MARKETING STRATEGIES ADOPTED BY BANK OF AFRICA KENYA TO COMBAT COMPETITION.

WINFRED M MUTUKU

D61/70973/2014

A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

November, 2015

DECLARATION

This Research Project is my original work and has not been presented for a degree at any other University.

Signature……………………………………………………Date………………………

WINFRED MBITHE MUTUKU

REG. NO. D61/70973/2014

SUPERVISOR`S DECLARATION

This Research Project has been submitted for examination with my approval as the Student`s University Supervisor

Signature……………………………………………………Date………………………

PROF. N. KIBERA, PhD.

Professor of Marketing

Department of Business Administration

School of Business

University of Nairobi

ACKNOWLEDGEMENTS

I give thanks to Almighty God for guiding and seeing me through my entire course. I thank my supervisor, Professor. N. Kibera, whose incisive reading and constructive critiques of the project progress have been invaluable. My supervisor has been remarkably patient, providing consistent guidance, constructive comments and suggestions as well as helpful advice during the successive stages of this work. I would also like to acknowledge and thank all the entire staff and lecturers of Department of Business Administration whom out of their busy schedule spared some time to ensure the progress of this project.

Special appreciation goes to all Bank of Africa Kenya respondents who graciously gave their time to fill the research instrument. I am deeply obliged to my boss and colleague; they covered the void I left when I was away doing the research.

To my classmates and friends who have given me both intellectual and emotional support, I offer my utmost gratitude to you. I wish to thank my family for being patient with me and especially during the times when they needed me the most. These include my Dad Justus Mutuku, Mum Jennifer Mutuku, and Sisters Carol, Nelly and Sue who gave me the emotional and financial support.

Many thanks and may God Almighty bless you all.

DEDICATION

This study is dedicated to the Almighty God who has given me good health and ability to study and excel.

To my parents Justus Mutuku and Mrs. Jennifer Mutuku for always cheering me on and supporting me.

To my sisters Carol, Nelly and Sue.

God bless you. Thank you!

TABLE OF CONTENTS

ABBREVIATIONS AND ACRONYMNS

BOA (K)	Bank of Africa Kenya
CBK	Central Bank of Kenya
KBA	Kenya Bankers Association
MFI	Micro Finance Institutions
SME	Small and Medium Enterprises
HODs	Heads of Departments
DMD	Deputy Managing Director
TMT	Top Management Team
EXCO	Executive committee
ATM	Automated teller machine
MOU	Memorandum of Understanding
DSR	Direct sales representative
CSR	Corporate Social Responsibility
RO / M	Relationship Officer/Manager
RBV	Resource Based View

ABSTRACT

Designing of marketing strategies is critical for the survival and success of any organization. Banking industry has witnessed intense competition the world over and the Kenyan banking industry is not an exception. To survive in this market, commercial banks have adopted different marketing strategies to gain and sustain competitive advantage. This study was set out to assess the influence of marketing strategies adopted by Bank of Africa Kenya limited to combat competition. The study adopted case study design to carry out this research where an interview guide targeting twenty four staff of the bank was employed to collect data. The findings were analyzed by use of content analysis. The study revealed that BOA has successfully blended the mix of ansoff growth strategies and generic strategies. The study recommended that the bank should localize marketing strategies and avoid tying them to the group's standards, focus on improving its ICT infrastructure, enhance the use of focus strategy in their product/ services offering and marketing, and continue on its branch expansion strategy and collaboration strategy. The major limitation of the study was that the respondents were cautious about revealing a lot of information on the strategy they use and also the decision making process by the group's head office. The scope of the study was also a limitation as this was a case study. The researcher recommended that further research should also be undertaken to determine what marketing strategies other companies in different related industries use to build competitive advantage. Also a similar study can be done in other banks or the Kenya Banking industry to establish if the findings will be similar. A suggestion for areas of further research is on long term strategies that banks can utilize to remain competitive and grow the industry.

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

With increased volatility, unpredictability and competition of business environment in which banks operate the design of competitive strategies to guarantee performance and gain a competitive edge has become irresistible (Porter, 1985). Changes in environmental forces have affected banks by revealing opportunities and posing challenges. This phenomenon has favored some banks and militated against others depending on how well they adjust to changes in the environment. Banks favored by the phenomenon have witnessed growth in deposits, assets, product offering and branch network expansion both locally and regionally. Jauch (1988) asserts that success of organizations is manifested in attaining a competitive position or series of competitive positions that lead to superior and sustainable performance. This has in turn led to intensified competition.

Game theory concept and strategic conflict model are both necessary in achieving competitiveness and remaining competitive. Strategic conflict model theory views competition as a war between rival firms. According to Schelling (1963), conflict is inevitable and one has to study the behavior that is associated with any form of conflict and behavior of rival firms. Burnes (2009) views that a firm can achieve competitive edge and more returns by influencing the behavior and actions of its rivals and thus, manipulate the market environment.

Dixit and Nalebuff (1991) points out that game theory's predictions are used to describe, predict and explain behavior. Game theory is a competitive process whereby the firm seeks to determine the rival's most likely counter strategy to their strategies and thus formulates appropriate defensive measures (Camerer, 2001). Porter (1985) argues that firms create competitive advantage by conceiving new ways to deliver superior value to customers.

Banks have witnessed growth in number of players competing head-on, thus to remain competitive, they have to formulate and implement strategies that will enable them to attract and retain customers. Increased competition has resulted mainly from new innovations and new entrants in to the market. This has forced commercial banks to come up with marketing strategies depending on the market situations for instance on whether they want to defend the existing markets or to enter into new ones to enhance their competitiveness. A growing dependence on retail competition has forced many businesses to more closely scrutinize their competitive strategy. Bank of Africa Kenya for instance was initially serving corporate clients and high-end small and medium enterprises but has recently started diverting to the retail market.

Research has proven that there exists a relationship between marketing strategies and competitiveness of an organization. It is therefore conceivable that there exists a set of marketing strategies that influence Bank of Africa Kenya's competitiveness. This study sought to assess the influence of marketing strategies on the competitiveness of BOA (K).

1.1.1 The concept of Strategy

Strategy has been defined differently by different authors. Strategy concerns itself with what an organization is doing in order to gain a sustainable competitive advantage (Porter, 1980). Strategy is about where the organization is trying to get into in the long run, the market it should compete in, the kind of activities involved in such markets, the required resources, and the environment the business is operating in and the values and expectations of stakeholders. Porter (1990) defines strategy as a position of superiority on the part of a company in relation to competitors regarding the activities and functions performed. On their part Rowe et al (1994) describe strategic thinking as an on-going process in which significant events are dealt with in a comprehensive manner. Strategic thinking is a part of strategic management. Organizations rely on the environment for their inputs and outputs. The principal concern of an organization strategy is identifying the business areas in which an organization should participate in to maximize its long run profitability.

However a good strategy if not well implemented then its intended results may never be realised. It is important to ensure proper implementation, provision of necessary resources and involvement of all the stakeholders to ensure its success. Failure of involvement may cause lack of commitment by stakeholders and improper implementation hence failure of the strategy. The processes, people, structures, systems should all be aligned towards the same goal to avoid conflicts and failure of the strategy. Chimhanzi (2004) suggests that cross-unit working relationships have a key role to play in successful implementation of marketing decisions. Implementation effectiveness is affected negatively by conflict and positively by communication and specifically interpersonal communication.

1.1.2 Marketing Strategies

Marketing strategy is a long-term course of action designed to optimize allocation of scarce resources at the disposal of a firm in delivering superior customer experiences and promote interests of other stakeholders. An effective marketing strategy helps an organization to define the overall direction and goals for its marketing. The process generally begins with a scan of the business environment, both internal and external, which includes understanding strategic constraints. Kotler (2000) observed that marketing helps to define the mission, as well as analyzing the environmental, competitive and business situations. It therefore, plays a major role in organization's strategic planning process. The strategy articulates how the organization is going to deliver its products or services in ways that will satisfy its customers. Marketing strategy focuses on long-term company objectives, planning marketing programs so that they help a company realize its goals. Companies rely on marketing strategies for established product lines or services as well as for new products and services.

1.1.3 The Concept of Competitiveness

Competitive strategy is concerned with how a firm competes in a given industry (Grant, 1988) Thompson, Stickland and Gamble (2008) define competitive strategy as concerned with specifics of management's game plan for completing successfully and securing a competitive advantage over rivals. Ansoff and Mc Donell (1990) define competitive strategy as a distinct approach, which a firm uses or intends to use to succeed in the market. Porter (1985) also defined competitive strategies as the the search for a favorable competitive position in an industry, the fundamental arena in which competition occurs. Competitiveness is the primary motivation for adopting a marketing strategy.

Cobb (2003) argues that competitive advantage relates to how effectively and efficiently a firm meets the wants and needs of its customers in the market place, relative to other organizations that offer similar services and products. Competition among Kenyan banks has been enhanced by globalization, dynamism of customer needs and increased technology adoption. Consequently, marketing strategy has become more important for banks to continue being profitable.

1.1.4 Marketing Strategies and Competitiveness

Marketing strategy is the fundamental goal of increasing sales and achieving a sustainable competitive advantage. This process consists of analyzing marketing opportunities, developing marketing strategies, planning marketing programs and managing the marketing effort. Firms try to enhance their competitive position by using appropriate marketing strategies. According to Thompson et al. (2008) the main objective of competitive advantage is to beat the rivals companies by offering products and services that satisfy the needs and preferences of the consumers. Strategy has to be matched by appropriate capability for survival, growth and development (Ansoff & Mc Donell, 1990).

Although many strategies are available, they may be condensed into three generic ones namely overall cost leadership, differentiation and focus. Marketing has the task of influencing the level, timing and composition of demand in a way that helps the organization to achieve its objectives. Marketing is therefore essentially demand management (Kotler, 1997).The marketing concept holds that the key to achieving organizational goals consist of being more effective than competitors.

1.1.5 Kenyan Banking Industry

The banking industry in Kenya is governed by the Companies' Act, the Banking Act, the Central Bank of Kenya (CBK) Act and the various prudential guidelines issued by the CBK. The banking sector was liberalized in 1995 and exchange controls lifted. The CBK, which falls under the Minister for Finance, is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system (PWC Kenya, Industries: Banking Industry, 2011). Banks have formed the Kenya Bankers Association (KBA), which serves as a lobby for the banking sector's interests.

Over the last few years, the banking sector in Kenya has continued to grow. The growth has been mainly underpinned by an industry wide branch network expansion strategy both in Kenya and in the East African community region. 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. Players in this sector have experienced increased competition over the last few years resulting from increased innovations among the players and new entrants into the market (PWC Kenya, Industries: Banking Industry, 2011).

The Banking sector recorded improved performance during 2014 with total assets being 18 percent higher in June 2014 compared to June 2013. The major components of the balance sheet were loans and advances, government securities and placements. The dynamism in Kenyan banking is expected to continue as banks seek new opportunities in the face of an anticipated subdued risk appetite.

Developments in the banking sector are attributable to cost effective and efficient innovations within the banking sector, particularly through the mobile money revolution and the adoption of branchless banking models like the agency banking model (CBK Report, 2011).

The banking sector is expected to sustain the growth momentum supported by stable macroeconomic environment, domestic and regional expansion of bank branches and continued improvement in the implementation of the devolved system of government (CBK Annual Report, 2014). Rollout of full file credit information sharing, regional integration initiatives, advances in information and communication technology and the introduction of the devolved governance system in Kenya is also likely to enhance growth in the industry (CBK Annual Report, 2014).

1.1.6 Bank of Africa Kenya

The Bank of Africa Kenya (BOAK) group began its operations in 1982 in Bamako, Mali and has over the years expanded, initially in West Africa and recently in East Africa. It is well established in 16 African countries namely: Benin, Burkina Faso, Burundi, Democratic Republic of Congo, Djibouti, France, Ghana, Ivory Coast, Kenya, Madagascar, Mali, Niger, Senegal, Tanzania, Togo and Uganda with further plans of expanding. The total turnover of the Group in 2012 was EUR 451.7 million. The Group has over 1.4 million bank accounts and 5,000 staff members. Boa Kenya provides banking services to corporate, Small and Medium Enterprises (SME) and retail clients.

The bank commenced operations in Kenya in July 2004, after acquiring the Kenyan branch of Credit Agricole Indosuez, a large international French bank which had operated in the country for over 20 years. The bank has a wide network of over thirty six branches countrywide. Initially Bank of Africa served corporate and high end SME clients. As the industry evolved and competition increased, to best serve the customers' needs the bank responded through creating products for other SME clients.

In 2010 the Bank was acquired by group BMCE bank. The main strategy of the group was moving to retail since the management believed the future of banking was in the retail space. This has seen the Bank open doors to not only the regional towns but also to upcountry branches. The Bank has grown from the initial two branches to current size to cater for the retail clients. With the Bank focusing on retail market it is expected to sustain the growth momentum through branch expansion.

1.2 Research Problem

According to Jauch (1988) the success of any organization is manifested in attaining a competitive position or series of competitive positions. The competitive position or series of positions lead to superior and sustainable performance. Porter (1985) argues that for firms to retain competitive advantage, they need to examine their environment and respond accordingly. Kotler (1997) notes that marketing is not a fixed system of concepts and axioms. Rather, marketing is one of the most dynamic fields within the management arena. The marketplace continuously throws out fresh challenges, and companies must respond. Therefore, it is not surprising that new marketing ideas keep surfacing to meet the new marketplace challenges.

Banking industry in Kenya has faced stiff competition over the years. This is because it's depended on the environment for inputs and outputs. Heresy (1996) asserts in support that organizations are affected by the environments in which they operate. Woodward (2004) also justifies it by saying most firms operate in environments that are potentially vulnerable to competitive actions and so they need effective marketing strategies to determine the way in which they intend to compete in the market place. Banks have hence had to continuously carry out a swot analysis on the environments they operate on. This is in a bid to identify strengths and opportunities that can be utilized to gain more profits and remain ahead of the competition .It is also done to identify weaknesses and threats that can be dealt with before they get out of hand .

Insaidoo and Ahiakpor (2011) undertook a research on marketing of Micro Finance Institutions (MFIs) and concluded they should create marketing departments. Oke (2012) concluded that Banks should embark, from time to time on marketing research. Beddowes (1994) indicated that that the clarity of commercial banks objectives in terms of innovation as a competitive strategy has led to an increased emphasis on the evaluation of return on investment. Barnley (1991) stated that not all firms' resources hold the potential of sustainable competitive advantage, instead, they must possess four attributes: rareness, value, inability to be imitated and inability to be substituted.

Kiptugen (2003) concluded that proactive rather than reactive marketing strategies are the core drive of any competitive organization operating in the dynamic market environment. Wamburu (2011) found out that competition, information technology, staff training and consumer attitude are some of the factors affecting marketing of SACCO products.

Ogutu and Nyatichi (2012) carried out an investigative study on competitive strategies adopted by multinational banks in Kenya. Oloko, Anene, Kiara, Kathambi and Mutulu (2014) concluded that marketing plays a crucial role in enhancing a company's growth and performance in capturing new markets, retaining the market and promoting financial muscles in profits of an organization.

Where as many researchers have paid attention to marketing strategies and competitiveness there is no study done to investigate marketing strategies adopted by Bank of Africa. This study seeks to fill the knowledge gap and answer the question what are the marketing strategies that bank of Africa Kenya has adopted to combat competition and survive in the competitive industry?

1.3 Research Objective

The objective of the study was to assess the influence of marketing strategies on competitiveness of Bank of Africa Kenya.

1.4 Value of the study

The findings of this study will add to the existing knowledge on the marketing strategies adopted by banks to combat competition. The study will thus form a basis upon which other studies will be done by creating knowledge gap. The study will assist in further literature provision to the academia, supporting theoretical propositions to the academia and act as secondary source of material in marketing strategies and competitiveness.

The findings will also inform decisions for instance on policy, standards and regulations by various regulators in the banking industry and also management decisions by other stakeholders in the industry.

The findings will be of benefit to BOA (K) by understanding the influence of marketing strategies on the Bank's competitiveness. The study will also recommend other marketing strategies that the bank can adopt. The findings can also be useful to other stakeholders in the industry for instance competitors, new entrants in the market, and peers through providing alternatives and informing on where to improve best current trends.

1.5 Chapter Summary

This chapter introduces the study through giving a background of the study in terms of concept, context, relevant theories supporting the study and motivation behind carrying out the study. The chapter emphasizes on the need by banks to design marketing strategies for survival and success in the volatile, unpredictable and competitive business environment in which they operate. The chapter presents in detail the concept of strategy, marketing strategies, concept of competitiveness**,** Kenyan banking industry, Bank of Africa Kenya ltd, research problem and objective and the value the study will add.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents the literature review of past studies done that are related to this study. The specific areas covered in this chapter include theoretical underpinnings, marketing strategies and the Research gaps.

2.2 Theoretical Foundation

Different studies have defined strategy differently. Johnson and Scholes (1999) 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, to meet the needs of markets and fulfill stakeholders' expectations. Goldsmith (1995) points out that strategy comprises actions employed to meet a firm's long-term objectives. Strategy, according to Hill and Jones (2001) is an action that a company takes to attain one or more of its goals. More precisely, it is the action that an organization takes to attain superior performance. Strategy is the pattern of organizational moves and managerial approaches used to achieve organizational objectives and to pursue the organization's mission (Thompson & Strickland, 1993). Andrews (1971) recognized strategy as the pattern of major objectives, purposes of goals, stated in such a way as to define what business the company is in or is to be in, and the kind of company it is to be.

There are two mainstream schools of strategy in the contemporary literature: the positioning school and the resource-based view (RBV). The positioning school, proposed by Porter (1980), views the firm as concerned with achieving strategic fit with its environment; that is, with evaluating the competitive forces operating within the environment (Porter's Five forces) to assess where and how best to compete. In the RBV School, initiated by Penrose (1959) and later affirmed by Rumelt (1984), Werner felt (1984), and Barney (1991), a firm's competitive advantage lies mainly in the bundle of resources at its disposal and how it can stretch these to achieve competitive advantage. Recent analysts have extended the RBV using the concept of dynamic capabilities to refer to the firm's ability to develop and extend resources and competences to adapt to a changing environment (Teece et al., 1997; Eisenhardt and Martin, 2000 and Teece, 2007). There are therefore dual concepts of strategic fit and strategic stretch or more colloquially looking at the firm from the outside in, or from the inside out. Both perspectives are important in explaining business behavior, including adaptation under recession conditions.

Game theory has emerged as a predominant methodology for analyzing business strategy (Shapiro, 1989).It makes it possible to observe the behavior of rational players in a game and predict what decisions they will make next. Game theory deals with the process of competitive interaction involving making decisions when two or more rational opponents are involved under conditions of conflict and competition. Players have to anticipate the reaction of other players (Gerry & Kenan, 2002). They argue that the key principle is for a player to put themselves in the shoes of competitors, so as to be able to anticipate what the competitor is likely to do and thus counter the move by choosing the best course of action. In game theory according to

Gandoifo (2011) every firm has complete information about the rules of the game and the preferences of the other players for each result. In times of uncertainty, game theory 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.

Schmidst and Kochan (1972) define conflict by saying that a perceived opportunity exists for interfering with the other's goal attainment. Hocker (1985) defines conflict as an expressed struggle between at least two interdependent parties who perceive incompatible goals, scarce rewards, and interference from the other party in achieving their goals. The strategic conflict model portrays competition as war between rival firms with the phrase that no battle plan ever survived the first encounter with the enemy (Mintzberg, 1999).According to Schelling (1963),conflict is inevitable and one has to study the behavior that is associated with any form of conflict and behavior of rival firms. Burnes (2009) views that a firm can achieve competitive edge and more returns by influencing the behavior and actions of its rivals and thus, manipulate the market environment. The common theoretical contention of strategic conflict theory is that appropriate activities are rationally influenced by the opportunity cost of foregone production (Carter, 1999).

Johnson and Scholes (1990) view strategic responses as strategic fit and stretch. The basis of this argument is that strategy is the matching of the resources and activities of an organization to the environment in which it operates. Strategic fit is when an organization develops strategy by identifying opportunities in the business environment and adapting resources and competencies so as to take advantage.

This calls for the organization to position itself to meet identified market needs-strategic fit. Stretch is the leverage of the resources and competitive advantage and/or yield new opportunities. This is achieved through differentiation based on the competencies suited to or creating market needs. According to Thompson (1997) response involves changes in the organizations strategic behavior. The responses may take many forms depending on the organizations capability and the environment in which it operates. Well-developed strategic response is formidable weapon for a firm in acquiring and sustaining a competitive edge. Strategic response may be environmental based, capability based or expectations based.

Environmental based response is fitting the strategies to changing environment while capability based is stretching and exploiting of the resources and competencies within the organization. Expectation based response is the meeting of the expectations created by the context. Organizations response may fall into two categories which are the strategic and operational. This could be in the form of market and product coverage, technology, culture change, change leadership and restructuring. Organizations face significant constraints and contingencies from their environment and are the direction and scope of an organization over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations (Johnson & Whittington, 2008).

Porter (1985) outlines three approaches to competitive advantage and this are cost leadership, differentiation and focus. Once the three approaches are practiced the company is able to get an above industry performance.

Porter continue to assert that if a firm doesn't practice one of the three approaches it will be stuck in the middle since firms face a common environment and competitive advantage is gained by implanting appropriate competitive strategy. According to Thompson et al. (2008) the main objective of competitive advantage is to beat the rivals companies by offering products and services that satisfy the needs and preferences of the consumers. Competition is neither a matter of coincidence nor bad lack as observed by Porter (1980). Competition is healthy to the development of an industry.

For success of a strategy Pearce and Robison (2000) proposed that it must be consistent with conditions in the competitive environment, it must take advantage of existing and emerging opportunities and minimize the impact of major threats, and strategy must place realistic requirement on the firm's resources. In a radically changing environment, such as the current recession, the concept of dynamic capabilities may be helpful in developing a framework for understanding why some firms succeed, some eke out survival, and some fail.

2.3 Marketing Strategies and Competitiveness

Marketing strategy according to Aaker (2011) is the process that allows an organization to concentrate its resources on the optimal opportunities with the goals of increasing sales and achieving suitable competitive advantage. Armstrong and Kotler (2011) asserts in support that marketing strategy involves identifying markets and customer needs in those markets, and organizing marketing resources to match products with customers in the most efficient and effective manner.

Marketing strategy is a long-term course of action designed to optimize allocation of the scarce resources at the disposal of a firm in delivering superior customer experiences and promote the interests of other stakeholders. The process generally begins with a scan of the business environment, both internal and external (SWOT/PESTEL), which includes understanding strategic constraints. An effective marketing strategy will help an organization to define the overall direction and goals for its marketing. The strategy should articulate how the organization is going to deliver its products or services in ways that will satisfy its customers (Aaker, 2011).

Marketing strategy focuses on long-term company objectives and involves planning programs so that they help a company realize its goals. Companies rely on marketing strategies for established product lines or services as well as for new products and services. The majors concerns of marketing are usually referred to as the four Ps or the marketing mix: product, price, place, and promotion. Studies done on marketing strategies adopted by banks have proven different banks adopt different strategies depending on the situation it's operating in. Thompson (1997) response involves changes in the organizations strategic behavior.

Responses may take many forms depending on the organizations capability and the environment in which it operates. Well-developed strategic response is formidable weapon for a firm in acquiring and sustaining a competitive edge. Strategic response may be environmental based, capability based or expectations based.

Corporate Marketing Strategies try to carry out the organization missions and objectives by specifying how to attain them through strategic program. They focus on the entire organization and objectives include expanding market share, entering new market or exiting from the market (Pearce & Robinson, 2010)

Divisional marketing strategies are developed by the strategic business units (SBUs) typically; each SBU Is a single unit with separate and distinct missions, Controls its resources, has a top management team in charge of its operations and faces distinct markets and competitors. Maintenance seeks to maintain the status quo that is to retain the current market there, market position, image, and reputation. This is appropriate when existing markets and products are well defined and the organizations current approaches only need minor adjustments. The emphasis is on control in order to get more from the same program, by making only minor adjustments on price, distribution, and enhance on sales efforts.

Contraction strategies are used when an organization plans to retreat from existing markets and products, usually through retrenchment, divestiture, liquidation or bankruptcy. Sometimes a maintenance strategy is adopted before contraction, for example by deciding not to invest further in an SBU but just maintain the status quo before liquidating the unit. Major expansion strategies are categorized as market penetration, market development, product development and diversification.

Expansion strategies range from managing existing products better to adding new products, and from reaching existing markets to cultivating entirely new markets.

They are the most popular by far, as management wants to add products, enter new markets, and generally grow and diversify. Major expansion strategies are categorized as market penetration, market development, product development and diversification (Ansoff, 1957). With BOA K recently focusing on growing its retail base, expansion strategies are likely to be adopted.

Competition is the primary motivation for adopting a marketing strategy. Consequently, marketing strategy is more important for banks to continue being profitable. Competitive advantage refers to gaining a superior market position and therefore higher profits by offering better products, prices, promotions, convenience, or service than competitors. Competitive advantage includes all the other elements of strategic thinking for instance: customer satisfaction, creativity and flexibility.

2.4 Competitive Strategies

There are various strategies that a firm can adopt in order to achieve competitive advantage. There are three consistent generic strategies which can be used singly or in combination for creating a competitive position in the long term for a firm (Porter, 1980). They include: differentiation, cost leadership and focus.

Differentiation strategy calls for development of a product or service that offers unique attributes that are valued by customers and that customers perceive to be better than or different from the products of the competition (Davidow & Utal, 1989).

Ogbonna and Harris (2003) points out that differentiation reduces competitiveness and the fight for scarce resources, thereby improving performance; but on the other hand, conformity makes organizations similar and, therefore competitiveness becomes stronger. Differentiation strategy involves delivery of superior benefits that exceed those of competing products as perceived by consumers that they can command premium prices (Porter, 1994). Organizations can pursue differentiation strategy through superior service, multiple features, convenience, quality service, technological leadership and innovation.

A differentiator's basis for competitive advantage is either product service offering whose attributes differ significantly from the offerings of rivals or a set of capabilities for delivering customer value that rivals are not offering (Porter, 1994).A product can be differentiated in various ways. Unusual features, responsive customer service, rapid product innovations and technological leadership, perceived prestige and status, different tastes and engineering design and performance are examples of approaches to differentiation (Porter, 1980).

Differentiation strategy aims to build up competitive advantage by offering products which are characterized by valuable features, such as quality, innovation and customer service. Svatopluk and Ljuba (2006) argue that strategies based on differentiation seek to establish fundamental difference in a variety of dimensions that buyers perceive a marked contrast between product and services of firm and its rivals. They further add that the value added by the uniqueness of the product may allow the firm to charge a premium price for it. The higher price will more than cover the extra costs incurred in offering the unique product translating to high profit margins than those of competitors.

Cost leadership strategy is a strategy that calls for being low cost provider of a product or service that appeal to a broad range of customers. For an effective cost leadership, a firm must have a large market share (Hyatt, 2001). A firm strives to have the lowest cost in the industry and offers its products and services to a broad market at the lowest prices. A cost leader basis for competitive advantage is lower overall costs than competitors. Successful leaders are exceptionally good at finding ways to drive cost out of their business. Cost leadership strategy focuses on gaining competitive advantage by having the lowest cost and cost structure.

Firms acquire cost advantages by improving process efficiencies, gaining unique access to large source of lower cost materials, making optimal outsourcing and vertical integrity decisions, or avoiding some costs altogether. In the industry (Porter, 1980) in order to achieve a low cost advantage an organization must have a low cost leadership mind-set. The organization must be willing to discontinue any activities which they don't have a cost advantage and may outsource activities to other organization that have a cost advantage (Malburg, 2000).

Focus strategy concentrates on a narrow segment and within that segment attempts to achieve either a cost advantage or differentiation Porter (1994). Thompson et al. (2008) argues that for the focus strategy to be attractive the target market niche should be wide to enable be profitability and should offer good growth potential.

By focusing the marketing mix on the narrowly defined market the business can position itself to increase brand loyalty and customer satisfaction thus shielding itself from the perils of the minimum price maintenance agreement and effects of increasing costs. This supports the long tail theory (Anderson, 2006) which proposes that increased profitability can be realized by serving small but demanding customer base willing to pay a premium price for it unique product desires.

Obasi et al (2006) argues that focus is also based on adopting a narrow competitive scope within an industry that large firms overlook. A focused strategy based on either low cost or differentiation is attractive when the target market is big enough to be profitable and has potential for growth and industry leaders do 22 not see presence in the niche as crucial to their own success (Thompson and Strickland,1999). Focus aim at growing the market share through operating in narrow markets or niche markets that are overlooked by the larger competitors.

Market penetration refers to existing products and existing markets. The organization tries to expand by gaining greater dominance in markets it already serves. This may be done by encouraging existing customers to buy more than before, or by winning customers from competitors. It may also be done by reaching customers who have not tried the product before. Johnston and Scholes (2002) argue that market penetration strategy, is the least risky since it leverages many of the firms existing resources and capabilities in a growing market, simply maintaining market share will result in growth, and there may exit opportunities to increase market share if competitors reach capacity limits.

The strategy also probably requires the least amount of finance for expansion although resources may need to be channeled into promotional campaigns to appeal to and then persuade customers. This could be in the form of advertising, sponsorship special promotions and even temporary discounts.

The most obvious risk of pursuing this strategy is that of retaliatory action from competitors, this is especially likely if the penetration can only come at the expense of cannibalizing rivals market share and when products are good substitutes for each other. New product development strategy is used when the external factors suggest that the market is saturated or that stronger competition or other threats to the market exist and the internal factors show weakness in distribution or strength in product development. New market developments strategy may be adopted when internal factors suggest adding markets for existing products due to greater distribution strengths but production or product development weakness (Jauch & Glueck, 1988).

Market Development Strategy according to Pearce and Robinson (2001), consists of marketing present products to customers in related areas. These customers could represent untapped verticals, virgin geographies or other new opportunities. The company targets new geographical areas domestically and; internationally, identifying potential new consumer groups, seeking additional distribution channels and developing new locations both domestic and abroad cannibalizing rivals market share and when products are good substitutes for each other. Diversification strategies deal with developing new products for new markets. It can be a high risk strategy especially considering that it involves both new products and new markets.

Some of the goals for diversification are to survive, to prompt competition, to grow, to enter new market segments, to increase sales volume, to gain market share and to spread risks. It could take the form of related diversification or unrelated diversification. Related diversification allows a business to escape from possible war with existing competitors while minimizing product-market adjustments costs in terms of having to adopt technology (Doyle, 1994)). Unrelated diversification is an expansion by a business into market areas that are not related to existing product or services in terms of technology, distribution channels or the rationale for such an expansion path. Unrelated diversification releases the firm from any constraints upon the chosen market in which to expand. Unrelated diversification could either be concentric or conglomerate.

2.5 Competition in Organizations

Business dictionary has defined competition as open market rivalry in which each seller tries to get what other sellers are seeking at the same time making sales, profits and growing the market share by offering the best practical combination of price, quality, and service. Where the market information flows freely, competition plays a regulatory function in balancing demand and supply. Berkotwiz et al (1997) points out that competition provides an alternative firm that can provide a product to satisfy a specific market need. Competition is the availability of substitutes for the firm's products (Hill, 1989). There being various forms of competition each bank must consider its present and potential competitors in designing its strategies. Competition is one of the society's most powerful forces for making things better in many fields Porter (2008). Every bank needs a strategy in order to deliver superior value to its customers (Mathu, 2009). Banks also must compete to deliver value.

2.6 Research gaps

Several studies have been done on marketing strategies. Aremu (2006) pointed out that marketing strategies should start with clear understanding of the bank's mission and objectives. He also asserted in support of the widespread of a functional perspective to marketing organization and are consistent with findings documented elsewhere (Piercy & Morgan,1989).This brought out the need of a department that undertakes marketing functions doing away with the idea of letting it be done by everyone.

Tlebbar (1988) in his studies on marketing strategies adopted by banks pointed out the importance of direct marketing and opening rural branches on Sundays. He also asserted on the effects of lack of awareness of the products offered, undynamical promotional methods in hampering the banking business. Mehta (2010) proposed adoption of suitable marketing strategies for instance personal selling for improvement of banking business. Gupta and Mittal (2008) stated that a well-designed promotional strategy is very important to promote banking services effectively.

Moraa (2013) in her research on response marketing strategies adopted by chase bank to counter stiff competition in the banking industry observed several things. The study established that 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 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 had an element of class and service excellence with an emphasis to personalized services. The study also indicated that implementation of response marketing strategy was affected by speed of implementation, difficulty in attaining service excellence and differentiating products and services in a commoditized marketplace.

Nyakundi (2009) proposed different strategies. These include promotional, pricing, use of market warfare, customer relationship, placement/distribution, process, people and market target strategies. There is no study that has been done on marketing strategies adopted by bank of Africa Kenya to combat competition and hence this leaves a knowledge gap which this study seeks to fill.

2.7 Chapter summary

In RBV School, a firm's competitive advantage lies mainly in the bundle of resources at its disposal and how it can utilize to achieve competitive advantage (Penrose, 1959).Porter (1980) points out that generic strategies differentiation, cost leadership and focus can be used singly or in combination to achieve competitive advantage.

This chapter highlights marketing and competitive strategies adopted by BOA and their influence in combating competition.

This chapter presented literature review of past studies relevant to this study. The research drew material from several reference sources related to the theme and objectives of the study. The chapter begins by giving a review of the theoretical foundation, then discusses in detail RBV and the positioning schools, Game theory concept and strategic conflict model.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter looked at the analytical framework of the research design, data collection and data analysis. It explains the research design that was employed, how data was collected and how the data was analyzed in order to write a report and provide findings. Research is defined as the process of arriving at a dependable solution to a problem through systematic analysis and interpretation of data.

3.2 Research Design

The research design is a case study. A case study is an in depth investigation of an individual, group, institution or phenomenon. A case study method is popular for qualitative analysis and involves a careful and complete observation of a social unit, person or institution. It is an intensive investigation of the particular unit under consideration (Kothari, 2004).The investigation makes a detailed examination of a single subject group or phenomenon Mugenda (1999).The choice of the bank was based on the need to cover knowledge gap since most studies on the same subject were done on the biggest (tier one) banks in the market.

Case study was favourable because it allowed an in depth understanding of the behavior pattern of BOA (K). It further facilitated an intensive study of the concerned organization which may not be useful with different other methods, Musa (2005).

Additionally, a case study allowed the researcher to use one or more of several research methods depending on circumstances. These methods include in-depth interviews, questionnaires documents, and report study.

3.3 Data Collection

The study focused on primary data collection method obtained directly from the respondents. Data for this research was collected using the interview method. The researcher targeted to have a one on one interview with nine respondents using an interview guide. The data was collected by use of an interview guide. Personal interview guide have been effective in obtaining accurate data (Cooper & Schindler, 1998). The interview guide consisted of two parts: part one dealing with the personal information of the informant and part two dealing with the marketing strategies adopted by the Bank to combat competition. The Deputy Managing Directors (DMDs) Marketing department staff, Heads of Departments (HODs) and Service excellence staff carried out the interview.

3.4 Data Analysis

Berelson (1952) defined content analysis as a systematic replicable technique for compressing many words of text into fewer content categories based on explicit rules of coding. Holsti (1969) defined content analysis as any technique for making inferences by objectively and systematically identifying specified characteristics of messages. Kothari (2004) described content analysis as a method of analyzing contents of documentary materials such as books, journals, magazines, newspapers and most importantly, content of verbal material sources whether spoken or written.

The information gathered was divided logically using qualitative analysis to facilitate proper interpretation. The researcher used content analysis method to analyze the marketing strategies adopted by Bank of Africa Kenya Limited to combat competition. The researcher applied systematic, theory-guided approach to text analysis using a category system which ensured a more qualitative text interpretation. Mugenda and Mugenda (1999) observed that this method is appropriate for case studies because the researcher provides a systematic description of the composition of the objects that comprise the study. As for Weber (1985) content analysis is a research methodology that utilizes a set of procedures to make valid inferences from text. Hence content analysis was considered as the most effective type of analysis for the study.

3.5 Chapter Summary

This chapter presents in detail the methodology for the study, and pointed out the research design. It highlights methods of data collection and analysis. As a pre-requisite to the fourth chapter, this chapter underlines the research framework and credits the results and findings of the study. Means of data collection for the research has been detailed in this chapter, and also the data analysis technique used to draw conclusions on the findings elaborated.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter covers data analysis, findings and discussions on data gathered from the field. The objective of the study was to assess the influence of marketing strategies on competitiveness of Bank of Africa Kenya. Case study research design was used and data collected through use of interview guide. Data analysis was done through content analysis to determine the marketing strategies adopted by bank of Africa Kenya limited to combat competition. The researcher had a one-on-one interview with the respondents using an interview guide attached in appendix 1. The respondents were The Deputy Managing Directors (DMDs), Marketing department staff, Heads of Departments (HODs) and Service excellence staff carried out the interview since they are the people involved in the marketing strategic plan formulation and are tasked with overseeing implementation.

4.2 Respondents Profile

The study investigated the background of the respondents on the basis of their level of education, departments they work with, their genders, past and current positions held, their role in strategy formulation and the period in years the respondents had worked with the organization. Some of the respondents were senior managers of BOA, and were involved in strategy formulation and implementation while others were operational marketing staff and service excellence tasked with co-ordination and implementation of marketing strategies.

This implied that the information on marketing strategies adopted by the bank to combat competition was sourced from staff who better understood the strategic direction of the bank and implementation of the banks strategies.

The respondents comprised top management and operational marketing staff of Bank of Africa Kenya. In total, the researcher interviewed twenty respondents out of the twenty four that had been intended to be interviewed. Four of the respondents were not available during the time of the interview. Eighteen of the respondents have worked with Bank of Africa for more than four years while the other six indicated that they have worked for less than four years. This indicates that majority of the respondents have worked with Bank of Africa Kenya for a longer period of time and therefore understand the strategies that have been pursued by the bank in order to combat competition. Majority (fourteen) of the respondents held top managerial positions in the bank and were therefore considered to be more versed with the subject matter of the study.

4.3 Strategic Planning at Bank of Africa, Kenya

Flexibility and adaptability have become key management concepts to develop a sustainable competitive advantage, and successful firms apply them in new organizational strategies that put into question many conventional tenets on organizations and their management. All organizations are environment dependent and the link between any organization and its environment is the strategy it adopts. For organizations to remain competitive in the dynamic, complex and unpredictable environment, strategy is crucial.

This research sought to establish the marketing strategies adopted by bank of Africa to combat competition. The research revealed that most of the respondents who are top management team (TMT) have their roles involving strategy formulation.

While addressing the question of how often BOA review its strategies, all respondents agreed that the bank operates on a 3-year strategic plan, whereby a review is made after the 3 years. Currently, the bank is operating on the 'year 2013-2015 strategic plan'. The strategic plan's implementation and operationalization is the responsibility of the executive committee, commonly known as EXCO. The committee meets every week to review the implementation and operationalization of the strategy and is composed of the senior managers and heads of departments. Locally, the executive committee (EXCO) meets every fortnight where every head of department tables a report on the implementation and the results. In this forum, the industry analysis and any new developments are also discussed to ensure that the bank is on the right track in implementing the strategic plan. There are also monthly management meetings where all managers report on the progress of strategy implementation in their respective departments, arising ideas and suggestions are shared, challenges and ways of making the process better.

4.4 Analysis of Findings on marketing Strategies

All the respondents cited that BOA has adopted marketing strategies to combat competition. A senior manager was quoted saying;

> "I do not understand where we would be in terms of competitiveness
> were it not for the strategies we have adopted as a bank".

The research revealed that marketing and product development committee in consultation with the group's marketing committee formulates the bank's marketing strategies. Heads of departments together with senior managers are involved on implementation and operationalization of the strategies. The research pointed out that the marketing strategies are geared towards earning competitive advantage.

On the question of if the bank compete head on for market share in the banking industry, all respondents agreed that the bank was aggressive in its marketing. They cited the recent advertisements done by the bank including television and radio commercials, print media in the local dailies, billboards, Web banner BOA (K) website, email signature advertisements, Digital advertising on various screens, and advertising on social media, bulk smses to customers and Leaflets in customers statements at the end of the month. The respondents believed that the advertisements have promoted the BOA's brand and image, making it known to many clients than it was known before.

On the question of BOA's main competitors, the respondents cited Chase bank, Prime bank, Nic, I & M, Family, DTB bank and Guaranty Trust bank who are mainly almost equal in terms of capital and asset base. This was based on the fact that the competitors are the peer banks and in the same tier. The research revealed that Chase bank, family and DTB had a bigger market share compared to BOA. On the nature of competition that BOA faces, most of the responses indicated that there was solid competition on market share, competitive rates, and total cost of credit, loan facilities process, turnaround time, products differentiation and general pricing of service.

To a small extent, personal and business accounts, and cost of opening new branches created less competitive environment to BOA. This indicated that most participants in the banking industry compete more on market shares and giving relatively lower interest rates to their clients.

4.4.1 Marketing Strategies Adopted by Bank of Africa Kenya ltd.

This section of the interview guide sought to establish the marketing strategies adopted by Bank of Africa Kenya in order to achieve competitive advantage over its competitors. The respondents were asked to illustrate how the bank creates a unique position in the market and the efforts the bank puts on providing uniqueness on its products. Brand differentiation can be one of the strategies in which a firm can set itself apart from its competitors. The research revealed that BOA has to a larger extend adopted differentiation strategy through coming up with products that are unique, specific and tailor made compared to what the market is offering. Respondents cited BOA having unique products like wakili, mwanariadha, cool kids, jipange, elite, chama, student and tiba accounts catering for specific needs of the customers which other banks have not been providing.

The study revealed that the bank adopts low cost strategy although they offer similar products. The bank achieves low cost strategy through tight control of costs and overhead, minimization of operating expenses, reduction of input costs, tight control of labor costs, and lower distribution costs. The low-cost leader gains competitive advantage by getting its costs of production or distribution lower than those of the other banks in its market.

The respondents indicated that they achieve low cost leadership through formulation of policies and procedures which enhances the strategy, business plan formulated on low cost strategy, continuous innovation of new customer friendly products and formation of group based microfinance products to attract low income customers.

Respondents cited services offered at low or no costs at all compared to what the competitors are offering for instance; incoming electronic funds transfers(efts) being charged at eleven shillings while the competitors charged from two hundred and fifty shillings for the same. Interest rates on loans, processing fees and commissions for BOA were established to be lower compared to what the competitors were offering. In the public sector loans, BOA (K)'s interest rates were the lowest at 16% per annum compared to all other commercial banks in Kenya. Also the facility fees and processing fees were found to be either lower than, or equal to the other banks offering retail products. On the account ledger fees, majority of the interviewees felt that the BOA (K)'s accounts were not very competitive as compared other banks in the retail banking like Equity bank, who do not charge any ledger fees. The reason for this was that BOA (K), as per its current strategy, was not targeting the mass market, rather it was targeting medium and high-end retail market. The respondents noted that the target market for retail clients was for those earning a net salary of kes 25,000 and above.

The research established that BOA has to small extend adopted diversification and market penetration strategies. However product development, Market developments were adapted to a large extend. The respondents cited the bank having introduced to the market tailor-made products in response to identified customer needs.

Respondents cited BOA having been the first bank in Kenya to develop chama account. Market development was also portrayed through the bank venturing into markets they never served before for instance public sector. Respondents cited that the bank had adopted focus through identifying the upper retail niche as its target market. Products were then designed to cater for that specific market needs. However they cited that the bank was also serving corporate and SME clients and not concentrating on the chosen market.

Other strategies cited by respondents were collaborative and partnership strategy. The research revealed that BOA had collaborated with other service providers to enhance its competitiveness and also act as a marketing tool. The bank for instance had collaborated with safaricom, airtel, wari money transfer and cellulant in provision of mobile transfer services and as a marketing tool in sending mass messages to customers. BOA has also collaborated with western union, moneygram for money transfer services. BOA has collaborated with visa, kenswitch, NCR Ltd in providing Automated teller machine services (ATM).

Research established that apart from increasing competitiveness ATMs also acted as a marketing tool through giving visibility of the bank whenever they are found.BOA had partnered with nakumatt to market short term household loans and total Kenya ltd to market its debit and credit cards.BOA also had signed memorandum of understanding (MOU) with for instance Charleston travel ltd and total to sell loans to their staff.

The research established that BOA was also using media to a large extend. Television (TV) and Radio commercials were cited by most respondents. Social media was also widely used through the marketing officials engaging customers and potential customers through facebook, twitter, instagram, whatsapp, LinkedIn and official company website. The bank also used direct sales and relationship marketing strategy. The respondents cited BOA employing direct sales staffs to directly sale the banks products. Relationship officers(ROs) and relationship managers(RMs) were also employed to not only creat new relationships but also maintain those created by direct sales staff(DSR) since the staff were mainly employed on contract bases and paid on commissions resulting to less focus on long term relationships.

The research also revealed that high level customer service was also used by BOA as a marketing tool. Respondents cited BOA having toll free lines, dedicated emails, whatsapp, facebook and twitter accounts where customers can report their issues and are addressed immediately. BOA also uses Promotions as a marketing strategy. This was established through respondents citing ongoing Angukia campaign where customers were winning plots, money and other gifts for opening and maintaining a balance of twenty thousand Kenya shillings. Najijenga campaign was also mentioned where the bank used the campaign to market house and plot loans.

The research revealed that BOA uses Corporate Social Responsibility (CSR) as a marketing strategy. Respondents cited the Angaza kifafa activity as having created awareness on the brand in areas the bank has not covered. Agency banking strategy was also used by BOA as a marketing tool since it enhanced visibility and increased accessibility in areas where the bank doesn’t have branches.

This the respondents pointed out through citing the container branches established by the bank in many areas of the country. The study also revealed that BOA used Sponsorship strategy as a marketing tool. Respondents cited sponsorships of athletes, festivals and golf tournaments which the bank used to create awareness of the brand and relationships with potential customers.

On the question of how different BOA's marketing strategies are different from those of competitors and the unique features, the respondents noted that BOA's marketing strategies, especially the newly introduced ones were incorporating innovation and the ever changing customer's needs. This resulted to unique products and services. One of the unique product in the market is the e-chama, where members of a welfare group's account, commonly referred to as a chama, are linked to their bank account via their mobile phones for purposes of getting alerts on account activities, accessing balances and borrowing and/or approving loans among members. All these features are at the palm of the client's hands thus creating convenience. A member will request via phone for a loan from the chama account, signatories of the account will approve via their phones and the applicant will receive the funds requested on his M-pesa account.

Other unique marketing strategies included unique incentive plans for instance one month's loan- holiday, whereby a customer is given the option of forfeiting loan repayments by one month for a 12 month's calendar year. Thus the client will pay his loan for 11 months per year, and use the 1 month's repayments for other use. The client is given the option to choose the month of choice, depending on his budget. Also the Pack accounts were also cited to be unique in the market because they can offer salaried clients automatic salary advances on a pre-set day of every month.

They also offer free Cheque books, 5 free ATM withdrawals per month; free mobile banking alerts and free internet banking but limited to viewing only. Mkopo Poa loan was also mentioned as a unique product where clients can purchase items at Nakumatt stores, and have the same financed by BOA (K).

The question on how strategies have contributed towards achieving competitive advantage was elicited with almost similar sentiments but stated differently by the respondents. Most of the responses indicated that these strategies had increased their chances of achieving more customers; the strategies also enabled BOA to gain regional presence cross Africa as well as improving their services through these strategies. Customer consistence deposits, creation of strong IT platform services, unique products and low costs were among the benefits that BOA had gained through these strategies.

4.5 Chapter Summary

This chapter presented data analysis, findings and discussions on data gathered from the field. Data analysis was done through content analysis. The chapter further explored on the respondents profile through investigating their backgrounds on the basis of level of education, work experience, genders, positions held and their roles in strategy formulation. The chapter looked in depth at strategic planning at BOA K Ltd and analysed findings on marketing strategies the bank has adopted

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The objective of the study was to assess the influence of marketing strategies on competitiveness of Bank of Africa Kenya. This chapter gives the summary of the findings, conclusions, recommendations, limitations and suggestions for further studies.

5.2 Summary

Study has revealed that for any organization to survive in the turbulent and uncertain business environment, it has to come up with marketing strategies that give it a competitive edge over the competition. The study revealed that Bank of Africa Kenya faces stiff competition from both local competitors and international competitors. The results of the study indicate that BOAK has adopted various marketing strategies to enhance its competitiveness and survive in the market. It was established the marketing strategies adopted by the bank include differentiation on brand, low cost, diversification, market penetration, market development, collaborative and partnership, use of media, high level customer service, promotion, CSR, agency banking, direct sales and relationship strategy and sponsorships. The findings further show the positive correlation between the competitive advantages and the various marketing strategies employed by BOAK. According to the findings of the study, the various strategies adopted by BOAK have a positive impact on its competitiveness both in the short-term and in the long-term.

The study shows that majority of the respondents have worked with BOA K for a longer period of time and therefore they understand the marketing strategies that are being used by the bank in order to be competitive. Firms combine their resources (core competencies and capabilities) to develop a strategic path highlighting the interaction between the industry and the firm, having the foresight to identify which resources or capabilities, as processes, would lead to superior resources and capabilities.

The study established that BOA (K) extensively used differentiation strategy as they are flexible in offering of their services and also gives personalized services to their clients. The researcher noted that BOA (K)'s products, especially the newly introduced ones were designed incorporating innovation and the ever changing customer's needs. One of the unique product in the market is the e-chama, where members of a welfare group's account, commonly referred to as a 'chama', are linked to their bank account via their mobile phones for purposes of getting alerts on account activities, accessing balances and borrowing and/or approving loans among members.

Other differentiated products / services included one month's loan- holiday, whereby a customer is given the option of forfeiting loan repayments by one month for a 12 month's calendar year and Mkopo Poa loan where clients can purchase items at Nakumatt stores, and have the same financed by BOA (K). Also the Pack accounts were also cited to be unique in the market because they can offer salaried clients automatic salary advances on a pre-set day of every month.

The researcher revealed that focus as a competitive strategy was of less significance to BOA (K).This is because as much as the bank focused on the upper retail market, it was not the only bank in that market sector. Other banks including competitors for instance Equity bank, Co-operative bank, Family bank, Chase bank, I & M, Prime bank and Barclays bank were also offering the same services and products. The bank's management believes that one of the ways to succeed in the retail market is by expanding and increasing visibility to the retail consumers. It was also revealed that the bank did not focus on only the retail market, it had diversified into corporate and SME's market to maintain a market share.

It was noted that Resource based strategy and Collaborative strategy were extensively used by BOA (K) for competitive advantage. The respondents mentioned Safaricom Limited, Nakumatt Limited, Airtel money, Western union, MoneyGram, Wari money transfer, Cellulant and NCR Ltd as the main collaborators. Additionally NCR, Total Kenya, Zuku and various hotels around the country are the other collaborators. The study cited a total of 78 organizations in which BOA (K) have signed a memorandum of understanding (MOU) for purposes of partnering in business both at corporate level and individually for the case of the company's employees.

5.3 Conclusions

Over the last few years, the Banking sector in Kenya has continued to grow in assets, deposits, profitability and products offering. Players in this sector have experienced increased competition over the last few years resulting from increased innovations among the players and new entrants into the market.

Porter (1998) argues that an effective competitive strategy takes offensive or defensive action in order to create a defendable position against the five competitive forces and thereby yield a superior return on investment. However, from the study it can be concluded that, Bank of Africa, Kenya has used both offensive and defensive strategies to counter its competitors. It has used cost leadership as a tool to gain entry in the public sector lending by offering the lowest interest rates to the civil servants and parastatal employees that the other banks. It has also been noted that the extensive use of differentiation has given BOA (K) a competitive edge due to the uniqueness of the products and services.

The study also established that Collaborative strategy has been well employed by the bank. Partnerships with various institutions have increased brand image of the bank as well as its competitiveness. The results have been a win-win for the bank, its clients and the staffs in general. Resource based strategy has not been very effectively used as it poses a challenge as well as an opportunity to the bank's management. In conclusion, the findings showed Bank of Africa, Kenya has been successful in blending the mix of Generic strategies and Ansoff growth strategies. The combination of the two sets of strategies was shown to be beneficial as the strategies complement each other. The results of this study tally with the findings of Gathoga (2001) that the commercial banks are in competition and their products and services differential is quite thin hence need for restructuring. The study also revealed that a number of strategic marketing variables are manipulated by BOA K to respond to a competitive intensity in the banking sector.

5.4 Recommendations for Policy and Practice

Several recommendations were made after carrying out the study on marketing strategies adopted by bank of Africa Kenya limited to combat competition. The researcher recommends to the management of BOA (K) that they should enhance the use of focus strategy in their products/services offering. Also pointed out was the need to ensure the marketing strategies used should be mainly those that reach out to the chosen market. For instance with BOAK targeting upper retail market, it should use media that will reach this particular market. Respondents recommended use of classic 105 radio during morning Maina and King'angi show which is popular with middle and upper middle income class.

The study also recommended that the bank should focus on both high-end and low-end retail clients for its success. Currently, it is only targeting retail clients earning kes 25,000 and above, whereas in reality majority of retail clients are earning even as low as kes 10,000 per month. Majority of major banks that have succeeded in the retail market are banking the low-end customers and even customizing products for them like accounts with zero ledger fees. This is what BOA (K) is recommended to adopt.

The study also recommended that marketing strategies are localized and not tied to the groups standards since the markets were different and hence requiring different approaches. The study also established that bureaucracy slowed operationalization of the marketing strategies since the group had to be consulted in every move taken and use of foreign systems which were not user friendly and users were not well versed with. This increased time taken to adjust incase customer needs change requiring changes on the systems or strategies.

The study recommended empowerment of the local management and adoption of local systems or provision of training services to users and experts to handle queries when they occur and avoid having to wait for long for issues to be addressed.

The study also recommends that the bank should invest heavily in ICT infrastructure and regularly review and update the infrastructure to ensure they are using the most efficient technologies in the market to gain and sustain competitive edge. BOA (K) should link its core banking system with all the other subsidiaries within the group network. This will give it a competitive edge since its customers will be able to access their funds at any Bank of Africa's subsidiary across Africa. Also the current core banking system should be upgraded to ensure it can support more transactions and also integration with other support systems.

Finally the collaboration strategy being used by BOA should be further enhanced so as to strengthen relationships with the partners. This will promote competitiveness and further awareness to the brand image of BOA, and also ensure that all the stakeholders' interests are taken care of. The study also recommends that the bank should continue on its branch expansion strategy. Wide branch network will give it competitive edge due to convenience, visibility and proximity to its clients. It needs to open more branches in the major towns across the country to increase its presence.

5.5 Limitations of the Study

The researcher did a case study limited to Bank of Africa, Kenya and as a result, the findings cannot be used to make generalizations on the banking industry in Kenya and neither can it be generalized to other BOA's subsidiaries since they operate in different countries with different environments. It is difficult to summarize case studies into general propositions and theories. The researcher faced limitations especially in securing an appointment for an interview with the respondents. Given the fact that most respondents were senior managers, with a very busy schedule, most interviews were conducted after working hours. The researcher was unable to secure an interview with one deputy Managing Director as she had just joined the bank and still undergoing inductions some here others at the group’s head office.

Conducting interviews were difficult due to the stringent bank’s policy and the fear of information being shared with competitors or misrepresentations. The human resources department took time in giving a go ahead on conducting the interviews since it deemed the marketing strategic information sensitive. Also, most respondents were very cautious in releasing strategic information which they deemed very sensitive. They were therefore giving limited responses in a view of protecting the privacy of their business. On the other hand some of the respondents thought that the findings of the research could expose the bank or could provide sensitive information to competitors against the bank.

The fact that some of strategic decisions, processes and products are made from the group’s head office with only recommendation from Kenya, some of the respondents interviewed were unable to extensively answer some questions especially regarding new strategies to be launched and the future of the bank. Another limitation was that the responses were purely based on the judgments of the interviewees and this could be skewed as it was a personal view.

5.6 Suggestion for Further Research

This study should be replicated in many other organizations in the country and also in BOA group network so as to compare and to assess the extent to which these marketing strategies are effective to the industry as a whole. A similar study can be done in other banks or the Kenya Banking industry to establish if the findings will be similar. The respondents should also be broadened to cover a larger sample so that the researcher can have confidence in the results. The researcher suggests a study to be done on several or all banks in Kenya to arrive at a generalization.

Further studies should be done on the results of this study so as to enrich the existing knowledge on the marketing strategies. Also a research on other variables affecting firms other than marketing strategies should be done to determine their effect on the firm's competitiveness. The study should be extended to establish the marketing strategies employed to build competitive advantage in other related sectors in the industry such as the microfinance institutions. Research should also be undertaken to determine what marketing strategies other companies in different related industries use to build competitive advantage.

A suggestion for areas of further research is on long term marketing strategies that the banks can implement to remain competitive and grow the industry. This is because change in technology, easing of regulations, globalization and change in customer rights is changing the dynamics of the industry and therefore creating more threats.

5.7 Chapter Summary

This chapter gives summary of findings, conclusions, recommendations, limitations and suggestions for further studies in line with the objective of the study. From the findings of the study it became evident that designing of marketing strategies is critical for survival and success of any organization. The study revealed BOA K has adopted a mix of Ansoff growth strategies and generic strategies to survive and succeed in the competitive banking industry. The study recommended that the bank should localize its marketing strategies, focus on improving its ICT infrastructure and enhance its use of focus, branch expansion and collaboration strategies.

The major limitation was that the respondents were cautious about revealing information on strategy and the scope of the study as was a case study. The research recommended that the study should be replicated on other related industries, other banks to compare the findings. A suggestion for areas of further was on long term strategies that banks can utilize to remain competitive and grow in the industry.

REFERENCES

Aaker .S. (2011) Brand relevance: Marketing Competitors irrelevant. An Francisco, CA. Jossey-Bass.

Ansoff, H. I. & McDonnell, E. J. (1990). Implementing strategic management: Hertfordshire, UK: Prentice Hall International 2nd ED.

Armstrong, G., & Kotler, p. (2011) Marketing: An introduction. Boston, Mass:

Bank of Africa Groupe official website, (2015).Retrieved from http://www.bank-ofafrica.net.

Barney, J., (2007), *Gaining and Sustaining Competitive Advantage*, New Jersey: Pearson Education, Inc.

Chimhanzi, J The impact of marketing/HR interactions on marketing Strategy implementation‟. European Journal of Marketing, 2004, vol38, pp73-98.

Johnson, G., Scholes, K., Whittington, R., (2008), *Exploring Corporate Strategies*, New Jersey: Financial Times Prentice Hall.

Kiptum, E.J. (2003) Strategic Responses to a changing competitive Environment: case study of Kenya commercial Bank. Unpublished MBA project. University of Nairobi.

Kotler, P. & Armstrong, G. (2001). Principles of Marketing (9th Ed). New Jersey, USA: Prentice- Hall, Inc.

Kotler, P. (2003).Marketing Insights from A to Z:80Concepts every manager needs to know. New Jersey: John Wiley& sons, Inc.

Mathu, P. (2009) Competitive Strategies to cope with competition: A case study of Huawei Technologies. Unpublished MBA project. University of Nairobi.

Mintzberg, H., Lampbell, J. B.& Quinn, B. J., Ghoshal, S., (2002), *The Strategy Process: Concepts, Contexts, Cases,* New Jersey: Pearson Education, Inc.

Mugenda, O. M & Mugenda, A.G. (2003). Research Methods, Quantitative & Qualitative Approaches, Acts Press, Nairobi.

Pearce II, A. J., Robinson, B. R.,& Mital, A., (2010), *Strategic Management; Formulation, Implementation and Control,* New York: Mc Graw-Hill Companies, Inc.

Porter E. M., (1979), How competitive forces shape strategy, *Harvard Business Review Journal, 57(2),* 137-145.

Porter M.E. (1980), Competitive Strategy: Techniques for Analyzing Industries and Competitors, Free Press, New York.

Porter, M. E. (1985). *Competitive advantage* New York: Free Press.

Schelling T. (1963). *The Strategy of Conflict*, N.Y, A Galaxy Book, Oxford University Press.

Thompson, A & Strickland, A. J. (2002). Crafting and executive strategy. The request for Competitive advantage. New York, Irwin

Thompson, A. A., Gamble, J., & Strickland, A. J., (2006*), Strategy: Core Concepts, Analytical Tools, Readings,* New York: Mc Graw-Hill Companies, Inc.

Thompson, P., Strickland, S. & Grant, R.M., (2007), Crafting and Executing Strategy: Text and Readings", 15th Edition, New York: McGraw-Hill Companies.

Wernerfelt, B., (1984), A Resource-based view of the firm, *Strategic Management Journal, 5(2),* 171-180.

Woodward. (2004).Technological expansion; The interaction between classification strategy and organizational capacity. Journal of market studies.

APPENDICES

Appendix 1: Letter of Introduction

August 2015

Dear Sir/Madam,

<u>REF: REQUEST FOR RESEARCH DATA</u>

My name is Winfred Mbithe Mutuku, a Master of Business Administration (MBA) student at the University of Nairobi conducting research on the marketing strategies adopted by Bank of Africa Kenya limited to combat competition.

Due to the nature of your work, you have been selected to form part of the study In order to help me undertake the research. This letter therefore is to request your assistance in responding to the interview guide. The study will in no way expose or disclose the bank's strategic information and the internal procedures and processes, but will be for academic purposes.

Your assistance and cooperation in this exercise will be highly appreciated.

Yours Faithfully,

Winfred Mutuku

Appendix 2: Interview Guide

The interview guide will act as a plan to seek information on the marketing strategies adopted by bank of Africa Kenya limited to combat competition. All the information you give will be treated as confidential and for academic purposes only.

SECTION A: Background of interviewees

1. Name of the respondent (Optional):____

2. Gender Male [ ] Female [ ]

2. Level of education: ____________________________________

2. Name of the branch/department/section: ____________________________________

3.How long have you worked with Bank of Africa:_________________________________

4. Position held in the organization: ____

5. Which other positions have you held in BOA prior to your current position:
________________,________________,________________,________________

6. Does your role involve Strategy formulation:____________________________________

7. If Yes to Qn 6, how often is Strategy formulation process done in your department:
____

SECTION B: Marketing Strategies

1. Has BOA adopted any marketing strategies for combating competition:____________

2. Who formulates marketing strategies in Bank of Africa: ______________________

4. Who is responsible for implementation of such marketing strategies: __________

____

5. Do you think such marketing strategies are geared towards earning competitive advantage:__________________________________

7. How often does BOA review its strategy: ________________________________

8. Does the bank compete head on for market share in the banking industry:__________________________________

9. Who are the BOA's three main competitors: _____________________, ____________, _____________________

10. What is the nature of competition that BOA faces: ________________________

12. How have the strategies contributed towards combating competition:

____

____

____

____

11. The following are some of the marketing strategies used by banks to gain competitive advantage in the market. How does Bank of Africa use each one of them to achieve competitiveness:

i. Differentiation:____

ii. Cost Leadership:____

iii. Focus:____

iv. Market Penetration:____

v. Product Development:____

vi. Market Development:____

vii. Diversification:____

13. Other than the above marketing strategies, which other strategies does BOA

use: ____

14. How often does BOA introduce new strategies: ____________________________

15. To what extent can you say BOA strategies and BOA brand name is known to the

Market:____

20. How different are your strategies from those of your competitors:

____

____

____

21.What marketing strategies would you recommend BOA to use to achieve and retain competitive advantage in the market:

____

____

____

____

Thank you for your time and cooperation

Appendix 3: Letter of Introduction

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

Telephone: 020-2059162
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE 03/09/15

TO WHOM IT MAY CONCERN

The bearer of this letter WINFRED MBITHE MUTUKU

Registration No. D61/70973/2014

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

PATRICK NYABUTO
MBA ADMINISTRATOR
SCHOOL OF BUSINESS

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
03 SEP 2015
P.O. Box 30197 – 00100, NAIROBI