THE EXTENT OF APPLICATION OF THE MARKETING MIX VARIABLES BY COMMERCIAL BANKS IN KENYA

BY

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DECLARATION

I declare that this project is my original work and has never been presented for academic purposes in any other University.

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DEDICATION

I dedicate this project to

My precious Mother who has always been

a source of strength and inspiration in my life

ACKNOWLEDGMENTS

This study was accomplished through the encouragement, support and various contributions from a number of people to whom I am greatly indebted.

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ABSTRACT

This study carried out among the commercial banks operating in Nairobi, focused on the extent of application of the marketing mix variables by commercial banks in Kenya. The objectives of the study were: to determine the extent to which commercial banks in Kenya apply the marketing mix variables; to identify the factors that influence the extent to which each of the marketing mix elements are used. The data collection for this study was carried out using a questionnaire. The data collected was analyzed using descriptive statistics, frequencies and cross tabulations. Factor analysis was further used to determine the factors that influence the extent to which the banks used marketing variables in the marketing effort.

To a great extent the banks use the attributes of physical facilities, product, process, personnel, and pricing and to a moderate extent the attributes of place and promotion in their marketing effort.

From the findings, it was established that there are factors that determine the extent to which the banks apply the marketing mix variables. The availability of funds is a factor that influences pricing to a great extent and to a moderate extent in product. Product life cycle to a great extent influences the use of promotion in the marketing mix and to moderate extent in product and process. The types of customers influence greatly the place and the product and to moderate extent the pricing and the promotion. Types of services offered influences to a great extent the personnel, physical facilities and product strategy. Levels of staff skills influences the personnel element to a great extent and to a moderate extent the product and the process. Company policy influences greatly the personnel and the product elements of the marketing mix. Company image on the other hand influences to a great extent the personnel and to some degree the product, promotion and place elements. Company size was seen to influence to a great extent the physical facilities and product

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as well the process element of the marketing mix. Profitability is a major influence in pricing and to moderate extent on product elements of the marketing mix. Operating costs to a great extent influences promotion, personnel, product and physical facilities almost at proportionate levels.

The study concluded that the banks marketing effort must take into consideration the factors that drive the marketing variables. These factors are the product range, product testing, product branding, pricing objective, pricing policy, promotion strategy, promotion effectiveness, branch location, location choice decisions, branch network, personnel qualities, staff appearance, facility ambience, customer comfort, customer care procedures, account operating procedures and entry and exit procedures.

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CHAPTER ONE

1.1 Background

The service sector has increased dramatically in importance over the last decade, both internationally and in Kenya where it now accounts for nearly half of the economy by income and jobs (Mwangi, 2001). Ten years ago, competition was relatively less important to firms in service business. However, competitiveness has escalated at an alarming rate in most service sectors.

Deregulation of service, growing competition, fluctuation in demand and the application of new technologies are presenting a considerable challenge to service companies. Banks, building societies, insurance companies, airlines, retailers and telecommunication companies as well as professional service firms, such as accountants and lawyers need a new approach to address the challenge. The non-profit sector, government and newly privatized utilities are also becoming increasingly aware of the need to improve their performance. In addition, the importance of service as a source of competitive advantage in manufacturing has increased greatly in the last five years (Thuo, 1999).

During the past one decade, the banking industry in Kenya and indeed the world over has experienced substantial competitive conditions. Thus the style and intensity of marketing activities that exist today in the banking industry are a recent phenomenon (Ndegwa, 1996).

The emergence of new banks and financial institutions, both local and foreign, has brought a competitive challenge. In the 1960's, there were only three commercial banks operating in the Kenyan market.

Currently, the Kenyan financial system is quite diverse and active. There were 43 commercial banks, 2 non-bank financial institutions (NBFIs), 2 mortgage finance companies, 4 building societies and 48 forex bureaus in the banking system by the end of February 2003.

Total assets of the banking system increased to Kshs.459.6bn in January 2003 from Kshs.422.4bn in January 2002. Loans and advances, which accounted for 56% of total assets increased by Kshs.9.5bn to Kshs.257.1bn in January 2003 from Kshs.247.6bn in January 2002. Deposits, including interbank deposits and accrued interest, held by banking institutions increased by 11% to Kshs.364.1bn in January 2003 from Kshs.328.0bn in January 2002. In terms of market share, the largest ten commercial banks accounted for 77.3% of all deposits in the banking system. Unaudited pre-tax profits of the banking sector increased by 2% to Kshs.1,325m for January 2003 from Kshs.1,302m in January 2002 (Kenya Monthly Economic Review, March,2003).

In view of the above statistics, it is clearly evident that the banking sector is indeed a crucial one in the Kenyan economy and hence merits serious attention. The non-bank financial institutions (NBFI) have entered into the original domain of banking business hence banks are now facing an array of competitors. Due to high competition and more demanding customers, the banks must change their attitudes and approaches towards the changing business environment.

In the past decade the financial sector has undergone some of the most unprecedented changes ever to be witnessed in Kenya and in the process caused participants in the industry to re-evaluate their priorities, strategies and manner of conducting their business in general (Koros, 2001).

A significant development that has had a major impact in the industry is the technological innovations that dominated the entire business spectrum in the 1990's. Multimillion investments, especially by the large and financially sound banking multinationals have been put into the acquisition of state-of-the-art computer systems that have revolutionized the way banking is conducted. Cash withdrawal and other transactions have become very convenient with the provision of automated teller machines (ATM's) credit cards, debit cards, automated inter-bank payment system, etc (Koros, 2001). Recently some Banks have introduced Tele-banking facilities.

A strong wave of bank mergers and acquisitions that swept across Europe and the United States of America did not spare the Kenyan scene, albeit at a much limited scale and for different reasons. With the regulatory authority setting stringent capital requirements for banks and non bank financial institutions at Ksh. 500 Million and Ksh. 200 Million respectively to be attained by the year 2003, some weak and under-capitalized institutions sought to comply by either merging with stronger institutions or by being bought out all together. Examples of recent mergers include those between First National Finance Ltd. and First American Bank of Kenya, Giro Bank and Commercial Bank. These requirements have also led to the collapse of some Banks including Daima Bank, Delphis Bank, Trust Bank, Euro Bank and Exchange Bank. The tempo has apparently been on the wane but with increased competition, stricter regulatory requirements and a difficult trading environment many more will be witnessed sooner rather than later (Monthly Economic Review, Oct, 2002).

As technological, legislative and other changes took effect in the industry, so did a variety of other developments emerge in the market place. The old loyal and easy to satisfy bank customer gave way to one who was not only demanding, more enlightened but also less loyal. This new breed of customers demanded quality, convenience, and variety at competitive terms. Needless to say that this situation only served to exert considerable pressure on individual institution to deliver (Watkins,1989).

Further, with liberalization and the opening up of the markets, consumers of financial services and products have gained access to global capital and money markets with devastating consequences for many institution's sources of livelihood, now and in the foreseeable future. Coming with all these compelling changes are growing demands from the public to lower tariffs and interest charged on advances. Another recent development in the banking industry that will certainly have far reaching implications is the quiet but notable shift by corporate business institutions to source their financing from outside the banking system such as the commercial paper market and to a lesser extent the equity market (Koros, 2001).

Finally, there is the emergence of non-bank institutions that are now in direct competition with fully-fledged banks. This is in the nature and scope of the services that they can offer. Currently, insurance companies compete with banks in the provision of certain types of loans and indemnities, services which until recently were a preserve for banks. Forex bureaus have virtually taken over the foreign exchange cash transactions business from banks while building societies, savings and credit co-operative societies (SACCO's), micro finance institutions (MFI'S) and some non-governmental institutions continue to eat into the credit and personal banking markets (Kenya Monthly Economic Survey, Oct.2002).

As it would be expected, each of the a aforementioned agents of change have had a significant impact on the overall profit potential of the affected institutions. All the factors put together have exerted considerable pressure on the individual participants in the sector to keep up with the developments or face imminent demise. Reaction to this unfolding scenario have however been lukewarm except from major multinational banks such as Citibank, Standard Chartered bank, Barclays and most recently Kenya Commercial Bank. To a very large extent, the foreign banks have taken a lead in responding to these challenges owing to their sound financial capacity, international exposure and superior technical expertise (Koros, 2001).

As competition intensifies, products and services become more homogenous and markets become mature. It is becoming increasingly harder for companies in both manufacturing and service industries to differentiate themselves from other organizations. Merely providing customers with quality products or services does not suffice anymore to be competitive enough to gain and retain market share (Thuo, 1999). Competitive realities are forcing service firms to encompass the expanded marketing mix elements, which are a modification of the traditional elements of the marketing mix: product, price, promotion and place (Margrath,1988). Although the marketing mix elements (4P's) have been applied successfully to services such as banking, Shostack,1981 asserts that the 4P's are not enough. He argues that the original marketing mix was developed for application in the manufacturing industries and that the traditional elements of the marketing mix are insufficiently comprehensive for service marketing.

Shostack, 1981 therefore argues that in addition to the traditional 4P's another 3P's must be added for the service industry. Essentially the marketing mix represents the factors, which need to be considered when determining a service firm's marketing strategy (Pyne, 1993).

All the business sectors in Kenya have been at crossroads over increasingly complex business situations as a result of the dynamic external environment experienced in the country over the last decade. Firms have to improve on all aspects of the marketing mix in order to remain competitive in the market place. This calls upon companies fully understanding their customer's needs and wants and then developing appropriate marketing strategies (Bii, 1992).

1.2 Statement Of The Problem

Against a background of a growing market for banking services; increasing level of computer awareness and sophistication by the end users, both personal and corporate, banks have to develop their marketing skills to at least maintain or increase their market share and profitability levels (Chanon, 1980; Marsh 1988 and Edgett and Thwaites, 1990). The on going trade liberalization process and recent deregulation of interest rates in the Kenyan market will further intensify competition among commercial banks.

The starting point for making any decisions about the marketing mix will depend both on how the service is to be positioned and the market segments to be addressed (Pyne 1993). All these elements impact on one another and the appropriate marketing mix needs to be assembled so that each of the elements reinforces and supports the other parts of the marketing mix. The underlying concept in developing each of these elements is to use them to support each other, to reinforce the positioning of the product and to deliver appropriate service quality to achieve competitive advantage (Cowell,1984).

The greater the bank's ability to manipulate these elements and other pertinent service attributes so as to match customer requirements and expectations, the more customers the bank is likely to attract and by extension, the greater the likelihood of quality service delivery.

Despite the abundant literature on the bank marketing in other parts of the world (Lewis, 1984; Brooks, 1985; Watkins, 1989 and Cowan, 1987), few relevant studies have been carried out in Kenya. One study investigated how customers and employees in the banking sector perceived customer service offered by Kenya's Commercial Banks (Ndegwa, 1996). Another study analyzed the extent to which commercial banks in Kenya utilize the promotion mix elements to market their services (Bii,1992). This was an analysis on the use of only one of the marketing mix variables under consideration. Another study sought to find out the state of relationship marketing in the Kenyan banking sector (Thuo,1999). While another one investigated whether financial institutions had adopted the marketing concept in their operations (Nyagah,1986). Though the above studies focused on the banking sector, none of them examined the use of the marketing mix variables in totality by commercial banks in Kenya.

Other recent studies have also been carried out in the area of the marketing mix elements though in different industries. One study sought to examine the extent of usage of marketing mix strategies by printing firms in Nairobi, (Nyota, 2001) while another examined the extent of usage of the marketing mix variables in the shipping industry in Kenya (Mwangi, 2001).
Though these studies emphasized the importance of the marketing mix elements, they focus on other sectors. Application of their findings to the banking sector may require an empirical investigation. What is generally true for the shipping and printing sector may not hold for the banking industry. Every industry is unique facing its own unique challenges. To the best of the researchers knowledge, there is no published empirical literature on the usage of marketing mix variables by commercial banks in Kenya. This is the gap that the study sought to fill by seeking to

answer the following question: "To what extent do commercial banks in Kenya apply the marketing mix variables in marketing their services?"

1.3 Objectives of the study

The study had two main objectives:

1. To determine the extent to which commercial banks in Kenya apply the marketing mix variables.
2. To identify factors that influence the extent to which each of the marketing mix elements are used.

1.4 Significance of the study

This study will be of importance to:

1. Commercial bank managers and decision-makers, who may use it to improve the overall marketing of their services. It will lead to their clear understanding of the important role played by the marketing mix variables in setting proper marketing strategies in order to achieve greater market share, higher profits and subsequently attain a competitive edge over competitors in the industry.
2. To the future researchers especially in the field of service marketing, this study ought to form the basis and stimulate further research in order to develop a better understanding of the use of the marketing mix variables in the service sector.
3. Marketing practitioners. It will help them properly operationalize the use of the marketing mix variables in their practice.

4. Individual and organizations that would wish to invest in the banking sector. In helping them know the kind of competition they would face in the industry. The findings may assist them to know the extent to which they could use the marketing mix elements in order to meet the challenges of competition from other institutions in the industry.
5. Commercial banks currently practicing formal marketing techniques will be expected to find the study useful in assessing their marketing practices; while those not utilizing any formal marketing techniques will be expected to appreciate the importance of having such practices in place and will go further and develop them.

There is little work done in the use of the marketing mix variables in the service industry. However, a number of studies have been conducted targeting different sectors. One author limited his study to the use of the marketing mix variables in the shipping industry in Kenya (Mwangi, 2001). The study revealed that the marketing mix variables, which are, the engine driving competitive tendencies are hardly exploited within the shipping industry in Kenya. Another carried out a similar study and sought to investigate the extent of usage of the marketing mix strategies by printing firms in Nairobi (Nyota, 2001). The results of the study revealed that the printing firms in Nairobi indeed do employ marketing strategies to a large extent. Another study on the other hand only dwelt on the extent in which Kenya commercial banks utilized the promotion mix elements to market their services (Bii, 1992).

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

Prior to the late 1970's, it was generally thought that traditional marketing techniques worked just as well for services as they did for toothpaste or laundry detergents. That was the error of the "4P's"- the marketing mix elements of price, product, promotion and place. The assumption was that service was just as augmentation of the physical products or that service could be considered a product itself if no physical product was involved. The implied task "marketing a service" (Brooks, 1987).

In the late 1970's and early 1980's some scholars began to question the applicability of standard product marketing techniques to services. These thinkers noted that services were different in many ways from physical products therefore marketing of service involves different techniques than marketing a product (Shostack, 1981).

In the mid 1980's, as the quality movement became influential throughout the world and some scholars began to realize that service delivery was central factor in successful service. The emphasis in thinking shifted, as a result to service quality. The 1990's brought an increasing recognition among service scholars, that service and service qualities were important throughout the economy, not just in the service sector (Berry, 1991). With changing business environmental conditions service industries faced with growing competition are turning to the marketing of their services (Blois, 1994).

Service marketing literature has been to a large extent found lacking; owing to the lack of both conceptual and taxonomical framework for both practitioners and academicians. As a result of its most recent growth, service marketing is not as widely covered in marketing literature as the marketing of physical products (Bowen, 1990). As such, a review of literature on the concept of service throws light on the nature of the present study. With this frame of reference a review of the unique characteristics of service marketing suggests that the general circumstances under which the banking industry has to operate are harsh. Most significantly, that banking is a person-intensive industry where the interaction between the service provider and the customer is high. The concept of interactive marketing therefore puts into perspective the role of the "contact personnel" in giving satisfaction to the customer (Marsh, 1988).

This literature review highlights banking as a service and establishes a setting for the reader to understand the uniqueness of services as well as what is involved in their marketing. An overview of the recent developments in the banking sector was also reviewed.

2.2 Definition of Service

"Service" as a concept has been defined differently by different authors:

One author defines service as:

> "Activities, benefits and satisfaction, which are offered for sale or are provided in connection with the sale of goods" (The American Marketing Association (AMA), 1960).

An article by Blois entitled "The marketing of service: An Approach", defines a service as:

> "An activity offered for sale, which yields benefits and satisfaction without leading to a physical exchange in the form of goods"(Blois, 1973).

This definition seems to include clearly all activities normally considered as service such as banking, insurance and so forth. However, it excludes activities usually considered as services such as hairdressing or restaurants and hotels where some physical goods are exchanged. Stanton (1981), defines a service as:

> "Those separately beneficial, essential intangible activities that provide want satisfaction and that are not necessarily tied to the sale of a product or another service. Providing a service may not require the use of tangible goods. Where it does, there is no transfer of title of the good(s)".

Although more comprehensive, this definition excludes services such as those of restaurants in which there is an exchange of title in-food that is offered by the service provider.

A more practical definition states that:

> "A service is any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product" (Kotler,1997).

This definition by Kotler gives some important facts about services. First, services are intangible, although perceivable. Secondly, an exchange of value occurs in service transactions. Hence it is an appropriate definition to be adopted in the study.

2.3 Service Marketing – Theoretical framework

The emphasis of marketing services as indicated above is a recent phenomenon. The innovations growing out of the competitive situation are as frequent in services as in physical products but the strategies and tactics used in product marketing are often inappropriate for service marketing (Berry 1980). Some people argue that there is no such thing as service marketing, but only marketing in which the service element is greater than the product element (Bateson, 1977). Marketing scholars and authors however do recognize that there are both a product component and a service component in the sale of most, if not all goods (Ndegwa, 1996).

As a consequence of these varying goods to service mix, it is difficult to generalize about services unless further distinctions are made. However some generalizations seem safe: First, services vary as to whether they are equipment based or people based. People based services vary by whether they are provided by unskilled or professional workers. Second, some services require the client's presence. If the clients must be present, the service provider has to be considerate of his or her needs. Third, services differ as to whether they meet a personal need or a business need. Service providers typically develop different marketing programs for personal and business markets. Fourth, service providers differ in their objectives (profit or non-profit) and ownership (private or public). These two characteristics when crossed, produce four quite different type of service organizations (Kotler, 1997).

2.4 Unique Characteristics of Services

Generally speaking, the term 'product' can cover goods and services and often textbooks and marketing publications refer to bank products rather than bank services. This tendency to refer to services as products could stem from the desire to relate marketing in banking closely to marketing in the manufacturing industry (Zeithmal, 1981). Bank marketing is a comparatively recent explosion and many of the ways in which it is currently carried out has striking similarities with its manufacturing and retail counterparts. By referring to a service as a product, the links between the industrial and retail sector marketing systems and financial institutions are forged, especially in the minds of younger bankers, and the word 'product' is now widely used as part of their marketing jargon (Marsh, 1988).

More specifically, a product is anything that you can see, eat, smell or physically handle (Kibera,1988). Some financial services may have facets that can be seen and handled: a chequebook, credit card or even a will document. However, these are not the service; they are merely the means of access to the service or the end result of a service, which is an activity, benefit or satisfaction. The main differences between products and services that create special marketing challenges for banks are follows:

2.4.1 Intangibility

Pure services are ephemeral performances that can be experienced only as they are delivered. Intangible services are difficult to sell because they cannot be produced and displayed ahead of time. They are therefore harder to communicate to a prospective customer before hand (Levitt, 1981).

Marketers of services can reduce this risk by stressing tangible cues that will convey reassurance and quality to prospective customers. These tangible cues range from the firm's physical facilities to the appearance and demeanor of its staff to the letterhead of its stationary to its logo. As services cannot be felt, seen, or tasted, the benefits they offer take on greater significance and

need special promotional treatment. The benefits of through-the-wall cash dispenser card are that it provides cash outside normal banking hours and can save the holder from queuing at a busy bank counter. The customer may also regard clean notes and lower charges as benefits.
Money transmission is a service, which customers pay for, and is performed by banks but the customer does not obviously have anything to show as a result. The same can be said of insurance savings and investment services (Thuo, 1999).

To reduce uncertainty (emanating from intangibility) buyers will look for signs of service quality. They will draw conclusions about quality from the place, people, equipment, communication material and the price that they see. Therefore, the service providers' task is to make the service more tangible (Lovelock, 1996). Thus a bank that wants to convey the idea that its service is "quick and efficient" must make "tangible" this positioning strategy in every aspect of customer contact. The banks physical setting must suggest quick and efficient service.

Indeed, another common method for reducing the uncertainty that intangibility generates in the mind of customers is to stress the professionalism of the firm's staff, with its implications for successful service outcomes. In general, developing a strong corporate image is a great help in overcoming customer resistance (Ennew et al, 1995).

Intangibility creates other management problems as well; it makes services impossible to protect through patents. It also makes it very difficult to determine actual production costs, and services are therefore often thought to be harder to price than goods (Cowell, 1984).

2.4.2 Inseparability

Different service marketing writers interpret this characteristic differently, but all interpretations point out that special operations exist for the firm's managers.

One interpretation of this term is the inseparability of customers from the service delivery process (Lovelock, 1984). In particular, many services require the participation of the customer in the production process. Unlike goods, which are often produced in a location far from the customer and totally under the control of the manufacturing firm, service production often requires the presence and active participation of the customer - and of other customers. Depending on the skill, attitude, co-operation and so on that customers bring to the service encounter, the results can be good or bad, but in any event are hard to standardize (Marsh, 1988).

A bank teller can only serve so many customers in a day. A service thus requires the presence of a service provider, a fact that limits the service capacity of a provider. Banks have in some instances been able to work around the characteristic of inseparability and partially overcome its limitation. The credit card is an example. It enables customer to obtain credit repeatedly without interfacing with the bank. (Ndegwa, 1996)

A second interpretation of inseparability refers to the fact that in some service industries the service delivered is inextricably tied to particular individual service providers (Blois, 1994). Customers may have grounds for complaint if the person they thought they were paying for does not provide their service. This strong link between an individual provider and service product creates severe capacity problems for an individual since one individual can be stretched only so far. Training assistants who can free the star performer for all but the most essential tasks can stretch capacity further, or it can be expanded indefinitely by standardizing the service and training other experts to provide it. Training personnel to provide the same standard service is essential if a service is to grow successfully (Blois, 1994).

Uniform quality of services cannot be guaranteed by carefully controlled, centralized mass production as it can be with goods (Shostack, 1981). Instead, services are produced individually at each location by different individuals, often with little or no direct supervision, careful selection of job candidates and continuous training of employees in production techniques. Quality standards and corporate policies become particularly critical to ensure uniform quality. As a result, successful service firms spend a great deal of time, effort and money on human resources activities (Rust et al, 1990).

The sale of most bank services largely depends upon the bank explaining the benefits and completing the formalities. Because of the financial cost of selling services in this way, new methods of selling services are being introduced which undermine these inseparability characteristics. Nevertheless, some services especially where expertise or financial counseling is required will continue to have a nigh degree of buyer and seller personal contact (Pezzulo, 1982).

2.4.3 Perishability

The third characteristic distinguishing services from goods is their time dependence. Service cannot be inventoried since they are performed in real time. And time periods during which service delivery capacity sits idle represent revenue-earning potential that is lost forever. Periods of peak demand cannot be prepared for in advance by producing and storing services, nor can they be made up for after the fact. A service opportunity occurs at a point in time and when it is gone, it is gone forever. This can present enormous difficulty in facilities planning (Rust et al, 1990). Matching service capacity to demand patterns can involve managing one or both elements. Perishability often puts a greater burden on service marketers to manage demand than it does on goods marketers who can build up inventories to meet peak demand or can reduce prices later to move unsold inventory. Service firms can use several strategies for producing a better match between demand and supply in service business. On the demand side, charging different prices at different times will shift some demand from peak to off peak periods or non peak demand can be increased as when hotels offer off season special rates; complimentary services can be offered during peak time to provide alternatives to waiting customers such as through use of automated tellers in bank (Ndegwa, 1996).

On the supply side, part time employees can be hired to serve peak demand. Some tasks can be shifted to consumers as when consumers fill out their own withdrawal and deposit slips in banking transactions (Ndegwa, 1996). Generally, bank services enjoy a long shelf life but some are subject to seasonal demand influences. For example, levels of demand for loans for people wishing to buy cars or holiday tend to be seasonal.

2.4.4 Variability

The quality of a service can vary from producer to producer (due to people orientation) and from customer to customers (due to peculiarities in human nature) and from time to time (due to extraneous factors). The production of a service to one consumer albeit the producer may be the same and doing so under similar conditions, will always differ (even if only slightly so) forms the production of the same service to the next customer (Betts, 1994). A service is never performed in exactly the same way on every occasion. Each "unit" of service differs from other "units" of the same service. Different frontline personnel have different abilities. Even the same service provider has good days and bad days or may be less focused at different times of the day. Service performance, often involves the co-operation and skill of several individuals and are therefore unlikely to be the same every time. This potential variability of service quality greatly raises the risk faced by the consumer (Rust et al, 1990).

The service provider must find ways to reduce the perceived risk due to variability. One method is to design services to be as uniform as possible by training personnel to follow closely defined procedures or by automating as many aspects of the services as possible. This is not always a good strategy, however. The appeal of some service personnel particularly those involved in such expensive personal services as beauty parlor treatments or home decorating lies in their spontaneity and flexibility to address individual customer needs. The danger with too much standardization is that these attributes may be designed right out of the services, therefore reducing much of their appeal. A second way to deal with perceived risk from variability is to provide satisfaction guarantees or other assurances that the customer will not be stuck with a bad result (Levitt, 1981).

Services are not uniform between branches. Standards will vary and so will the level of benefits and satisfaction. Therefore, it is even more important for a bank to pay particular attention to standards of service and to the impacts that are designed to ensure that banking operation consistently achieve a high standards. (Marsh, 1988)

2.5 Marketing Mix Elements and The Marketing of Financial Services

The marketing mix elements are a set of marketing tools that a company uses to pursue its marketing objectives in the target market (Kotler, 1997). These are the controllable variables that marketing executives can manipulate to achieve marketing objectives (Kibera and Waruinge, 1988). Marketing mix is one of the key concepts in modern marketing theory (Kotler. 1997).

The marketing mix is often described as the blending or combining of the key elements of all market activity, namely the products, the price, the promotion and finally the distribution systems in such a way that the combination is likely to prove attractive to chosen customer market segments. If the mix is right, people will decide to buy and there is no need for further persuasion and the use of hard-sell techniques (Marsh, 1988).

In addition to the traditional 4P's (product, price, promotion and place) in product marketing, service marketing is broadened to include three further P's of people, processes and physical evidence (Lovelock, 1996).

The one area in the service industry in Kenya that has attracted attention has been financial services marketing. Commercial banking has particularly been the target of several scholarly endeavors with regard to the application of marketing mix elements (Mwangi, 2001). Merely providing bank customers with quality products or services does not suffice anymore to retain market share (Kuria, 2000). Bii (1992) investigated the use of promotion mix elements among commercial banks in marketing their services in the face of increasing competitive environment and demonstrated how banks would benefit by employing a sound promotion mix.

The 4P's (product, price, promotion and place), originally designed for the manufacturing sector, have largely been adopted by many service firms, banks included. The 4P's (1986) are strategic weapons in the firm's market struggle against its rivals. If one of the elements is altered, supporting marketing elements may have to be coordinated to reinforce and multiply the impact of the key elements (Magrath, 1986). The 4P's of marketing as they relate to banking services can be summarized as follows:

2.5.1 Product

A product can be defined as anything that can be offered to the market for attention, acquisition use or purchase. A product can also be defined as anything that can be offered to a market to satisfy a want or need (Kotler , 1997).

Arguably, the most important element of the four, which make up the marketing mix, is the features and benefits of the products being provided by the bank. These product characteristics will influence price, promotion and distribution strategies. Furthermore, financial services will differ from manufactured goods and these fact also impacts on the way services are promoted and distributed (Pyne, 1993).

The way most bank services are developed and sold is related either to a group of services with similar benefits - money transmission, lending facilities for homeowners, and so on - or to their actual life cycle. The former include expanding or contracting the service mix by altering, positioning or introducing new products or services and thereby often altering the choice of market segments. Ultimate goal should be to offer an augmented product that meets the customers desires beyond their expectations. It includes product quality, design features, branding and packaging (Kotler, 1997). It gives the ability to meet needs, positioning, branding and labeling. Branding is a major issue in product strategy. It is expensive and time consuming and can make or break a product. The most valuable brands have a brand equity that is considered an important company asset (Kotler, 1997).

2.5.2 Price

Price is the consideration given in exchange of a product. It is the value placed on a product by consumers at some point in time (Kibera and Waruinge, 1998). Pricing is a very important element in the marketing mix for it is the only one that produces revenue. Despite being so critical to the profitability of a bank, aggressive pricing strategies have in the past seldom been adopted (Marsh, 1988). Pricing is a very flexible element of the marketing mix and enables firms to react swiftly to competitive behavior though much depends on the sensitivity of the market to price charges (Cowell, 1984).

When considering the unusual trading nature of a retail bank, which buys its funds and re-lends them, it should not be overlooked that costs are both fixed and variable. Where variable costs are involved, their impact is affected by volume. Fixed costs need to be recovered irrespective of sales by means of an appropriate pricing policy. Variable costs that are volume-related need controlling (Rust et al, 1990).

Still in the semantics of pricing and costing, it is worth highlighting the difficulties most banks have in assessing true direct and indirect costs for each individual service or related range of service. If pricing is based on cost recovery, then knowing the cost is normally an essential prerequisite, in the case of retail banks, great strides are being made to identify and apportion direct costs to individual services but indirect costs allocation is very much more arbitrary. This is not surprising when you have an organization with 50-100 separate services sold through a network of over 1000 branches (Marsh, 1988).

Rapid progress is being made to make each separate limit of a bank either a cost or profit center and this research coupled with growing computer technology is improving the knowledge about pricing generally. This should result in more effective use of pricing ad a marketing tool.

Corporate objectives indicate what pricing policies should be adopted to achieve the longer-term objectives, but there are marketing reasons why in the shorter term a wide variation of pricing strategies will be used. The "elasticity of demand" concept tries to show how the market can react to price changes and grades the extent of reactions from little effect on sales (inelastic) to a substantial effect on sales (elastic). In practice, elasticity of demand is difficult to qualify, because differing price changes have differing effects on demand, buyer attitudes vary and competitor activity will influence demand. irrespective of effects caused by price changes (Rust et al, 1990).

The final decision on what price to levy is influenced by an amalgamation of the following within total marketing mix designed to stimulate demand:

1) Government reaction to price level
2) The bank's overall corporate objectives
3) The bank's short-term marketing objectives, particularly volume and profit targets
4) Likely adverse or beneficial customer reaction to price changes. Market research has an important role here

5) Likely competitor counter measures and the general competitive atmosphere in the market places.

Understanding the theory of pricing policies is important, as well as how these alternatives can be applied to bank services in a given set of circumstances (Ennew et al 1989). The following pricing policies are important:

Skimming pricing: This is a strategy in which new services are introduced at high prices with large promotional expenditure.

Penetration pricing: This is a strategy in which new services are introduced at low prices to stimulate trial and widespread use of product.

Competitive pricing: An organization considers the costs and revenue to competitor's prices. Competition oriented pricing techniques should help attain a pricing objective to increase sales or market share.

Loss leader pricing: This is a term typically used in retail stores when providers place a familiar service on special offer largely to draw customers to the store and then reveal other levels of service available at higher prices.

Segmentation pricing: In this form of pricing, a service marketer charges different prices to groups of customers for what are perceived to be different quality levels of service even though there may not be corresponding differences in the costs of providing the service to each of this groups.

Value and relationship pricing: This essentially means, "giving more for less". It involves assembling a bundle of services that are desirable to a wide group of customers and then pricing them lower than they would cost alone.

The other pricing strategies used include tactical pricing, going rate or market pricing.

Pricing policy affects sales volumes, demand, profit, market sector penetrated, consumer conception or services and competitive evaluation of its attractiveness. If pricing is handled poorly in the service mix, it may cause product failure (Pyne, 1993).

2.5.3 Promotion

This covers all those communication tools that can deliver a message to a target audience. These tools include advertising, sales promotions, personal selling and publicity (Kotler, 1997).

Generally speaking, promotion in banking sector occurs at two levels. The first is through central or head office departments or divisions that are responsible for the major advertising budget and how it is spent in pursuit of the corporate and marketing objectives. Publicity and public relations activities are also usually controlled centrally, although modest levels of responsibility and control can sometimes be found at a regional or area level (Bii, 1992).

The second level of promotional activity in the branches where managers are responsible for supporting their marketing objectives with direct mailings, branch displays, personal selling and any other kind of promotion which might in given circumstances prove cost effective and judicious. There must nevertheless be a high degree of co-ordination between head office promotions and what the branches are doing. Good internal communication is fundamental to all marketing efforts and to the successful growth of the banks business (Bii, 1992).

The aim of a promotional strategy is to bring existing and prospective customers from a state of relative unawareness of an organization's products to a state of actively adopting them (Cowell, 1984). Promotion also helps create widespread awareness about services on offer and to enhance the image of the institution (Quinn et al, 1990).

Out of the promotion mix elements, direct mail is the most popular promotion activity among providers of financial services and is mostly employed to keep customers updated (Marsh, 1988). However, the main ways a bank communications are through one or a combination of the following six advertising channels: (Lovelock,1996)

1) Press advertising, which can be national, regional or local.
2) Professional journals, trade publications and the banks annual reports
3) Television
4) Radio
5) Exhibitions and outdoor poster.
6) Public relations, publicity and sponsorship.

The channels provide the main promotional mix alternatives and should be supported by back up literature, including leaflets and brochures, personal selling, direct mail and local display programs (Lovelock, 1996).

2.5.4 Place or Distribution

Distribution is a complex subject spanning the process of getting the goods or services from the supplier to the customer. It involves the selection of the most expedient channel or channels and the servicing of these channels (Marsh, 1988). Every company must decide how to make its goods or services available to its target market. The company's chosen channels ultimately affect all other marketing decisions (Kotler, 1997). Before a firm decides on the type of distribution channel to use, it has to specify the role of distribution within the marketing mix.

The way in which major banks distribute services is without doubt, one of the most discussed aspects of marketing. New technologies is bringing with it new ways to distribute services and opening up new markets not just for the banks but also for building societies and a range of much smaller and well represented financial institutions.

During the next few years all the banks will slim down their network, partially to contain costs, but also in recognition that the market requirements are also changing as a result of the increasing automation of money services. Reshaping of the branch network is now necessary, but the business potential derived from personal contact with customers should not be ignored when deciding what the optimum size of a branch network should be (Marsh, 1988). Moreover, the type of distribution channel is also changing as the major banks open up branches in stores, create fully automated banking offices and are currently introducing corporate offices designed to service the medium to large corporate customer.

2.6 Marketing Management for Services, Expanding the Marketing Mix

Service marketing managers have found that the traditional 4P's of marketing are inadequate to describe the key aspects of the service marketer's job (Margrath, 1988).

Some marketers suggest that the unique requirements of selling services require the manager attend to three additional P's. These are people, physical evidence and process as shown in

Figure 1.

Figure 1. The expanded marketing mix for services (Source: Rust et al (1990) Service Marketing)

2.6.1 People

Many services require personal interaction between customers and the firm's employees and this interaction strongly influence the customer perception of service quality (Rust et al, 1990). Therefore, management faces a tremendous challenge in selecting and training of its staff to do their jobs well and perhaps even more important in motivating them to care about doing their jobs and to make an extra effort to serve their customers. Employees must believe in what they are doing and enjoy their work before they can in turn provide good service to customers. For this reason, human resources management policies and practices are considered to be of particular strategic importance. Establishing a customer oriented culture throughout the firm and empowering employees to provide quality service cannot be established by putting up inspiring posters. Management leadership, job redesign, and systems to reward and recognize outstanding achievement are among issues that a successful service manager must address (Berry, 1981).

The "people" component of the service marketing mix also includes the management of the firm's customer mix. Because services are often experienced at the provider's facilities, other customers who are being served there can also influence one's satisfaction with a service (Lovelock, 1996). Commercial bank customers whose lengthy transactions take up the teller's time are an example of an unpleasant service condition caused by firms other patrons.

The success of marketing a service is tied closely to the selection, training, motivation and management of people. There are many examples of service failing or succeeding as a consequence of the ineffective or effective management of people. The importance of people within the marketing of services has led to great interest in internal marketing. This recognizes the importance of attracting, motivating, training and retaining quality employees by developing jobs to satisfy individual needs. Internal marketing aims to encourage effective behavior by staff that will attract customers to the firm. The most talented people will be attracted to work in those companies that are seen to be good employers (Rust et al, 1994).

While the expression "our employees are our greatest asset" is increasingly being heard among companies. It is clear that this statement is often a platitude. By recognizing the contribution people make to acquire and keeping customers, within the overall marketing mix the service company's competitive performance will substantially be enhanced (Pyne, 1993).

2.6.2 Process

The processes by which service are crated and delivered to the customer is a major factor within the services marketing mix as service customers will perceive the service delivery system as part of the service itself (Blois, 1994). All work activity processes involve the procedure, tasks, schedules, mechanisms activities and routines by which a product or service is delivered to the customer. Identification of process management as a separate activity is a prerequisite of service quality improvement (Lovelock, 1996). The importance of this element is especially highlighted in service businesses where inventories cannot be stored. Banks provide a good example of this by reconfiguring the way they deliver service through the introduction of automatic teller machines. Banks have been able to free staff to handle more complex customer needs by diverting cash only customers to the ATMs.

While the people element is critical in the services marketing mix, no amount of attention and effort from staff will overcome continued unsatisfactory process performance (Pyne, 1993). By identifying processes as a separate marketing mix element, we recognize its importance to service quality. If the service operation runs efficiently, the service provider will have a clear advantage over less efficient competitors (Berry, 1991).

The importance of the process is true even for less "sensual" experience. A customer or who applies for a loan at a bank evaluates the purchase not only by the amount of the loan received and the interest rate paid. The speed and sensitivity of the approval process, the interaction with bank officers, the accuracy of bank statements and the ease of getting redress if mistakes are found all affect the persons attitudes about doing further business with the bank and his or her willingness to recommend it to others. Therefore when designing service production processes, particular attention must be paid to customer perception of that process (Thuo, 1999).

2.6.3 Physical Evidence

This element of the expanded marketing mix addresses the "tangible" components of the service experience and the firm's image. It refers to the appearance and physical setting which both demonstrates and promises quality. Physical surrounding and other visible cues can have a profound effect on the impression customers' form about the quality of the service they receive (Bitner, 1992).

The "service scope" that is, the ambience, the background music, the comfort of the seating and the physical layout of a service facility - can greatly affect a customers satisfaction with a service experience (Bitner, 1992). The appearance of the staff, including clothes and grooming may be used as clues (Lovelock, 1996).

Promotional material and written correspondence provide tangible evidence of the firm's professionalism. To the extent that these elements provide reassurance, they can be incorporated into the firm's marketing communication to help reduce customer anxiety about committing to the purchase (Ennew et al, 1989). Services firms should design these items with extreme care since they will play a major role in influencing customers' impression of the firm. In particular, all physical evidence must be ,edesigned to be consistent with the "personality" that the firm wishes to project in the market place (Betts, 1994). The following figure shows marketing mix element attributes for service industry.

CHAPTER THREE

3.0 Research Methodology

3.1 Introduction

The study involved a complete census in view of the small size of the population of study. There were 43 registered commercial banks as at March 2003. These included State/Govt. banks, locally owned private banks, subsidiaries of Multinational Corporations and branches of overseas banks. Branches of all banks were not considered as separate entities. This study was a survey in design and in this chapter is a presentation of the population size, the targeted respondents, the method of data collection and analysis.

3.2 The Population

The population of the study consisted of all registered Commercial Banks in Kenya as listed in the banks and financial institutions directory, obtained from the Central Bank of Kenya as at March 2003.

3.3 The Respondents

The respondents were the marketing managers, public relations managers or any other senior officials charged with marketing responsibilities in the banks under consideration. In all cases, the respondents were familiar with the marketing practices of the firm.

3.4 Data Collection

The pertinent data was collected using structured questionnaires, which were personally administered by the researcher. Questions consisted of both open ended and closed questions. Where the interviewees were pressed for time, the questionnaire was dropped and picked at an agreed date. Questions contained in the questionnaire as well as relevant banking attributes were developed from the study of pertinent literature.

The questionnaire contained statements that reflected the research problem and comprised different sections to simplify the work of the respondents and for clarification purposes. An introduction letter briefly explaining the purpose of the study accompanied the questionnaire.

3.5 Research Setting

The study was carried out in Nairobi. Nairobi was chosen as the area to be covered by the study mainly due to the convenience of time, financial limitations and the fact that all commercial banks to be studied had a base in Nairobi.

3.6 Data Analysis

The data analysis sought to establish the extent of the usage of the Marketing Mix variables by commercial banks in Kenya. Immediately data was received, it was sorted and keyed into a computer. SPSS (Statistical Program For Social Scientists) was used to analyze the data. Data was analyzed using descriptive statistics. These included proportions, percentages and tabulations, which showed the frequency of responses. Descriptive statistics were also used to determine the extent of use of marketing mix variables by commercial banks in marketing their services. This was deemed suitable in view of the fact that the study is descriptive in nature. To determine the factors that affect the use of marketing variables by the banks, factor analysis was used. The data was presented in form of tables and pie charts.

CHAPTER FOUR

4.0 DATA ANALYSIS FINDINGS AND DISCUSSIONS

4.1 Introduction

A total of 44 questionnaires were distributed to all the banks that were operating as at March 2004. There were a total of 36 respondents, which represented 82% response rate. This response rate was found to be adequate for the purposes of analysis and the generalization of the findings of the study.

4.2 Profile of Respondents

The profile of respondents looked at the ownership, the length of time in operation in Kenya, number of branches and whether they had a marketing department.

4.2.1 Ownership

In regard to ownership of banks, 69%of the respondents indicated that they are locally owned while, 14% of the respondents indicated that the banks are foreign owned. Seventeen percent were of mixed (foreign and local) ownership. The majority of banks therefore are locally owned.

Table 1: Ownership of Banks

Ownership	Frequency	Response%
Foreign Owned	5	14%
Locally Owned	25	69%
Partly Local and Partly Foreign	6	17%
Total	**36**	**100%**

4.2.2 Years of Operation in Kenya

An overwhelming majority of 86% of the respondents indicated that their banks have been in operation for more than fifteen years, 11% of the respondents indicated that they have been in operation between 11 – 15 years and 3% indicated that they have been in operation for between 6 – 10 years. This indicates that most banks were established in Kenya during and before the early 1990's. The early 1990's was characterized by setting up of local banks, which collapsed immediately after.

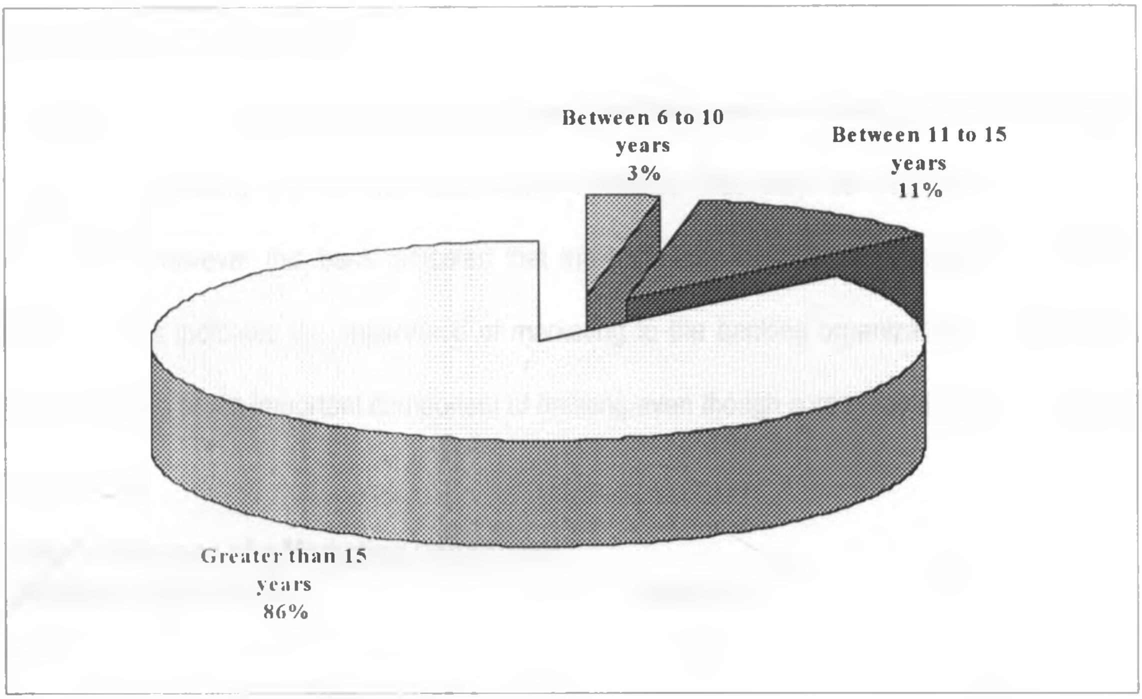

Figure 2: Pie Chart: Years of Operation in Kenya

4.2.3 Number of Branches

Nineteen percent of the respondents indicated that they have less than five branches, 17% indicated that they have between 6 – 10 branches and 17% also have 11 – 15 branches, while the majority 47% of the respondents indicated that they have over fifteen branches. This shows some extensive network of banking in Kenya. The importance of "place" to the banks in the marketing mix is determined here by the number of branches that the banks have.

Table 2: Number of Branches

Number of Branches	Frequency	Response%
Less than 5	7	19%
Between 6 to 10	6	17%
Between 11 to 15	6	17%
Greater than 15	17	47%
Total	**36**	**100%**

4.2.4 A Marketing Department

A majority of 97% of all the respondents indicated that they have a marketing department and only 1 bank representing 3% of the respondents indicated that they do not have a marketing department. However this bank indicated that the consumer department handles the marketing activities. This indicates the importance of marketing to the banking organizations. All the banks view marketing as an important component of banking even though some may put them in different departments.

Table 3: Presence of a Marketing Department

Marketing Department	Frequency	Response%
Yes	35	97%
No	1	3%
Total	**36**	**100%**

4.3 Extent To Which Commercial Banks In Kenya Apply The Marketing Mix Variables

In determining the extent of use of the marketing mix variables in the marketing effort, the banks indicated the extent of validity of statements about the marketing variables in their marketing efforts.

4.3.1 Product

About product, using the mean scores as indicators of extent of validity the banks indicated that the following statements were valid in the order listed that:

1. The bank offers a wide range of banking products
2. New product development is always important for the health of the bank
3. New products are normally test marketed
4. The bank differentiates its services to meet different needs of customers
5. All new product developments are guided by market needs
6. Customers are involved in selection of brand symbols
7. The bank offers specific products for different target markets

Table 4: Extent of Use of Product Attributes

Statements About Marketing Mix Variable	**Mean Score out of 5.0**
The bank offers a wide range of banking products	4.8
New product development is always important for the health of the bank	4.8
New products are normally test marketed	4.7
The bank differentiates its services to meet different needs of customers	4.6
All new product developments are guided by market needs	4.2
Customers are involved in selection of brand symbols	3.8
The bank offers specific products for different target markets	3.5
Overall Mean Score Product	**4.3**

In overall, the banks indicated that Product attributes are used to a great extent in the marketing effort.

4.3.2 Pricing

About pricing, the banks indicated that the following statements were moderately valid.

1. The bank has a uniform pricing policy in all its branches
2. The bank has flexible pricing policy

3. The bank considers competition in pricing
4. The bank has set clear pricing objectives for each product.
5. The most important objective is profitability

These factors indicate that pricing is an important part of the banking marketing mix in terms of uniformity, flexibility, competition, clarity of objectives, and profitability albeit moderately.

Table 5: Extent of use of Pricing attribute

	Mean Score out of 5.0
The bank has a uniform pricing policy in all its branches	4.7
The bank has flexible pricing policy	4.2
The bank considers competition in pricing	4.1
The bank has set clear pricing objectives for each product.	4.0
The most important objective is profitability	3.6
Overall Mean Score Pricing	**4.1**

In overall, the banks indicated that Pricing attributes are used to a great extent in the marketing effort.

4.3.3 Promotion

About promotion, the banks indicated that the following statements were valid to some extent:

1. Sets objectives for each of the promotion mix elements (i.e. public relations, advertising, sales, promotion, etc
2. Ensures that brochures and other bank materials are easy to find
3. Has a strategy for support of social responsibility activities
4. The bank has an established public relations department
5. The bank evaluates competition adverts against its own
6. Undertakes media planning to identify the most effective way of reaching the customers
7. Undertakes sales promotion activities

This shows that the importance of the promotion mix attributes to the banks are indicated in the sets of promotion objectives, the ease of finding promotion materials, social responsibility strategies, presence of public relations department, advertising evaluation, media planning, and sales promotion activities. In overall, the banks indicated that Promotion attributes are used moderate extent in the marketing effort.

Table 6: Extent of Use of Promotion attribute

	Mean Score out of 5.0
Sets objectives for each of the promotion mix elements (i.e. public relations, advertising, sales, promotion e.t.c)	4.3
Ensures that brochures and other bank materials are easy to find	4.3
Has a strategy for support of social responsibility activities	4.0
The bank has an established public relations department	3.9
The bank evaluates competition adverts against its own	3.6
Undertakes media planning to identify the most effective way of reaching the customers	3.1
Undertakes sales promotion activities	3.0
Overall Mean Score Promotion	**3.7**

4.3.4 Place

About place, the banks indicated that the following statements were valid to some extent:

1. The bank carries out research in selection of suitable branch location and other outlets
2. The bank branches are conveniently located
3. The banks' branches are inter-linked
4. The choice of the bank location is guided by convenience, safety, visibility, and accessibility among other factors

The banks also indicated that to a less extent the following statements were valid about place:

1. The bank has an elaborate branch network
2. The bank utilizes credit card and ATMs to overcome the issue of intangibility

The implication of the findings are that to some the importance of place in the marketing mix is evidenced by the way the banks research for suitable location in branch selection, the convenience of the branch location to the customers, the inter linkages of branches, and the factors that guide branch location selection such as visibility, safety, and accessibility. To a lesser extent though the elaborate branch network that a bank has and the solutions to issues of intangibility according to the survey are not valid support for use of place in the marketing mix of the banks.

Table 7: The Extent of Use of Place Attribute

	Mean Score out of 5.0
The bank carries out research in selection of suitable branch location and other outlets	4.6
The bank branches are conveniently located	4.6
The banks branches are inter-linked	4.4
The choice of the bank location is guided by convenience, safety, visibility, and accessibility among other factors	3.7
The bank has an elaborate branch network	2.8
The bank utilizes credit card and ATMs to overcome the issue of intangibility	2.7
Overall Mean Score Place	**3.8**

In overall, the banks indicated that place attributes are used to a moderate extent in the marketing effort. This indicates a slightly above average use.

4.3.5 Personnel

About personnel, the banks indicated that the following statements were valid to some varied extent as shown by the mean scores:

1. Staff are efficient, warm, friendly and honest
2. Contact personnel are courteous & professional in serving customers
3. The bank has strict recruitment procedures to ensure they attract the right personnel
4. The branch officers are always available to handle customer enquiries

5. Contact personnel have sufficient product knowledge
6. Service contact personnel are continuously trained on knowledge of bank products and new product development
7. Staff are constantly trained in new skills

The banks indicated that to a less extent the following statement about personnel was valid

1. The staff are neatly kited (have uniforms)

Table 8: Extent of Use of Personnel Attribute

	Mean Score out of 5.0
Staff are efficient, warm, friendly and honest	4.8
Contact personnel are courteous & professional in serving customers	4.7
The bank has strict recruitment procedures to ensure they attract the right personnel	4.6
The branch officers are always available to handle customer enquiries	4.5
Contact personnel have sufficient product knowledge	4.3
Service contact personnel are continuously trained on knowledge of bank products and new product development	4.3
Staff are constantly trained in new skills	4.1
The staff are neatly kited (have uniforms)	3.0
Overall Mean Score Personnel	**4.3**

In overall, the banks indicated that personnel attributes are used to a moderate extent in the marketing effort. The implication is that the use of personnel attributes are manifested in the efficient, warm, friendly and honest staff, strict recruitment procedures, availability to handle customer enquiries, sufficient product knowledge, and continuous training. To a low extent, though used is the attribute of neatly kitted staff.

4.3.6 Physical Facilities

About physical facilities, the banks indicated that the following statements were valid to some extent shown by the mean scores:

1. The bank has a distinct logo and colour regime

2. The interior of the bank is attractive and pleasant
3. The banking hall is well ventilated, clean and airy
4. The exterior of the bank is well maintained and attractive
5. There is enough sitting space for customers
6. The bank has adequate parking for its customers

Table 9: Extent of Use of Physical Facilities Attribute

	Mean Score out of 5.0
The bank has a distinct logo and colour regime	4.6
The interior of the bank is attractive and pleasant	4.5
The banking hall is well ventilated, clean and airy	4.4
The exterior of the bank is well maintained and attractive	4.3
There is enough sitting space for customers	4.3
The bank has adequate parking for its customers	4.2
Overall Mean Score Physical Facilities	**4.4**

In overall, the banks indicated that the physical facilities attributes are used to a great extent in their marketing effort. The implication of this is that, the banks in their marketing effort, employ the physical facilities attributes of distinct colour regime and logo, attractive and pleasant interior, well ventilated, clean and airy halls, attractive exterior, enough sitting space, and adequate parking to a level that is way above average. They indicate that physical facilities are important in marketing a bank.

4.3.7 Process

About process, the banks indicated that the following statements were valid to some extent shown by the mean scores:

1. The bank has set standards regarding account opening/closing and loan processing procedures
2. The bank uses the latest technology in the banking industry

3. Teller cubicles are well designated and labeled i.e. legible manner
4. The bank clearly separates customers depending on the services sought
5. The bank provides "Queue ropes" to guide Customers in the queue
6. The bank has clearly marked "Entry "and "Exit" point
7. There is timely provision of account information to customers
8. The bank provides banking literature to its customers.

Table 10: Extent of Use of Process Attributes

	Mean Score out of 5.0
The bank has set standards regarding account opening/closing and loan processing procedures	4.8
The bank uses the latest technology in the banking industry	4.7
Teller cubicles are well designated and labeled i.e. legible manner	4.4
The bank clearly separates customers depending on the services sought	4.3
The bank provides "Queue ropes" to guide Customers in the queue	4.2
The bank has clearly marked "Entry "and "Exit" point	4.2
There is timely provision of account information to customers	4.2
The bank provides banking literature to its customers	4.0
Overall Mean Score Process	**4.3**

In overall, the banks indicated that the process attributes are used to a great extent in their marketing effort. This implies that at a level of 4.3 out of 5.0, the banks use the processes attributes in the marketing effort. These attributes are the standards regarding account opening/closing, technology used, designation and labeling of teller cubicles, customer segmentation, customer orderliness, entry and exit points, provision of account information and banking literature.

The marketing mix elements are influenced in their use by availability of funds, product life cycle, types of customers, types of services, levels of staff skills, company policy, company image, company size, profitability, and operating costs. These factors influence the marketing mix to different levels. When these influencing factors are ranked by the extent on a scale of influence the results are as seen in the table 11.

Table 11: Influencing Factors on Marketing Mix

Influencing Factors	Product	Pricing	Promotion	Place	Personnel	Physical Facilities	Process	Mean Score
Company size	47%	32%	16%	32%	32%	53%	47%	**37%**
Profitability	47%	95%	32%	16%	21%	16%	32%	**37%**
Levels of Staff skills	52%	13%	13%	13%	100%	13%	53%	**37%**
Company image	39%	26%	39%	39%	78%	30%	0%	**36%**
Company Policy	47%	16%	32%	32%	63%	32%	17%	**34%**
Types of services	39%	13%	26%	39%	44%	44%	26%	**33%**
Types of Customers	52%	39%	39%	83%	4%	0%	0%	**31%**
Operating costs	32%	16%	47%	16%	37%	32%	32%	**30%**
Product Life Cycle	39%	26%	44%	26%	17%	13%	30%	**28%**
Availability of Funds	36%	46%	23%	12%	23%	23%	15%	**25%**

Sorted by mean scores, the most influencing factor on the marketing mix is the company size with a mean score of 37%, which is same as profitability, and levels of staff skills. The other more influencing factor on the marketing mix is the company image with 36% mean score and company policy with 34% mean score. The others score are as seen in Table 11. The marketing mix variables were named as product, pricing, promotion, place, personnel, physical facilities and process. These variables were tested in comparison with the factors that are important in the banks marketing effort.

4.4 Factors That Influence The Extent To Which Each Of The Marketing Mix Elements Are Used.

Factor analysis was used to measure factors that influence the extent to which each of the marketing mix elements are used by the banks. It is important to note the definitions of some words used in factor analysis before proceeding. See Appendix 4 for explanations of the major terms.

4.4.1 Product

The product element was measured to determine the factors important in marketing effort in the banks' use of product element.

Table 12: Communalities – Product

	Initial	Extraction
The bank offers a wide range of banking products	1	0.860
New product development is always important for the health of the bank	1	0.871
New products are normally test marketed	1	0.724
All new product developments are guided by market needs	1	0.684
The bank differentiates its services to meet different needs of customers	1	0.821
Customers are involved in selection of brand symbols	1	0.685
The bank offers specific products for different target markets	1	0.634
Extraction Method: Principal Component Analysis.		

In the factor analysis, there were seven components in the product analysis. The communalities show that when it comes to the common factors that exist between respondents that determine success of marketing effort, eighty six percent of the respondents indicated that the factor that the bank offers a wide range of banking products was common within the respondents, 87% indicated that new product development is always important for the health of the bank, 72% indicated that new products are normally test marketed, 68% indicated that all new products are guided by market needs, 82% indicated that the bank differentiates its services to meet different customer needs, 68% indicated that customers are involved in selection of brand symbols, 63% indicated that the bank offers specific products for different target markets. This implies that the factors are highly correlated between the respondents. Since 100% would imply perfect correlation between the factors and the banks, then the degree of correlation is measured by the percentages.

Table 13: Total Variance Explained - Product

	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.779	39.705	39.705	2.78	39.705	39.705	2.1	30.045	30.045
2	1.326	18.936	58.641	1.33	18.936	58.641	1.95	27.838	57.884
3	1.174	16.776	75.417	1.17	16.776	75.417	1.23	17.533	75.417
4	0.777	11.099	86.516						
5	0.563	8.048	94.563						
6	0.236	3.371	97.935						
7	0.145	2.065	100						

From the factors and using Eigen values, set at 1.000, three factors with a cumulative total variance within the factors of 75% were extracted. The extracted factors were rotated to achieve the maximum variable mix. The components extracted were rotated using varimax.

Table 14: Rotated Component Matrix - Product

	Component		
	1	2	3
The bank offers a wide range of banking products	0.917	8.47E-02	-0.112
New product development is always important for the health of the bank	0.889	0.282	3.36E-02
The bank differentiates its services to meet different needs of customers	0.256	0.869	-3.69E-02
New products are normally test marketed	0.331	0.744	-0.246
All new product developments are guided by market needs	-0.109	0.741	0.35
The bank offers specific products for different target markets	-0.201	-1.75E-02	0.77
Customers are involved in selection of brand symbols	0.495	6.01E-02	0.66
Extraction Method: Principal Component Analysis.			
Rotation Method: Varimax with Kaiser Normalization.			

The three factors extracted had different components of important factors. Factor 1 named Product Range, comprises of the components that - the bank offers a wide range of banking products with 92% of component variation, and that new product development is always important for the health of the bank with 89%.

Factor 2 named Product Testing, consists of factors that the bank differentiates its services to meet different needs of customers with 87%, new products are normally test marketed with 74%, and that all new products are normally test marketed with 74%. Factor 3 named Product Branding, comprises of factors that the bank offers specific products for different target markets with 77%, customers are involved in selection of brand symbols with 66%. Therefore, for the product, three factors that are important in the banks use of the product element in the banks marketing effort were found to be; Product Range, Product Testing and Product Branding. The implication of this is that, as the banks intensify their marketing effort, these factors are important. That is why most banks are now increasing their product range and as witnessed in Kenya, product branding is used as a way of communicating a message to the consumers to take a certain action. This is in a way product testing. Example is MOVE account.

4.4.2 Pricing

Using factor analysis to determine the extent of importance of pricing element in the marketing effort, there were 5 components involved in the analysis. The communalities show the extent to which the respondents perceived the components.

Table 15: Communalities - Pricing

Components	Initial	Extraction
The bank has set clear pricing objectives for each product.	1	0.501
The bank has a uniform pricing policy in all its branches	1	0.833
The bank considers competition in pricing	1	0.470
The most important objective is profitability	1	0.796
The bank has flexible pricing policy	1	0.667

As concerning pricing, there were 5 components. The factor that the bank has set clear pricing objectives for each product has 50% communality within the pricing factors, the bank has a uniform pricing policy in all branches with 83% communality, the bank considers competition in pricing has

47%, the most important objective is profitability with 70% and that the bank has flexible pricing with 67%.

Table 16: Total Variance Explained

	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
Component	Total	% Of Variance	Cumulative %	Total	% Of Variance	Cumulative %	Total	% Of Variance	Cumulative %
1	2.096	41.911	41.911	2.1	41.911	41.911	1.87	37.292	37.292
2	1.171	23.414	65.326	1.17	23.414	65.326	1.4	28.034	65.326
3	0.967	19.345	84.671						
4	0.692	13.848	98.519						
5	7.41E-02	1.481	100						
Extraction Method: Principal Component Analysis.									

Out of the 5 components, two factors were extracted with cumulative total variation of 65% of the variance explained. These were rotated using Varimax to achieve the maximum variable mixing. Table 17 shows the rotated component matrix table.

Table 17: Rotated Component Matrix

	Component	
	1	2
The most important objective is profitability	0.886	0.106
The bank has set clear pricing objectives for each product.	-0.707	-2.85E-02
The bank considers competition in pricing	0.671	0.138
The bank has a uniform pricing policy in all its branches	-7.24E-02	0.91
The bank has flexible pricing policy	0.353	0.737
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.		

From the rotated factor matrix table 11, the two factors extracted were Factor 1 named Pricing Objective, comprises of 3 components. These components are that - the most important objective is profitability with 87% variance with the components. A negative variance indicating that the banks have not set clear pricing objectives for each product with 71% of variance and that the banks consider competition in pricing with 67%. Factor 2 named Pricing Policy consists of two components that the banks have a uniform pricing policy in all its branches with 91% variance and that the bank has flexible pricing policy with 74%. Therefore as far as pricing in the marketing effort is concerned, the factors that influence the banks in its use in the marketing effort are; Pricing Objective and Pricing Policy. This implies that for a bank to use pricing in marketing effort effectively, it has to have an objective for using the price and must put in place a pricing policy to guide it in its pricing purposes.

4.4.3 Promotion

Using factor analysis to determine the extent of importance of promotion element in the marketing effort, there were 5 components involved in the analysis. The communalities show the extent to which the respondents perceived the components.

Table 18: Communalities - Promotion

Communality	Initial	Extraction
The bank has an established public relations department	1	0.592
The bank evaluates competition adverts against its own	1	0.764
Undertakes media planning to identify the most effective way of reaching the customers	1	0.901
Sets objectives for each of the promotion mix elements (i.e. public relations, advertising, sales, promotion e.t.c)	1	0.947
Ensures that brochures and other bank materials are easy to find	1	0.941
Has a strategy for support of social responsibility activities	1	0.566
Undertakes sales promotion activities	1	0.688
Extraction Method: Principal Component Analysis.		

As concerning promotion, there were 7 components. The factor that the bank the bank has established public relations department has 59% communality within the respondents, the bank evaluates competitive adverts against its own with 76% communality, the bank undertakes media planning to identify the most effective way of reaching the customers with 90%, 95% of the banks set objectives for each of the promotion mix elements, 94% of banks ensures that brochures and other bank materials are easy to find, 57% of the banks have a strategy for social responsibility cultures, and 69% of banks undertake sales promotion activities.

Table 19: Total Variance Explained

	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.672	52 458	52 458	3.67	52.458	52.458	3.54	50.586	50.586
2	1.728	24 684	77.142	1.73	24.684	77.142	1.86	26.557	77.142
3	0.833	11.905	89.047						
4	0.484	6.919	95.965						
5	0.179	2.557	98.522						
6	6.05E-02	0.864	99.386						
7	4.30E-02	0.614	100						
Extraction Method: Principal Component Analysis.									

Out of the seven components in promotion analysis, 2 factors are extracted.

Table 20: Rotated Component Matrix

	Component	
	1	2
Sets objectives for each of the promotion mix elements (i.e. public relations, advertising, sales, promotion e.t.c)	0.934	0.273
Ensures that brochures and other bank materials are easy to find	0.924	0.294
The bank evaluates competition adverts against its own	0.795	-0.363
The bank has an established public relations department	0.77	2.33E-03
Has a strategy for support of social responsibility activities	0.74	0.137
Undertakes media planning to identify the most effective way of reaching the customers	-1.95E-02	0.949
Undertakes sales promotion activities	0.204	0.804
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.		

The component extracted was rotated using varimax to arrive at the maximum variable loads. The two factors extracted consist of components. Factor 1 named; Promotion Strategy comprises of the components that the banks set objectives for each of the promotion mix elements with 93% factor loading, that banks ensure that brochures and other bank materials are easy to find with 92% factor loading, that the banks evaluate competition adverts against its own with 80% factor loading, that the banks was established public relations department with 80% factor loading, that banks have established public relations department with 77% factor loading and that the banks have strategy for support of social responsibility activities with 74% factor loading.

Factor 2 named Promotion Effectiveness undertakings comprised of the components that the banks undertake media planning to identify the most effective way of reaching to customers with 95% factor loading, and that the bank undertakes sales promotion activities with 80% factor loading. Therefore, the importance of place in the marketing effort is determined by Promotion Strategy and Promotion Effectiveness. This can be seen in the way banks in Kenya have intensified their brands corporate social responsibility activities as a way of effectively promoting their brands. As cited in the literature by Cowell (1984), and Quinn et al (1990) the aim of a promotional strategy is to bring existing and prospective customers from a state of relative unawareness of an organization's products to a state of actively adopting them. Promotion also helps create widespread awareness about services on offer and to enhance the image of the institution. For these to happen, the findings show that it requires the two factors cited above.

4.4.4 Place

Using factor analysis to determine the extent of importance of place element in the marketing effort, there were 5 components involved in the analysis. The communalities show the extent to which the respondents perceived the components.

Table 21: Communalities - Place

	Initial	Extraction
The bank branches are conveniently located	1	0.934
The bank carries out research in selection of suitable branch location and other outlets	1	0.895
The bank utilizes credit card and ATMs to overcome the issue of intangibility	1	0.858
The bank has an elaborate branch network	1	0.831
The banks branches are inter-linked	1	0.526
The choice of the bank location is guided by convenience, safety, visibility, and accessibility among other factors	1	0.885
Extraction Method: Principal Component Analysis.		

As far as far as place is concerned, 93% of the banks have their branches conveniently located, 89% of the banks carry out research in selection of suitable branch location and other outlets, 86% of the respondents utilize credit cards to overcome the issue of intangibility, 83% of the banks indicated that they have an elaborate branch network, 53% of the banks indicated that they are inter linked, 89% indicated that the choice of bank location is guided by convenience, safety, visibility and accessibility among other factors.

Table 22: Total Variance Explained

	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
Component	Total	% Of Variance	Cumulative %	Total	% Of Variance	Cumulative %	Total	% Of Variance	Cumulative %
1	2.453	40.877	40.877	2.45	40.88	40.877	2.05	34.22	34.22
2	1.45	24.171	65.049	1.45	24.17	65.049	1.45	24.19	58.405
3	1.027	17.113	82.161	1.03	17.11	82.161	1.43	23.76	82.161
4	0.64	10.673	92.834						
5	0.342	5.705	98.539						
6	8.77E-02	1.461	100						
Extraction Method: Principal Component Analysis.									

Three factors with 82% of all the cumulative factor loadings were extracted. The extracted factors were rotated using Varimax to maximize the variable mix.

Table 23: Rotated Component Matrix

	Component		
	1	2	3
The bank branches are conveniently located	0.945	-0.16	0.116
The bank carries out research in selection of suitable branch location and other outlets	0.871	0.362	7.74E-02
The banks branches are inter-linked	0.605	0.346	-0.199
The choice of the bank location is guided by convenience, safety, visibility, and accessibility among other factors	0.146	0.929	3.20E-02
The bank utilizes credit card and ATMs to overcome the issue of intangibility	-3.15E-02	-0.11	0.920
The bank has an elaborate branch network	0.114	0.547	0.720
Extraction Method: Principal Component Analysis.			

Factor 1 named Branch Location is comprised of the components that the bank branches are conveniently located with 95% of factor loading, that the bank carries out research in selection of favorable branch location and other outlets with 87% loadings, and that the bank's branches are interlinked with 61% loading.

Factor 2 named Location Choice Decision is comprised of the choice of the components that the bank's location is guided by convenience, safety, visibility and accessibility among other factors with 93% factor loading.

Factor 3 named Branch Network is comprised of the components that the bank utilizes credit card and ATM's to overcome the issue of intangibility with 92% factor loading and that the bank has an elaborate branch network with 72% factor loading. Therefore, in the marketing effort, place is important for Branch Location, Location Choice Decision and Branch Networking. These three factors determine the success of the marketing effort of a bank because the location of a branch is determined by the location choice decision, which in itself is a factor in branch networking. This study supports what Kotler (1997) and Marsch (1988) discussed in the literature that place in the marketing mix involves the selection of the most expedient channel or channels and the servicing of these channels and that The company's chosen channels ultimately affect all other marketing decisions and that before a firm decides on the type of distribution channel to use, it has to specify the role of distribution within the marketing mix.

4.4.5 Personnel

Using factor analysis to determine the extent of importance of personnel element in the marketing effort, there were 8 components involved in the analysis. The communalities show the extent to which the respondents perceived the components.

Table 24: Communalities - Personnel

	Extraction
Contact personnel have sufficient product knowledge	0.932
Contact personnel are courteous & professional in serving customers	0.951
The bank has strict recruitment procedures to ensure they attract the right personnel	0.782
The branch officers are always available to handle customer enquiries	0.859
Staff are efficient, warm, friendly and honest	0.378
The staff are neatiy kited (have uniforms)	0.750
Service contact personnel are continuously trained on knowledge of bank products and new product development	0.842
Staff are constantly trained in new skills	0.759

Concerning Personnel, the communalities show that, 93% of the respondents indicated that contact personnel have sufficient product knowledge, 95% contact personnel are courteous and professional in serving customers, 78% indicated that the bank has strict recruitment procedures to ensure they attract the right personnel, 86% indicated that the branch officers are always available to handle customer enquiries, 38% indicated that staff are efficient, warm, friendly and honest, 75% indicated that the staff are neatly kited (have uniforms), 84% of the respondents indicated that service contact personnel are continuously trained on knowledge of bank products and new product development, and 76% indicated that staff are constantly trained in new skills.

From the components analyzed, factors were extracted using principal component analysis with eigen values set at 1.000. There were 8 components from which to factors were extracted which had 78% of total sum of factor loadings.

Table 25: Total Variance Explained - Personnel

	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
Component	**Total**	**% of Variance**	**Cumulative %**	**Total**	**% of Variance**	**Cumulative %**	**Total**	**% of Variance**	**Cumulative %**
1	5.026	62.825	62.825	5.03	62.83	62.825	4.9	61.19	61.185
2	1.226	15.321	78.146	1.23	15.32	78.146	1.36	16.96	78.146
3	0.995	12.432	90.578						
4	0.501	6.267	96.845						
5	0.184	2.303	99.148						
6	4.54E-02	0.568	99.716						
7	2.10E-02	0.263	99.979						
8	1.71E-03	2.14E-02	100						
Extraction Method: Principal Component Analysis.									

The two factors extracted were rotated using varimax to maximize variable mix among the factors. The rotated components comprise of factors with their components and the total sum of loadings within those factors.

Factor 1 named Personnel Qualities is comprised of the following components with their factors loadings.

1. Service contact personnel are continuously trained on knowledge of bank products and new product development, 91%

2. Contact personnel are courteous and professional in serving customers, 91%
3. The branch officers are always available to handle customer enquiries, 88%
4. The bank has strict recruitment procedures to ensure they attract the right personnel, 87%
5. Staffs are constantly trained in new skills, 87%
6. Contact personnel have sufficient product knowledge, 86%
7. Staffs are efficient, warm, friendly and honest, 45%

Factor 2 named Staff Appearance. is comprised of the component that the staff are neatly kitted or have uniforms. with 86% factor loading.

Table 26: Rotated Component Matrix – Personnel

Components	Factors	
	1	2
Service contact personnel are continuously trained on knowledge of bank products and new product development	0.914	-7.87E-02
Contact personnel are courteous & professional in serving customers	0.908	0.356
The branch officers are always available to handle customer enquiries	0.882	-0.286
The bank has strict recruitment procedures to ensure they attract the right personnel	0.871	0.154
Staff are constantly trained in new skills	0.868	7.19E-02
Contact personnel have sufficient product knowledge	0.86	0.439
Staff are efficient, warm, friendly and honest	0.449	0.42
The staff are neatly kited (have uniforms)	-7.93E-02	0.862

Therefore, the importance of personnel in the marketing effort is determined by, Personnel Qualities and Staff Appearance. This is also cited in the literature by Rust et al (1994) that the success of marketing a service is tied closely to the selection, training, motivation and management of people. Staff appearance factor is also supported by Rust et al that the internal marketing should aim to encourage effective behavior by staff that will attract customers to the firm.

4.4.6 Physical Facilities

Using factor analysis to determine the extent of importance of physical facilities element in the marketing effort, there were 6 components involved in the analysis. The communalities show the extent to which the respondents perceived the components.

Table 27: Communalities – Physical Facilities

	Extraction
The exterior of the bank is well maintained and attractive	98%
The banking hall is well ventilated, clean and airy	95%
The interior of the bank is attractive and pleasant	98%
The bank has adequate parking for its customers	92%
There is enough sitting space for customers	99%
The bank has a distinct logo and color regime	98%

As far as the physical facilities are concerned, there were six components in the analysis. The communalities show that the respondents opinions about factor components were that the exterior of the bank is well maintained and attractive, 98%; that the banking hall is well ventilated, clean and airy constitutes, 95%, the interior of the bank is attractive and pleasant, 98%, the bank has adequate parking for its customers, 92% and that there is enough sitting space for customers, 99%, and that the bank has a distinct logo and colour regime constitutes, 98%.

Table 28: Total Variance Explained

	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.72	78.673	78.673	4.72	78.673	78.673	4.72	78.58	78.578
2	1.075	17.91	96.583	1.08	17.91	96.583	1.08	18.01	96.583
3	0.155	2.579	99.162						
4	4.01E-02	0.668	99.83						
5	1.02E-02	0.17	100						
6	7.56E-16	1.26E-14	100						
Extraction Method: Principal Component Analysis.									

From the six factors and using Eigen values set at 1.000 variance, two factors with cumulative total factor loadings of 97% were extracted.

Table 29: Rotated Component Matrix

Components	**Factors**	
	1	2
The interior of the bank is attractive and pleasant	0.985	-0.102
The bank has a distinct logo and colour regime	0.985	-0.102
The exterior of the bank is well maintained and attractive	0.979	0.138
The banking hall is well ventilated, clean and airy	0.954	-0.19
The bank has adequate parking for its customers	0.952	0.13
There is enough sitting space for customers	-2.22E-02	0.994
Extraction Method: Principal Component Analysis.		
Rotation Method: Varimax with Kaiser Normalization.		

These components extracted were rotated using varimax to maximize on variable mix. The two factors extracted constitutes of components with maximum factor loadings.

Factor 1 named Facility Ambience comprised of 5 components;

1. The interior of the bank is attractive and pleasant, 99%
2. The bank has a distinct logo and colour regime, 99%
3. The exterior of the bank is well maintained and attractive, 98%
4. The banking hall is well ventilated, clean and airy, 95%
5. The bank has adequate parking for its customers, 95%

Factor 2 named Customer Comfort is comprised of the component that there is enough sitting space for customers.

Therefore, the importance of physical facilities in the marketing effort is determined by, Facility Ambience and Customer Comfort. Bitner (1992) in the literature supports this by citing that physical surrounding and other visible cues can have a profound effect on the impression customers' form about the quality of the service they receive.

4.4.7 Process

Using factor analysis to determine the extent of importance of process element in the marketing effort. there were 8 components involved in the analysis. The communalities show the extent to which the respondents perceived the components.

Table 30: Communalities - Process

	Extraction
There is timely provision of account information to customers	0.922
The bank uses the latest technology in the banking industry	0.919
The bank has set standards regarding account opening/closing and loan processing procedures	0.898
Teller cubicles are well designated and labeled i.e. legible manner	0.963
The bank provides "Queue ropes" to guide Customers in the queue	0.938
The bank clearly separates customers depending on the services sought	0.966
The bank provides banking literature to its customers	0.729
The bank has clearly marked "Entry "and "Exit" point	0.903

As far as process is concerned there are several components in the analysis. The respondents indicated that there is timely provision of account information to customers by 92%, that the bank uses the latest technology in the banking industry by 91%, that the bank has set standards regarding account opening and closing and loan processing procedures by 90%, teller cubicles are well designated and labeled in a legible manner by 96%, that the bank clearly separates customers depending on the services sought by 73%, that the bank provides banking literature to its customers by 73% and that the bank clearly marked Entry and Exit points by 90% of the respondents.

Table 31: Total Variance Explained

	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.218	52.73	52.73	4.22	52.73	52.73	3.38	42.28	42.281
2	1.699	21.239	73.969	1.7	21.239	73.969	2.45	30.62	72.902
3	1.321	16.514	90.483	1.32	16.514	90.483	1.41	17.58	90.483
4	0.427	5.335	95.818						
5	0.26	3.255	99.073						
6	6.49E-02	0.811	99.884						
7	6.68E-03	8.35E-02	99.968						
8	2.59E-03	3.24E-02	100						
Extraction Method: Principal Component Analysis.									

From the eight factors and using Eigen values set at 1.000, three factors with a cumulative total variance within the factors of 90% were extracted. The extracted components were rotated using varimax to maximize the variable mix. For each of the three factors were components with factor loadings.

Factor 1 named Customer Care is comprised of;

1. The bank provides "Queue ropes" to guide Customers in the queue, 96%
2. The bank clearly separates customers depending on the services sought, 96%
3. Teller cubicles are well-designated and labeled i.e. legible manner, 82%
4. The bank provides banking literature to its customers, 74%

Factor 2. named Account Operating Procedures is comprised of;

1. The bank uses the latest technology in the banking industry, 91%
2. The bank has set standards regarding account opening/closing and loan processing procedures. 82%
3. There is timely provision of account information to customers, 77%

Factor 3 named Entry and Exit Procedures is comprised of;

The bank has clearly marked "Entry "and "Exit" point, 92%

Table 32: Rotated Component Matrix

	Component		
	1	2	3
The bank provides "Queue ropes" to guide Customers in the queue	0.96	-9.06E-02	9.55E-02
The bank clearly separates customers depending on the services sought	0.958	0.187	0.118
Teller cubicles are well designated and labeled i.e. legible manner	0.82	0.477	-0.253
The bank provides banking literature to its customers	0.735	0.272	0.34
The bank uses the latest technology in the banking industry	0.269	0.909	0.139
The bank has set standards regarding account opening/closing and loan processing procedures	-0.153	0.823	0.445
There is timely provision of account information to customers	0.443	0.767	-0.371
The bank has clearly marked "Entry "and "Exit" point	0.201	0.115	0.922
Extraction Method: Principal Component Analysis.			
Rotation Method: Varimax with Kaiser Normalization.			

Therefore, the importance of process in the marketing effort is determined by, Customer Care Procedures, Account Operating Procedures, and Entry and Exit Procedures. Blois (1994) supports these in the literature that the processes by which service are created and delivered to the customer is a major factor within the services marketing mix as service customers will perceive the service delivery system as part of the service itself.

CHAPTER 5

5.0 DISCUSSIONS. CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This study sought to find out the extent of application of marketing mix variables by commercial banks in Kenya. The study targeted all the commercial banks operating in Nairobi. The study was carried out using a questionnaire served to the respondents personally at their offices. The study focused on the use of the 7P's of marketing mix. In this chapter is presentation of the summary of the findings, the conclusion, and the recommendations for further research.

5.2 Discussion

The profile of respondents looked at the ownership, the length of time in operation in Kenya, number of branches, and whether they had a marketing department. In the ownership of the banks, about 7 in 10 banks are locally owned. Majority of the banks have been operating in Kenya for over 15 years. Almost half of the banks have more than 15 branches. Marketing department is essential components of the banks. All the banks indicated that they have a marketing department except one bank, which indicated that the marketing department's services are offered by the consumer department.

In summary, banks to different degrees use the marketing mix variables in their marketing effort. Sorted by the overall mean scores, the variables used by the banks in order of importance were the physical facilities, product, process, personnel, pricing, place and promotion.

When it came to the factors that influence the use of marketing mix elements, there were ten influencing factors. The availability of funds is a factor that has a major influence in pricing and to some extent in product. Product life cycle has major influences on the use of promotion in the marketing mix and to some extent in product and process. The types of customers influence greatly the place and the product and to some extent the pricing and the promotion. Types of services offered influences greatly the personnel, physical facilities and product strategy. Levels of staff skills absolutely influences the personnel element and to a great extent the product and the process. Company policy influences greatly the personnel and the product elements of the marketing mix. Company image on the other hand influences to a very great extent the personnel and to some degree the product, promotion and place elements. Company size was seen to influence to a major extent the physical facilities and product as well the process element of the marketing mix. Profitability is a major influence in pricing and to some extent on product elements of the marketing mix. Operating costs are a major influence on promotion, personnel, product and physical facilities almost at proportionate levels.

Factors influencing marketing mix elements in marketing effort were determined for every marketing mix variable. As far as the product is concerned, the important factors are the product range, product testing and product branding.

In promotion. the important factors in the marketing effort are promotion strategy and the promotion effectiveness. In place variable of the marketing mix, the important factors in the marketing effort are the branch location. location choice decision and the branch network. As far as personnel element is concerned, the important factors in marketing effort are the personnel qualities and the staff appearance.

In the physical facilities element, the important factors in the marketing effort are the facility ambience and the customer comfort. In the process element, the important factors are the customer care procedures, the account operating procedures and the entry and exit procedures.

5.3 Conclusion

The importance of marketing mix variables in the marketing efforts of a bank cannot be overemphasized. Banks marketing effort must take into consideration the factors that drive the marketing variables. These factors are the product range, product testing, product branding, pricing objective, pricing policy, promotion strategy, promotion effectiveness, branch location, location choice decisions, branch network, personnel qualities, staff appearance, facility ambience, customer comfort, customer care procedures, account operating procedures and entry and exit procedures. To a moderate extent the banks use the attributes of physical facilities, product, process, personnel, and pricing and to some extent the attributes of place and promotion in their marketing effort.

5.4 Recommendations for Further Research

Further study should be done on the impact of the application of factors that drive the marketing mix elements in the marketing effort on the banks performance. Another study that can be done is on the influence of the factors on the customer's choice of banks.

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APPENDIX 1: INTRODUCTORY LETTER

UNIVERSITY OF NAIROBI
FACULTY OF COMMERCE
MBA – PROGRAMME
LOWER KABETE CAMPUS
P.O BOX 30197
NAIROBI, KENYA

RE: INTRODUCTION LETTER – MUASYA N.M

Mr. Muasya N.M is a Masters student in the faculty of commerce, University of Nairobi. In partial fulfillment of the requirement of the Masters in Business Administration (MBA) degree, he is conducting a study on **"THE EXTENT OF APPLICATION OF MARKETING MIX VARIABLES BY COMMERCIAL BANKS IN KENYA".**

Your organization has been selected to form part of this study. To this end, we kindly request your assistance in completing the questionnaire, which forms an integral part of the research project. Mr. Muasya will be responsible for administration of the questionnaire. Any additional information you might feel necessary for this study is welcome.

The information is required for academic purposes and will be treated in strict confidence copy of the research project will be made available to your organization upon request.

Yours sincerely

Prof. Aosa

Dean; Faculty of Commerce

cc. MBA Coordinator

Chairman. Department of Business Administration

APPENDIX 2: QUESTIONNAIRE FOR BANK

PART A

Please answer the following questions by placing a tick (✔) in the space provided and/or giving details as may be necessary.

Q1. Name of your bank (Optional)...

Q2. Ownership (please tick (✔) as appropriate)
Foreign owned ( )
Locally owned ( )
Partly local and partly foreign ( )
Government owned ( )

Q3. How long has your bank been in operation?
( ) Less than 5 years ( ) Between 11 to 15 years
( ) Between 6 to 10 years ( ) Greater than 15 years

Q4. How many branches do you have
( ) Less than 5 years ( ) Between 11 to 15 years
( ) Between 6 to 10 years ( ) Greater than 15 years

Q5. Do you have a marketing department?
Yes ( ) No ( )

Q6. If (No) in Que. 5, who performs the marketing activities such as product development, pricing, promotion and distribution. (please give officer's title).
....
....
....

PART B

Listed below are a number of statements about the bank, which you work for. Please indicate to what extent the statements are valid for your marketing effort by placing a tick in the appropriate box where 5 = **Great Extent and 1** = **No Extent**

Product		**5**	**4**	**3**	**2**
1					
the bank offers a wide range of banking products	( )	( )	( )	( )	( )
New product development is always important for The health of the bank	( )	( )	( )	( )	( )
New products are normally test marketed	( )	( )	( )	( )	( )
All new product developments are guided by market needs	( )	( )	( )	( )	( )
The bank differentiates its services to meet different needs of customers	( )	( )	( )	( )	( )
Customers are involved in selection of brand Symbols	( )	( )	( )	( )	( )
The bank offers specific products for different target markets	( )	( )	( )	( )	( )
Pricing					
The bank has set clear pricing objectives for each products	( )	( )	( )	( )	( )
The bank has a uniform pricing policy in all its branches	( )	( )	( )	( )	( )
The bank considers competition in pricing	( )	( )	( )	( )	( )
The most important objective is profitability	( )	( )	( )	( )	( )
The bank has a flexible pricing policy	( )	( )	( )	( )	( )
Promotion					
The bank:					
Has an established Public Relations department	( )	( )	( )	( )	( )
Evaluates competition adverts against its own	( )	( )	( )	( )	( )
Undertakes media planning to identify the most effective way of reaching the customer	( )	( )	( )	( )	( )
Sets objectives for each of the promotion mix elements (i.e. public relations, advertising, sales, promotion etc.)	( )	( )	( )	( )	( )
Ensures that brochures and other bank materials are easy to find	( )	( )	( )	( )	( )
Has a strategy for support of social responsibility activities	( )	( )	( )	( )	( )
Undertakes sales promotion activities.	( )	( )	( )	( )	( )
Place					
The bank branches are conveniently located	( )	( )	( )	( )	( )

The bank Carries out research in selection of Suitable branch location and other outlets	( )	( )	( )	( )	( )
The bank Utilizes credit card and ATMs to Overcome the issue of intangibility.	( )	( )	( )	( )	( )
The bank has an elaborate branch network	( )	( )	( )	( )	( )
The bank's branches are inter-linked	( )	( )	( )	( )	( )
The choice of the bank location is guided by Convenience. safety, visibility, and accessibility among other factors	( )	( )	( )	( )	( )
Personnel					
Contact personnel have sufficient product Knowledge	( )	( )	( )	( )	( )
Contact personnel are courteous & professional in serving customers	( )	( )	( )	( )	( )
The bank has strict recruitment procedures to ensure they attract the right personnel	( )	( )	( )	( )	( )
The branch officers are always available to handle customer enquires	( )	( )	( )	( )	( )
Staff are efficient, warm. friendly and honest	( )	( )	( )	( )	( )
The staff are neatly kited(have uniforms)	( )	( )	( )	( )	( )
Service contact personnel are continuously trained on knowledge of bank products and new product developments	( )	( )	( )	( )	( )
34.Staff are constantly trained in new skills.	( )	( )	( )	( )	( )
Physical facilities					
The exterior of the bank is well maintained and attractive	( )	( )	( )	( )	( )
The banking hall is well ventilated. clean and airy	( )	( )	( )	( )	( )
The interior of the bank is attractive and pleasant	( )	( )	( )	( )	( )
The bank has adequate parking for its customers	( )	( )	( )	( )	( )
There is enough sitting space for customers	( )	( )	( )	( )	( )
The bank has a distinct logo and colour regime	( )	( )	( )	( )	( )
Process					
There is timely provision of account information to customers	( )	( )	( )	( )	( )
The bank uses the latest technology in the banking industry	( )	( )	( )	( )	( )
The bank has set standards regarding account Account opening/closing and loan processing procedures	( )	( )	( )	( )	( )
Teller cubicles are well designated and labeled i.e. Legible manner	( )	( )	( )	( )	( )
The bank provides "Que ropes" to guide Customers in the queue	( )	( )	( )	( )	( )
The bank clearly separates customers depending					

on the services sought	( )	( )	( )	( )	( )
The bank provides banking literature to its customers	( )	( )	( )	( )	( )
The bank has clearly marked "entry" and "exit" points	( )	( )	( )	( )	( )

PART C

Q1. Which of the following factors influence the extent to which each of the marketing mix elements are used to market your bank services. (Tick as appropriate)

	Product	Pricing	Promotion	Place	Personnel	Physical Facilities	process
1. Availability of funds	( )	( )	( )	( )	( )	( )	( )
2. Product life cycle	( )	( )	( )	( )	( )	( )	( )
3. Types of customers	( )	( )	( )	( )	( )	( )	( )
4.Types of services	( )	( )	( )	( )	( )	( )	( )
5. Levels of staff skills	( )	( )	( )	( )	( )	( )	( )
6. Company policy	( )	( )	( )	( )	( )	( )	( )
7. Company image	( )	( )	( )	( )	( )	( )	( )
8. Company size	( )	( )	( )	( )	( )	( )	( )
9. Profitability	( )	( )	( )	( )	( )	( )	( )
10. Operating costs	( )	( )	( )	( )	( )	( )	( )
Others (Please specify)							
11...............................	( )	( )	( )	( )	( )	( )	( )
12...............................	( )	( )	( )	( )	( )	( )	( )
13...............................	( )	( )	( )	( )	( )	( )	( )
14...............................	( )	( )	( )	( )	( )	( )	( )
15...............................	( )	( )	( )	( )	( )	( )	( )

Thank you for your co-operation.

APPENDIX 3: LIST OF BANKS OPERATING IN KENYA AS AT 31.03.03

NAME OF INSTITUTION	PER GROUP CODING
AFRICAN BANKING CORP. LTD	3
AKIBA BANK LTD	3
BANK OF BARODA (K) LTD	3
BANK OF INDIA	3
BARCLAYS BANK OF KENYA LTD	1
BIASHARA BANK OF KENYA LTD	4
CFC BANK LTD	1
CHASE BANK (K) LTD	4
CHARTERHOUSE BANK LTD	4
CITIBANK N.A	1
CITY FINANCE BANK LTD	4
COMMERCIAL BANK OF AFRICA LTD	1
CONSOLIDATED BANK OF KENYA LTD	2
COOPERATIVE BANK OF KENYA LTD	1
GIRO COMMERCIAL BANK LTD	3
CREDIT AGRICOLE INDOSUEZ	2
CREDIT BANK LTD	4
DAIMA BANK LTD	4
DEVELOPMENT BANK OF KENYA LTD	3
DIAMOND TRUST BANK KENYA LTD	2
DUBAI BANK KENYA LTD	4
EQUITORIAL COMMERCIAL BANK LTD	4
HABIB BANK A.G ZURICH	3
FIDELITY COMMERCIAL BANK LTD	4
FINA BANK LTD	2
FIRST AMERICAN BANK OF KENYA LTD	2
GUARDIAN BANK LTD	3
MIDDLE EAST BANK LTD	2
NATIONAL BANK OF KENYA LTD	1
NATIONAL INDUSTRIAL CREDIT BANK	2
PARAMOUNT UNIVERSAL BANK LTD	4
PRIME BANK LTD	3
SOURTHERN CREDIT BANKING CORP.LTD	4
STANBIC BANK KENYA LTD	2
STANDARD CHARTERED BANK(K) LTD	1
THE DELPHIS BANK LTD	3
TRANS-NATIONAL BANK LTD	4
HABIB BANK LIMITED	3
IMPERIAL BANK LTD	3
INVESTMENTS AND MORTGAGES BANK LTD	2
K-REP BANK LIMITED	4
KENYA COMMERCIAL BANK LTD	1
INDUSTRIAL DEVELOPMENT BANK	4
VICTORIA COMMERCIAL BANK LTD	3

Source: CBK. Directory Of Commercial Banks,2003

APPENDIX 4: EXPLANATIONS OF TERMS IN FACTOR ANALYSIS

Communalities – The communalities measure the percent of variance in a given variable explained by all the factors. That is, the communality is the squared multiple correlation for the variable using the factors as predictors.

For full orthogonal extraction, the communality will be 1.0 and all of the variance in the variables will be explained by all of the factors, which will be as many as there are variables. In the communalities chart. SPSS labels this column the "initial" communalities. The "extracted" communalities is the percent of variance in a given variable explained by the factors which are extracted. which will usually be fewer than all the possible factors, resulting in coefficients less than 1.0.

Eigenvalues - Are the proportion of total variance in all the variables, which is accounted for by that factor. A factor's eigenvalue may be computed as the sum of its squared factor loadings for all the variables. A factor's eigenvalue divided by the number of variables (which equals the sum of variances because the variance of a standardized variable equals 1) is the percent of variance in all the variables which it explains. The ratio of eigenvalues is the ratio of explanatory importance of the factors with respect to the variables. If a factor has a low eigenvalue, then it is contributing little to the explanation of variances in the variables and may be ignored as redundant with more important factors.

Total Variance Explained Table - The "Initial Eigenvalues" and "Extraction Sums of Squared Loadings" columns are the same, except the latter only lists factors that have actually been extracted in the solution. The "Rotation Sums of Squared Loadings" give the eigenvalues after rotation improves the interpretability of the factors (we used Varimax rotation, which minimizes the number of variables which have high loadings on each given factor). Note that the total percent of variance explained is the same but rotation changes the eigenvalues for each of the extracted factors That is, after rotation each extracted factor counts for a different percentage of variance explained, even though the total variance explained is the same.

Rotated Component Matrix - The "Component Matrix," gives the factor loadings. This is the central output for factor analysis. The factor loadings, also called component loadings are the correlation coefficients between the variables (rows) and factors (columns). Factor loadings are the basis for imputing a label to the different factors.