

**RESPONSE MARKETING STRATEGIES ADOPTED BY CHASE  
BANK TO COUNTER STIFF COMPETITION IN THE BANKING  
INDUSTRY IN KENYA**

**BY**

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## **DECLARATION**

I, the undersigned, declare that this project is my original work and that it has not been presented in any other university or institution for academic credit.

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

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

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## **DEDICATION**

I would like to dedicate this work to dad and mum for raising me well and setting the bar high. Your love, support and encouragement has seen me through this journey. My siblings Job and David may God bless you. Special thanks to my love Philip Edwine who encouraged me all through.

## **ABSTRACT**

The study focuses on the response marketing strategies adopted by Chase bank to counter stiff competition in the banking industry in Kenya. It sought to assess the response marketing strategies adopted by Chase bank limited. The design of the study was case study design. The findings were obtained using an interview guide that was administered personally by the researcher. The number of managers who were available at the time of this study was 10. This represents a 66.67 % response rate. Demographic profiles established that the majority of managers were male. The study established that the managers perceive response marketing as a useful tool in the management of the marketing activities and had positively impacted on the cost, operations and timely completion of marketing projects. The study also established that Chase bank indeed has adopted response marketing strategies that are broken down in to four other strategies: product strategy, service strategy, penetration strategy and functional strategy. The study found out that the services designed by the bank have an element of class and service excellence with an emphasis to personalized services. The respondents mention the leverage on the new core banking software “Flex” as the backbone of value addition. The study also indicated that implementation of response marketing strategy was being affected by speed of implementation, difficulty in attaining service excellence and differentiating products and services in a “commoditized” marketplace. This study was limited by the fact that it only focused on Chase bank and therefore its findings may not be applicable to the entire banking sector.

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## **ACRONYMS AND ABBREVIATIONS**

<b>GoK</b>	-	Government of Kenya
<b>CBK</b>	-	Central Bank of Kenya
<b>NBFI</b>	-	Non-Banking financial institutions

## **CHAPTER ONE : INTRODUCTION**

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

The development of the field of strategic marketing within the last two decades has been dramatic. While its roots have been in a more applied area, often referred to as business policy, the current field of strategic marketing is strongly theory based, with substantial empirical research, and is eclectic in nature. The structure-conduct-performance framework and the notion of strategic marketing groups, as well as providing a foundation for research on competitive dynamics, are flourishing currently (Golan, Karp & Perlofi, 2000). In times of uncertainty, game theory (Bourgeois & Brodwin, 1984) should come to the forefront as a strategic tool, for it offers perspectives on how players might act under various circumstances, as well as other kinds of valuable information for making decisions. Yet many managers are wary of game theory, suspecting that it's more theoretical than practical. When they do employ this discipline, it's often misused to provide a single, overly precise answer to complex problems.

The last five years have witnessed a drastic change in the Kenyan banking sector with the conversion of many Non-Banking financial institutions (NBFI) and building societies into fully fledged banks. The increase in the number of commercial banks in Kenya has brought about a variety of banking products and services targeting various customer segments and income groups (Korir, 2005). There are products for the high, medium and low income earners which come with unique features and characteristics. Despite the increase in the number of commercial banks in Kenya, 80% of the Kenyan population is

still un-banked (Korir, 2005). Only 20% of the population operates bank accounts in the various banks.

Players in the banking sector have experienced increased competition over the last few years resulting from increased innovations and new market entrants. The tactics used to try and edge out competition and consolidate their economic strength include: Mergers (in the case of Cfc-Stanbic bank), coming up with specific gender-based products-the case of Grace loans from Kenya Commercial bank, introduction of faith –based products like sheria banking (in the case of National bank) and converting the bank as a one-stop shop-in the case of equity which has acquired a stock broking license and is offering stock broking services, insurance services and Mpesa services (Korir, 2005).

Trends affecting banks comprise privatization, regulation and supervision, demographic factors and technological innovations (Vassinen, 2006). There is increased competition among banks and other new financial intermediaries. In order to stay competitive and achieve their goals and objectives, banks are periodically re-evaluating their strategies. Most banks strive towards achieving an integrated banking business which is operationally efficient (Pearce, 2004). Generally, banks aim to achieve strong organic revenue growth, improve customer loyalty, improve productivity and realize growth in retail market share and corporate banking market share (Steenkamp et al., 2002).

All organisations operate within the environment and are thus totally dependent on it; commercial banks are no exception to this interdependent relationship. They have to adopt suitable strategies for survival within the highly competitive and volatile environment. Based on this background therefore, a study needs to be done to evaluate

the response strategies that commercial banks in Kisumu County have adopted to respond to the turbulent environment and more specifically to those factors that influence their choices.

### **1.1.1 The Concept of Marketing Strategy**

Marketing strategy has its roots in the basic concepts of marketing and strategy. Marketing is the management process responsible for identifying, anticipating, and satisfying customers' requirements, profitably (Palmer & Millier, 2004)). Marketing concept holds that the key to achieving organizational goals consists in determining the needs and wants of target markets and delivering the desired satisfactions more effectively and efficiently than competitors. This breaks down into four components; Market Focus, Customer Orientation, Coordinated Marketing and, Profitability (Kotler, 2007).

Marketing strategy was probably used the first time that two humans engaged in trade, i.e., an "arm's-length" transaction (Palmer & Millier, 2004). Certainly, early civilizations, such as the Babylonians, the Chinese, the Egyptians, the Greeks, the Romans, and the Venetians, had developed marketing strategies for their trading activities (Cohen, 1991). They probably discussed appropriate strategies for given situations, and even taught these strategies to friends, family members, and subordinates (Walker et al, 1998). The actual function of marketing, i.e., the distribution function, was performed whenever exchange occurred.

Modern discussion of marketing strategy can be traced back to a discussion of marketing management by Leverett S. Lyon (1885-1959) in 1926 (Zou & Cavusgil, 2002). Marketing management was perceived as the business function that developed marketing strategy. Lyon argued that marketing management involves ongoing planning of a company's marketing activities in response to the constantly changing internal and external conditions.

### **1.1.2 Concept of Response Strategy**

For organisations to remain truly competitive over time as the environment changes, McCarthy et al (1998), maintains that they have to learn to adapt and reorient themselves to the changing environment. This process they argue has to be deliberate and coordinated leading to gradual systematic realignment between the environment and the firm's strategic orientation that results in improvement in performance and effectiveness (Taylor, 2005).

Effective response strategy may enable a business to influence the environment in its favour and even defend itself against competition. Wilkinson and Young (2002) also adds that given the current focus in business, there is need to understand competitor strengths in the market and then position one's own offerings to take advantage of weaknesses and avoid head on clashes against strengths. Walker et al. (1998) says that to adapt to environmental changes, firms require effective leadership. He further states that, while leadership is crucial, most organisations are over managed and others under-led. In this regard therefore it is necessary to examine what impacts leadership and strategic management have on an organisation in relation to its external environment. If a firm wants to remain vibrant and successful in the long run, it must make assessment of the

external environment, especially such relevant groups as customers, competitors, suppliers, creditors, regulators and how they impact on its operations success is dependent on productivity, customer satisfaction and competitor strength (Taylor, 2005).

### **1.1.3 Banking Industry in Kenya**

During the quarter ended September 30, 2012, the Kenyan banking sector comprised 43 commercial banks, 1 mortgage finance company, 6 deposit taking microfinance institutions, 5 representative offices of foreign banks, 111 foreign exchange bureaus and 2 credit reference bureaus (CBK, 2012). The Kenyan Banking Sector continued to register improved performance with the size of assets standing at Ksh. 2.3 trillion, loans & advances worth Ksh. 1.32 trillion, while the deposit base was Ksh. 1.72 trillion and profit before tax of Ksh. 80.8 billion as at 30<sup>th</sup> September 2012. During the same period, the number of bank customer deposit and loan accounts stood at 15,072,922 and 2,055,574 respectively (CBK, 2012).

The loan portfolio of the Banking industry in Kenya has continued to soar with total loans and advances to customers peaking at Ksh. 399 billion in 2002. The ratio of nonperforming loans to total loans has reduced to 17.6% in 2005, as compared to 20.8% in 2004. Commercial Banks managed to maintain an average 6.2% reserve requirement by May 2006. The proportion of liquid assets to deposit liabilities of the banking sector has been above the minimum requirement of 20%. Four Banks accounted for 47% of the total industry's assets and customer deposits. They also accounted for 55% of the total industry profitability. These banks were: Barclays Bank of Kenya, Kenya Commercial Bank, Standard Chartered Bank and Cooperative Bank of Kenya (CBK, 2006).

## **1.2 Research Problem**

As much as strategic marketing is known, one will rarely come across response marketing strategy (Lynch, 2009). Managers, leaders, researchers and business apostles alike impose different applications on the response marketing strategy (Vassinen, 2006). In usage, it sprawls across the fields of marketing, product promotion, management, and strategy. Businesses have relied first on raw materials and then on advanced technology for global competitive advantage (Vassinen, 2006). The sustainability of the present situation is suspect. For increased global competitiveness, companies must involve a new appreciation of marketing in their business and ways of thinking (Tikkanen, 2006). Lynch (2009) states that the banking sector has with time started adapting marketing strategies used in other private sectors.

The banking industry in Kenya has undergone a major transformation due to amongst other factors, changing patterns of customer behavior, government regulation, technological innovations, service quality movements, and pressures to improve productivity, relaxation of previous professional association restrictions on marketing, internationalization and globalization. The shifting characteristics, lifestyles, social, educational and economic profiles of the various clients demand the innovation of new products and rebranding of existing ones. This has caused a lot of dynamism in the banking sector spiraling unprecedented competition. For a bank like Chase bank to survive and thrive, it has been forced to differentiate its services mainly through product differentiation. This has led to the development of products and services; encompassing both creativity and brand enhancement. However, most of the previous innovations adopted by most banks are more of marketing strategies in the company goals than being



in the “response ocean”. So it would be necessary to analyze the response marketing strategies adopted by Chase bank limited.

Previous studies have been carried out on strategic marketing in banks (Arnold and Bianchi, 2001; Albaum, 2001). Arnold & Bianchi (2001) asserts that success of strategic marketing as a response to competition hugely relies on consumer perception and market trends. Albaum (2001) disagrees with them by concluding that response strategy in marketing can work at any point in time irrespective of the market trends and consumer perception. However, none of these studies clearly demonstrate the relationship between adoption of the strategies and achievement of competitive advantage, a gap this study seeks to fill. So what response marketing strategies are adopted by Chase bank limited?

### **1.3 Research Objective**

To assess the response marketing strategies adopted by Chase bank limited.

### **1.4 Significance of the Study**

The findings of this study will add on the theory building process and further enrich existing knowledge and hence will be of interest to both researchers and academicians who seek to explore and carry out further investigations. It will provide basis for further research.

The problem and its consequent solution will be relevant to banks and other financial institutions looking to target the unbanked and the under banked. An additional beneficiary in this research may include financial organizations that are looking into

entering strategic alliances with partners who operate in unrelated businesses so as to overcome competitive challenges in banking in Kenya.

The regulators and the policy makers can use the finding of the study to enhance policy and regulatory framework for banking services in Kenya. These may relate to regulating those aspects that threaten to adversely impact on the marketing operations and policies that could control competition in the banking sector.

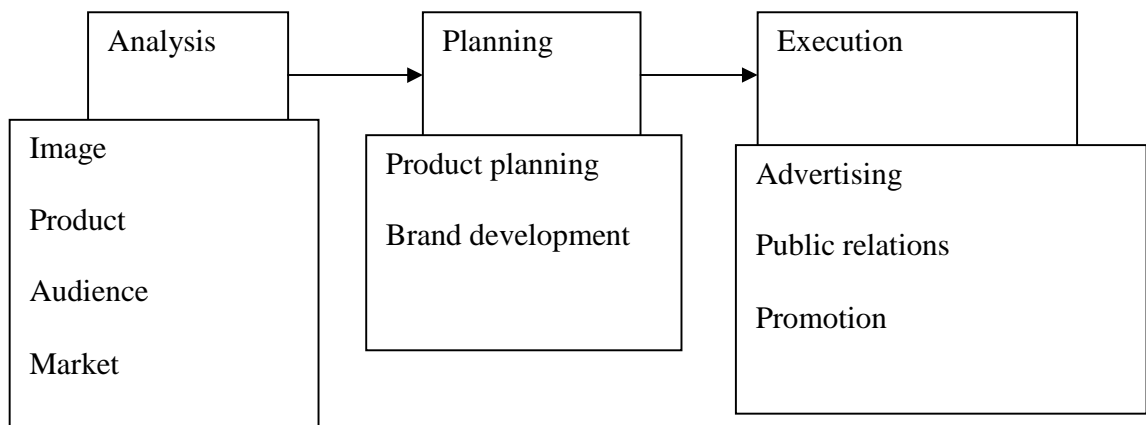
## CHAPTER TWO : LITERATURE REVIEW

### 2.1 Introduction

This chapter presents the literature, theories and empirical studies that were reviewed to provide a basis for the study. The specific areas covered are the concept of strategic marketing, response marketing strategy, management perception of response marketing strategy and the concept of competitive advantage.

### 2.2 Strategic Marketing

Strategic marketing is an umbrella management process for creating, communicating and delivering value to customers (Agarwal, 2003). The process of strategic marketing guide the following organizational decisions: developing a marketing strategy; selecting market types, audiences and market segmentation; designing competitive and cooperative behaviors; shaping the internal organizational environment; and shaping the external organizational environment.



Source: Alabaum & Tse, (2001)

As illustrated in the above model, strategic marketing include 3 major stages: analysis, planning and execution (Alabaum & Tse, 2001). Analysis involves analyzing the organization, customers, competitors and the business environment in which we operate. Planning involves the match between the business environment and the mission and values. This stage focuses on two steps: developing products and services with a sustainable competitive advantage; and designing an attractive brand. In order to communicate our improved value proposition, the communication tactics of public relations, advertising, sales promotion, direct marketing, guerrilla marketing, e-marketing and others should be employed (Alabaum & Tse, 2001).

While all marketers do not agree on a common definition of marketing strategy, the term generally refers to a company plan that allocates resources in ways to generate profits by positioning products or services and targeting specific consumer groups. Marketing strategy focuses on long-term company objectives and involves planning marketing programs so that they help a company realize its goals (Agarwal, 2003). Companies rely on marketing strategies for established product lines or services as well as for new products and services.

### **2.2.1. Orientations of Strategic Marketing**

Contemporary approaches to marketing often fall into two general but not mutually exclusive categories: customer-oriented marketing strategies and competitor-oriented marketing strategies (Agarwal, 2003). Since many marketers believe that striving to satisfy customers can benefit both consumers and businesses, they contend that marketing strategy should focus on customers. This strategy assumes that customers tend to make

more purchases and remain loyal to specific brands when they are satisfied, rather than dissatisfied, with a company (Alabaum & Tse, 2001). Hence, customer-oriented marketing strategies try to help establish long-term relationships between customers and businesses.

Competitor-oriented marketing strategy, on the other hand, focuses on outdoing competitors by strategically manipulating the marketing mix: product, price, place, and promotion (Atuahene-gima & Murray, 2004). Competitor-oriented strategies will lead companies to imitate competitor products, match prices, and offer similar promotions. This kind of marketing strategy parallels military strategy. For example, this approach to marketing strategy leads to price wars among competitors (Agarwal, 2003). Successful marketing strategies, however, usually incorporate elements from both of these orientations, because focusing on customer satisfaction alone will not help a company if its competitors already have high levels of customer satisfaction and because trying to outdo a competitor will not help a company if it provides inferior products and customer service (Agarwal, 2003).

### **2.2.2 General Marketing Strategies**

Marketing strategies can be identified by the goals they attempt to accomplish in order to boost company profits. The three basic marketing strategies include price reduction (for market share growth), product differentiation, and market segmentation (Arnold & Bianchi, 2001, pg 28). The market share strategy calls for reducing production costs in order to reduce consumer prices. Via this strategy, companies strive to manufacture products inexpensively and efficiently and thereby capture a greater share of the market.

According to this strategy, companies avoid diverse products lines and marginally successful products and allocate minimal funds to product development and advertising (Agarwal, 2003). The competitive advantage this strategy offers is the ability to provide products at a lower price than competing companies. Companies implementing this strategy cut their profit margins and rely on sales volume to generate profits. The price reduction strategy, however, has three drawbacks: finding markets without or with few low-cost retailers, losing flexibility because of limited product line and limited market, competing with other companies using the same strategy (Arnold & Bianchi, 2001)

The product differentiation strategy involves distinguishing a company's products from its competitors' by modifying the image or the physical characteristics of the products (Agarwal, 2003). Unlike the market share strategy, product differentiation requires raising product prices to increase profit margins (Arnold & Bianchi, 2001). Companies adopting this strategy hope that consumers will pay higher prices for superior products (or products perceived as superior). As a result of this strategy, companies usually either achieve high profit margins and a low market share (such as luxury car manufacturers) or they achieve slightly higher profit margins and a moderate to large market share (such as popular food brands such as Kraft and Heinz) (Agarwal, 2003). This strategy depends on the production of quality goods, brand loyalty, consumer preference for quality over cost, and ongoing product innovation. Nevertheless, product differentiation has a couple of disadvantages (Arnold & Bianchi, 2001). First, competing companies often can easily imitate products thereby undercutting product differentiation efforts. Second, companies cannot raise their prices too high without losing customers, even if they provide better products (Arnold & Bianchi, 2001).

Market segmentation refers to the process of breaking the entire market into a series of smaller markets based on common characteristics related to consumer behavior. Once the market is divided into smaller segments, companies can launch marketing programs to cater to the needs and preferences of the individual segments. Moreover, companies can choose to court all the segments of the market through "differentiated marketing," to concentrate on one or two of the smaller segments overlooked by other companies through concentrated marketing (niche marketing), or to focus on very small markets or even individual customers through atomized marketing (Agarwal, 2003). Market segmentation also can involve the other two strategies, because marketers can target various segments using a price reduction strategy or a product differentiation strategy. If a segment grows, however, large competitors can begin targeting it as well. Companies that focus on one or two segments also are vulnerable to changes in the segment's size and preferences (Agarwal, 2003). Hence, if the segment dwindles or its tastes no longer correspond to a company's offerings, a company's revenues can fall precipitously.

### **2.2.3 Specific Marketing Strategies**

Marketers also have specific strategies for specific kinds of marketing obstacles, which may serve as part of a general marketing strategy (Little, 2003). Moreover, parts of general marketing strategies can be implemented for narrower ends. The marketing strategies include a plethora of specific marketing strategies for a host of situations: pioneer strategy, follower strategy, fortress strategy, flanker strategy, confrontation strategy, market expansion strategy, withdrawal strategy, frontal attack strategy, leapfrog attack strategy, encirclement strategy, guerrilla attack strategy, divestment strategy,

global strategy, national strategy, exporting strategy, pricing strategy, channels strategy, and promotion strategy (Little, 2003).

In addition, Atuahene-gima and Murray (2004) outlined primary demand strategies and selective demand strategies. They also developed product-line marketing strategies, including strategies for substitutes (line extension strategies and flanker strategies) and strategies for complements (leader strategies, bundling strategies, and systems strategies). The primary demand strategies included user strategies (increasing the number of users) and rate of use strategies (increasing the purchase quantities). User strategies were, in turn, divided into willingness strategies (emphasis on willingness to buy) and ability strategies (emphasis on ability to buy). The rate of use strategies were divided into usage strategies (increasing the rate of usage such as brushing your teeth after each meal) and replacement strategies (increasing the rate of use by replacement such as replacing your toothbrush every month). The selective demand strategies included retention strategies (retaining the organization's existing customers) and acquisition strategies (acquiring customers from the competition).

#### **2.2.4 Determinants of Marketing Strategy**

Marketing strategy is determined by internal and external uncontrollable environmental forces (Lilien et al, 2003). The internal environment (the environment within the organization) includes previous and higher-level strategies as well as resources (such as products, processes, patents, trademarks, trademark personnel, and capital) (Leeflang et al, 2000). An example of an internal environmental influence on marketing strategy is when a previous strategic decision (such as the choice of a product market for a strategic



business unit of an organization) affects current marketing decisions (such as market segmentation and target market selection). Likewise, an organization's financial strength (such as current cash flow) influences its formulation of marketing strategies (such as target market selection, positioning choices, and marketing mix decisions) (Leeflang et al, 2000).

The external environment has domestic and global dimensions. The domestic dimension contains home country environments (such as a country's cultural environment). The global dimension consists of international forces (such as global demand and competition) affecting home country environments (Lilien et al, 2003). The external environment includes the immediate task environment as well as legal and political environments, economic environments, infrastructures, cultural and social environments, and technological environments. An example of an external environmental influence on marketing strategy is when advertising strategy development is affected by such variables as customer media habits and governmental regulations (Leeflang et al, 2000).

### **2.2.5 Strategic Marketing Tools**

A marketer uses marketing concepts, marketing models, and computers to facilitate decision making (Atuahene-gima & Murray, 2004). The computer-based method of marketing strategy generation, for example, is usually a quantitative approach starting with marketing theory and ending with the processing of data through a specialized computer program that analyzes variables and relationships (Leeflang et al, 2000).

The computer-based method begins with a segment of marketing theory. Marketing theory can be broken down into concepts and sub-concepts. A concept is a set of related

ideas or variables (Little G., 2003). For example, the product life cycle is a major concept in marketing. It describes market response (in terms of sales or revenues) to a product over the product's commercial life. It depicts four life stages of the product, namely: introduction (or commercialization), growth, maturity, and decline. Each stage of the product life cycle corresponds to the degree of competition it faces and the maturation of the market. Marketing strategy changes over the life of the product (Leeflang et al, 2000). In general, there is an appropriate set of marketing strategies or alternatives for each phase of the product life cycle. Market response, stages of the product life cycle, and other ideas constituting the concept are all variables that can assume different values and represent different relationships across the variable set. A marketing model articulates and quantifies the variables and variable relationships of a marketing concept (Leeflang et al, 2000). The marketing model also has inputs, processes, and outputs, which allow marketers to determine the effects of their strategies and decisions on both consumers and competitors (Leeflang et al, 2000).

Prepackaged marketing and spreadsheet software can facilitate the production of marketing models. A marketer needs only to change the values of the variables based on the facts that have been gathered in the situation analysis in order to use the output to arrive at a decision. When necessary, the decision maker can add or delete variables and change the functional relationships of the marketing model. Of course, it is also quite easy to assume different situational facts and consider the net impacts on the marketing strategy, or the results of implementing the marketing strategy (Lilien et al, 2003). Thus, it is relatively easy, using computer software, to develop a marketing strategy and to

perform sensitivity (degree of impact of changes) and contingency analyses (alternative scenarios).

### **2.3 Cost Leadership**

Organizations that attempt to become the lowest cost producers in any industry can be referred to as those following a cost leadership strategy (Atuahene-gima & Murray, 2004). Those with the lowest costs would earn the highest profits in the event that the competing products are essentially undifferentiated and selling is at a standard market price. Organizations following this strategy place emphasis on cost reduction in every activity in the value chain (Atuahene-gima & Murray, 2004). The risk of following this strategy is that the company's focus on reducing costs can be at the expense of other vital factors that the company may lose vision on why it embarked on such a strategy in the first place. According to Ansoff (1988) the aim of cost leadership strategy is to open up a sustainable cost advantage over competitors and then use the firm's lower cost edge as a basis for either under pricing competitors or gaining market share at the expense of earning a higher profit margin. Firms acquire cost advantages by improving cost efficiencies, accessing lower cost materials, optimizing outsourcing and avoiding some costs altogether.

### **2.4 Product Differentiation Strategy**

This strategy seeks to differentiate the organizations product offerings from competitors in ways that will appeal to a broad range of buyers (Hanssens et al., 2001). The value of differentiation commands a premium price. There is also perceived quality and signals of value in products and services. The main advantage of differentiation is that the perceived

quality insulates a company from threats from many of the five forces that determine the state of competition in an industry (Avlonitis & Karayanni, 2000). Some general examples of differentiation would be: Superior service levels, quick turnaround times, better product performance and prompt customer feedback in comparison with existing competitors (Atuahene-gima & Murray, 2004). Some of the problematic areas with differentiation would be the additional costs associated with quality and value that may not necessarily translate to advantages through premium pricing. Competitors may also enter the company's market segment and copy the differentiated product (Baker & Sinkula, 2005).

## **2.5 Focus Strategy**

The focus strategy involves the use of a low cost leadership strategy or differentiation strategy but on a narrower target. It is based on selecting a market niche where buyers have distinctive preferences (Atuahene-gima & Murray, 2004). The market niche may be defined by geographical uniqueness and expertise in using a product. This strategy places a limitation on the overall market share that can be achieved. It also involves a tradeoff between profitability and sales volumes. The three generic strategies represent three broad types of strategic groups thus the choice of strategic responses. Any firm that fails to develop its strategy along any of the three generic strategies is 'stuck in the middle' which is a wrong strategy and the firm will reap low returns (Porter, 1980).

One of the major challenges when it comes to change in an organization is Finance. A commercial organization has to make profit, a return on investment to its share holders. A public sector organization may not have to make surplus in the same way but it will have to stay within its budgets and manage them efficiently and make the most effective use of

available resources, in the interests of those who fund and pay for the organizations activities (Atuahene-gima & Murray, 2004). Agarwal (2003) documents that the major challenge facing the banks in the implementation of strategic responses is the growth of share capital which has been very low and has been worsened by losses made by Banks in the last decade. This has been due to heavy provision for bad and doubtful debts. He further asserts that bureaucracy in management hamper effective communication thus delaying decision making.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter presents the methodology that was used to carry out the study. It further describes the research design, type and source of data, research instruments to be used to collect data. It also describes the target population and the data analysis method.

### **3.2 Research Design**

The study adopted a case study. Case study is most suitable in this situation due to the nature of the firm being studied to help focus on issues that have not been tackled before. It gave an in-depth investigation of individual respondents and the institution at large. Case study refers to the collection and presentation of detailed information about a particular participant or small group, frequently including the accounts of subjects themselves.

As form of qualitative descriptive research, the case study looks intensely at an individual or small participant pool, drawing conclusions only about that participant or group and only in that specific context as Mugenda and Mugenda (2003) argues. The study was also fit to fulfill the objective of the study since the qualitative data collected from the interviews was that of the key stakeholders in chase bank who influence the strategic marketing implementation.

### **3.3 Population of Study**

A population describes the parameters whose characteristics the research attempts to describe. The population for the purpose of this study was staff members of Chase bank limited. The study specifically targeted the Managing Director and other senior

managers. The total number of senior managers in Chase bank is fifteen (15); a census was therefore carried out due to the small number.

### **3.4 Data Collection**

Both primary and secondary data collection instruments were adopted in this study in order to get the wide view of the issues concerning this study. Primary data collection involved an interview guide tailored to the CEO and other fourteen senior managers at Chase bank. Primary data collection used interviews, surveys, experiments or direct observations. Interviews are slow, expensive, and take people away from their regular jobs, but also allow for in-depth questioning and follow-up questions.

As argued by Fenton (2000), the interviewer can not only record the statements the interviewee speaks but he can observe the body language or non-verbal communication such as face-pulling, fidgeting, shrugging, hand gestures, sarcastic expressions that add further meaning to spoken words and other reactions to the questions too.

Secondary data was also adopted in this study. Secondary data collection was conducted by collecting information from a diverse source of documents or electronically stored information. Kothari (2007) terms the secondary data as the most appropriate instrument due to its ability to collect a large amount of information in a reasonably quick span of time.

### **3.5 Data Analysis**

The data collected was also checked for any errors and omissions. The responses from the open-ended questions were reported by descriptive narrative. The data for the qualitative study were notes jotted down in the field or during the interview. The original comments, observations, and feelings were reconstructed and text transcribed from audiotapes. This helped in deducing necessary information pertaining to the adoption of response marketing strategies by Chase bank limited.



## **CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION**

### **4.1. Introduction**

This chapter presents data findings from the field work. The data was collected using an interview guide.

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### **4.2 Demographic Profiles**

Ten out of fifteen respondents were interviewed representing 66.67% response rate. The demographic statistics collected sought to unearth background information of individual managers. The profiles checked were gender and tenure.

#### **4.2.1 Gender of the Respondents**

The study sought to find out the gender of the respondents because gender may have an effect on perception. 80.00% of the respondents interviewed were male while 20% of the respondents were female.

#### **4.2.2 Length in the Position**

The study sought to find out how long the respondent had worked in their position, this being a relatively big bank. The findings are presented in Table 4.1.

**Table 4.1.Length in the position**

<b>Length</b>	<b>Frequency</b>	<b>Percent</b>
Below 4 years	6	60.00%
5- and above years	4	40.00%
TOTAL	10	100%

From the findings, 60% of the respondents had stayed at the bank for less than four years while only 40% had stayed in the bank for more than 4 years. It is expected that the length of time in the bank may influence the way the manager's perceive the bank's marketing strategy.

### **4.3 Perception on Response Marketing Strategy**

From the findings, most of the respondents confirm that they handle competition through product differentiation. They further assert that response marketing strategy or direct competition is not there style of operation.

When asked about marketing strategy formulation, most respondents agreed that they indeed design products and services that compete in the existing market space. However, the respondents are quick to clarify that their products or services are differentiated from those of other banks and therefore offer unique features. A few respondents; from the business development department; do not agree to this. They insist that their services do not compete in existing market space but offer a unique use of brand differentiation platform that adds value by reducing their costs and enhancing speedy transactions.

According to most respondents, value addition is achieved through brand enhancement. The respondents further confirm that use of technology breaks the value-cost trade off by offering a platform for efficiency and reduced expenditure; which keeps Chase bank above the other commercial banks. Products like mobile banking, internet banking and Iman banking coupled with efficient ATM network are thought to be adding value to the clients. The respondents mention the leverage on the new core banking software “Flex” as the backbone of value addition.

When asked about creating uncontested market space, most respondents quickly mention their unique bank accounts and RTGs money transfer system. The respondents further insist that the services provides a basis for paperless banking, account opening, savings and loan accessibility just from the client’s computer. Moreover, the services designed by the bank have an element of class; service excellence with an emphasis to personalized service; this is attained through increased emphasis on bi-monthly meetings with a view of addressing market challenges in time, effective queue management and faster resolutions of client complains.

When asked about cost target to profit analysis, most of the respondents, were quick to dismiss the question citing confidentiality reasons. However, a few of them, especially the head of finance and strategy, confirmed that indeed the marketing strategies, are not very costly.

The marketing manager asserts that, “speed of implementation is the only main problem with our marketing schemes, but we are working on it, together with our marketing consultants, so that it doesn’t affect our client loyalty.” However, the business

development manager mentions attaining service excellence; with particular emphasis on personalized products; as the most challenging. Other challenges mentioned and the required actions are shown in the table below.

**Table 4.2. Marketing Strategy Challenges at Chase bank**

Challenges	Required actions
Finding new income streams	Improving service consistency,
Obtaining higher level of products per customer	Build customer loyalty through acquiring information on what customers want
Diminishing customer loyalty	Making the information actionable
Developing highly skilled customer service professionals capable of serving a specific customer segment	Develop workforce skills aligned with customer needs
Differentiating products and services in a “commoditized” marketplace	Differentiating your brand through superior and consistent service; greater flexibility and responsiveness to market changes
Losing market share to new, more agile competitors	Faster time-to-market with new products tailored to your customers

When asked what Chase bank does to exploit existing demand and create new demand, the business development manager was categorical on reliance on new services that are anchored on IT platforms; giving an example of provision of a free software to clients for account accessibility and real time money transfers. The same example was given by the human resource manager and the marketing manager when addressing a question on strategic choice of differentiation adopted by Chase bank. However, four main strategies were mentioned by the business development manager. These include product strategy, service strategy, penetration strategy and functional strategy. A worth noting emphasis was given to the product strategy; which was offered by the bank through constant redefinition of Chase bank’s offerings with innovative and tailor-made features targeting the market niche. A detailed analysis of the application of product strategy is presented in the table below; which is in line with the bank’s strategic marketing plan.

**Table 4.3.Product Strategy at Chase bank**

Product type	Product narration
Liability products	Fixed deposits, Regular current accounts, Savings accounts, Jivunie account, Pebble account, Wekeza account, Kilele accounts
Asset products	Enc facilities, overdraft facilities, Term loans/Asset financing, Pay day advance, Unsecured loan, Agriculture bases asset products, Forex incomes, Local and foreign

	bankers drafts, Masters cards
Non funded income	Gift cards, Telegraphic transfers, Money Transfer services solutions, Alternate banking services, Share Brokerage services, Access to a dedicated and experienced Relationship Manager

The key pillars in the bank’s market penetration strategy include agency banking, market activations, cross selling and referrals, focus groups and tailor-made products suiting each market segment. Penetration strategy involved visiting various towns and trading centers on specific days to carry out market activation, establishing links with various stakeholders to provide their client contacts, recruitment of direct sales teams to provide contacts and open accounts; and creating direct channels to provide banking link for the clients who are unable to transact within the branch due to distance. However, the market penetration strategy varied based on the type of clientele and market size that is targeted by the bank.

#### **4.4 Discussion**

The way in which decision makers perceive a situation will largely determine the decision making strategies that they employ. Robbins and Judge (2007) define perception as a process by which individuals organize and interpret their sensory impressions in order to give meaning to their environment. In Chase bank, these include main strategies such as product strategy, service strategy, penetration strategy and functional strategy. A

worth noting emphasis was given to the product strategy; which was offered by the bank through constant redefinition of its products and services. Strategic marketing and its formulation was meant to make firms more focused and resilient in their decisions. For a marketing strategy to work the managers must not only perceive it positively but also implement it at the right time and moment. They must view it as making competition irrelevant and not just another marketing ploy imposed on them. The key pillars in the bank's market penetration strategy include agency banking, market activations, cross selling and referrals, focus groups and tailor-made products suiting each market segment.

The study established that response marketing strategy has saved on costs and increased efficiency at Chase bank. It had also facilitated timely service provision thereby enhancing value addition through efficiency. The respondents are however not aware that their current marketing strategies fall in the response marketing group. Instead they achieve response marketing by engaging in product differentiation through innovative and tailor-made features targeting the market niche.

The services designed by the bank have an element of class; service excellence with an emphasis to personalized service; this is attained through increased emphasis on bi-monthly meetings with a view of addressing market challenges in time, effective queue management and faster resolutions of client complains. The managers perceived that the anchorage on brand differentiation and Information Technology has increased their rate of success in creating uncontested market spaces; especially with the account opening products and money transfer services.

Managers interviewed indicated that the main problem with response marketing strategy is the speed of implementation or product rolling. The business development manager mentions attaining service excellence; with particular emphasis on personalized products; as the most challenging. Other challenges mentioned include developing highly skilled customer service professionals capable of serving a specific customer segment and differentiating products and services in a “commoditized” marketplace.



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

### **5.1 Introduction**

This chapter presents the summary of key data, conclusions from the findings highlighted and recommendations made. The conclusions and recommendations were drawn with the aim of achieving the research objective.

### **5.2 Summary of Findings**

The goal of setting strategy is to shift the focus from operations to results in the firm. The study established that indeed response marketing strategy is implemented at Chase bank limited. The response marketing strategy had impacted on cost saving and helped streamlined operations. It has also increased the level of efficiency and created uncontested market space. It was clear that the managers perceive response marketing as a useful management tool with a focus on product differentiation as the main strategy. In order to successfully implement response marketing, Chase bank has significantly relied on product differentiation and real time IT platforms.

### **5.3 Conclusion**

This study had sought to establish the response marketing strategy adopted by Chase bank. The study concluded that product differentiation is regarded as a response marketing strategy and had indeed achieved the core characteristics of a response marketing strategy: uncontested market space, beats competition, provides high value and

reduces cost. The study concluded that indeed response marketing strategy has been adopted by Chase bank; with specific reference to product differentiation.

#### **5.4 Recommendations for Policy and Practice**

Chase bank is a major bank whose mandate in developing banking sector plays a major role in the national economy growth. There is increased pressure to perform especially with the focus on results rather than operations. The managers agree that response marketing strategy is an effective marketing tool. There is need however to fully entrench the concept by ensuring that managers are well trained on response marketing.

#### **5.5 Limitations of the Study**

The study focused on the management perception or views at Chase bank which is a commercial bank in Kenya. The study did not consider other banks. The results may not be applicable to other financial institutions or the entire banking sector. Perceptions and views also change with time and future studies will gauge how management perception has changed.

The study did not gauge extensively the effect of response marketing strategy on performance, a study that may involve gathering information from all stakeholder groups, the customers, employees, suppliers and the broader community. This study used a cross-sectional design, focusing at only one point in time and therefore its findings may vary over time.

## **5.6 Suggestion for Further Research**

There is bound to be different perceptions on response marketing strategy implementation in different firms. It is therefore important to carry out research with regards to the wider banking sector. While the respondents of this study perceive response marketing strategy as being instrumental in streamlining marketing operations in the banking sector; further research should be conducted to establish whether there is a link between response marketing strategy adoption and successful business development of firms in Kenya

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## APPENDICES

### **Appendix I: Introduction Letter**

#### **LETTER TO THE RESPONDENTS**

**Re: Response Marketing Strategies Adopted by Chase Bank to Counter Stiff  
Competition in The Banking Industry in Kenya**

Thank you for agreeing to fill this questionnaire. The study is being conducted by a student of university of Nairobi (IRENE MORAA D61/64418/2010) to gather information the stated subject.

The questionnaire should take 10-15minutes of your time. Your participation is voluntarily and information given will be treated with utmost confidence for academic research only. Anonymity and confidentiality will be assured.

Thank you for taking your time to share the insight with me.

Yours faithfully,

Irene Moraa

D61/64418/2010



## **Appendix II: Interview Guide**

### INDEPTH INTERVIEW TO CHASE BANK STAFF

1. How do you handle competition from other banks?
2. As part of your marketing strategy formulation, do you design products/services that compete in existing market space?
3. Do you consider value addition when formulating and implementing your marketing strategies? How do you make or break the value-cost trade off?
4. In the banking industry, banks compete in existing market space, have you ever thought of creating uncontested market space within your industry?
5. Which of your products/services do you consider as existing in uncontested market space in Kenya? Why do you think so? Could you please tell me more about how you react to competition or make them irrelevant? Is there exceptional buyer utility in this product/service?
6. Is your marketing strategy cost effective? Does it give you a competitive advantage? Kindly elaborate on how Chase bank achieves that?
7. What are the adoption hurdles in actualizing your marketing idea? Are you addressing them up front?

8. What does Chase bank do to exploit the existing competition and instead create and capture new demand of its banking services? Most banks align the whole system of banks activities with its strategic choice of differentiation or low cost, how does Chase bank align its marketing activities in pursuit of differentiation and low cost?

THANKS FOR YOUR TIME