

## **CHAPTER ONE: INTRODUCTION**

### **1.1 Background of the Study**

The economy today presents a vastly different picture to the situation twenty or thirty years ago. There is the changing industrial and technological landscape in the attempt to diversify the economy, the changing management and administrative techniques in all the sectors, the increasing international outlook of the business sector and the expectation and increasing sophistication of the people. All this have had tremendous impact on the marketing of goods and services. The banking industry in Kenya has experienced a rapid growth in terms of profits, deposits, revenues. This trend has triggered a lot of competition in the banking industry.

Moreover, marketing has become increasingly important in today's banking competitive environment. Intensified rivalry from other financial institutions has caused banks to think critically about how they can compete effectively. As a result, marketing mix strategies will play an important role, to effectively combine product, price strategies, promotion strategies, distribution and the processes and people for whom this products and services are meant for. Alignment of the prices, with the product offering, will enhance effective advertising, public relations strategies to ensure that bank product and service packaging, attract the relevant targeted customers, and as a result catalyze profits.

Ross et al (2000) notes that without strategy an organization is like a ship without a rudder. It goes round in circles and like a tramp has no specific place to go. A company without a strategy is like an airplane weaving through the skies, hurled up and down, slammed by winds and lost in the thunder heads. If lightning or crushing winds do not destroy it, it will simply run out of fuel. Toffler (2003)

Evidently,these statements emphasize the importance and need for far reaching dynamic and systematic strategic marketing planning for companies to survive competition in the ever changing competitive banking industry.As such competitive marketing strategy serves to improve financial performance of the firm through the route of sustainable competitive advantages.The sustainable competitive advantage must serve to ensure that marketing mix strategies add value to the product or

service. Strategies used should ensure products are rare among competitors and imperfectly imitable. Sustainability of positional advantages leads to superior long-term market and financial performance.

### **1.1.1 Marketing Mix Strategy**

Marketing strategy is a long-term course of action designed to optimize allocation of the scarce resources at the disposal of a firm in delivering superior customer experiences and promote the interests of other stakeholders. Scarce resources include monetary capital, human capital, technology, time. Hausman & Associates (2010) It is a process that can allow an organization to concentrate its resources on the optimal opportunities with the goals of increasing sales and achieving a sustainable competitive advantage Michael, (2008) Marketing strategy requires a calculated and planned orientation with best blend and effective market mix to know what, who, where and how to tackle this over dynamic situation for the survival of the banks. Aaker, (2008) The marketing mix strategies in the service industry, include the 7 Ps; that is, Product, price, promotion, place, people, process and physical evidence. Marketing mix strategy is a process that can allow an, organization to concentrate its resources on the optimal opportunities with the goals of increasing sales and achieving a sustainable competitive advantage.

### **1.1.2 Competitive Advantage**

According to Citeman et al (2003), competitive advantage is essentially a position of superiority on the part of the firm in relation to its competition in any of the multitude of functions performed by the firm. That is, a firm can gain a competitive advantage in several ways. For example, some firms may be superior in production, some in Research and Design and some others in marketing. Within a given function, the superiority may be rooted in different aspects of the function. For example, superiority in production may emanate from different aspects; the firm may be a more efficient producer compared to its competitors, or, it may have more flexible production systems, or else, it may have the strength of variety. Superiority can also mean that the firm performs a given function differently distinct from the way other firms perform it. In either case, the firm gains a competitive advantage.

Therefore, in developing a competitive advantage, a firm basically figures out how it can perform a particular function or group of functions, either, in a superior way, or in a distinctive way, relative to competition. The only other criterion is that the superiority/distinction has to be of value to the customer and should be perceived by him as such. Without this condition being fulfilled, no competitive advantage accrues to the firm.

### **1.1.3 Commercial Banks in Kenya**

There are at least 44 commercial banks in Kenya. Kenya's commercial banks play a crucial role in ensuring Kenya's economic progress. Kenya is an East African nation that serves as a regional hub for trade and finance. Commercial banks account for much of the total deposit in the country. The central issue of interest by the central bank to the commercial banks is how best to promote access to the financial system by a wider segment of the Kenyan populace. Commercial banks' expansionary strategy targets Small and Medium enterprises (SME's). The future of the industry looks promising with financial and legal sector restructuring (CBK, 2005). Facilities offered by Kenya commercial banks include the following: Money telegraphic transfer by mail, Standing order payments, Foreign exchange transactions services, Issue of traveler's checks, discounting of bills of exchange and promissory notes, providing documentary credit to overseas trade, providing credit status information to customers, offering share brokerage services, operation of safe deposits, operation of trust departments, offering business advisory services, providing loans and advances. Sashoo (2012)

### **1.1.4 Family Bank in Kenya**

Family Bank is a medium-sized commercial bank in Kenya's East African largest economy. The bank serves individuals and businesses, focusing on the poor and previously un-banked in the country. As of December 2011, the bank's total assets were valued at approximately US\$318 million (KES: 26 billion), with shareholders equity of approximately US\$40.6 million (KES: 3.32 billion). In August 2011, Kenyan media reported that the bank's assets were 1.4% of all commercial bank assets in the country.

The bank was founded in 1984 as Family Finance Building Society Limited (FFBSL). Titus Muya, the current non-Executive Chairman of Family Bank served as the founding Chairman and chief executive officer for the first twenty-three years of the Society's life. In 2007, FFBSL transformed into a fully fledged commercial bank, following the issuance of a banking license by the Central bank of Kenya the country's banking regulator. Titus Muya resigned as CEO of the re-branded Family Bank Limited, to comply with current Kenyan banking regulations. Since converting to a commercial bank, Family Bank has been pursuing an expansion of its branch network. In October 2010, a consortium consisting of private equity firm AfricInvest, based in Mauritius, FMO of the Netherlands and Norway's Norfund acquired a 25% stake in Family Bank for a cash sum of US\$14.3 million. Currently, the bank branch network consists of 70 branches spread over the region with over 1200 staff.

## **1.2 Problem Statement**

Marketing mix strategy implementation and competitive advantage in a growing competitive economy is crucial, especially with a speedily digitalized world. With the current rate at which the banking industry is adopting to technology and the competition inherent in the industry, it is important to review and adapt to current and relevant marketing mix strategies that will give commercial banks a competitive edge, and also increase profits.

Given the important role commercial banks play in the economy, it is important to address the inherent gaps that make other non-banking financial institutions preferable to banks, and also address these threats that affect customer volumes and profitability to the banking industry in Kenya. Family Bank plays an important role in catering for the poor and unbanked in society. In addition, its vision is to be an institution that leads to the positive transformation of people's lives in Africa. Thus, the bank needs to address the limited knowledge of the products that are technologically inclined, the cost of bank services, delays in rendering services, long procedures in granting bank facilities and the rate of expansion compared to competition. The context of the study is a focus on Family Bank Kenya and the East Africa region. This is important because, with the intergration of the East Africa Community, most commercial banks are expanding towards the East African Countries.

Several studies have been done in the area of marketing strategies. According to Mburu (2013), customer satisfaction and increased customer base are considered as the most significant benefits for adopting competitive strategy. The study recommended that banks should always segment their client base to fulfill the unique need of the clients to enhance their competitive advantage in the industry. In yet another study, Mugenda; Kathani (2012) recommended that banks adopt direct sales strategy. In this strategy, it was recommended that banks employ a large and competent sales force which is charged with the responsibility of selling the various bank products and services.

Much as the differences in the performance levels of various commercial banks are to be expected, it is still strongly believed that the strategies pursued by each bank largely account for its performance. The absence of well-defined competitive strategies results in weak competitive positions. This study therefore, will fill this knowledge gap by answering the following research question; what are the marketing mix strategies used by Family Bank to improve competitive advantage?

### **1.3 Objectives of the Study**

The objective of this study is to establish the marketing mix strategies used by family bank to enhance competitive advantage.

### **1.4 Value of the Study**

Competition in the banking industry has gradually and consistently grown over the recent years. With the growing interest in investment by citizenry, banks have risen to the occasion by diversifying their product offering in order to have a competitive advantage over competing commercial banks. Hence, remain relevant in the financial sector and increase profit margins.

Banks increase the quantum of national savings, investments and hence national output. The study is important for management and is intended; to help other banks adopt the best practices and improve on key marketing mix strategies that improve product quality, differentiation and presentation and thus added advantage.

The policy makers in government will obtain knowledge of the banking sector dynamics and create policies that will create a level playing ground for all financial institutions, which will help improve trade in the country. The study will provide information to potential and current scholars on marketing mix strategies and competitive advantage based on an institutions resources, and therefore enhance growth in management among commercial banks in Kenya.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

The literature review gives a brief review of the concepts in marketing strategy and competitive advantage, and the issues and gaps that need to be addressed. The review gives a better understanding of the marketing mix strategies and how they play a significant role in enhancing competitive advantage in the banking industry in Kenya when implemented effectively.

### **2.2 Theoretical Foundation of the study**

The components of the marketing mix can change a firm's competitive position (Grönroos, 1994). To outperform the competition requires solid marketing knowledge and precision in marketing decision making. Your organization's positioning and the positioning of its products and services depend on the formulation and implementation of intelligent and aggressive strategic marketing plans. The marketing mix strategy used by a particular firm will vary according to its resources, market conditions and changing needs of clients. The importance of some elements within the mix will vary at any one point in time. Decisions cannot be made on one element of the marketing mix without considering its impact on other elements (Low; Kok, 1997). McCarthy (1960) points out that "the number of possible strategies of the marketing mix is infinite.

Competitive advantage grows out of the way firms perform discrete activities - conceiving new ways to conduct activities, employing new procedures, new technologies, or different inputs. Different strategic activities lock out imitators. A firm is said to have a competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential player. Barney (1991). Successfully implemented strategies will lift a firm to superior performance by facilitating the firm with competitive advantage to outperform current or potential players (Passemar; Calantone 2000)

### **2.3 Marketing Mix Strategy**

The marketing mix strategy helps you define the marketing elements for successfully

positioning your market offer. Marketing mix" is a phrase used to describe the different kinds of choices organizations have to make in the process of bringing a product or service to market. The 4 Ps is one of the best-known ways of defining the marketing mix. McCarthy (1960) Marketing mix involves careful scanning of the internal and external environments. Internal environmental factors include the marketing mix and marketing mix modeling, plus performance analysis and strategic constraints. External environmental factors include customer analysis, competitor analysis, target market analysis, as well as evaluation of any elements of the technological, economic, cultural or political/legal environment likely to impact success.

### **2.3.1 Product**

A product is an item that satisfies what a consumer needs or wants. It is a tangible good or an intangible service. Product is said to be the most important in the marketing mix elements that sustains a competitive advantage for an organization and it is the first of all decisions that involves planning what products and services to offer to the market. The tangible are those things that the customer can see, touch, feel taste, or smell while the intangible includes such things as the image of the offering which includes the image of the organization making the offering, and the psychological aspects of pricing. When planning its market offering, a firm needs to think through the five levels of the product customer value hierarchy. The fundamental level is the core benefit. That is, the fundamental benefit or service that the customer is really buying. The second level is the basic product, for instance a book, a car, a dress etcetera. The third level is the expected product, that is, a set of attributes and conditions buyers expect when they buy a product. For instance, hotel guests expect clean rooms, fresh towels, hot meals and reliable room service during their stay. At the fourth level, a firm should prepare an augmented that exceeds customer expectations. Competition usually takes place at the product augmentation level. Products are classified in terms of durability and reliability. In consumer goods category, there are convenience goods (impulse, emergency and staple goods), specialty goods and shopping goods (homogenous and heterogeneous goods). In the industrial category, products are either materials and parts (raw materials and manufactured materials and parts), capital goods (installations and equipment) or



supplies and business services (maintenance and repair items and services, operating supplies and business advisory services). The product mix dimensions (width, length, depth and consistency), are the tools for developing the company's marketing strategy and deciding which product lines to grow, maintain, harvest and divest. A firm can change the product component of its marketing mix by lengthening its product through line stretching (upward, downward or both) or line filling (that is modernizing its products, featuring certain products and by pruning its products to eliminate the least profitable. Every product is subject to a life-cycle - growth phase, a maturity phase and decline. An institution can increase a product line depth and exploit the company's resources to configure the product mix so that each product complements the other. Branding is essential in product strategy. Notably, a good brand name suggests something about the product's benefits, product qualities; its ease to pronounce, to recognize and remember, its distinctiveness and does not carry negative connotations in other countries and languages.

### **2.3.2 Price**

The amount a customer pays for the product. Price determines the amount of profits a company makes. Goi (2005) claimed that price is the second element of marketing mix, the value attached to a product or service, and it is the only element of the marketing mix that generates revenue to the organization, hence is directly related to profits. Adjusting the price has a profound impact on the marketing strategy, and depending on the price elasticity of the product, often it will affect the demand and sales as well. The set price should complement the other elements of the marketing mix. According to him, however beautifully made and packaged a product is, it will not gain entry into the market if the price is not attractive. He gave the following attributes of price as follows: list price, discounts, allowances, payment periods, and credit terms. When setting a price, a firm must be aware of the customer perceived value for their products. The three basic pricing strategies are: market skimming pricing, market penetration pricing and neutral pricing. It is fundamental, as a firm, to develop the habit of continually examining and re-examining the prices of the products and services you sell to make sure they're still appropriate to the realities of the current market. A company follows a six step pricing policy. First, it selects its pricing objective, thereafter it estimates the demand curve, thirdly its estimates show

its costs vary at different levels of output, at different levels of accumulated production experience and for differentiated marketing offers. Fourth, it examines competitors costs, prices and offers, selects a pricing method, and finally selects the final price. Sometimes, a price change may be due to excess plant capacity, declining market share or economic recession. On the other hand, a price increase might be brought about by cost inflation or over demand.

### **2.3.3 Promotion**

The concept behind promotion is to inform and remind individuals and persuade them to accept, recommend or use of a product service or ideaz Promotion leads to brand recognition and further establishes a proxy to evaluate quality of services based by potential customers.Promotion is a demand stimulating aid through communication. It includes advertising, public relations, sales promotion, word-of-mouth promotion, personal selling and telemarketing. Each of these services needs to be applied in different degree. Advertising is a paid form of communication. Banking organizations use this component of the promotion mix with the aim of informing, sensitizing and persuading customers. Public Relations is found in high magnitude in banks. It is in this context that difference is found in designing of the mix for promoting the banking services. Word-of-mouth is oral publicity that plays an important role in eliminating the negative comments and improving services. It helps the banker know the feedback important for decision making. Telemarketing is a process of promoting the business with the help of sophisticated communication network. This minimizes the dependence of banking organizations on sales people and just a counter or center may service multi- dimensional services.

### **2.3.4 Place (Distribution)**

This refers to providing the product at a place which is convenient for consumers to access. Distribution means delivery of the products or service at the right time and at the right place. The place where the banking products or service are delivered is an important element in bank marketing. Strategies such as intensive distribution, selective distribution, exclusive distribution and franchising can be used by a company to complement the other aspects of the marketing mix. Services are often chosen for their place utility. Closer to the customer means higher probability of purchase. If a company decides to go abroad, it needs to define its foreign marketing

objectives and policies. The company must rate its choice of countries based on market attractiveness, risk and competitive advantage. Once a choice has been made, the company needs to decide on best mode of entry. For instance, indirect exporting, direct exporting, licensing, joint ventures and direct investment. Each succeeding strategy involves more commitment, risk, control and profit potential. In creating all elements of the marketing mix, firms must be aware of the cultural, social, political, technological, environmental and legal limitations they face in other countries

### **2.3.5 Physical Evidence**

Physical Evidence as one of the components of the marketing mix is most useful in selling and marketing services and intangible products. Whenever customers can't feel or see the end product, then supporting physical evidence they can see and feel becomes important. This can include the physical environment, packaging, supporting collateral and anything else that helps in presentation. It is also signage, reports, punch lines, and other tangibles like employee's dress code. The company's financial reports are issued to the customers to emphasis on credibility. Physical evidence also includes a bank's logo by which a person can identify the company. Such signages are significant for creating visualization and corporate identity. Tangibles like bank pens, writing pads to the internal customer's passbooks, and chequebooks reduce the inherent intangibility of services. Punch lines or the corporate statement depict the philosophy and attitude of the bank. Making tangible the intangible bank commodity is a major challenge to the bank marketer. One among other important methods is the upkeep of branch premises and interior decor. The total outlook of the premises, creates either a positive or negative perception of the bank.

### **2.3.6 Process**

This is the flow of activities. The activities are segregated into standardization (standard procedures for typical transactions), Simplicity (separate bank counters exist with clear indication). This makes procedures simple and less time consuming. It gives value to the buyer and an element of uniqueness to the product. It is very significant because it provides competitive advantage to the bank. The importance of process in bank marketing strategy is based on 'value chain concept' given by Michael Porter. The concept basically stresses close attention to all the organisational activities which go into marketing the final product to the customer. Services being intangible,

processes become all the more crucial to ensure standards are met with. Process mapping ensures that your service is perceived as being dependable by your target segment. Queries covered by process within the components of the marketing mix are not only where and how customers will do business with a firm but what also added value you provide and how you can develop relationships and provide an interactive experience. All these ultimately leading to the customer's satisfaction with the product he has purchased. In cultivating long term relationships with your customers, process within the new marketing mix will come to include not only how you promote and deliver the value you create but also how you educate and support customers on an ongoing basis. In the banking context, a typical value chain would encompass all activities right from the product conceptive stage down to its marketing at branch level.

### **2.3.7 People**

The human factor plays a pivotal role in the running of the business. Men unlike machine have varying attitudes, moods, heterogeneous cultures, feelings and above all, different aspirations. An organization ought to develop the habit of thinking in terms of the people inside and outside of their business, who are responsible for every element of sales and marketing strategy activities. Intensive training for your human resource on how to handle customers and how to deal with contingencies is crucial for success. The ability to select, recruit, hire and retain the proper people, with the skills and abilities to do the job you need to have done, is more important than all other organization systems put together. The right job, with the right expertise marched to it ensures effectiveness in execution of tasks and responsibilities by employees. Each employee in a bank irrespective of his position in the bank hierarchy is both a recipient and provider of service. Unless each employee extends support to his colleagues and also receives support from them, workflow will get obstructed and the victim will be the customer. Organization personnel require appropriate interpersonal skills, aptitude, and service knowledge in order to deliver a quality service.

### **2.4 Competitive Advantage**

Competitive advantage is an advantage that a firm has over its competitors, allowing it to generate greater sales or margins and/or retains more customers than its

competition. It is also defined as the condition which enables a company to operate in a more efficient or otherwise higher quality manner than the companies it competes with, and which results in benefits accruing to that company.investorworks.com, (2010). To gain competitive advantage a business strategy of a firm manipulates the various resources over which it has direct control and these resources have the ability to generate competitive advantage. Reed, Fillippi (1990) According to O'Toole, (2001) sustainable competitive advantage is the focal point of any company's corporate strategy. It allows the maintenance and improvement of the enterprise's competitive position in the market, and it is an advantage that enables business to survive against its competition over a long period of time.A firm can achieve and maintain their competitive advantage by predicting future trends in the industry, constantly researching and monitoring their competitors, and adapting to their customer's wants and needs. Sometimes a company may need to take chances to keep ahead of the competitors.

The five criteria by which an organization can continue to enjoy sustainable competitive advantage with its product(s) include;uniqueness,difficult to replicate,superior to competition,sustainable quality, and applicable to multiple situations.There can be many types of competitive advantages including the firm's cost structure, product offerings, distribution network and customer support. Competitive advantage gives a company an edge over its rivals and an ability to generate greater value for the firm and its shareholders. It addresses issues in marketing and sales, how it relates to the value chain and the inefficiencies associated with providing products and services to buyers; by streamlining these inherent inefficiencies.

Porter suggests four "generic" business strategies that could be adopted in order to gain competitive advantage. The strategies relate to the extent to which the scope of a business' activities are narrow versus broad and the extent to which a business seeks to differentiate its products. The four strategies include; Cost Leadership, Cost Focus, Differentiation leadership and differentiation focus.

#### **2.4.1 Cost Leadership**

The goal of cost leadership strategy is to offer products or services at the lowest cost in the industry. The objective is to produce on a large scale which enables the business to exploit economies of scale. To be the lowest-cost producer, a firm is likely to use high levels of productivity, high capacity utilization, use of bargaining power to negotiate the lowest prices for production inputs, lean production methods (e.g. JIT-Just in Time), effective use of technology in the production process, and access to the most effective distribution channels.

To achieve a cost advantage in the banking services delivery requires significantly low overheads, abundant sources of cheap labour and efficient procedures for training staff. The achievement and sustenance of overall cost leadership by a bank depends on pricing at or close to the industry average in order to achieve above-average industry performance. Cost leadership requires an aggressive construction of efficient-scale facilities, vigorous pursuit of cost reductions from experience, tight cost and control, avoidance of marginal customer accounts, and cost minimization in areas such as research and development, service, sales force, advertising and so on. Porter (1998) A cost leader may be forced to discount prices well below competing products to gain sales, nullifying the benefits of its favorable cost position. Peattie, (1994)

#### **2.4.2 Differentiation Leadership**

Differentiation Strategy is to provide a variety of products, services, or features to consumers that competitors are not yet offering or are unable to offer. This gives a direct advantage to the company which is able to provide a unique product or service that none of its competitors is able to offer. With differentiation leadership, the business targets much larger markets and aims to achieve competitive advantage across the whole of an industry. This strategy is usually associated with charging a premium price for the product - often to reflect the higher production costs and extra value-added features provided for the consumer. This is achieved by; Superior product quality (features, benefits, durability, reliability), Branding (strong customer recognition & desire, brand loyalty), Industry-wide distribution across all major channels (i.e. the product or brand is an essential item to be stocked by retailers), Consistent promotional support – often dominated by advertising, sponsorship etc. Global brands achieve significant economies of scale with this strategy, but they do not rely on a cost leadership strategy to compete. Their business and brands are built

on persuading customers to become brand loyal and paying a premium for their products.

### **2.4.3 Differentiation focus strategy**

In this strategy, a business aims to differentiate within just one or a small number of target market segments. The special customer needs of the segment mean that there are opportunities to provide products that are clearly different from competitors who may be targeting a broader group of customers. Differentiation focus is the classic niche marketing strategy. Many small businesses are able to establish themselves in a niche market segment using this strategy, achieving higher prices than undifferentiated products through specialist expertise or other ways to add value for customers. The important issue for any business adopting this strategy is to ensure that customers really do have different needs and wants - in other words that there is a valid basis for differentiation - and that existing competitor products are not meeting those needs and wants.

### **2.4.4 Cost Focus**

With this strategy, a business seeks a lower-cost advantage in just one or a small number of market segments. The product will be basic - perhaps a similar product to the higher-priced and featured market leader, but acceptable to sufficient consumers. Cost focus exploits differences in cost behavior in some segments. Banks which focus on cost will attempt to exploit differences in cost behavior in some customer target segment; while differentiation focus exploits the special needs of buyers in certain segment. Faber, (1991) However, low production cost is an effective competitive advantage, but it doesn't apply in all markets. The key is to segment your market into sections that you can reach at low cost and that are cost-sensitive. Once you have identified market segments in which consumers are looking for the lowest prices, you can use focus strategy to concentrate the company's resources there.

## **2.5 Marketing Strategy and Competitive Advantage**

Contemporary business theory argues that companies must compete to keep or gain market share. Innovation is considered to be the key to creating competitive

advantage .Stalk (2006) Marketing mix strategies for competitive advantage include the four Ps; product, price, place and promotion. Where a service is involved, process, people, and physical evidence are considered. When these marketing mix variables are used appropriately, they could lead to an increase in company's profitability. These variables influence buyer perspectives and are designed to deliver customer benefits. The challenge for a marketing mix strategy is to find a way of achieving a sustainable competitive advantage over the other competing products and firms in a market. Marketing mix elements can be used competitively to achieve competitive advantage, and to influence the perception of consumers about a bank.



## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter describes the methods used, steps taken and the tools employed in the collection and analysis of data needed to address the research question. This chapter specifically presents the research design, data collection methods and data analysis techniques that will be used for this study.

### **3.2 Research Design**

This study will follow a case study design. According to Thomas et al, (2011) A case study analyses persons, events, decisions, periods, projects, policies, institutions, or other systems that are studied holistically by one or more methods. A case study is also an in depth study of a particular situation rather than a sweeping statistical survey. It narrows down a very broad field of research into one easily researchable topic (Shuttleworth et al,(2008). A case study is suitable because of its in-depth approach.

### **3.3 Data Collection Methods**

Primary and secondary data was used for the purpose of this study. An interview guide was used to collect primary data from the marketing manager and his assistants at the Family bank headquarters. The interview guide sought to look at the following marketing mix strategies: product offering diversification, pricing strategies, promotion strategies, distribution, people, process, physical evidence, to respond to needs in the banking industry. Secondary data was collected from annual reports of Family Bank which are available in the public domain as well as from electronic sources.

### **3.4 Data Analysis**

Data analysis is the process of evaluating data using analytical and logical reasoning to examine each component of the data provided. It is also the process of inspecting, cleaning, transforming, and modeling data with the goal of discovering useful information, suggesting conclusions, and supporting decision making. For the

case study, qualitative content analysis will be used. Qualitative content analysis is mainly inductive, grounding the examination of topics and themes, as well as the inference drawn from them, in the data.

## **CHAPTER FOUR: DATA ANALYSIS AND DISCUSSION OF RESULTS**

### **4.1 Introduction**

This chapter looks at the presentation, discussion and analysis of data collected from the field. The findings focus on the competitive advantage and the marketing mix strategies adopted to handle the competition in the industry. The interviews were held with the marketing manager and other relevant staff in the marketing department of Family Bank to solicit answers, opinions and suggestions on the study because of the knowledge and incite they possess on the subject under study. This involved the use of open-ended questions to allow for free, but brief expression of relevant ideas, opinions and suggestions. The interview questions were useful in probing to elicit more information hinged on the respondents experience in the bank. The initial questions seek to establish the role of the respondents since they provide relevant information for the proposal. They also seek to offer information on the variety and quality of products and services that the bank offers.

Information technology has been instrumental in contributing to competitive advantage in Family Bank. This is due to the fact that the bank's services are now integrated. There are future plans to link all the branches to make it convenient for customers to be able to access quality service. This has led to strategic positioning of the bank to survive and attain the requisite competitive edge in the dynamic banking industry.

### **4.2 Products offered by Family Bank**

The study reveals that Family Bank is an indigenous Kenyan commercial bank that has a branch network country wide. The bank's product offering ranges from personal accounts, business accounts and institutional accounts. Loan products include consumer loans, microcredit loans, small microfinance enterprise loans and agribusiness loans. Under business accounts, the bank has asset financing, e-products, atm card services, treasury products and services, money transfer (Real Time Gross Settlement, Western union, M-pesa, swift services), general services, agency banking and business club.

The study revealed that Family Bank has products that are tailored to meet unique

groups in society. For instance, there are accounts meant specifically for children under twelve years old. The “Mdosini Junior Visionary” account is meant to motivate children to cultivate saving habits at an early age. From the information given, the account is opened and operated by guardians or parents of the children. Children are provided with a free home bank where they can safeguard money in different denominations. There are also products like the “Tujenge” account for regular income earners. The bank understands the role and potential of women in shaping and realizing a better future for our country. The study therefore revealed that it has partnered with “The Women Enterprise Development Fund” to provide women groups better known as “Chamas” with loans that can ameliorate their businesses.

According to the study, some of the unique products offered are the e-products. For instance, the “M-kodi” account which enables clients settle rent amounts via a mobile phone, by offering details on payment through the Safaricom Mpesa pay bill facility. It was further confirmed that one of the most recent and attractive products is the Kenya Power real time-post paid bill payment solution. A convenient bill settlement solution for electricity bills via a mobile phone.

In tandem with the bank’s vision, that is, to cater for the needs of the poor and unbanked in the community, the bank’s research and design department embarks on product designs that are sensitive about pricing in order to cater for the different categories of its clientele. The study revealed that Family Bank understands the significance of good marketing mix strategies in an organization. One of the most important activities the bank engages in is a marketing analysis of customers. It involves analysis of specific end users of the product to be unveiled. Precise data collection and customer segmentation allows the bank to better understand the needs and preferences of its customers. Data collected by the bank is analyzed, resulting in development of specific product features and marketing campaigns in order to successfully reach the target market and assist the bank in better demand forecasting in the short and long term. Interviewees confirmed that, in identifying customer needs, the bank was able to engage in product development from an informed point of view. Family bank has invested substantial resources in research and development; as a result, the bank can effectively enhance existing products and create relevant marketing campaigns through the various media.

## **4.3 Marketing Mix Strategies**

### **4.3.1 Product Strategy**

Product pricing is an important element of the marketing mix strategies and a critical indicator of the quality of the product. The pricing decision of Family Bank highly depends on factors such as; costs related to service delivery and pricing of similar products by competition. A well thought out pricing strategy attracts and retains clientele and maximizes revenue. Respondents felt Family bank has a wide range of products whose features need to be revised in order to increase attractiveness and affordability. They felt there is need for aggressive promotion to create appreciation of the products, which would increase Family bank's customer base. According to some of the respondents, pricing requires cautious and tactical approach due to the existing cut throat competition. It is worth noting, that Family bank targets the economically challenged who form the bulk of the unbanked in the Kenyan society.

### **4.3.2 Promotion Strategy**

The study confirmed that Family Bank has invested heavily on promotion campaigns, electronic and print media advertising; which have played a major role in product awareness. However, respondents were of the opinion that advertising should also be extended to bill board advertising along the highways and major towns for extensive awareness. They also believe an emphasis on creation of a strong brand would go a long way in establishing "top of mind" for its products and services. They felt that competition has a competitive advantage in brand marketing, which if tapped extensively, would increase customer appeal for the bank's products and services. The respondents were of the opinion that the bank should increase its promotion and advertising budgets. This is in keeping with the prevailing trend in the industry. The overall budgets for marketing communication within the indigenous banks have been increasing at a steady rate. It was suggested that different promotion strategies like road shows (whereby a selected radio station with key presenters and Family Bank staff members can assist in the awareness drive).It was also observed that road shows are effective in developing a connection between Family Bank and the common "mwananchi".

Interviewees confirmed that Family Bank has been embarking on community related activities like school fees sponsorship programmes. The bank is currently sponsoring students in secondary schools through the Family Bank Education Scholarship Fund. Family Bank also supports education initiatives with an aim to build and enhance capacity. They argued that there is need for the bank to be visibly present in Corporate Social Responsibility endeavours. Corporate Social Responsibility contributes to improvement of the quality of life in our society. In this regard, it was felt that the bank should rigorously support needy deserving projects, institutions and individuals around the country through its Corporate Social Responsibility. In addition, sponsorship of sports events, charity functions; and indeed the whole spectrum of Corporate Social Responsibility. This would be a means to positively change the public perception of the bank.

#### **4.3.3 Place/Distribution Strategy**

Place or distribution strategy is a strategy that enables Family Bank provide its services to a wider market. The bank uses its network that extends to most parts of Kenya. It is also evident from the findings that the bank has engaged a number of banking agents across the country for its "Pesa Pap" banking agency system. Agents assist in unveiling products and services to customers. The bank agents are a source of information about bank products especially to customers who may not be able to access this information from the branches; that at times may not be within their proximity. Nonetheless, respondents felt the bank can improve branch expansion with the current opening up of the East Africa region. They suggested that branches could be opened in the unbanked areas of the East Africa Community areas, for example Burundi, Southern Sudan, Tanzania and slightly out of the region in countries like Ethiopia.

#### **4.3.4 People Strategy**

Interviewees suggested that employee motivation and training was critical in ensuring a well trained and informed personnel that would positively contribute to expanding the market base. This is definitely a contributor to competitive advantage. Training was mentioned as a key motivator in quality service delivery in the various departments. Respondents felt that seminars on self motivation and team building

should be carried to a higher level. It was suggested that Inter-departmental training would be a positive tool in sharpening skills among employees and as a result improve product and service development. They acknowledged the Family Bank Sacco which creates an opportunity for staff members to save and invest. Nonetheless, to enhance job productivity, a reward system for good performance should also be emphasized.

#### **4.3.5 Physical Evidence**

Respondents confirmed that physical evidence is a key strategy utilized by the bank. Nevertheless, more emphasis should be placed especially on textile branding for employee shirts and caps. In addition to this, there should be easy and frequent give-aways of stationery, umbrellas and calendars branded with the Family Bank logo. It was suggested that frequent mini-competitions related to accounts held by customers, could motivate frequent bank transactions and subsequently opening of new accounts by potential customers. The study revealed that physical evidence goes a long way in establishing brand presence to the target market.

#### **4.4 Discussion of findings**

The findings revealed that product strategy as one of the marketing mix strategies is highly emphasized. The bank has also been using a cost focus strategy in its pricing which is working in its favor. The promotion strategy of Family bank ought to be as aggressive to ensure sufficient awareness of the product variety and the friendly product pricing of their portfolio. Competition has made it their business to visit prospective customers to the grass root level via means of road shows. Road shows are a face-to-face direct communication to prospective customers, and a means of understanding customer preferences.

The study also found out that the bank is utilizing information technology in automating payment of utilities. Payment of electricity, water is through mobile money transfer, commonly known as M-pesa. This has strategically positioned the bank to survive the requisite competitive edge in a dynamic competitive environment. The use of information technology should be coupled with awareness campaigns that show potential customers and existing customers how to use these services.

Promotion as a supporter of creating product awareness can also be done through exhibitions and aggressive flier and brochure distribution.

Customer service was not emphasized, yet it plays a very crucial role in either maintaining or loosing customers. Indicating the low level of importance attached to customer service. Respondents found the bank's premises, especially the office working areas unattractive. Poor ambience does little for employee motivation. Physical evidence should be given considerable attention since good ambience assists in employee productivity levels.

Advertising in the banking industry is cut-throat. It was recommended that, to have potential and existing customers identify and relate to the bank's products, Family bank has to persistently adopt promotional strategies that are similar or better than competition. It was also suggested that the research and development department has to regularly invent and re-invent products which create excitement in the market and are cohesively at play with the other marketing P's that Family bank has adopted in order to maintain a sustainable competitive advantage. These marketing mix strategies and a reliable competitive advantage will contribute to the bank's overall mission and consequently increase sales volumes that will give the bank the revenue required to fund expansion. The findings established that in order for Family bank to have a soft landing in the wider East African region, the marketing mix strategies must reflect both regional and cultural diversity, which will enhance accessibility of the bank in the foreign market.



## **CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

### **5.1 Introduction**

The study was conducted with the purpose of establishing the role of marketing mix strategies and competitive advantage for Family Bank. This is in both product and service offering with an aim to increase profit volumes and establish a competitive edge in the banking industry. In this chapter, the researcher presents the summary of the research findings, recommendations based on the findings and suggestions for further research work in order to assist in bridging any research gaps that may arise due to the findings of the study.

### **5.2 Summary of Findings**

The study revealed that Family Bank has a variety of unique products that it offers to its customers. These products range from ordinary bank services such as deposits and withdrawals, to specialized services such as money transfer and bill payment facilities via mobile phones. The different products serve to meet specific needs of specific customers. For instance, the study established that the bank provides loans that are tailored towards meeting salaried customers and mortgage facilities that enable its customers own homes or land. Among the products that the bank provides to those seeking foreign exchange transactions includes exchange of foreign currency and cashing of travelers cheques. It was also evident that customers can conveniently make utility payments through products such as “M-kodi” that facilitate rent payment through a mobile phone. Another unique product is “M-Kanisa” that makes it convenient to pay tithes, offerings and church contributions via a mobile phone, using the Safaricom M-pesa pay bill facility. However, the products are numerous and it depends on specific customer needs.

The bank uses various strategies in marketing products and services to customers. The study confirmed that key among these strategies are the marketing mix strategies (the seven P’s of marketing).The purpose for adopting these strategies is to enhance competitive advantage among competition, and more importantly quality product and service presentation. It was established that the bank leverages on modern technology such as information technology as one way of marketing. Technology attracts customers through efficiency and effectiveness in service delivery. The study equally

revealed that Family Bank has a wide variety of products that are affordable. This gives customers a wide range of products all under one roof. The study also revealed that the print and electronic media have also played a crucial role in marketing of Family Bank products and services.

### **5.3 Conclusion of the study**

The research findings revealed that in general terms, Family Bank is implementing the cost focus strategy, and in certain instances the differentiation focus strategy. There are those executives who indicated that the bank enjoys a competitive advantage, especially in product strategy, place strategy, and promotion strategy. Extensive branch network is the most important factor by way of contribution to competitive advantage for Family Bank. This factor should be complemented with premium customer care to win and maintain customers.

The research findings revealed that the vision of Family Bank is to be an institution that leads to the positive transformation of people's lives in Africa. With a wide product variety and extensive branch network, the bank is confident to spread its branches to the wider East Africa region. Additionally, the bank boasts of young, well-educated staff members in the industry who are motivated to lead and drive change. This coupled with the emphasis of growth for small medium enterprises, will propel the mid-sized enterprises to full-fledged corporates.

### **5.4 Recommendations of the study**

The study recommends that Family Bank should give attention to customer service. Apart from a wide array of products and services, an amicable relationship with customers is critical in enticing them to the banks products and ensuring a loyal customer base. In addition, intrusive information-seeking during documentation of customer details is of concern. At the point of application for banking services, the bank may be too demanding on documentation. Customers feel that the documentation required (such as tax compliance certificate) before the approval of the much needed loan is an intrusion into their financial privacy. Discouraged by this exercise some customers have opted for other informal financial institutions that do not require too much detail.

It is important to design services that fit the needs of customers. That is, ensuring that services are convenient and of high quality, putting relevant systems in place, having competent employees in place, on time delivery of services and ensuring that services are driven by customers to increase satisfaction and acceptance. These marketing strategies need a dedicated workforce that works towards ensuring customers are satisfied at all times. In a global economy that has become increasingly competitive, there is need for innovative development of products that can quickly satisfy a more demanding customer base and build long-term customer trust.

Apart from the maximum use of information technology with the bank's products and services, specialized departments should be provided with customized software to suit their needs and enhance their operations. The bank's intranet service should be optimally utilized to reduce most of the paper work and thereby reduce customer waiting time at the various branch banking halls. On the other hand, the staff should receive adequate training in order to utilize the information communication technology infrastructure to its optimal level.

Markets are also segmented based on the size of the market and the size of the loan applied, while positioning is done according to the needs they satisfy, the benefits they deliver, and the specific service features. The study also recognizes the need for players in the banking industry to consult with the policy makers and participate in the creation of an enabling financial system; which is crucial for a level playing ground in the industry.

### **5.5 Limitations of the study**

Availability of respondents was difficult due to their tight work schedules. The case study is limited in the number of respondents; hence one only gets a limited view of opinions. There was also the challenge of ensuring accuracy of information given, since respondents felt the threat of company ideas being leaked out to competition.

### **5.6 Suggestions for further research**

It will be important to replicate this study later, after five years in order to establish whether some of the current marketing mix strategies will still be applicable in Family

Bank. A comparative study with another leading commercial bank will be important so that Family Bank can benchmark practices in competitive advantage and marketing mix strategies. Consequently, the bank will be able to establish what areas in their strategies have been explored exhaustively, and what areas need considerable attention. The bank will revise objectives and other areas apart from its marketing mix and competitive advantage that may need attention to ensure that all bank mechanisms have been utilized toward meeting the banks vision which is to be an institution that leads to the positive transformation of people's lives in Africa.

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## APPENDIX

### **Appendix 1: The interview guide will cover the following;**

1. What role do you play in Family Bank?
2. Kindly outline the products Family Bank offers?
3. Which marketing mix strategies have significantly contributed to the profit margins?
4. What significant transformations have taken place in Family Bank, as a result of the marketing mix strategies?
5. What marketing mix strategies give Family Bank an edge over its competitors in the Banking industry?
6. Does the concept of competitive advantage contribute significantly to Family Bank's productivity? To what extent?
7. Which competitive advantage strategies among; differentiation and cost focus and differentiation and cost leadership contribute heavily to the bank's advantage?
8. How do the shareholders of Family Bank influence the Marketing mix strategies implemented by Family Bank?
9. Are the marketing mix strategies adequate to contribute to competitive advantage for Family Bank?
10. What advertising media contributes significantly to the promotion of Family bank products and services?
11. How often does Family bank review its marketing mix strategies? Weekly, Monthly, Quarterly, Semi-annually, Annually?
12. How have the marketing mix strategies influenced departmental performance?
13. What competitive advantage has the bank experienced as a result of the marketing mix strategies compared to competition?
14. What percentage of growth has Family Bank experienced in the past year in terms of

profit as a result of marketing mix?

15. How have the marketing mix strategies influenced the customer service department?
16. Do you feel that all the strategies are used exhaustively in order to increase competitive advantage?
17. As a bank, do you feel you have resources that are untapped and which can enhance the marketing mix strategies to increase its competitive advantage as well as profitability in the industry?
18. What are the latest technological innovations adopted by the bank that are contributing to the competitive advantage over its competition?
19. How has marketing mix played a role in branch network expansion of Family bank?
20. How has competitive advantage contributed to branch network expansion country wide and across the borders?