercial banks had been adopted by customers at a moderate rate.

On the perceived usefulness and ease in the adoption of new products. The study found that customers fail to adopt new products/services at commercial bank because they fail to understand their immediate use. Customers also fail to accept new products at commercial banks due to intentions of use of the products. The study also revealed that there was inadequate information on new products e.g. loan. There was also lack of lack of differentiation between existing and new products/services in commercial banks.

On the level of risks on new products adoption the study found that customers fail to accept new products/services due to perception that they will not achieve desired benefits customers also fail to accept new products because they don’t know its history of use. The study also found that cost of new products hinders consumer adoption of the new products, lack of customer experience with the new developed products make customers reluctant in adopting it and customer are offered good free consultant service.

On the effects of communication on adoption of new products in commercial banks this study found that lack of information on new products hinders customers’ adoption of the new products at commercial banks. Ineffective communications act as a great barrier to adoption of new commercial banks products. Ability to learn on usage of the new products in bank affects adoption of the new products/services was agreed as an effect of communication on adoption of new products in banks. The study also found that lack of awareness on new products at our bank affects its adoption by the customers.

The findings of this study show that lack of knowledge on the new developed products at commercial banks affects the new products adoption. The study also revealed that customers' evaluation affects adoption of new products/services in commercial banks to a moderate extent.

The findings of this study also show that consumers' learn about goods and services to a large extent by the development of experiences from trial and error. Failure of staff to be attentive to customer need affect customer relationship at the bank. Consumers' assessment of the new products/services at the bank affects adoption of the new products and services in banks. It was also revealed that customers' relationship duration and interaction frequency with the new products affects it adoption. The findings of this study also show that advancement in technology affects adoption of new products.

5.3 Conclusion

This study concludes that majority of the commercial banks analyzed were involved in the development of new products. New products and services in commercial banks had been adopted by customers at a moderate rate.

The product managers revealed that customers adopt new products/services at commercial bank because they fail to understand their immediate use. Customers also fail to accept new products at commercial banks due to intentions of use of the products. Lack of differentiation between existing and new products/services in commercial banks also affects adoption of new products and services.

O the level of risks on new products adoption the study found that customers' failure to accept new products/services due to perception that they will not achieve desired benefits. Customers also fail to accept new products because they don't know its history of use. The study also found that cost of new products hinders consumer adoption of the new products, lack of customer experience with the new developed products make customers reluctant in adopting it and customer are offered good free consultant service.

Lack of information on new products hinders customers' adoption of the new products at commercial banks. Ineffective communications act as a great barrier to adoption of new commercial banks products. Ability to learn on usage of the new products in bank affects adoption of the new products/services was agreed as an effect of communication on adoption of new products in banks.

This study also concludes that lack of knowledge on the new developed products at commercial banks affects the new products adoption. Customers' evaluation affects adoption of new products/services in commercial banks to a moderate extent. Cconsumers' learn about goods and services to a large extent by the development of experiences from trial and error. Failure of staff to be attentive to customer need affect customer relationship at the bank. Consumers' assessment of the new products/services at the bank affects adoption of the new products and services in banks. Customers' relationship duration and interaction frequency with the new products affects its adoption.

5.4 Recommendations

5.4.1 Recommendations with policy implications

Foremost this study found that although majority of the commercial banks were involved in the development of new products, some banks were not involved. It therefore recommends that all commercial banks should be involved in the development of new products and services.

This study also found that customers fail to accept new products/services due to perception that they will not achieve desired benefits. This study therefore recommends that commercial banks should train their customers on the immediate use of commercial banks benefits and their intention of use.

This research study found that lack of information on new products hinders customers' adoption of the new products at commercial banks and ineffective communications act as a great barrier to adoption of new commercial banks products. This study therefore recommends that commercial banks should increase information providers in their banks and open detailed websites.

The study also found that cost of new products hinders consumer adoption of the new products. It therefore recommends that policymakers should form policies that will regulate the cost of new products and hence protect customers from exploitation.

5.4.2 Suggestions for further studies

The study recommends that further studies should be done on the effects of adoption of new products on customer satisfaction. This study focused on the factors that affect the adoption of new products in Kenya commercial banks but it did not outline the effects of new products on customer satisfaction.

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APPENDICES

Appendix I: Letter of Introduction to Respondents

University of Nairobi
School of Business and Economics
P.O BOX 30191
Nairobi.
12 May 2010

Dear Respondent,

RE: COLLECTION OF SURVEY DATA

I am a masters' program student at University of Nairobi, School of Business. In order to fulfill the master's program requirements, I am undertaking an Administration research project on **"Factors Affecting adoption of new products in commercial banks".**

I kindly request you to assist me to collect data by filling out the accompanying questionnaire .The information provided will be used exclusively for academic purposes and will be held in strict confidence. Thank you.
Yours faithfully,

Margaret Cheruiyot

Appendix II: Research Questionnaire

Kindly fill the questionnaire below. Your accuracy and frank response is highly required. You do not need to write your name on this questionnaire and all information received will be treated with much confidentiality

SECTION A: Respondent Profile

1. Please indicate your gender

Male [ ] Female [ ]

2. What is your highest level of education? (Tick as applicable)

a) College [ ]
b) University [ ]
c) Degree [ ]
d) Master [ ]
e) Others (specify) ………………………………………………………...

4. How long has your bank been in operation?

…………………………………………………

5. What is your position at your work place?

General Manager [ ]

Operation Manager [ ]

Marketing manager [ ]

Customer care manager [ ]

Credit manager [ ]

Others………………………………………………….

SECTION B. Perceived Usefulness and Ease of Use on adoption of New

1. Is your bank involved in developing of new products/services?

Yes [ ]

No [ ]

2. How do you rate the adoption of new products/services by your bank customers?

i. Very Low [ ]
ii. Low [ ]
iii. Moderate [ ]
iv. High [ ]
v. Very High [ ]

3. To what extent do the following statement concerning perceive usefulness and ease in adoption of new products at your bank?

Factors	Very low extent	Less extent	Moderate	Great Extent	Very great Extent
Customers fail to adopt new products/services at commercial bank because they fail to understand their immediate use.					
Customers fail to accepts new products at commercial banks due to intentions of use of the products					
Inadequate information on new products e.g. loan					
Lack of differentiation between existing and new products/services					

Level of Risks on new products adoption

4. To what extent do you agree with the following statement on level of risks on new products adoption?

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
Customers at our bank regard customer new products as more risky and fails to adopt it easily					
The customers fail to accept new products/services due to perception they will not achieve desired benefits					
Most customers at the our bank fails to accept new products because they don't know its history of use					
The cost of new products hinders consumer adoption of the new products					
Lack of customer experience with the new developed products make customers reluctant in adopt it.					
The bank has knowledgeable staff					
Customer are offered good free consultant service					

Effects of Communication of Adoption of New Products

5. To what extent do you agree with each of the following statement regarding effects of communication of adoption of new products at your bank?

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
Lack of information on new products hinders customers adoption of the new products at commercial banks					
Ineffective communication act as a great barriers to adoption of new commercial banks products					
Ability to learn on usage of the new products at our bank affects adoption of the new products/services					
Lack of awareness on new products at our bank affects it adoption by the customers.					

6. Does lack of knowledge on the new developed products at commercial banks affect the new products adoption?

Yes [ ]

No [ ]

Explain your answer…………………………………………………………………

7. To what extent do customers' evaluation on the new products affects adoption of the new products

i. Very low extent [ ]
ii. Low extent [ ]
iii. Moderately extent [ ]
iv. Great extent [ ]
v. Very great extent [ ]

8. Please use the space below for any further comments to your responses or any suggestions on how Kenya Commercial bank customer's new products/survives affect it adoption.

…………………………………………………………………………………………………
…………………………………………………………………………………………………
…………………………………………………………………………………………………
………………………………………………………………………………………………..

Lack of Information affects in Commercial Banks in Kenya

9. To what extent do you agree with each of the following statement on effects of Triability on adoption of new products at Commercial banks?

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
Consumers learn about goods and services to a large extent by the development of experiences from trial and error.					
Failure of staff to be attentive to customer need affect customer relationship at the bank					

Consumers assessment of the new products/services at the bank affects adoption of the bank.					
Customers Relationship duration and interaction frequency with the new products affects it adoption					

11. To what extent do you agree with the following statement? Advancement in technology affects adoption of new products in Commercial Banks.

i. . Strongly Disagree [ ]
ii. Disagree [ ]
iii. Neutral [ ]
iv. Agree [ ]
v. Strongly agree [ ]

Explain your answer……………………………………………………………………….

……………………………………………………………………………………………………
……………………………………………………………………………………………………
…………………………………………….

Appendix III: Work Plan -2010

	2010					
Month /Activity	**March**	**April**	**May**	**June**	**July**	**August**
Project Proposal Writing						
Corrections						
Data Collection						
Data Analysis						
Report Writing						
Submission of Report						
Finalisation of Report						

Appendix IV: Budget and Estimates

Item	**Unit Cost**	**Cost (KShs)**
Proposal Writing	Item	6,000
Printing and Photocopying of proposal	Item	5,600
Preliminary spiral binding of proposal copies	200	2200
Computer/typing services	Item	4,000
Hiring of research assistant	5,000	6000
Data analysis using SPSS	Item	15,000
Printing and Photocopying of Research Report	Item	5,000
Hard binding, copies	400	4000
Total		**47 800**

Appendix V: Existing Commercial Banks

1. ABC Bank
2. Bank of Africa Kenya
3. Bank of Baroda
4. Bank of India
5. Barclays Bank of Kenya
6. Chase Bank
7.
8. Citibank N.A.
9. City Finance Bank
10. CFC-Stanbic Bank
11. Co-operative Bank of Kenya
12. Commercial Bank Of Africa
13. Consolidated Bank of Kenya
14. Credit Bank
15. Development Bank of Kenya
16. Diamond Trust Bank of Kenya
17. Dubai Bank Kenya
18. Equatorial Commercial Bank
19. Equity Bank
20. Ecobank
21. Family Bank
22. Fidelity comm. Bank
23. First Community Bank
24. Fina Bank
25. Guardian Bank
26. Giro Commercial Bank
27. Gulf African bank
28. Habib A.G. Zurich
29. Habib Bank Kenya
30. Imperial Bank

31. I & M. Bank
32. K-Rep Bank
33. Kenya Commercial Bank
34. Middle East Bank
35. National Bank of Kenya
36. N.I.C. Bank
37. Oriental Commercial Bank
38. Paramount Universal bank
39. Prime Bank
40. Southern Credit bank
41. Standard Chartered Bank
42. Trans-National Bank
43. UBA bank
44. Victoria Commercial Bank