KEY SUCCESS FACTORS AND BANK STRATEGY IN THE CREDIT CARD INDUSTRY: A SURVEY OF COMMERCIAL BANKS ISSUING CREDIT CARDS IN KENYA

By

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DECLARATION

This research project is my original work and has not been submitted for a degree in any other university

Signature: ___________________________ Date: ___________________

Mutua Jackson Musyoka,
D61/P/8371/2006

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

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DEDICATION

This piece of work is dedicated to my dear wife Lucy and our daughter Mercy

ACKNOWLEDGEMENT

The process of this master project writing has been a wonderful learning experience in my academic life filled with challenges and rewards. The completion of the present study leads to a new beginning and a step forward towards my future.

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ABSTRACT

Understanding of the key success factors is of utmost importance as they drive the strategy for any company. Key success factors are considered as an important component of strategic planning and a means for organizations to focus and validate important activities, initiatives and projects. Key success factor is a useful concept in explicating the things that people at best knew intuitively and sometimes accidentally to direct their efforts towards staying competitive and realizing the vision of the business organization

The purpose of this study was to identify key Success factors in the credit card banking sectors as well as strategies employed by credit card issuing banks in Kenya. The study cut across all commercial banks issuing credit cards in Kenya to establish whether they base their strategies on key Success Factors.

The research design was in form of a descriptive survey intended to identify key Success factors and strategies employed by commercial banks that issue credit cards in Kenya and to establish whether commercial banks issuing credits cards in Kenya base their strategies on key success factors. The population covered all 12 commercial banks .The research used primary sources of data since the objective was to identify the perception of commercial banks issuing credit cards on key success factors and establish the extent to which they have a related strategy for the factors identified. The data was coded and tabulated to facilitate data analysis. Descriptive statistics were used to transform the data collected into standard form for relative comparison.

The study found out that the key success factors that were very important in influencing customer use of banks products and service were service quality, technology, marketing, human resources, pricing, finance and research and development. The findings of the study were found to be consistent with other previous studies on the subject of industry key success factors.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Key success factors have several direct and several possible uses for any business organization whether it is for profit or not for profit, large or small, domestic or foreign. In strategic analysis of a business organization, key success factors often initially appear as analytical tools for examining the character of the industry in which the business unit competes. Often key success factors appear as elements of a competitive strength assessment in examining the relative strength of the business unit compared to its rivals in the industry (Thompson et al 1995)

Competitive strategy is the search for a favorable competitive positioning in an industry, the fundamental arena in which competition occurs. Competitive strategy aims to establish a profitable and sustainable position against the forces that determine industry competition .A good competitive strategy leads to a competitive advantage (Porter 1998)

Understanding of the key success factors is of utmost importance as they drive the strategy for any company. Key success factors are considered as an important component of strategic planning and a means for organizations to focus and validate important activities, initiatives and projects. Key success factors is a useful concept in explicating the things that people at best knew intuitively and sometimes accidentally to direct their efforts towards staying competitive and realizing the vision of the business organization.

1.1.1 Concept of Strategy

Strategy are the large scale, future oriented plans for interacting with the competitive environment to achieve company objectives. A strategy is a company's game plan. Although the plan does not precisely detail all future deployments (of people, finances and material) it does provide a frame work for managerial decisions. A strategy reflects a company awareness of how when and where it should compete; against whom it should compete and for what purpose it should compete (Pearce and Robinson, 2007)

Thompson, Strickland and Gamble, 2007 have defined a company's strategy as the management's action plan for running the business and conducting operations. The crafting of a strategy represents managerial commitment to pursue a particular set of actions in growing the business, attracting and pleasing customers, competing successfully, conducting operations and improving the company financial performance. Thus a company strategy is all about how management intends to grow the business, how it will build a loyal clientele and outcome rivals, how each functional piece of the business will be operated and how performance will be boosted.

In choosing a strategy, management is in effect saying that among all the different business approaches and ways of competing, the company has decided to employ a particular combination of competitive and operating approaches in moving the company in the intended direction, strengthening its market position and competitiveness and boosting performance (Thompson, Strickland and Gamble, 2007)

A creative distinctive strategy that sets a company apart from rivals and yields competitive advantage is a company's most reliable and ticket for earning above average profits. A company is almost certain to earn higher profits when it's enjoying competitive advantage. Furthermore if a company's competitive advantage holds promise for being durable and sustainable, the better for the strategy and the company's profitability.

A strategy of a corporation forms a comprehensive master plan that states how the corporation will achieve its mission and objectives. It maximizes competitive advantage and minimizes competitive disadvantage (Hunger and Wheelan, 2008)

1.1.2 Industry Key Success Factors

An industry's key success factors (KSF's) are those competitive factors that most affect industry members ability to prosper in the market place- the particular strategy elements , product attributes, resources, competencies, competitive capabilities and market achievements that spell the difference between strong competitor and weak competitor and sometimes between profit and loss (Thompson, Strickland and Gamble 2007)

Key success factors by their very nature are so important to future competitive success that all firms in the industry must pay close attention to them or risk becoming and industry also – ran. Identifying key success factors, in light of prevailing and anticipated industry and competitive conditions is always a top priority analytical strategy making consideration. Company strategists need to understand the industry landscape well enough to separate factors most important to competitive success from those that are less important. Correctly diagnosing the industry's KSF's raises the company chances of crafting a sound strategy. The goal of the company strategist should be to design a strategy aimed at stacking up well on all futures KSF's and trying to be distinctively better than rivals (Thompson, Strickland and Gamble 2007)

By identifying the key success factors managers are able to envision the ideal strategy for building competitive edge in the industry. Key success factors are therefore an integral part of a company strategy. Frequently, a company 'with perceptive understanding of industry success factors can gain sustainable competitive advantage by devoting its energies to being distinctively better than its rivals at succeeding in these factors (Thompson and Strickland, 1995)

1.1.3 Commercial Banks Issuing Credit Card in Kenya

Commercial banks in Kenya are governed by the Companies Act, the Central bank Act and various prudential guidelines that are issued by the Central Bank of Kenya from time to time. The banks have come together under the Kenya Association of Credit Card which serves as a lobby for the banks' interests and also addresses issues pertaining to credit cards.

Since the introduction of credit cards in Kenya in the early 1990's, several changes have been witnessed. Visa statistics show that over 115,588 Kenyans have a visa credit card. In the early 1990's very few people knew about credit cards. In terms of issuance we had very few players in the sector with Barclaycard (Barclays Bank) being the major player. Over the years Barclaycard had played a leading role of providing this service to the Kenyans irrespective of their bank(s). Visa statistics show that Barclays Bank controls 60% of the Credit cards sector in Kenya. As a way of responding to their customer needs other players have entered the sector in response to continued needs of their customers' currently there are there are 12 commercial banks in Kenya which issue credit cards (Central Bank of Kenya 2009).

The demand for credit cards in Kenya has increased driven by factors such as growth in the economy, increase in the number of bankable people, increase in mobility among the business people and professionals and the fact that the world is continually becoming a global village and people would like to transact business deals from the comfort of their offices. These factors among others have necessitated the need to acquire credit cards which are regarded to offer a convenient, safe and flexible way of doing business.

Due to this appetite for credit cards we have witnessed increase in the number of commercial banks which issue credit cards to their customers. The main driving forces being the need to retain their customers who would rather opt to obtain cards from other players and as a way of diversifying business so as to improve on their income , and also due to the great acceptability of cards as a way of making payments.

Increase in credit card issuance by banks in Kenya has led to increased competition among the players. In their efforts to outdo each other we have witnessed changes in strategy by the issuers. In terms of pricing we have seen waivers in some of the fees being charged for as well as changes in the design of the credit card itself.

There have been also changes in customer recruitment whereby some players have abandoned the traditional channels and have opted for more aggressive methods such as the use of direct sales agents to source for clients.

The main players are spending more in Marketing and advertising to create more awareness for their products. There has been an upsurge in the number of promotions on credit cards.

1.2 Statement of the Problem

In a competitive market place understanding Key success factors has become a very important issue. Due to increased competition, organizations have resulted to the use of Key success factors in order to gain competitive advantages. Key success factors vary from industry to industry. There are various key success factors such as Service delivery (customer service), technology, product range and design, convenience and flexibility, Cost of services, better trained personnel, Leadership , pricing, location, distribution channels, volume of sales, image and reputation, marketing effectiveness, financial modeling, research and development, and efficient processes and turnaround.

Various studies have been carried out on the banking sector. Warucu (2001) looked at the competitive strategies applied by commercial banks in Kenya. His main focus was on the strategies that commercial banks applied to respond to changes in the environment.

Njihia (2005) did a study on the determinants of bank profitability, and focused mainly on the factors affecting profitability of commercial banks in Kenya. Maina (2006) did a study on the Key success factors of commercial banks in Kenya.

However these studies and many others have not looked at key success factors with regard to the credit card sector, neither did they seek to establish whether credit card issuing banks base their strategies on the Key success factors. With this research gap this research will fill by posing the question ‘what are the key success factors in the credit card banking industry and do credit card issuing banks base their strategies on key success factors?’

1.3 Objectives of the study

The study had two objectives:

i. To identify the key success factors in the credit card banking sector and strategies employed by credit card issuers in Kenya
ii. To establish whether credit card issuing banks base their strategies on the key success factors.

1.4 Importance of the Study

This study sheds light on how commercial banks may use key success factors in their strategies in Kenya. This study would be of relevance to the following:

The study would aid managers of various institutions in determining the various key success factors. Particularly, managers will gain important insights in establishing the key success factors that contribute to organizational success.

Policy makers will obtain knowledge of the key success factors adopted by the banking industry in Kenya. They will therefore obtain guidance from the study in designing appropriate policies that will regulate the banking industry with regard to credit card issuance.

Researchers, the study will form basis for and stimulate researchers in order to develop a better understanding of key success factors and how to use them to remain competitive in the market. This will expand their knowledge on key success factors in the banking industry and identify areas of further study.

CHAPTER TWO: LITERATURE REVIEW

2.1 Concept of Strategy

A strategy is a set of decision making rules for the guidance of organizational behavior. These rules represent the yardsticks by which present and future performance of the firm is measured; and help develop the firm's relationship with its external environment (Ansoff and McDonnell 1990). Strategy helps firms answer questions such as what products- technology the firm will develop, where and to whom the products are to be sold and how the firm will gain advantage over competitors.

Pearce and Robinson (2007) define strategy as the large scale, future oriented plans for interacting with the competitive environment to achieve company objectives. A strategy is a company's game plan. Although the plan does not precisely detail all future deployments (of people, finances and material) it does provide a frame work for managerial decisions. A strategy reflects a company awareness of how when and where it should compete; against whom it should compete and for what purpose it should compete.

Johnson and Scholes (2002) define strategy as the direction and scope of an organization over the long term, which achieves advantage for the organization through its configuration of resources within a changing environment and to fulfill stakeholder expectations. It is the process by which managers set an organization's long term course, develop plans in the light of internal and external circumstances, and undertake appropriate action to reach their goals.

The tight connection between competitive advantage and profitability means that the quest for sustainable competitive advantage always ranks centre stage in crafting a strategy. The key to successful strategy making is to come up with one or more strategy elements that act as a magnet to draw customers and yield a lasting competitive edge. Indeed what separates a powerful strategy from an ineffective one is the managements ability to forge a series of moves both internally and in the market place that sets the company apart from its rivals, tilts the playing field in the company's favour by giving customers reason to prefer its products and services and produces a sustainable competitive advantage over rivals. Without a strategy that leads to competitive advantage, a company risks being out competed by stronger rivals and or locked in to mediocre financial performance (Thompson, Strickland and Gamble 2007)

Thompson, Strickland and Gamble (2007) have identified three characteristics of a winning strategy: a good strategy must fit the company's external and internal situation and be well matched to industry and competitive conditions; a good strategy must build a sustainable competitive advantage and lastly a good strategy must help improve the company's performance in terms of profitability and market standing. Strategic management is the set of decisions and actions that results in the formulation and implementation of plans to achieve a company's objectives. It involves planning, directing, organizing, and controlling of a company's strategy-related decisions and actions (Pearce and Robinson 2007)

Pearce and Robinson (2007) observe that strategic issues have five dimensions: they require top management decisions and involvement since they overarch several areas of a company's operation; they require large amounts of the firms resources; they often affect the firm's long term prosperity; they are future oriented; they usually have multifunctional consequences; and they require considering the firms external environment.

Ansoff and McDonnell (1990) define strategic management as a systematic approach to a major and increasingly important responsibility of general management to position and relate the firm to its environment in a way that will assure its continued success. Essentially, it means taking critical evaluations of up to date techniques of strategic analysis, procedures for tailoring the techniques of the needs of their firms and series of step by step problem solving procedures (Ansoff and McDonnell, 1990).

Johnson and Scholes (2002), note that the scope of strategic management is greater than that one area of operational management. Strategic management, they say, is concerned with complexity arising out of ambiguous and non routine situations within an organization. They further observe that strategic management includes understanding the strategic position of an organization, strategic choices for the future and turning strategy into action. Strategic management requires mangers to conceive the whole rather than just parts of the situation facing the organization. Since strategic management is characterized by its complexity, it becomes necessary to make decisions and judgments based on the conceptualization of difficult issues.

2.2 Key Success Factors

Thompson and Strickland (1995), defined an industry’s key success factors as those things that mostly affect the ability of industry members to prosper in the market place. They refer to the particular strategy elements, product attributes, resources, competencies, competitive capabilities and business outcomes that spell the difference between profit and loss. Key success factors concern what every industry member must be competent at doing or concentrate on achieving in order to be competitively and financially stable.

Key success factors are so important that all firms in the industry must pay close attention as they are prerequisites for industry success. Key success factors have a direct bearing on the company profitability.

How well a company’s product offering, resources and capabilities measure up against an industry’s Key success factors determines just how financially and competitively successful that company will be. Factors that are most important to future competitive success flow directly from the industry dominant characteristics, what competition is like, the impacts of driving forces, the comparative market positions of industry members and the likely next move of key rivals (Thompson, Strickland and Gamble 2007)

Thompson, Strickland and Gamble (2007), noted that to help identify key success factors, we need to answer three questions: on what basis do buyers of the industry’s product choose between the competing brands? That is what product attributes are crucial; given the nature of competitive rivalry and the competitive forces prevailing in the market place what resources and competitive capabilities does a company need to have to be competitively successful?; what shortcomings are almost certain to put a company at a significant competitive disadvantage?

Managers should bear in mind the purpose of identifying key success factors that is to determine which factors are most important to the future competitive success and resist the temptation to label a factor that has only minor importance a key success factor. Key success factors will vary from industry to industry and even from time to time within the same industry as driving forces and competitive conditions change. In the startup and early growth phases of an industry only rarely are there more than five or six key factors for future competitive success. However, as an industry approaches maturity, rivalry among competing business units often increases. Consolidation of the industry often follows. As a rivalry increases and consolidation proceeds, the number of key success factors is likely to increase (Thompson, Strickland and Gamble 2007)

2.2.1 Technology

Technology is made up of discoveries in sciences, product development and improvement in machinery, process, and automation and information technology. It also includes a combination of knowledge, information and ideas (Murungi 2003). Recent advances in technology have created a surge in “technology-based self-service” (Dabholkar, et al.2003). Such developments are changing the way that service firms and consumers interact, and are raising a host of research and practice issues relating to the delivery of e-service. E-service is becoming increasingly important not only in determining the success or failure of electronic commerce (Yang 2001), but also in providing consumers with a superior experience with respect to the interactive flow of information. Dabholkar (1994) claims that when the customer is in direct contact with the technology there is greater control such as with Internet banking. However, if there is an absence of direct contact, such as with telephone banking (since the technology itself is not visible to customers who are able only to press numbers on their telephone keypad) it is assumed that there is less control perceived by the customer during this transaction.

Gummesson (1991) also stresses that reliability and user-friendliness are important factors in the evaluation of technology-based services. Bateson (1985) has conducted a number of studies on the need for consumers to have control during service encounters. When a consumer freely chooses to use technology as a form of service delivery the impact is high in terms of quality attributes. Some of the quality factors that are highly important to consumers are efficiency and speed (Bateson, 1985).

The proliferation of, and rapid advances in, technology-based systems, especially those related to the internet, are leading to fundamental changes in how companies interact with customers (Bauer, 2005). This trend is well established in the service industry, where service providers are increasingly urged to invest in technology to better secure their future in the electronic age (Bauer, 2005).

The installation of customer friendly technology (such as menu driven automated teller machines, telephone and Internet banking services) as a means of delivering traditional banking services has become commonplace in recent years as a way of maintaining customer loyalty and increasing market share. Traditional brick and mortar banks are using technology to meet the competitive challenge posed by online banks, as well as a method of reducing the cost of providing services that were once delivered exclusively by bank personnel (Joseph, 2003).

Managers in virtually all industries understand that providing quality customer service is a key strategic component in firm profitability. The importance of service delivery and its impact on improving satisfaction and retention of customers, improving sales and market share, and improving corporate image cannot be overstated (Lewis and Mitchell, 1990). As with most other service providers, banks have moved quickly to invest in technology as a way of controlling costs, attracting new customers, and meeting the convenience and technical innovation expectations of their existing customers (Lewis and Mitchell, 1990).

2.2.2 Human Resources

Human resource management is the strategic and coherent approach to the management of an organization's most valued assets - the people working there who individually and collectively contribute to the achievement of the objectives of the business (Armstrong, 2006). The Human resources management function includes a variety of activities, and key among them is deciding what staffing needs you have and whether to use independent contractors or hire employees to fill these needs, recruiting and training the best employees, ensuring they are high performers, dealing with performance issues, and ensuring your personnel and management practices conform to various regulations. Activities also include managing your approach to employee benefits and compensation, employee records and personnel policies. However, they should always ensure that employees have and are aware of personnel policies which conform to current regulations. These policies are often in the form of employee manuals, which all employees have (Armstrong, 2006)

Human assets are a major key success factor in any industry. Human assets are the core of any organization as they create an organizations product and offers service. Sustainability of human intellectual capital requires an organization to recruit the best and maintain them at competitive levels of productivity. Lynch (2003) sees this as a particularly important area which transcends all activities in organizations. It is concerned with those activities involved in recruiting managing, training, developing and rewarding people within the organization.

Human resources in leadership of an organization provide vision, initiative, motivation and inspiration. As much as possible, the leadership of the organization should fill relevant positions with qualified people committed to the change efforts (Bryson, 1995)

Organizations need to promote a culture of learning and development of its employees to open up employees minds for new ideas and growth of knowledge. Human resource provide leadership required for effective implementation of strategy, as this will ensure that the organization is united and directed towards achievement of its goals (Pearce and Robinson, 1988).

2.2.3 Service Quality

Service quality can be seen as the extent to which a service meets customer's needs and expectations (Lewis and Mitchell, 1990). Service quality can thus be defined as the difference between customer expectations of service and perceived service. If expectations are greater than performance, then perceived quality is less than satisfactory and hence customer dissatisfaction occurs (Parasuraman et al.,1985).

Service quality has been recognized as having the potential to deliver strategic benefits, such as improved customer retention rates, whilst also enhancing operational efficiency and profitability (Cronin, 2003). Services, by definition, are intangible and easily duplicated. They can be divided into high-touch or high-tech services. High-touch services are mostly dependent on people in the service process producing the service, whereas high-tech services are predominantly based on the use of automated systems, information technology and other types of physical resources (Gronroos, 2000).

Quality is differentiable and stem from the expectations of customers. Hence, it is necessary to identify and prioritize expectations for service and incorporate these expectations into a process for improving service quality (Gronroos,2000) Customers may be in the best position to evaluate the quality of delivery, while the service providers are the best judges of the content of the message. Service quality can thus be defined as the difference between customer expectations of service and perceived service. If expectations are greater than performance, then perceived quality is less than satisfactory and hence customer dissatisfaction occurs (Parasuraman et al., 1985).

2.2.4 Marketing

Marketing is the process by which companies create customer interest in products or services. It generates the strategy that underlies sales techniques, business communication, and business development. It is an integrated process through which companies build strong customer relationships and create value for their customers and for themselves. Marketing is used to identify the customer, to keep the customer, and to satisfy the customer (Kotler, 1991)

Mc Carthy and Perrault, (1993) note that marketing of financial services is a unique and highly specialized branch of marketing. The practice of advertising, promoting, and selling financial products and services is in many ways far more complex than the selling of consumer packaged goods, automobiles, electronics, or other forms of goods or services. The environment in which products and services are marketed is becoming more competitive, making the task of marketing financial services increasingly challenging and specialized. Financial services marketers are challenged every day by the unique characteristics of the products they market.

There are many predictable behaviors that consumers often exhibit in their dealings with financial services providers. The predictability of these behaviors and the abundance of data on existing and potential customers enable a uniquely scientific approach to developing and executing successful strategies for the marketing of financial services much more than in other markets. The firm should constantly inform, persuade and remind the customers on the products available. Informing is educating and customers want to buy known brands (Mc Carthy and Perreault, 1993).

2.2.5 Pricing

Pricing is the process of determining what a company will receive in exchange for its products and services. Pricing factors are market place, competition, market condition, and quality of product. Pricing is one of the most important decisions in the marketing of financial services. Price serves multiple roles. Firstly price represents the sole source of revenues and hence financial goal of the company. Pricing helps financial institutions to recover their expenditures through revenues obtained by charging prices for the financial services provided. It is critical not only to appreciate the importance of price, but also to be certain that one’s prices are at optimal levels (Dolan 1996)

Pricing also helps organizations to fit to the realities of the market place in terms of whether customers will buy the products and services. This is because price serves as a signal of quality to customers and where quality is not clearly evident, consumers tend to rely on price as a proxy for quality. They might therefore assume that higher-priced financial services are of better quality, and the lowering of prices may not necessarily be associated with more positive consumer impressions of the financial service. The potential for this unexpected relationship between price and consumer demand in specific markets further highlights the critical importance of setting prices correctly in financial services. The general approach to pricing can be visualized as a process of determining where on a continuous line one chooses to set the price charged to customers. Therefore, the relative position of one’s prices versus those of key competitors might become the primary focus. To take away market share from a leading competitor, one may have to price below or at comparable levels to the competitor’s price.

Pricing also helps to support a product's positioning and ensures consistency with the other variables in the marketing mix. Product price therefore helps to communicate to the market place the identity, market positioning, and intentions of an organization. Lowering of prices or an upward movement of premiums might signal a shift in marketing strategy to competitors and may provoke reactions from them. This fact raises the strategic importance of price and highlights the great impact that price has been found to have in shifting the balance of power among competing financial services providers(Dolan 1996)

2.2.6 Service Distribution

Distribution or place is one of the four elements of the marketing mix. It is the process of making a product or service available for use or consumption by consumers. Distribution therefore concerns itself with geographical positioning of the products and services facilities (Kotler 1991). For most organizations location is very important as it will determine accessibility by customers. Flexibility of consumption refers to the ease with which consumers can move or travel long distances to receive the service or product. If consumption is highly flexible the location may not matter much. Flexibility of consumption may be affected by factors such as age of the customer, consumption pattern.

2.2.7 Research and development

Research and development refers to the creative work undertaken on a systematic basis in order to increase the stock of knowledge, including knowledge of man, culture and society, and the use of this stock of knowledge to devise new applications. New product design and development is more often than not a crucial factor in the survival of a company. In an industry that is fast changing, firms must continually revise their design and range of products. This is necessary due to continuous technology change and development as well as other competitors and the changing preference of customers. A system driven by marketing is one that puts the customer needs first, and only produces goods that are known to sell. Market research is carried out, which establishes what is needed. If the development is technology driven then it is a matter of selling what it is possible to make. The product range is developed so that production processes are as efficient as possible and the products are technically superior, hence possessing a natural advantage in the market place (Organization for Economic Co-operation and Developments factbook, 2008)

For organizations to meet the ever changing customer demands and remain relevant in the market place, it is important that they embrace scientific methods to solve and develop new products. Research and development enables business to exploit new business opportunity in order to increase revenues and profits.

2.2.8 Finance

Financial management entails planning for the future of a business enterprise to ensure a positive cash flow. It includes the administration and maintenance of financial assets. Besides, financial management covers the process of identifying and managing risks. The primary concern of financial management is the assessment rather than the techniques of financial quantification Finance usually attempts to maximize the financial value of the firm (Robinson, 1997). There is need for comparison of unit revenues and unit costs, as well as funding for an organization's long-term success. In the case of the banks, growth is measured in terms of profit growth. In order to grow, organizations need adequate funds. To be attractive for most equity investors, firms must grow their return on capital employed by way of generating more income. Financial management helps institutions to determine where and how to invest as well as sources of funding with the objective creating more

2.2 Key success factors and how they relate to strategy

Key success factors by their very nature are so important to future competitive success that all firms in the industry must pay close attention to them or risk becoming and industry also – ran. Identifying key success factors, in light of prevailing and anticipated industry and competitive conditions is always a top priority analytical strategy making consideration. Company strategists need to understand the industry landscape well enough to separate factors most important to competitive success from those that are less important (Thompson, Strickland and Gamble 2007)

Correctly diagnosing the industry's key success factors raises the company chances of crafting a sound strategy. The goal of the company strategist should be to design a strategy aimed at stacking up well on all futures key success factors and trying to be distinctively better than rivals. By identifying the key success factors managers are able to envision the ideal strategy for building competitive edge in the industry. Key success factors are therefore an integral part of a company strategy. Frequently, a company 'with perceptive understanding of industry success factors can gain sustainable competitive advantage by devoting its energies to being distinctively better than its rivals at succeeding in these factors (Thompson and Strickland, 1995)

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research design

The research design was in form of a descriptive survey intended to establish Key Success factors employed by commercial banks that issue credit cards in Kenya. According to Donald and Pamela (1998) a study concerned with whom, what, which, and how of a phenomenon is called descriptive design. The survey aimed at understanding what are the perceived key success factors in the credit card industry and whether credit card issuing banks in Kenya leverage their strategy on industry critical success factors.

3.2 Population

The target population consisted of licensed commercial banks issuing credit cards in Kenya. The research was a census survey. A census survey is a count of all the elements in a population. This design was appropriate because the population is small and hence the basis for a more comprehensive exploration of the research question. The population covered 12 commercial banks listed on appendix 2.

3.3 Data Collection

The research used primary sources of data since the objective would be to get the perception of commercial banks issuing credit cards on Key success factors and strategy. The primary data was collected by drop and pick method using a questionnaire. The questionnaires were divided into two sections with the first section seeking background information of the respondents and the second section capturing the area of study. The questionnaires were distributed to the senior executive officers involved in strategic management in each of the selected commercial banks. To improve on response rate follow up was done through phone calls. Cooper and Emory (1995) cite this approach as a way of improving on the response rates.

3.4 Data Analysis

On receiving back the questionnaires from the respondents, the data was thoroughly checked to ensure completeness, consistency, accuracy and uniformity. The data was coded and tabulated to facilitate data analysis. Descriptive statistics were used to transform the data collected into standard form for relative comparison Descriptive statistics was used because the study covered the entire population by a way of census study.

CHAPTER FOUR: DATA ANALYSIS, INTERPRETATION AND DISCUSSION

4.1 Introduction

This chapter presents data analysis, interpretation and presentation of the research. From the study population target of 12 respondents, 12 respondents filled and returned their questionnaires, constituting 100% response rate. Data analysis was done through Statistical Package for Social Scientists (SPSS). Frequencies, percentages, mean and standard devitaion were used to display the results which were presented in tables, charts and graphs.

4.2 General Information

The study to know the name of the bank from which the respondents were from and therefore requested the respondents to indicate the name of their bank, from the findings of the study the respondents were from various banks which were; Barclays bank of Kenya, Kenya Commercial Bank, Equatorial Commercial Bank (now merged with Southern Credit Bank, Commercial Bank of Africa, NIC Bank, Co-operative Bank, Paramount Bank, Imperial Bank, I & M bank, Post Bank, CFC Stanbic and Prime Bank.

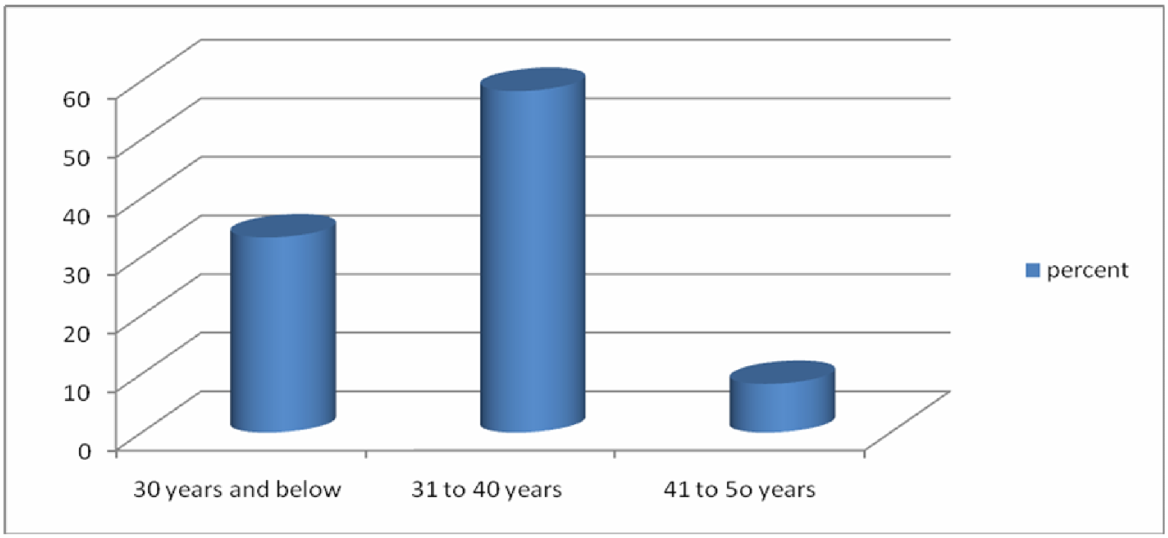
On the position held by the respondents the study found that respondents held various positions which were sales manager, credits card manager, card centre operation manager, sales manager, internet banking manager, and personal banker manager and product manager. On the number of years the respondents had been in their current position the study established that respondents had been in their current position for a range of 1 to 5 years with majority being in their position for 2 years. This information shows that the respondents were in their current position long enough to give viable information on the subject under the study.

Table 4.1: Distribution of Respondents by Gender

Gender	Frequency	Percent
Male	6	50.0
Female	6	50.0
Total	12	100.0

On the gender of the respondents the researcher requested the respondents to indicate their gender, from the findings in the above table; the study found that the number of both male and female were equal as shown by 50% in each case. This information shows that banking industry in Kenya employed both genders.

Figure 4.1: Distribution of respondents by their age bracket



The study sought to know the age of the respondents and therefore requested them to indicate their age bracket, from the result shown in the table above the study found that majority of the respondents as shown by 58.3% were aged between 31 to 40 years, 33.3% were aged 30 years and below whereas 8.3% were aged between 41 to 50 years. This information shows that that the banking industry was being managed by relatively young people. On the ownership of the bank the study revealed that 8 bank were foreign owned this was equivalent to 66.7%, 3 banks were private owned this was equivalent to 25% whereas, 1 bank was state owned this was equivalent to 8.3%.

4.3 Key success factors in the banking industry

Table 4.2: Extent to which various key success factors are important in influencing customers' use of products and services

Factors	**Mean**	**Std deviation**
Technology	4.2500	.62158
human resources	4.0833	.66856
service quality	4.3333	.65134
Marketing	4.1667	.57735
Pricing	4.0000	.42640
Service distribution	3.5833	.79296
Research and development	3.9167	.79296
Finance	4.0000	.60302

From the findings in table, A Five point Likert scale was used to interpret the respondents rating of various factors influencing customer use of banks products and service ranging from not important at all to extremely important. Accorded to scale those factors rated as not important at all were awarded 1 while those rated as extremely important were awarded 5. Within the continuum are 2 for A little important, 3 for Moderate important l and 4 for Very important. The weighted mean was used to analyze the data. According to the researcher those with a mean close to 5 were considered to extremely important while those with a mean close to 1 were awarded not important at all.

In regard to this the respondents rated the following as very important they include Service quality as shown by mean of 4.3333, technology as shown by mean of 4.25, marketing as shown by mean of 4.1667, human resources as shown by mean of 4.0833, pricing and finance as shown by mean of 4.0 in each case and Research and development as shown by mean of 3.9167.

These findings were found to be in line with previous studies. Service quality has been recognized as having the potential to deliver strategic benefits, such as improved customer retention rates, whilst also enhancing operational efficiency and profitability (Cronin, 2003). E-service is becoming increasingly important not only in determining the success or failure of electronic commerce (Yang 2001), but also in providing consumers with a superior experience with respect to the interactive flow of information.

Mc Carthy and Perrault (1993) found that marketing of financial services is a unique and highly specialized branch of marketing, thus practice of advertising, promoting, and selling financial products and services is in many ways far more complex than the selling of consumer packaged goods, automobiles, electronics, or other forms of goods or services. Pricing is one of the most important decisions in the marketing of financial services. Price serves multiple roles.

Armstrong (2006) found that Human assets are a major key success factor in any industry. Human assets are the core of any organization as they create an organizations product and offers service. Sustainability of human intellectual capital requires an organization to recruit the best and maintain them at competitive levels of productivity. Human resource provide leadership required for effective implementation of strategy, as this will ensure that the organization is united and directed towards achievement of its goals (Pearce and Robbinson, 1988).Pricing helps financial institutions to recover their expenditures through revenues obtained by charging prices for the financial services provided. It is critical not only to appreciate the importance of price, but also to be certain that one’s prices are at optimal levels (Dolan 1996).

New product design and development is more often than not a crucial factor in the survival of a company. In an industry that is fast changing, firms must continually revise their design and range of products. This is necessary due to continuous technology change and development as well as other competitors and the changing preference of customers. Finance usually attempts to maximize the financial value of the firm (Robinson, 1997). There is need for comparison of unit revenues and unit costs, as well as funding for an organization's long-term success. In the case of the banks, growth is measured in terms of profit growth. In order to grow, organizations need adequate funds.

Table 4.3: Extent to which strategy is related to various key success factors

Factors	Mean	Std deviation
Technology	3.8333	.93744
human resources	3.7500	.75378
service quality	3.7500	.75378
Marketing	3.6667	.65134
Pricing	3.9167	.79296
Service distribution	3.1667	1.19342
Research and development	3.6667	.98473
Finance	3.8333	1.19342

From the findings in table, a five point Likert scale was used to interpret the respondents rating of extent to which strategy related to various factors ranging from not at all to a great extent. Accorded to scale those factors rated as not at all were awarded 1 while those rated to a great extent were awarded 5. Within the continuum are 2 for to a little extent, 3 for moderate extent and 4 for great extent. The weighted mean was used to analyze the data. According to the researcher those with a mean close to 5 were considered to very great extent while those with a mean close to 1 were awarded not at all.

In regard to this the respondents rated the following as related to strategy top great extent pricing as shown by mean of 3.9167,finance and technology as shown by mean of 3.8333 in each case, human resources and service quality as shown by mean of 3.75 in each case, marketing and research and developments shown by mean of 3.6667. Service distribution was rated to moderate extent as being related to strategy. This information shows that various key Success factors related to strategy to great extent.

On how technology related to strategy the study revealed that commercial banks issuing credit cards implemented system that can support VAS enhancement to give customers a user centric experience, adoption new banking technology, using of software relevant to banking, using system that easy to operate, keeping up with growth and development, updating technology, networking, computing strategy and use of informative technology strategy.

Human resource was found to relate to the bank strategy through continuous training process, regular training of staff, use of qualified personnel, retraining of staff, hiring of qualified personnel, use of refresher courses, hiring of talented employees and use of global level. The study also revealed that service quality was related to strategy through introduction of 24 hours service center, relationship managers for key segments, use of new technology top enhance service delivery, understanding the needs for every customer ,providing relevant information on various services and retraining staff on various service offered by the bank.

Marketing was found to relate to strategy through increasing the number of marketers, media prints and electronic advertisement, targeting the relevant people in marketing, availing information on various products, use of 4 ps of marketing and positioning banks brand against competition in the market as leaders. Strategy related to pricing through charging the lowest prices in the market and not making major changes, offering competitive prices, offering lowest interest rates in the market and offering competitive interest rate in the market.

The study revealed that service distribution related to strategy through making them closer to the customer, meeting quality and standards of ours services and doing service distribution through branch networks with predominant focus on cross sell initiatives within the banks product portfolio. Research and development related to strategy through comparing them at global levels, conducting customer survey feedback. The study further established that finance related to strategy through availing of resources, bank financings it strategy and proper budgeting for strategy

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter sets to draw conclusions that will seek to address the research objectives as outlined in chapter one. From the analysis and data collected, the following discussions, conclusions and recommendations were made. The responses were based on the objectives of the study. The researcher had intended to identify the key success factors in the credit card banking sector and strategies employed by credit card issuers in Kenya, as well as to establish whether credit card issuing banks base their strategies on the keys success factors.

5.2 Summary

From the findings, the study found that key success factors that were very important as influencing customer use of banks products and service were service quality, technology, marketing, human resources, pricing , finance and research and development. This information shows that various key success factors were very important as influencing customer use of product and service. Atika (2007) did a similar study whose objective was to identify Critical Success Factors in the minibus dealers industry in Kenya. The findings of the study (Atika 2000) identified quality, financial image of the company and customer care as some of the key factors that must go right for the business to succeed.

On the respondents rating of extent to which strategy related to various factors the study found that respondents rated the following as related to strategy to a great extent pricing, finance, technology, human resources , service quality, marketing and research and developments. Service distribution was rated to moderate extent as being related to strategy. This information revealed that for each of the factors identified banks issuing credit cards in Kenya had a related to strategy to great extent meaning that banks issuing credit cards base their strategies on key success factors

5.3 Conclusions

From the findings, the study found that key success factors that were found to very important in the banking sectors in influencing customer use of banks products and service were service quality, technology, marketing, human resources, pricing , finance and research and development, the study concludes that key success factors in the credit card banking sectors and strategies employed by credit card issuers in Kenya were service quality, technology, marketing, human resources, pricing, finance and research and development , as they were very important as influencing customer use of product and service.

The identification of industry key success factors is considered important by commercial banks issuing credit cards as this has continuously seen the benefits of sustainable competitive advantage. Sustainability of an organizations competitive advantage depends on how well the industry critical success factors have been applied in the strategic management of the firm. The key success factors must be maintained for a significant amount of time even in the presence of the competition. Sustaining the industry key success factors needs to be at the core of strategic development. This ensures that a company is not only growing but also getting gave normal profits which is the main aim in business.

5.4 Limitations of the Study

Due to the nature of information handled by banks some respondents were very sensitive about the information they gave and thus did not give out some of the information they considered confidential.

The research study was limited to key success factors and bank strategy in the credit card industry in the banking industry. The study focused on the banks perspective. It would have been of value to obtain the views of other stakeholders such as customers and suppliers.

5.5 Suggestions for further Research

This study was a survey on key success factors and bank strategy in the credit card industry in the banking industry. The study recommends that further studies on a wider focus on indivual bank particular state owned banks and investigate the extent to which key success factors and bank strategy are important.

Moreover the study concentrated key success factors and bank strategy in the credit card industry in the banking industry and as such the findings cannot be generalized across the industries because other industries have different key success factors they use to gain a sustainable competitive advantage. This is because structures, systems, cultures, processes, leadership, capabilities, resources and objectives vary across industries. There is therefore a need to do more research in other industries in order to get a broader view of keys success factors that are used to sustain a competitive advantage.

5.6 Recommendations for Policy and Practice

The findings of this study singled out service quality as the most important key success factor for banks issuing credit cards in influencing customers to buy their products. Respondents stressed that delivering quality to customers in paramount of a company’s well being because it results in more new customers, more business with existing customers, fewer lost customers, more protection from price competition, fewer mistakes requiring the company to redo its goods/services.

From the discussion and conclusion the study recommend that in order for banks issuing credit cards in Kenya to remain at the top competitively and maintain global level of standards they must identify main key success factors and have related strategies for factors in order to remain competitive. Once the key success factors and bank strategy in the credit card industry have been identified the organization will have a competitive advantage over other organizations in the industry and also its performance will improve both in the service to its customers and also in terms of the profit.

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APPENDIX I: INTRODUCTION LETTER

Jackson Musyoka Mutua

P.O. Box 4660-00100

Nairobi

September 1st 2010

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……………………………………

Dear Sir/madam,

Request for participation in a research study on "Key Success Factors and Bank Strategy in the Credit Card Industry Kenya"

Am a final MBA student at the University of Nairobi. My area of specialization is strategic management. I am currently undertaking a research project on "Key Success Factors and Bank Strategy in The Credit Card Industry Kenya'

I would be grateful if you could spare some time from your busy schedule and complete the enclosed questionnaire. All the information provided will be used purely for academic purposes only and will be treated with utmost confidentiality. A copy of the final report will be made available to you on request.

Incase of any queries or need clarification on any of the questions, please do not hesitate to contact me.

Thank you for your cooperation.

Yours faithfully,

Jackson Musyoka Mutua

MBA student, University of Nairobi

Mobile: 0721-266487

Enc.

Dr. Martin Ogutu

Business Administration Dep't

APPENDIX II: QUESTIONNAIRE

This questionnaire seeks to collect information on response by commercial banks issuing credit cards to establish what are the Key Success Factors in the banking sector and whether banks issuing credit cards in Kenya leverage their strategy on industry key success factors. Please provide the information frankly and honestly. All information received will be treated confidentially and used for academic purposes only.

Section 1: Background information

1. Name of Bank ____
2. Name of respondents ____
3. Current position held ____
4. Number of years in current position _______________________________
5. Please indicate your gender, Male [ ] Female [ ]
6. Please tick the age bracket in which you fall

   30 Years and below [ ] 41 – 50 Years [ ] 31 – 40 Years [ ] 51 Years and above [ ]
7. State whether your bank is foreign owned, state owned or private_________________________

Section II: Key Success factors in the Banking Industry

8. Please indicate the extent to which the following factors are important to you in influencing customers to use your products and services.

Key Success Factor	**Rating**				
	Not Important at all 1	**A little Important 2**	**Moderate Important 3**	**Very Important 4**	**Extremely important 5**
Technology					
Human Resources					
Service quality					
Marketing					
Pricing					
Service distribution					
Research and Development					
Finance					

9. To what extend do you have a strategy related to each of the following,

Key Success Factor	**Rating**				
	Not at all 1	**To a little extent 2**	**To moderate extent 3**	**To a great extent 4**	**To a very great extent 5**
Technology					
Human Resources					
Service quality					
Marketing					
Pricing					
Service distribution					
Research and Development					
Finance					

10. For those Key success factors that you have a related strategy, name the factor and give a briefly description the strategy.

Key Success Factor	**Description of Strategy**
Technology	
Human Resources	
Service quality	
Marketing	
Pricing	
Service distribution	
Research and Development	
Finance	

Thank you.

APPENDIX III: LIST OF COMMERCIAL BANKS ISSUING CREDIT CARDS IN KENYA

1. Barclays Bank
2. Kenya commercial Bank
3. Commercial Bank of Africa
4. Cooperative Bank
5. N.I.C Bank
6. I and M Bank
7. Post Bank
8. CFC Stanbic
9. Paramount Bank
10. Post Bank
11. Southern credit Bank
12. Imperial Bank

Central Bank Annual Supervision Report, 2009