RETAIL BANKING STRATEGIES AND PERFORMANCE OF COMMERCIAL BANKS IN KENYA

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DECLARATION

I Arnold Ivui Ndungi hereby declare that this project is my original work and has not been submitted to another university or college for examination

Signature………………………… Date ………………………..

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Supervisors' Approval

These research project reports have been presented for examination with my approval as the candidate's University supervisor.

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DEDICATION

This study is dedicated to my family for their encouragement and continued prayers towards successful completion of this project

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LIST OF ABBREVIATIONS AND ACRONYMS

ATM:	Automated Teller Machine
CBA:	Central Bank of Africa
CBK:	Central Bank of Kenya
ICT:	Information Communication Technology
IT:	Information Technology
KCB:	Kenya Commercial Bank
KPI:	Key Performance Indicators
KSI:	Key Success Indicators
PWC:	Price Waterhouse Coopers
ROA:	Returns on Assets
ROI:	Returns on Interest
SPSS:	Statistical Package for Social Sciences
USA:	United States of America

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ABSTRACT

The objective of this study was to establish the retail banking strategies and their effect on performance in the commercial banking sector. The study used descriptive research design approach which involves identifying the characteristics of an observed phenomenon or exploring possible correlations among two or more phenomena. The study used the census approach in sampling all the 43 retail banking managers of the targeted commercial banks. These formed the unit of analysis of the study. The method of data collection was through questionnaires as the main data collection instrument. The collected data was sorted according to different categories. Before processing the responses, the completed questionnaires were edited for completeness and consistency. The raw data from questionnaires was checked for completeness, errors, and coded for analysis using Statistical Package for Social Sciences. Quantitative data was presented using tables, graphs, pie charts and figures appropriately while the open-ended questions was analyzed by use of content analysis. The study concludes that retail banking activities had enabled the retail managers to realize most of the financial aspects in the banking industry, had a well understanding that every activity in retail banking had a value to the overall performance of the bank and that if one activity failed, it would make another to fail. The study concludes that performance of commercial banks can be placed at 95%, in region East Africa at 93% and globally at 85% respectively on application of effective retail banking strategies. It was also evident that retail managers were aware of value chain (products development, improvement etc) strategies, marketing strategies, HR strategies, public relations management strategies, business acquisition, Customer care and Operational Strategies, diversification strategies, ICT strategies and Financing strategies which influenced the overall performance of their respective commercial banks to a great extent. Customer Satisfaction in their respective commercial banks was high and that retail banking managers were satisfied to a large extent on the way customers were treated in their banks with the use of effective customer handling strategies. The study also concluded that; public relations management has been enhanced which have attracted a bigger market in the East Africa and other countries in the globe (Diaspora banking in some cases), acquisition of businesses is always done with critical evaluation on global business situation, customer care and related activities have been enhanced, the use of effective ICT and related infrastructure has enabled the management to achieve where it was not possible for example, mobile money transfers, clear checks, online banking etc.), effective financing towards diversification projects has seen the share market of this bank grow globally, the bank management has ensured improved value chain (products development, improvement etc), good global marketing strategies has enhanced the performance of various products that we sell in this bank and that the human resources department is well aware of the changes in human resources management globally. To a great extent had enhanced new products development, return on assets, staff increase, customer satisfaction, acquisition and merger, market share, profitability, shareholder value and Increased no of branches.

Key words: Retail banking, performance, strategy, commercial banking.

CHAPTER ONE: INTRODUCTION

1.1 Background to the Study

Stiff competition in the global market and dynamic changing external business environment has necessitated companies to adopt effective strategies in order to establish, maintain and enhance their performance with customers and other parties in the global market. At the same time, the world economy became increasingly financially integrated throughout the 20th century as nations liberalized capital accounts and deregulated financial sectors. With greater exposure to volatile capital flows, a series of financial crises in Europe, Asia, and Latin America had contagious effects on other countries (Sheth & Parvatiyar, 2002).

By the early 21st century, financial institutions had become increasingly large with a more sophisticated and interconnected range of investment activities. A worldwide framework of legal agreements; institutions, both formal and informal economic actors came together to facilitate international flows of financial capital for purposes of investment and trade financing. This global financial system emerged during the first modern wave of economic globalization, marked by the establishment of central banks, multilateral treaties, and intergovernmental organizations aimed at improving the transparency, regulation, and effectiveness of international markets (Hopkins, 2004).

Porter (1998) noted that it is prudent for any firm to understand the underlying sources of competitive pressure in its industry in order to formulate appropriate strategies to respond. The author viewed strategy as a deliberate search for a plan of action that will develop a business competitive advantage and compound it. For any company, the search is an iterative process that begins with recognition of where you are now and what you have now. The differences between a firm and its competitors are the basis for its advantage.

There is emerging evidence that commercial banks are gravitating towards two divergent banking strategies in which non-interest income plays different roles. De Young and Hunter (2003) argue that two generic banking strategies are emerging from the fog of deregulation and technological change. In the first of these two strategies, large banks take advantage of economies of scale in the productions, marketing, securitization, and servicing of consumer loans. In the second of the two strategies, small community banks operating in local strategies, small, idiosyncratic borrowers who do not have direct access to financial markets.

Over the past two decades, the banking industry has been transformed by sweeping deregulation and rapid technological advances in information inflows, communications infrastructure, and financial markets. Deregulation fostered competition between banks, nonbanks, and financial markets where non-existed before. In response to these competitive threats and opportunities many banks embraced the new technologies that drastically altered their production and distribution strategies and resulted in large increases in non-interest income. In contrast many other banks continue to use traditional banking strategies for which non-interest income remains relatively less important (Whalen, 2001).

1.1.1 Concept of Strategy

Mintzberg defined strategy as a pattern in a stream of decisions to contrast with a view of strategy as planning while Max McKeown (2011) argues that strategy is about shaping the future" and is the human attempt to get to desirable ends with available means. Johnson and Sholes (Exploring Corporate Strategy) define strategy as the direction and scope of an organization over the long-term: which achieves advantage for the organization through its configuration of resources within a challenging environment, to meet the needs of markets and to fulfill stakeholder expectations. Thompson and Strickland (1987) observe that strategy consists of four components including product-market scope, growth vector, competitive advantage and synergy. The product-market aspect of the strategy indicates the particular industries to which the firm confines its product market position and competes for patronage (Hopkins, 2004).

Porter argues that strategy is about being different. It means deliberately choosing a different set of activities to deliver a unique mix of value. In short, Porter argues that strategy is about competitive position, about differentiating yourself in the eyes of the customer, about adding value through a mix of activities different from those used by competitors. Strategy is all about perspective, position, plan, and pattern (Porter, 1996). Strategy is the bridge between policy or high-order goals on the one hand and tactics or concrete actions on the other. Strategy and tactics together straddle the gap between ends and means (Hosmer, 2003; Hosmer, 2003).

1.1.2 Retail Banking Strategies

Retail banking refers to the consumer-oriented services offered by commercial banks. These services include checking and savings accounts, mortgages and various types of loans and investment services relating to retirement and educational planning (Tiwari, Rajnish & Buse, 2006). Retail banking is the one-stop shop for as many financial services as possible on behalf of retail clients. Some retail banks have even made a push into investment services such as wealth management, brokerage accounts, private banking and retirement planning (Tiwari, Rajnish & Buse, 2006).

While some of these ancillary services are outsourced to third parties (often for regulatory reasons), they often intertwine with core retail banking accounts like checking and savings to allow for easier transfers and maintenance. Retail banking is when a bank executes transactions directly with consumers, rather than corporations or other banks. Services offered include savings and transactional accounts, mortgages, personal loans, debit cards, and credit cards (Brunner, Decressin, Hardy, Kudela, 2004).

1.1.3 Firm Performance

Organization performance comprises the actual output or results of an organization as measured against its intended outputs (or goals and objectives). Performance involves the ability of an organization to fulfill its mission through sound management, strong governance and a persistent rededication to achieving results. Effective organizations are mission-driven, adaptable, customer-focused, entrepreneurial, outcomes oriented and sustainable. Performance measures can be financial or nonfinancial. Both measures are used for competitive firms in the dynamic business environment (Doyle & Stern, 2006).

Financial measures of organization performance include; return on assets, return on sales, return on equity, return on investment, return on capital employed and sales growth. Non-financial organization performance measures include; opportunities to maximizing returns on investment at minimal costs, promote stakeholder relations between customers, suppliers, investors, and competitors, increase profits, volume of sales, market share, development of new products, and communication within and outside the organization. But the foundation of long-term performance is lifetime customer value; the revenue customers generate over their lives, less the cost of acquiring, converting, and retaining them (Galvin, Evans, 2005).

1.1.4 Banking Industry in Kenya

The banking industry in Kenya has emerged as one of the fast growing sector in the economy. The growth has been mainly underpinned by; firstly an industry wide branch network expansion strategy both in Kenya and in the East African community region. And secondly, automation of a large number of services and a move towards emphasis on the complex customer needs rather than traditional 'off-the-shelf banking products. According to the Price Waterhouse Coopers [PWC] (2010) the banking industry is governed by the Companies Act, the Banking Act, and the Central Bank of Kenya Act. Central Bank of Kenya (CBK) is mandated to formulate and implement monetary policies and to foster liquidity and solvency and foresee the proper functioning of the financial systems in the country (PWC, 2010). Over five years (2001-2006) there have been tremendous growth in the Kenyan banking industry. Changes in the Kenyan economy and commercial banks have not been spared from the impact of these changes.

Even though the overall picture indicates that Kenya's banking sector is well capitalized, increasing competition has been increasing where major players have introduced various products in bid of attracting customers. For example, the Mpesa-Mkesho Banking Services, by Equity bank limited the Pesapoint by family bank limited, the M-shwari by the Safaricom and the CBA bank limited (www.cbk.co.ke).

1.1.5 Commercial Banks in Kenya

The banking sector in Kenya comprises 43 registered commercial banks that are governed and controlled by laws. The laws are divided and partitioned to cover the different aspects in the banking industry. It also enables the government to keep an eye in the way the banks operate and are managed (www.cbk.co.ke). The commercial banks are either locally owned or foreign owned. Each commercial bank offers a range of services and products majorly in retail banking, investment and insurance.

Over the years, Kenyan banks have recorded impressive profit margins, steady growth in assets and even deposits despite the sharp fall of interest rates, a weakening shilling and spiraling inflation triggered by high food and fuel prices. Majority of the commercial banks compete against each other and hence has a greater share market where each has a unique product or service that help retain their customers. The majority of the banks have even gone to the extent of opening regional branches and regional head offices in the current wake of globalization (Kimani, 2010).

Commercial banks and mortgage companies are licensed and regulated under the banking Act, Cap 488 and prudential guidelines issued thereafter. Deposit taking MFIs on the other hand are licensed and regulated under microfinance Act And Regulations issued there under. According to central Bank of Kenya (2011) supervision report as of December 2011 out of the 43 commercial banks 30 of them are domestically owned and 13 are foreign owned. In terms of asset holding, foreign banks account for about 35% of the banking assets as of 2011. In Kenya the commercial banks dominate the financial sector.

1.2 Research Problem

A study on retail banking strategies cannot be undermined. Business owners and their support teams are working in an era of aggressively intensified competition, rapidly shifting definition of what financial products are. This is also due to the general slowdown in world economic growth and much, much tougher risk management demands (De Bandt & Davis, 2000). There’s no denying the reverberations of the credit crisis that began in 2007. Even if the crescendo finally has occurred, retail banks face flattening performance, market turmoil and a mounting global shift in assets. In some respects, the global banking industry's performance is still falling short of the expectations of investors and other stakeholders. Yet, the worldwide financial system is expected to quadruple by 2025 to nearly US$1,300 trillion (Malik, Ghafoor & Naseer, 2011; David, 2003).

According to Dawer and Frost's study successful companies have adopted in their battles with powerful multinational competitors. Value chain improvement, relationship marketing, adoption of ICT and acquisition of other small companies as examples of globalization strategies has seen many companies go global making them remain competitive (Dawer & Frost, 2008).

The strength of a bank today lies in the quality of service it offers to their customers as part of the retail banking strategy. Increased competition among the commercial banks in Kenya, increased pressure to increase profits while lowering profits, high cost of acquiring new customers and improving corporate image remains key challenges to the globalization of commercial banks (Kiumbura, 2003).

A few studies have been conducted in Kenya. For example, a study by Kimani (2010) found out that Commercial banks in Kenya are operating in a dynamic business environment which is characterized by stiff competitions in the industry leading to a decreased volume of sales, profits, markets share and lack of customer loyalty. Wambugu (2011) found out that competitive companies have applied effective strategies and have so far gained competitive edge in the regional market, for example, Chase Bank, KCB, Equity Bank, Co-Operative Bank etc. The studies did not explicitly explain on strategies in retail banking and their effect on performance of commercial banks depicting that a gap still exists. This study aimed at filling this gap by establishing the retail banking strategies and their effect on performance in the commercial banking sector. The study sought to answer the following questions. What are the retail banking strategies applied by commercial banks in Kenya, what is the effect of retail banking strategies on performance of commercial banks in Kenya and what challenges are experienced towards the adoption of the retail such strategies?

1.3 Research Objectives

The objectives of this study were;

i) To establish the retail banking strategies adopted by commercial banks in Kenya

ii) To establish the effect of the strategies on performance of the commercial banks in Kenya

1.4 Value of the Study

A study on retail banking strategies would be valuable in establishing how they relate with performance in the banking industry. This means that the results of this study will add to the theoretical and conceptual arguments in other similar studies.

The results of this study would also be valuable to the targeted commercial banks' managers and other related companies in the region for they would realize how well they can adopt suggested retail banking strategies towards the better performance of their organizations. In this case, they may be able to evaluate on the retail banking strategies in place and come up with a decision on which among them will drive their relevant company success.

This study would also be valuable to the government of Kenya, especially the Central Bank (CBK) which regulates the operations of all commercial banks in that the results presented would lay the foundation of their policy works or help them create more effective policies that govern the operations of the organizations at large. It is through the results that they would also understand the issues surrounding the performance of commercial banks.

This study would also be valuable to the future researchers and academicians who would be pursuing studies in the same area of strategies for retail banking. In this case, this study would add to their knowledge while at the same time lay a foundation of their further research in the same area.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter presented the literature review based on reports by other academicians and authors in the area of retail banking strategies. The main areas presented here were; concept of strategy, retail banking, theoretical review on strategies, retail banking strategies, effect of the retail banking strategies on performance of commercial banks in Kenya and the challenges experienced towards the adoption of the strategies.

2.2 Theoretical Foundations of the Study

The study is anchored mainly on three strategic theories. These are the Dynamic Model of the Strategy Process, the resource based theory (Wernerfelt, 1984) and stakeholder theory (Drazia and Howard, 1984). These are some of the theories that give impetus to the relationship between bank's strategies and influence on firm performance**.**

In the dynamic model of strategy process, strategy is actually a dynamic and interactive process. Lindblom (1959) claimed that strategy is a fragmented process of serial and incremental decisions. The resource based view of the firm is a theoretical framework for understanding how strategies achieve competitive advantage within a firm through resource and how that advantage might be sustained over time (Barney, 2001). This theory further states that a successful business must have resources to utilize. A resource is anything that is of quality and sustainable competitive advantage. The stakeholder theory of the firm describes how organizations operate and to help predict organizational behaviour (Brenner and Cochran, 1991).

2.2.1 The Dynamic Model of the Strategy Process

In this model, strategy is actually a dynamic and interactive process. Some of the earliest challenges to the planned strategy approach came from Linblom in the 1960s and Quinn in the 1980s. Lindblom (1959) claimed that strategy is a fragmented process of serial and incremental decisions. His study viewed strategy as an informal process of mutual adjustment with little apparent coordination. Quinn (1978) developed an approach that called "logical Instrumentalism". It claimed that strategic management involves guiding actions and events towards a conscious strategy in a step-by-step process. Managers nurture and promote strategies that are themselves changing. In regard to the nature of strategic management he says: "Constantly integrating the simultaneous incremental process of strategy formulation and implementation is the central art of effective strategic management.". Whereas Lindblom saw strategy as a disjointed process without conscious direction, Quinn saw the process as fluid but controllable. Bower (1970) and Burgelman (1980) took this one step further. Not only are strategic decisions made incrementally rather than as part of a grand unified vision, but according to them, this multitude of small decisions are made by numerous people in all sections and levels of the organization.

Mintzberg (1987) made a distinction between deliberate strategy and emergent strategy. Emergent strategy originates not in the mind of the strategist, but in the interaction of the organization with its environment. He claims that emergent strategies tend to exhibit a type of convergence in which ideas and actions from multiple sources integrate into a pattern. A particularly insightful model of strategy process dynamics comes from Moncrieff (1999) who recognized that strategy is partially deliberate and partially unplanned, though whether the resulting performance is better for being planned or not is unclear. The unplanned element comes from two sources: “emergent strategies” result from the emergence of opportunities and threats in the environment and “Strategies in action” are ad hoc actions by many people from all parts of the organization. These multitudes of small actions are typically not intentional, not teleological, not formal, and not even recognized as strategic. They are emergent from within the organization, in much the same way as “emergent strategies” are emergent from the environment. However, it is again not clear whether, or under what circumstances, strategies would be better if more planned. In this model, strategy is planned and emergent, dynamic, and interactive. Five general processes interact. They are strategic intention, the organization's response to emergent environmental issues, the dynamics of the actions of individuals within the organization, the alignment of action with strategic intent, and strategic learning.

2.2.2 Resource-Based View Theory

The resource-based view of the firm predicts that certain types of resources owned and controlled by firms have the potential and promise to generate competitive advantage and eventually superior firm performance (Ainuddin et al., 2007). It emphasizes on the importance of the human element in the strategy development of organizations. The resource-based view stipulates that in strategic management the fundamental sources and drivers to firms' competitive advantage and superior performance are mainly associated with the attributes of their resources and capabilities which are valuable and costly-to-copy.

Building on the assumptions that strategic resources are heterogeneously distributed across firms and that these differences are stable overtime, Barney (1991) examines the link between firm resources and sustained competitive advantage. Four empirical indicators of the potential of firm resources to generate sustained competitive advantage can be value, rareness, inimitability, and non-substitutability. In Barney (1991) firm resources include all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc. controlled by a firm that enable the firm to conceive and implement strategies that improve its efficiency and effectiveness.

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 competitors. Furthermore, a firm is said to have a sustained competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors and when these other firms are unable to duplicate the benefits of this strategy (Barney, 1991). Barney (1991) further argued that to have the potential to generate competitive advantage, a firm resource must have four attributes: (a) it must be valuable, in the sense that it exploits opportunities and/or neutralizes threats in a firm's environment; (b) it must be rare among a firm's current and potential competition; (c) it must be imperfectly imitable; and (d) there cannot be strategically equivalent substitutes for this resource. From the resource based view, firms that want to succeed in performance must create competitive based strategies that attract customers without exploiting the latter.

2.2.3 Stakeholder Theory

Stakeholder theory begins with the assumption that value is necessarily and explicitly a part of doing business. It asks managers to articulate the shared sense of the value they create and what brings its core stakeholders together. It also pushes managers to be clear about how they want to do business, specifically what kinds of relationship they want and need to create with stakeholders to deliver on their purpose (Drazin and Howard, 1984).

Ponder and Jancic (2006) note that given the competitive environment organizations find themselves in, organizations do not and cannot treat all stakeholders equally or communicate with them with the same intensity. Stakeholder theory recognizes the fact that most, if not all firms have a large and integrated set of stakeholders to which they have an obligation and responsibility.

2.3 Strategy and Performance in Organizations

Strategy making is all about how to achieve performance targets, how to outcompete rivals, how to achieve sustainable competitive advantage, how to strengthen the enterprise's long-term business position, how to make management's strategic vision for the company reality. A strategy is needed for the company as a whole, for each business the company is in, and for each functional piece of the business. An organization's overall strategy emerges from the pattern of actions already initiated and the plans managers have for fresh moves that must be firm performance oriented (Glueck, 2000).

According to Glueck, (2000) strategy is the unified, comprehensive and integrated plan that relates the strategic advantage of the firm to the challenges of the environment and is designed to ensure that basic objectives of the enterprise are achieved through proper implementation process I an effort to enhance firm performance. Ansoff (1999) views strategy in terms of market and product choices. According to his view, strategy is the common thread among an organization's activities and the market. Johnson and Scholes (2002) view strategy as the direction and scope of an organization over the long-term, which achieves advantage for the organization through its configuration of resources within a changing environment, and fulfill stakeholder's expectations.

According to Pearce and Robinson (2007) strategy is the company's "game plan" which results in future oriented plans interacting with the competitive environment to achieve the company's objectives. In a simple conceptualization, Hill and Jones (2004) posit that the term strategy refers to the determination of the basic long-term goals and objectives of an enterprise and the adoption of relevant courses of action and the allocation of resources to carry out these goals. The latest definition is by Delaney (2008) opines that strategy is the weapon fashioned against competitive attacks from competitors in the corporate world. This is because the best weapon against competition is preparation of relevant arsenal to ward off competitors' actions in the company's line of business (Glueck, 2000).

Mintzberg (2003) asserts strategy is a pattern in a stream of decisions to contrast with a view of strategy as planning while Max McKeown (2011) argues that strategy is about shaping the future and is the human attempt to get to desirable ends with available means. Strategy is also about attaining and maintaining a position of advantage over adversaries through the successive exploitation of known or emergent possibilities rather than committing to any specific fixed plan designed at the outset. In game theory, a strategy refers to the rules that a player uses to choose between the available actionable options. Every player in a non-trivial game has a set of possible strategies to use when choosing what moves to make.

2.4 Retail Banking Strategies

Global Strategy' is a shortened term that covers three areas: global, multinational and international strategies. Essentially, these three areas refer to those strategies designed to enable an organisation to achieve its objective of international expansion.

The following section presented the various retail banking strategies that organizations may adopt to enhance their performance.

2.4.1 Diversification Related Strategies

Diversification refers to expanding business fields either to new markets, new products, or both, while retaining strong core businesses (Yokoyama, 2007). Diversification has not been limited to the banking industry, retail chains have also successfully diversified to banking. Successful global corporations like Wal-Mart and McDonald's have profitability grown just focusing on one line of business.

Advocates of this strategy believe if you get it right first time you don't have to change. Another example is FedEx, that hasn't moved in tandem with its industry rivals like DHL, UPS and TNT other areas of logistics like clearing and forwarding but has stuck to small parcels (Roberts, Roberts & Ward, 2005).

2.4.2 Business Acquisition related Strategies

Business acquisition strategy is one of the strategies used by companies to beat competition by accelerating their pace of growth. Firms can strategically benefit from mergers and acquisitions by acquiring new customers and markets, cost reductions through synergies and obtain new products or technologies (SAP, 2008).

Mergers and acquisitions are the most popular form of growth strategy according to a survey by Boston Chapter of the association for corporate growth conducted in New England USA. Other proponents of this strategy are Welch & Welch (2005) and Gaughan (1999). Growth aspects include market penetration, market development, product penetration and diversification (Ansoff, 1965). Frequent and successful new products introductions are essential for organic growth and competitive differentiation.

2.4.3 Value Chain Related Strategies

The term ‘Value Chain’ was used by Michael Porter in his book "Competitive Advantage: Creating and Sustaining superior Performance" (1985). The value chain analysis describes the activities the organization performs and links them to the organizations competitive position. Porter argues that the ability to perform particular activities and to manage the linkages between these activities is a source of competitive advantage (Porter, 1985).

Porter distinguishes between primary activities and support activities. Primary activities are directly concerned with the creation or delivery of a product or service. They can be grouped into five main areas: inbound logistics, operations, outbound logistics, marketing and sales, and service. Each of these primary activities is linked to support activities which help to improve their effectiveness or efficiency. There are four main areas of support activities: procurement, technology development (including R&D), human resource management, and infrastructure (systems for planning, finance, quality, information management etc) (Porter, 1985).

New Information technology has taken important place in the future development of financial services, especially banking sector transition are affected more than any other financial provider groups. Increased use of mobile services and use of internet as a new distribution channel for banking transactions and international trading requires more attention towards e-banking security against fraudulent activities. The development and the increasing progress that is being experienced in the Information and Communication Technology have brought about a lot of changes in almost all facets of life. In the Banking Industry, it has been in the form of online banking, which is now replacing the traditional banking practice. Online banking has a lot of benefits which add value to customers' satisfaction in terms of better quality of service offerings and at the same time enable the banks gain more competitive advantage over other competitors.

Jayawardhena & Foley (2000) noted that deregulation and technological developments were the most important external drivers of increased competition and change in the financial services market. A part from relying on the physical distribution network global banks has exploited ICT and e-commerce to create a virtual distribution network. Electronic Commerce (E-Commerce) has unleashed yet another revolution, which is changing the way businesses buy and sell products and services. It is associated with buying and selling of information, products, and services over computer communication networks." An ICT strategy gives technological direction and purpose, organizes and deploys IT (information technology) resources in the most effective manner, and coordinates the stream of decisions being made by different members of the organization and IT function (Kitur 2006). The Kenyan government has actively addressed the legal challenges by enacting the Communication Act. It has also licenced two other fiber-optic submarine cable companies to connect Kenya to several Internet hubs and end dependency on the much slower satellite link.

Profit maximization is one of the objectives of operations of commercial firms and hence they have to decide what level of output generates optimum returns. To maximize profit firms use the optimizing output technique specifically by minimizing average cost of production (Dwivedi, 2002).

According to (Dwivedi 2002) one way banks make themselves competitive or more profitable is by ensuring that they have a cheap source of long-term funds to finance their business. This is usually achieved through mobilization of cheap deposits.

Most International Banks has adopted several marketing strategies to respond to the competition in the banking industry. The banks have embarked on various tactics to build an effective marketing strategy to tackle its competition in the banking industry. These tactics includes customer acquisition, distribution, pricing, advertising, branding, relationship management, innovation customer satisfaction, and social marketing strategies. The banks have responded to competition in the banking industry by creating a strategy to acquire more customers from the unbanked population (the poor, less privileged) and from rivals to increase its market share. In the 1990's Kenya' economy was performing very poorly due to the then prevailing global recession. This situation forced several international banks to restructure their local operations. ABN Amro Bank opted to move out and sold its local operation while Standard Chartered and Barclays had massive layoffs and branch closures.

Effective marketing channels must be enhanced. Christopher (1994) defines the channel of distribution as the means whereby products are physically transferred through the system and through which acquisition takes place. While other banks require each branch to be a viable cost center(strategic business units) in terms of lending and liabilities, most of the globalized banks seem to be looking at the larger picture so it doesn't seem to mind collecting deposits in one area and deploying them elsewhere and not prejudice either branch when evaluate their viability (Kiumbura 2003). The prices of the competition may influence the price strategies of any bank. The clients will evaluate the price by comparing the products of many organizations. Any price strategies in banking marketing company must know the price and quality of the competition products and use the information in establishing their own prices when there are offered similar services, of close quality and value, the price must be comparable to the one practiced by the closest competition, otherwise the organization risks the loss of sales (Cetina and Mihail, 2006).

Advertisement has also played a crucial role in strengthening a given brand. “Branding is important to both customers and the marketer. To consumers point of view branding facilitates buying. They are also guaranteed quality when they are buying brands. Consumers also get psychological satisfaction when buying brands, especially when products give them desired status. To a marketer, a brand differentiates firm’s products from those of competition ((Dietz, Orr, and Xing 2008).

Some banks have decided to compete globally by developing new products or by differentiating their existing products from competition or new innovations. For example kids saving account has been differentiated as follows junior mover (NIC Bank), Mdosi junior (Family Bank), Just for me (Diamond Trust), and Jambo junior (Cooperative Bank). Cash dispensing automated teller machines have also been differentiated as follows Autobank (Equity), Cashpoint (Cooperative) and ATM Standard Chartered Bank. Interest rate movements, saturation in some credit businesses, active capital markets, and increasing customer awareness of emerging technologies are forcing banks to look for alternative and innovative product lines and service delivery channels (Wambui 2006).

This market segment is the unique piece of the total market that the business can claim and defend because of competitive advantages (Pearce and Robinson: 2002). The bank are slowly tackling other markets have started to segment its customer's by opening categorized branches like corporate branches for medium businesses and prestige branches for the very big firms (Pearce and Robinson: 2002).

Ammo (2003) emphasizes that “human resource is the most important factor for success in any organization. Therefore, a dedicated and talented workforce may serve as a valuable, scarce, non-imitable resource that can help firms execute an appropriate positioning strategy. In their study of Korean businesses how an organization’s commitment to its employees’ well-being (OCE) can aid in the profitable execution of its positioning strategies. OCE, by itself, sometimes has a weakly positive association with return on assets (ROA).

Ammo (2003) found that ROA is strongly and positively influenced by the interaction between OCE and the dedicated pursuit of Porter’s (1980) strategies for achieving competitive advantage: these are cost leadership, marketing differentiation and innovative differentiation (Guthridge, Komm & Lawson, 2008).

Equity Bank business model is built around customer focus. Its business tag line is “A listening, caring, business partner. The bank has endeavored to create a culture to reinforce this strategy. Prominent organizations such as Amazon have adapted an open-door marketing strategy where its Chief Executive and Marketing Managers are very easily accessible to its customers. Same way, other commercial banks create a fulfilling working environment by developing an organizational architect that empowers its staff even at branch level. This strategy not only generates job satisfaction but also generates customer satisfaction due to the swift decision-making.

Firms have now realized that long-term growth and survival is dependent on a good relationship with customers. Banks agree that branch network will remain the cornerstone of their retail distribution strategy (Bidmead, Massoud & Romanoswki 2007). Although building branch network is very expensive and some of the expansions or refurbishments have no clear payback (Bidmead, Massoud & Romanoswki, 2007) suggests that banks should lay emphasis on managing customer visits. Among the methods recommended by (Bidmead, Massoud & Romanoswki, 2007) to manage customer visits includes customer surveys, online banking and utilization of automated teller machines

2.5 Effect of Retail Banking Strategies on Performance of Commercial Banks in Kenya

Application of effective strategies is key to any organization that wants to succeed globally. The firm's performance comprises the actual output or results of an organization as measured against its intended outputs (or goals and objectives). In the recent years, many firms have attempted to manage organizational performance using the balanced scorecard methodology where performance is tracked and measured in multiple dimensions such as: financial performance (shareholder return), customer service, social responsibility (corporate citizenship, community outreach) and employee stewardship (Herman & Renz, 2008).

According to Lombard (2009) performance indicators, also known as KPI or Key Success Indicators (KSI) help in defining and measuring progress towards organizational performance. Once a given firm has analyzed its mission, identified all its stakeholders, and defined its goals, it needs a way to measure progress toward those goals. Key Performance Indicators are defined as quantifiable measurements agreed to beforehand, that reflect the critical success factors of an organization. They will differ depending on the organization (Herman & Renz, 2008).

In a bank setting, the capacity to generate sustainable profitability must emanate from effective retention of customers geared towards the overall performance. Profitability is essential for a bank to maintain ongoing activity and for its investors to obtain fair returns; but it is also crucial for supervisors, as it guarantees more resilient solvency ratios, even in the context of a riskier business environment (Lombard, 2009). The main drivers of banks' profitability are; earnings, efficiency, risk taking and leverage. Various stakeholders (depositors, debt or equity holders and managers) emphasize different aspects of profitability. Today the focus has been on customer perceived quality, especially when dealing with service operations.

The Bank Administration Institute project (Roth and van der Velde, 2000) proclaimed customer-perceived quality as the driver of retail banking. The service-profit chain of Heskett et al. (2002) clarifies the role of quality, and its inter-relationships with operational aspects of a service organization. The arguments in Heskett et al. proceed as follows: (i) profit and growth are stimulated primarily by customer satisfaction; (ii) organizational performance is a direct result of customer satisfaction; (iii) satisfaction is largely influenced by the value of services provided to customers; (v) value is created by satisfied, loyal and productive employees; (vi) customer satisfaction results primarily from high-quality support services and policies that enable banks to deliver results to customers.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presented in detail the methodology to be adopted in carrying out the study. It covered the following aspects: research design, target population of the study, sample and sampling method, instruments for collecting data, procedure for collecting, analyzing and presenting data.

3.2 Research Design

The study used descriptive research design approach which involves identifying the characteristics of an observed phenomenon or exploring possible correlations among two or more phenomena. Descriptive research involves gathering data that describe events and then organizes, tabulates, depicts, and describes the data collection (Bryman and Bell, 2003).

All closed ended questions helped the researcher to gather quantitative data while the open ended questions will gather qualitative data. Thus, this approach was appropriate for this study, since the researcher intended to collect detailed information through gathering both qualitative and quantitative data. This design approach provided descriptions of the variables in order to answer the research questions of the study.

3.3 Population of the Study

According to Ngechu (2004) a population is a well-defined set of people, services, elements, events, group of things or households that are being investigated. The target population of this study was all the 43 commercial banks in Kenya. Every commercial bank has it's headquarter in Nairobi county.

Hence the study used the census approach in sampling all the 43 retail banking managers of the targeted commercial banks. These formed the unit of analysis of the study.

3.4 Data Collection

The method of data collection was through questionnaires as the main data collection instrument. The questionnaire was designed in a structured manner which captures all the variables under study. In this case, there were both closed and open-ended questions which allowed for various responses by the respondents. These were administered through drop and pick method to the respondents.

The questionnaire was ideal because the researcher gave the respondents an opportunity to respond at their convenience. The questions were organized in a way which was easy to the respondents in giving their views on the global strategies they have adopted and the influence on the performance of their institutions.

3.6 Data Analysis

The collected data was sorted according to different categories. Before processing the responses, the completed questionnaires were edited for completeness and consistency. The raw data was extracted from the questionnaires and saved into Microsoft excel 2010 spreadsheet and there after data analysis was done using statistical packages for social sciences (SPSS).

Data was analyzed using descriptive statistics such as frequencies and percentages. The researcher used the data to determine how retail banking strategies influence the performance of commercial banks. Quantitative data was presented using tables, graphs, pie charts and figures appropriately while the open-ended questions was analyzed by use of content analysis.

Ngechu, (2004) defines content analysis as a technique for making reference by systematically and objectively identifying specific characteristics of information and using the same approach to relate to trends. This method made it possible to analyze and logically group the large qualitative data to achieve the study objectives.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the data analysis, computations, interpretations and presentation of the results based on the objectives which were; to establish the retail banking strategies adopted by commercial banks in Kenya and to establish the effect of the strategies on performance of the commercial banks in Kenya. Statistical Package for social sciences aided in the analysis and computation of frequencies and percentages.

4.1.1 Response Rate

Response Rate	Frequency	Percentage (%)
Responded	41	95
Not responded	2	5
Total	43	100

A total of 43 questionnaires were distributed mainly to the mother branches of each commercially registered bank in Kenya. Out of these, a total of 41 respondents filled and the questionnaires were collected after an agreed date to give them ample time while only 2 questionnaires were not obtained hence giving a response rate of 95% which was very adequate according to Mugenda & Mugenda (2003) who advocates that a response rate of above 75% is adequate for a research study.

4.2 Demographic Information of the Respondents

The section below presents the demographic information of the respondents who took part in the study.

Table 4.1: ***Gender of respondents***

Gender	Frequency	Percentage (%)
Male	24	59
Female	17	41
Total	41	100

The study was required to establish the gender of the respondents. On this question, majority of the respondents reached by the study who were relationship managers or their assistants were male as shown by 24 (59%) while the rest were female as shown by 41% respectively. The same information is presented in the pie chart below;

Figure 4.1: ***Gender of Respondents***

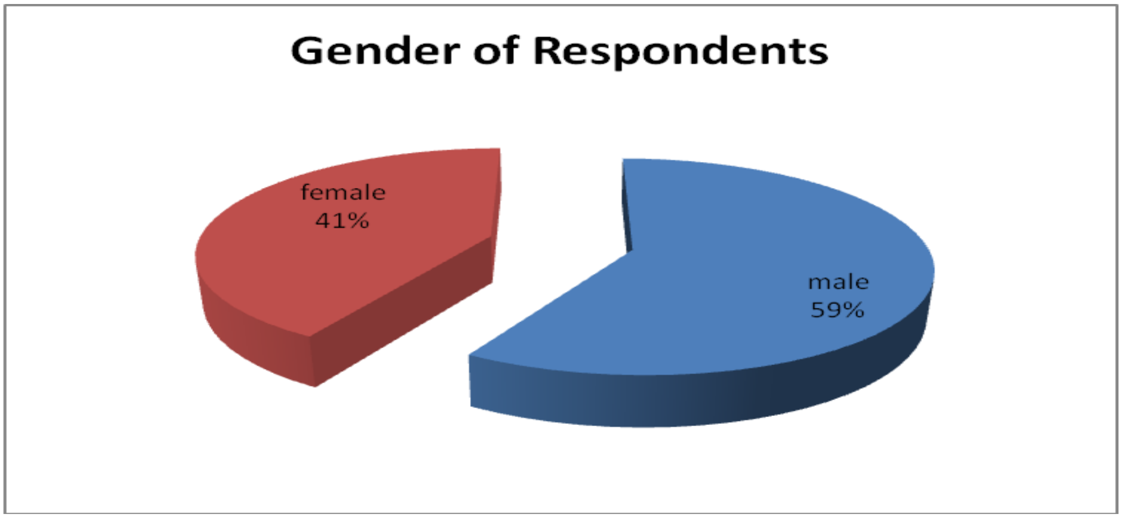

Figure 4.1 above depicts that 59% of the respondents who participated in the study were male while their counterparts represented by 41% were female. The results on gender show that the researcher tried as much as possible to avoid gender bias. This is an implication that the views towards; retail banking strategies adopted by commercial banks in Kenya and to establish the effect of the strategies on performance of the commercial banks in Kenya were well distributed among genders hence results diversed.

Table 4.2: ***Age bracket of respondents***

Age Bracket	Frequency	Percentage (%)
18-30 years	9	22
31-43 years	17	41
44-56 years	10	24
57 & above years	5	12
Total	41	100

Table 4.2 above presents the age bracket of respondents. Based on the figures obtained from the analysis, it is evident that majority of the relation managers in the targeted commercial banks were aged between 31-43 years as shown by 41%, between 44-56% as shown by 24%, between 18-30 years as shown by 22% and above 57 years as shown by

12% respectively. This implies that the docket of a relation manager requires an experienced management staff who understands the banking areas of interest. This information is presented in the figure below too;

Figure 4.2: ***Age Bracket of Respondents***

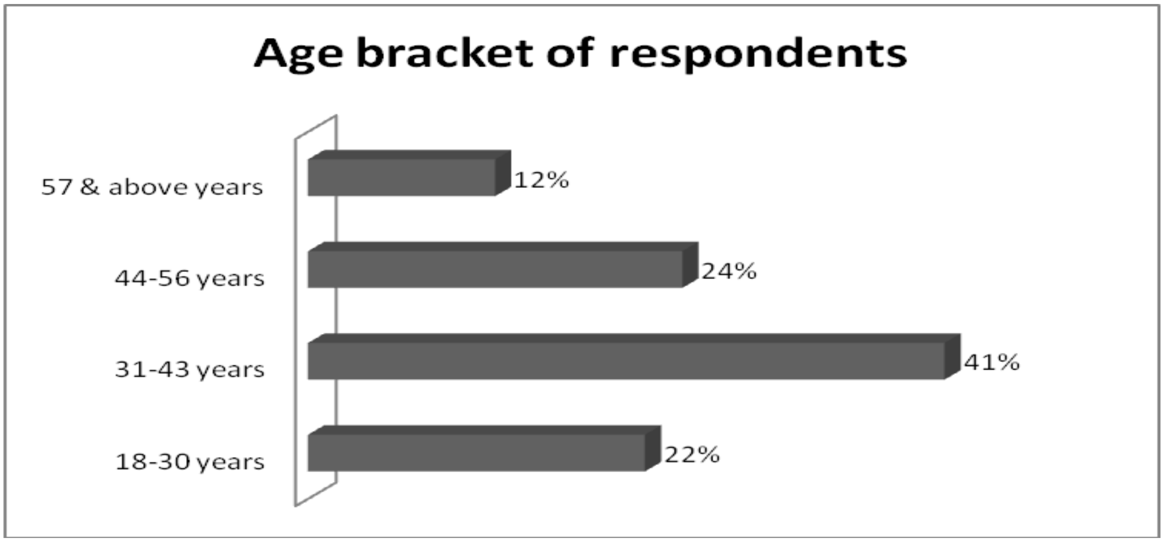

Figure 4.2 above on age bracket of the respondents showed that 41% of the respondents were aged between 31-43 years, 24% were aged 44-56 years, 22% were aged between 18-30 years whereas 12% were aged 57 years and above. The results on age bracket of respondents therefore depicts that majority of the respondents were middle aged, which means that they had served Barclays bank or similar career categories hence were eligible as retail banking managers to give true and valid information on retail banking strategies adopted by commercial banks in Kenya.

Table 4.3: ***Level of Education of Respondents***

Level of Education	Frequency	Percentage (%)
Middle Level College	17	42
University	24	58
Total	41	100

On the question of the level of education of the respondents, the study established that majority of the respondents as shown by 58% had attained university education while the rest as shown by 42% had acquired middle level college education. The fact that there none with secondary or primary education is an implication that relationship managers had enough education and hence knowledge on issues that regarded retail banking strategies.

Table 4.4: ***Duration respondent had worked in the bank***

Duration Worked in the Bank	Frequency	Percentage (%)
Less than 1 Year	3	7
1 to 2 Years	4	10
3 to 4 Years	15	37
5 years and More	19	46
Total	41	100

The researcher required the respondents to indicate the duration they had worked for the bank prior to the time of the study. According to the results analyzed, majority of the respondents as shown by 46% had worked for the bank for more than 5 years, 3-4 years, shown by 37%, 1-2 years shown by 10% and less than 1 year as shown by 7% respectively. This reveals another implication that the longer the duration, the highly qualified a staff is to handle matters that regard to retail banking strategies.

4.3 Retail Banking Strategies

Under this section, respondents were to indicate what they understand by the terms retail banking strategies. According to most of the respondents, retail banking strategies was any effective plan and their metrics by a commercial bank with a view of implementing the same plan to improve on the financial and non financial performance.

4.3.1 Respondents' Experience in Undertaking Retail Banking Activities

Respondents were required by the study to indicate their experience in undertaking retail banking activities. According to most of the respondents, retail banking activities had enables them to realize most of the financial aspects in the banking industry, had a well understanding that every activity in retail banking had a value to the overall performance of the bank and that if one activity failed, it would make another to fail. Respondents also indicated that through retail banking, they were able realize their learnt courses in marketing, finance, strategy, human resource and ICT and the application of each in their daily operational duties.

Table 4.5: ***Respondents rating on the performance of their bank***

Category	Frequency	Percentage (%)
Kenya	39	95
Region (EA)	38	93
Globally	35	85

Respondents were required to establish respondents rating on the performance of their bank in Kenya, East Africa and overall globally. According to the analyzed responses, majority of the respondents rated the performance of the commercial banks in Kenya at 95%, in region East Africa at 93% and globally at 85% respectively on application of retail banking strategies. The information on performance of the bank in Kenya, East Africa and globally is also presented in the figure below;

Figure 4.3: ***Perfomance of the Bank***

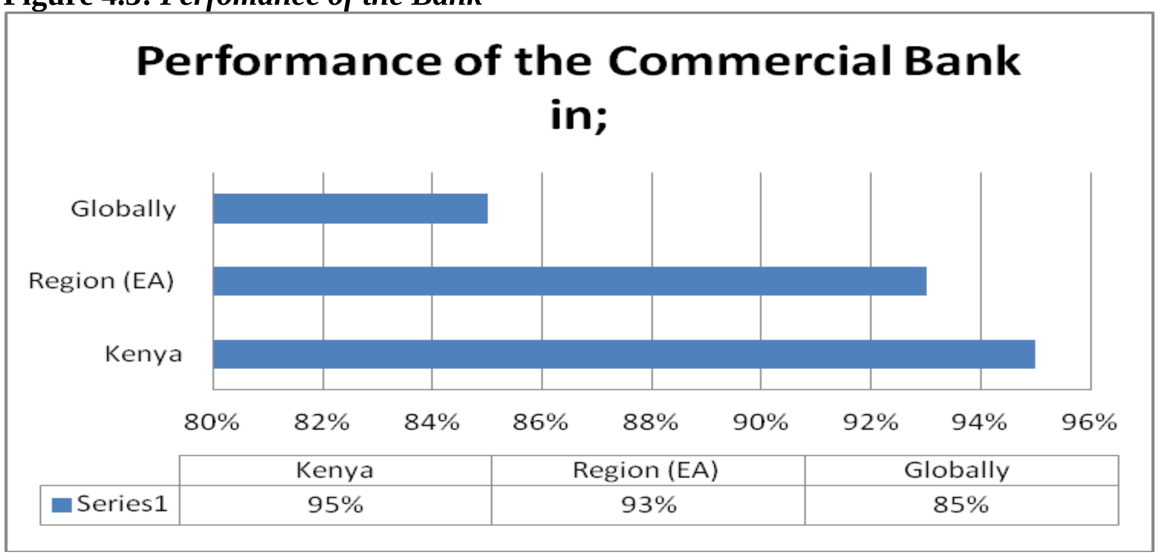

Figure 4.3 above depicts findings on respondents perception on the performance of Barclays bank in Kenya, East Africa region and globally. According to the results, Barclays bank performance in Kenya achieved the highest rating at 95%, 93% in East

African region and 85% in the globe which implies that its truly an international bank with well-placed retail banking strategies which dictate its performance worldwide.

Table 4.6: ***Department oversees the planning and the implementation the strategic plan of the organization***

Department	Frequency	Percentage (%)
Corporate	17	41
Human Resources	12	30
Operations	8	20
Marketing	4	10
Total	41	100

The results in table 4.6 above are on the question of which department oversees the planning and the implementation the strategic plan of the organization. According to the findings, majority of the respondents indicated that corporate section is the one responsible for the planning and the implementation the strategic plan of the organization as shown by 41%, human resources as shown by 30% operations or marketing as shown by 20% or 10% respectively. The information on which department oversees the planning and the implementation the strategic plan of the organization is also presented in the figure below.

Figure 4.4: ***Department oversees the planning and the implementation the strategic plan of the organization***

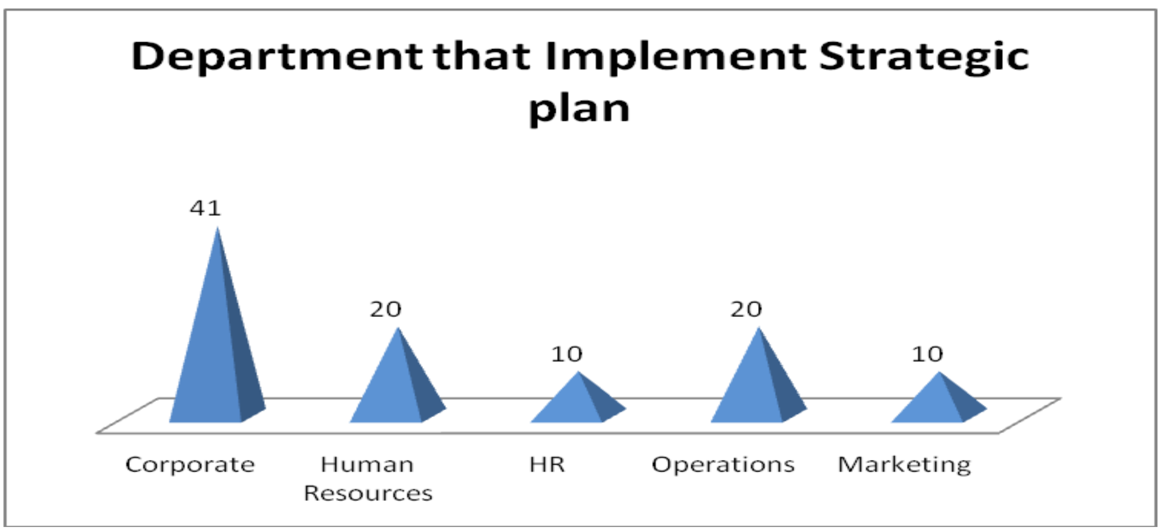

Figure 4.4 above depicted findings on the department that oversee the planning and implementation the strategic plan at Barclays bank. According to the results its evident the corporate department was rated the highest as the department that oversee the planning and the implementation the strategic plan at Barclays bank, an implication that retail banking strategies which are components in the main bank strategic plan are drawn and implementation spearheaded by the corporate department.

Table 4.7: ***Extent respondents were aware of the listed retail banking strategies that determine the performance of commercial banks***

Retail Banking Strategies	**Much Aware (%)**	**Very aware (%)**	**Not sure (%)**	**Less aware (%)**	**Not aware (%)**
value chain (products development, improvement etc) strategies	11	89	0	0	0
marketing strategies	6	88	2	2	2
HR strategies	16	74	10	0	0
Public relations management strategies	23	66	10	1	0
Business acquisition	20	60	14	4	2
Customer care and Operational Strategies	15	55	23	0	7
Diversification strategies	7	43	26	23	1
ICT strategies	20	40	26	23	1
Financing strategies	22	38	23	10	7

Table 4.7 above presents the findings on the extent to which respondents were aware of the listed retail banking strategies that determine the performance of commercial banks. According to the results, majority of the respondents agreed that they were aware of value chain (products development, improvement etc) strategies, marketing strategies, HR strategies, public relations management strategies, business acquisition, Customer care and Operational Strategies, diversification strategies, ICT strategies and Financing strategies as shown by the above percentages respectively.

Table 4.8: ***Extent to which the listed strategies have enhanced the overall performance of the commercial banks in Kenya***

Extent	Very great extent (%)	Great extent (%)	Moderate extent (%)	Little extent (%)	No extent (%)
Improved value chain (products development, improvement etc)	7	77	12	2	2
effective marketing strategies	10	76	10	2	2
Diversification strategies	15	70	11	2	2
HR strategies	29	70	0	1	0
Public relations management strategies	16	69	15	0	0
Adoption of effective ICT strategies	24	66	4	3	3
Effective financing strategies	24	64	7	2	3
Customer care and operational strategies	13	50	35	1	1
Business acquisition	11	49	38	1	1

On a likert scale of 1-5 where 1= no extent and 5= very great extent, respondents were required by the study to list the extent to which the listed strategies have enhanced the overall performance of their respective commercial banks. According to the findings, majority of the respondents said that Improved value chain (products development, improvement), effective marketing strategies, Diversification strategies, HR strategies, Public relations management strategies, adoption of effective ICT strategies, effective financing strategies, Customer care and operational strategies and business acquisition strategies influence the overall performance of their respective commercial banks to a great extent as shown by the above percentages respectively.

4.4 Effect of the Retail Banking Strategies on Performance of Commercial Banks

The section below presents the analysis on the effect of the retail banking strategies on performance of commercial banks in Kenya.

Table 4.9: ***Level of Customer Satisfaction in Commercial Banks***

Level Of Satisfaction	Frequency	Percentage (%)
Very high	5	12
High	21	51
Average	10	24
Low	3	7
Very Low	2	5
	41	100

Respondents were to rate the level of customer satisfaction in commercial banks. According to the findings, majority of the respondents as shown by 51% indicated that Level of Customer Satisfaction in their respective banks Commercial Banks was high, average as shown by 24%, very high as shown by 12% and low as shown by 7% respectively. This information on satisfaction level of customers upon use of retail banking strategies is presented in the figure below;

Figure 4.5: ***Level of Customer Satisfaction in Commercial Banks***

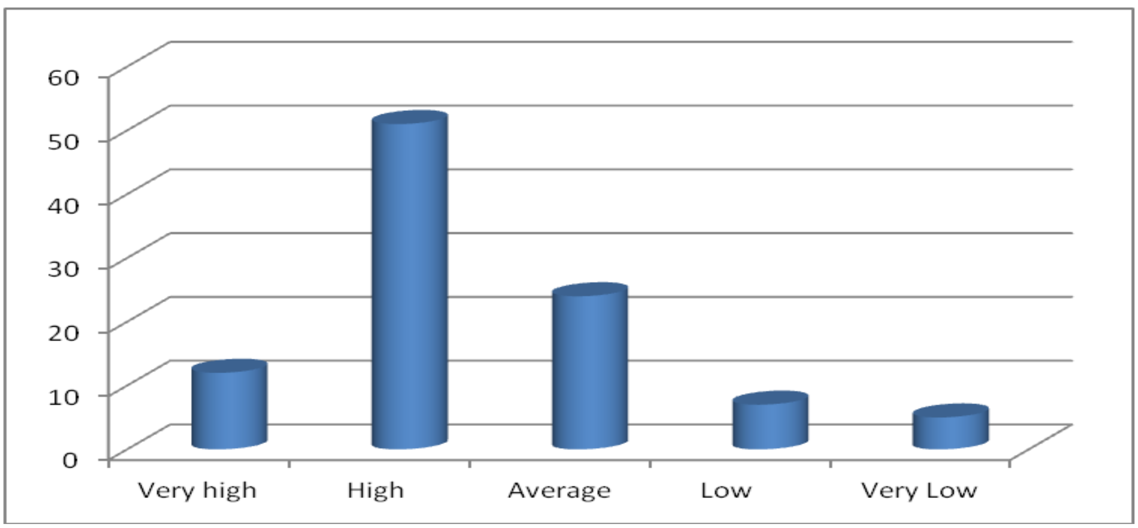

Figure 4.5 above presented the information on satisfaction level of customers upon the availability and use of retail banking strategies at Barclays bank limited. It is evident from the results that level of customer satisfaction was high on the availability and use of retail banking strategies which implies that the nature of the strategies at Barclays bank limited pleases them to remain customers to the bank.

Table 4.10: ***Extent respondents are satisfied on the way customers are treated in their banks upon application of retail banking strategies***

Extent	Frequency	Percentage (%)
Very large extent	15	37
Large extent	23	56
Moderate extent	2	5
Less extent	0	0
No extent	1	2
Total	**41**	**100**

The research required the respondents to indicate the extent respondents are satisfied on the way customers are treated in their respective commercial banks. According to the results in the figure above, majority of the respondents said that they were satisfied to a large extent as shown by 56% on the way customers are treated in their banks with the use of effective customer handling strategies, very large extent, 37% and moderate extent as shown by 2% respectively. This is an implication that the use of effective retail banking strategies had led to customers being served well and satisfactorily.

Table 4.11: ***Respondents level of agreement with statements related to the way retail banking strategies have enhanced performance in the commercial banks***

	Strongly agree	Agree	Disagree	Strongly disagree
Public relations management has been enhanced which have attracted a bigger market in the East Africa and other countries in the globe.	11	88	1	0
Acquisition of businesses is always done with critical evaluation on global business situation	15	84	1	0
Customer care and related activities have been enhanced	15	79	2	2
The use of effective ICT and related infrastructure has enabled the management to achieve where it was not possible e.g mobile money transfers, clear checks, online banking etc.)	18	70	12	0
Effective financing towards diversification projects has seen the share market of this bank grow globally	24	66	4	6
The bank management has ensured improved value chain (products development, improvement etc)	24	57	10	9
Good global marketing strategies has enhanced the performance of various products that we sell in this bank	6	54	30	10
The human resources department is well aware of the changes in human resources management globally	9	50	39	2

On a likert scale of 4 where 1 was strongly disagree and 4 was strongly agree, the study required respondents to rate level of agreement with the following statements related to the way retail banking strategies have enhanced performance in their bank. Relative to the findings, the study established that majority of the respondents were in agreement that; Public relations management has been enhanced which have attracted a bigger market in the East Africa and other countries in the globe (Diaspora banking in some cases), acquisition of businesses is always done with critical evaluation on global business situation, customer care and related activities have been enhanced, the use of effective ICT and related infrastructure has enabled the management to achieve where it was not possible for example, mobile money transfers, clear checks, online banking etc.), effective financing towards diversification projects has seen the share market of this bank grow globally, the bank management has ensured improved value chain (products development, improvement etc), good global marketing strategies has enhanced the performance of various products that we sell in this bank and that the human resources department is well aware of the changes in human resources management globally as shown by above shown percentages respectively.

Table 4.12: ***Extent to which retail banking strategies enhanced performance of commercial banks relative to the listed measures***

	Very great extent (%)	**Great extent (%)**	**Moderate extent (%)**	**Little extent (%)**	**No extent (%)**
New products development	14	76	6	4	0
Return on assets	26	74	0	0	0
Staff increase	19	68	12	1	0
Customer satisfaction	18	62	14	4	0
Acquisition and merger	29	58	8	5	0
Market share	8	42	26	23	1
Profitability	10	38	50	1	1
Shareholder value	25	35	23	10	7
Increased no of branches	52	24	15	6	3

The researcher required the respondents to state the extent to which retail banking strategies enhanced the listed measures of performance in the commercial banks. According to the findings displayed in the table above, majority of the respondents said that the use of the retail strategies, to a great extent had enhanced new products development, return on assets, staff increase, customer satisfaction, acquisition and merger, market share, profitability, shareholder value and Increased no of branches as shown by the indicated percentages in Table 4.8.above.

4.5 Challenges towards the Adoption of Retail Banking Strategies

On the question on whether there were challenges towards the adoption of retail banking strategies in respective commercial banks in Kenya, most of the respondents recorded lack of enough resources to raise standards in the banking industry and achieve on the set retail banking strategies. Other respondents indicated limitation in effective skills to implement set strategies at the sometimes poor formulated strategic plan for the year. Most of the respondents indicated that banks are training their staff on various ways of mitigating risks that may affect the outcome of the already put retail banking strategies at the same time using modern technologies to reinforce their skills towards handling activities related to retail banking.

4.6 Discussion of Results.

This section presents the discussion of major findings relative to the study objectives which were; to establish the retail banking strategies adopted by commercial banks in Kenya and to establish the effect of the strategies on performance of the commercial banks in Kenya.

On strategies awareness, majority of the respondents understood what retail banking strategies were in connection to the banking industry and more so at Barclays bank where they were drawn to participate in the study. Respondents were all aware of value chain (products development, improvement etc) strategies, marketing strategies, HR strategies, public relations management strategies, business acquisition, Customer care and Operational Strategies, diversification strategies, ICT strategies and Financing strategies as shown by the respective percentages shown strategies at Barclays bank. Porter (1985) in his study notes that there are four main areas of support activities from which strategies are drawn: procurement, technology development (including R&D), human resource management, and infrastructure (systems for planning, finance, quality, information management etc) hence confirming the development of the theories and strategy. As per the findings of strategies being created to accent the resources available at Barclays bank, Ainuddin et al. (2007) also noted that the resource-based view stipulates that in strategic management the fundamental sources and drivers to firms' competitive advantage and superior performance are mainly associated with the attributes of their resources and capabilities which are valuable and costly-to-copy.

On the effect of strategies towards the performance, 51% of the respondents indicated that the level of customer satisfaction was high; majority of the respondents said that they were satisfied to a large extent as shown by 56% and that that retail banking managers were satisfied to a large extent on the way customers were treated in their banks with the use of effective customer handling strategies. Barney (1991) examines the link between firm resources and sustained competitive advantage noting that customers must be attracted due to the value created by the available resources. From the resource based view, firms that want to succeed in performance must create competitive based strategies that attract customers without exploiting the latter.

The study established that majority of the respondents were in agreement that; Public relations management has been enhanced which have attracted a bigger market in the East Africa and other countries in the globe (Diaspora banking in some cases), acquisition of businesses is always done with critical evaluation on global business situation, customer care and related activities have been enhanced, the use of effective ICT and related infrastructure has enabled the management to achieve where it was not possible for example, mobile money transfers, clear checks, online banking etc.), effective financing towards diversification projects has seen the share market of this bank grow globally, the bank management has ensured improved value chain (products development, improvement etc), good global marketing strategies has enhanced the performance of various products that we sell in this bank and that the human resources department is well aware of the changes in human resources management globally as shown in Table 4.11 respectively. The findings are in tandem with Lindblom (1959) model which explained that a strategy is actually a dynamic and interactive process that can make a firm through an informal process establish mutual adjustment with little apparent coordination like going global; this meant that by retail banks establishing the listed retail banking strategies, the effect without much struggle is realized based on market share, performance of various products, enhanced relations with customers and overall improved performance.

Very notable effects retail banks have achieved that enhance their performance locally, regionally and internationally were confirmed by the majority of the respondents who said that the use of the retail strategies, to a great extent had enhanced new products development, return on assets, staff increase, customer satisfaction, acquisition and merger, market share, profitability, shareholder value and Increased no of branches as shown in Table 4.12. Key Performance Indicators are defined as quantifiable measurements agreed to beforehand, that reflect the critical success factors of an organization. They will differ depending on the organization (Herman & Renz, 2008). The main drivers of banks' profitability are; earnings, efficiency, risk taking and leverage as noted by (Herman & Renz, 2008).

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of findings, conclusions and recommendations on retail banking strategies adopted by commercial banks in Kenya and their effect towards their performance. Presentation of findings was based on the study objectives as were proposed.

5.2 Summary of Findings

According to most of the respondents, retail banking strategies was any effective plan and their metrics by a commercial bank with a view of implementing the same plan to improve on the financial and non financial performance. The study found out that retail banking managers through retail banking activities had enabled them to realize most of the financial aspects in the banking industry, had a well understanding that every activity in retail banking had a value to the overall performance of the bank and that if one activity failed, it would make another to fail. Respondents also indicated that through retail banking, they were able realize their learnt courses in marketing, finance, strategy, human resource and ICT and the application of each in their daily operational duties. The study found out that majority of the respondents rated the performance of the commercial banks in Kenya at 95%, in region East Africa at 93% and globally at 85% respectively on application of retail banking strategies.

According to the findings, the study established that that corporate section is the one responsible for the planning and the implementation the strategic plan of the organization as shown by 41%. It was evident from the study that majority of the respondents agreed that they were aware of value chain (products development, improvement etc) strategies, marketing strategies, HR strategies, public relations management strategies, business acquisition, Customer care and Operational Strategies, diversification strategies, ICT strategies and Financing strategies as shown in Table 4.7 respectively.

On a likert scale of 1-5 where 1= no extent and 5= very great extent, the study also found out that majority of the respondents said that improved value chain (products development, improvement), effective marketing strategies, Diversification strategies, HR strategies, Public relations management strategies, adoption of effective ICT strategies, effective financing strategies, Customer care and operational strategies and business acquisition strategies influenced the overall performance of their respective commercial banks to a great extent as shown in table 4.8 above.

The study found out that, majority of the respondents as presented by 51% indicated that Level of Customer Satisfaction in their respective banks Commercial Banks was high they were satisfied to a large extent as presented by 56% on the way customers are treated in their banks with the use of effective customer handling strategies.

The study also established that majority of the respondents were in agreement that; Public relations management has been enhanced which have attracted a bigger market in the East Africa and other countries in the globe (Diaspora banking in some cases), acquisition of businesses is always done with critical evaluation on global business situation, customer care and related activities have been enhanced, the use of effective ICT and related infrastructure has enabled the management to achieve where it was not possible for example, mobile money transfers, clear checks, online banking etc.), effective financing towards diversification projects has seen the share market of this bank grow globally, the bank management has ensured improved value chain (products development, improvement etc), good global marketing strategies has enhanced the performance of various products that we sell in this bank and that the human resources department is well aware of the changes in human resources management globally.

It was also evident from the findings that majority of the respondents said that the use of the retail strategies, to a great extent had enhanced new products development, return on assets, staff increase, customer satisfaction, acquisition and merger, market share, profitability, shareholder value and Increased no of branches as shown in Table 4.12 respectively. Most of the respondents recorded lack of enough resources to raise standards in the banking industry and achieve on the set retail banking strategies. Other respondents indicated limitation in effective skills to implement set strategies at the sometimes poor formulated strategic plan for the year.

5.3 Conclusion of the Study

The study concludes that retail banking activities had enabled the retail managers to realize most of the financial aspects in the banking industry, had a well understanding that every activity in retail banking had a value to the overall performance of the bank and that if one activity failed, it would make another to fail. Retail managers were also able realize their learnt courses in marketing, finance, strategy, human resource and ICT and the application of each in their daily operational duties. The study concludes that performance of commercial banks can be placed at 95%, in region East Africa at 93% and globally at 85% respectively on application of effective retail banking strategies.

The study also concludes that the corporate section is the one responsible for the planning and the implementation the strategic plan of the organization and that retail managers were aware of value chain (products development, improvement etc) strategies, marketing strategies, HR strategies, public relations management strategies, business acquisition, Customer care and Operational Strategies, diversification strategies, ICT strategies and Financing strategies which influenced the overall performance of their respective commercial banks to a great extent.

On the effect of retail banking strategies adoption, the study concluded that the level of Customer Satisfaction in their respective commercial banks was high and that retail banking managers were satisfied to a large extent on the way customers were treated in their banks with the use of effective customer handling strategies.

The study also concluded that; public relations management has been enhanced which have attracted a bigger market in the East Africa and other countries in the globe (Diaspora banking in some cases), acquisition of businesses is always done with critical evaluation on global business situation, customer care and related activities have been enhanced, the use of effective ICT and related infrastructure has enabled the management to achieve where it was not possible for example, mobile money transfers, clear checks, online banking etc.), effective financing towards diversification projects has seen the share market of this bank grow globally, the bank management has ensured improved value chain (products development, improvement etc), good global marketing strategies has enhanced the performance of various products that we sell in this bank and that the human resources department is well aware of the changes in human resources management globally.

The study finally concluded that the use of the retail strategies, to a great extent had enhanced new products development, return on assets, staff increase, customer satisfaction, acquisition and merger, market share, profitability, shareholder value and Increased no of branches. Lack of enough resources to raise standards in the banking industry and achieve on the set retail banking strategies, limitation in effective skills to implement set strategies at the sometimes poor formulated strategic plan for the year were seen as the major challenges towards adoption and realization of retail banking strategies metrics.

5.4 Recommendations for Policy and Practice

This study recommends that commercial banks adopt more strategies that were not specifically mentioned in this study alongside the use of the current ones discussed for the results suggests that the influence performance to a great extent. Retail managers and other management staff responsible for the day to day operations in the commercial banks should be made aware of strategies in use and ways of realizing their outcomes at the right time. This would mean that they be trained on what they are and how they will be implemented.

This study also recommends that the management especially the boards/committees of the banks check on ways of reducing or mitigation any form of risk that may hinder the retail managers and related staff in realizing the results of retail banking strategies for it would be zero work if there are more risks than benefits after all.

5.5 Areas Suggested for Further Studies

This study recommends that further study be done to establish other retail baking strategies that were not considered as major in the current findings. The study should also incorporate more participants to get divergent views for this would help find out whether similar results would be found. Further study could also apply inferential statistics like t-test, regression and correlation to find out the extent of relationship, extent of effect on performance on major retail banking strategies.

5.6 Limitations of the Study

The findings presented in this study were limited to retail strategies used by the sampled commercial banks to enhance their performance. This study is therefore a representative one that depicts the clear picture of retail banking strategies used by commercial banks but not all financial institutions, hence a limitation. A more comprehensive study that would incorporate more financial institutions from all the counties in Kenya would suffice to show the clear outcome on retail banking strategies for organizational performance in the banking industry.

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APPENDICES

Appendix I: Research Questionnaire

<u>SECTION A: DEMOGRAPHIC INFORMATION</u>

1. What is your gender? Male [ ] Female [ ]

2. In which department are you? ....

3. Tick the appropriate age bracket you fall under:

   18-30 [ ] 31-43 [ ] 44-56 [ ] 57 & above [ ]

4. What is your level of education?

   - Secondary [ ]
   - Middle Level College [ ]
   - University [ ]
   - Other [ ]

5. How long have you been working in this bank?

   - Less than 1 year [ ]
   - 1 to 2 years [ ]
   - 3 to 4 years [ ]
   - 5years and more [ ]

<u>SECTION B: RETAIL BANKING STRATEGIES</u>

6. Please state a brief statement describing what you understand by retail banking in your organization

…………………………………………………………………………………………………

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

7. What has been your experience in undertaking retail banking activities?

…………………………………………………………………………………………………

……………………………………………………………………………………………..

8. Do you think your banking is performing well in;

Kenya?	Yes [ ]	No [ ]	Not Sure [ ]
Region (EA)?	Yes [ ]	No [ ]	Not Sure [ ]
Globally?	Yes [ ]	No [ ]	Not Sure [ ]

9. What department oversees the planning and the implementation the strategic plan of the organization?

The Corporate Affairs	[ ]
The branch manager	[ ]
Head of banking	[ ]
HR	[ ]
Operations	[ ]

Others (please specify) ____

10. To what extent are you aware of the following retail banking strategies that determine the performance of your bank? Rate where 1= not aware, 2= less aware, 3= Not aware 4= Much Aware and 5= Very aware.

Retail Banking Strategies	5	4	3	2	1
Diversification strategies					
Adoption of effective ICT strategies					
Effective financing strategies					
Improved value chain (products development, improvement etc)					
effective marketing strategies					
HR strategies					
Public relations management strategies					
Business acquisition					
Customer care and operational strategies					

Kindly rate the extent to which the listed strategies have enhanced the overall performance of the commercial banks in Kenya

Retail banking strategies	5	4	3	2	1
Diversification strategies					
Adoption of effective ICT strategies					
Effective financing strategies					
Improved value chain (products development, improvement etc)					
effective marketing strategies					
HR strategies					
Public relations management strategies					
Business acquisition					
Customer care and operational strategies					

SECTION C: EFFECT OF THE RETAIL BANKING STRATEGIES ON PERFORMANCE OF COMMERCIAL BANKS

11. Rate the level of customer satisfaction in your bank?

    Very high [ ] High [ ] Average [ ] Low [ ] Very Low [ ]

12. To what extent are you satisfied on the way customers are treated in this bank?

    Very large extent [ ] Large extent [ ]

    Moderate extent [ ] Less extent [ ]

    No extent [ ]

13. To what extent has the retail banking strategies enhanced performance in your organization in terms of the following measures? Rate where 1= no extent and 5= very great extent.

	5	4	3	2	1
Market share					
Profitability					

Shareholder value					
Increased no of branches					
Return on assets					
Staff increase					
Customer satisfaction					
Acquisition and merger					
New products development					

14. What is your level of agreement with the following statements related to the way retail banking strategies have enhanced performance in your bank? Rate where 1 strongly disagree and 5 is strongly agree.

	5	4	3	2	1
The use of effective ICT and related infrastructure has enabled the management to achieve where it was not possible e.g mobile money transfers, clear checks, online banking etc.)					
Effective financing towards diversification projects has seen the share market of this bank grow globally					
The bank management has ensured improved value chain (products development, improvement etc)					
Good global marketing strategies has enhanced the performance of various products that we sell in this bank					
The human resources department is well aware of the changes in human resources management globally					
Public relations management has been enhanced which have attracted a bigger market in the East Africa and other countries in the globe.					
Acquisition of businesses is always done with critical evaluation on global business situation					
Customer care and related activities have been enhanced					

SECTION D: CHALLENGES

15. Are there challenges towards the adoption of retail banking strategies in this organization?

    Yes [ ] No [ ]

16. Kindly list some of the major challenges you have experienced in your bank especially in your department relative to retail banking strategies.

…………………………………………………………………………………………………

…………………………………………………………………………………………………

17. What is the management doing towards the realization of performance of the bank given the retail banking based challenges?

…………………………………………………………………………………………………

…………………………………………………………………………………………………

THANKS FOR YOUR PARTICIPATION

Appendix II: List of Commercial Banks in Kenya

1. ABC Bank (Kenya)
2. Bank of Africa
3. Bank of Baroda
4. Bank of India
5. Barclays Bank (Kenya)
6. CFC Stanbic Holdings
7. Chase Bank (Kenya)
8. Citibank
9. Commercial Bank of Africa
10. Consolidated Bank of Kenya
11. Cooperative Bank of Kenya
12. Credit Bank
13. Development Bank of Kenya
14. Diamond Trust Bank
15. Dubai Bank Kenya
16. Ecobank
17. Equatorial Commercial Bank
18. Equity Bank
19. Family Bank
20. Fidelity Commercial Bank Limited
21. First Community Bank
22. Giro Commercial Bank
23. Guaranty Trust Bank
24. Guardian Bank
25. Gulf African Bank
26. Habib Bank
27. Habib Bank AG Zurich
28. Housing Finance Company of Kenya
29. I&M Bank
30. Imperial Bank Kenya
31. Jamii Bora Bank
32. Kenya Commercial Bank
33. K-Rep Bank
34. Middle East Bank Kenya
35. National Bank of Kenya
36. NIC Bank
37. Oriental Commercial Bank
38. Paramount Universal Bank
39. Prime Bank (Kenya)
40. Standard Chartered Kenya
41. Trans National Bank Kenya
42. United Bank for Africa [2]
43. Victoria Commercial Bank