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STRATEGIC MARKET POSITIONING PRACTICES BY COMMERCIAL BANKS IN KENYA //

BY:

WAMBUGU JEDDIDAH WANGECHI

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DECLARATION

This research project is my original work and it has not been presented in any other university.

Signed............. Date..10/11/08....................

Wambugu Jeddidah Wangechi

Reg. No: D61/P/8466/2005

This Research project has been submitted for examination with my approval as a University Supervisor.

Signed.......................... Date.....13 - 11 - 2008.....

DR. J. M. Munyoki

Lecturer

Dept of Business Administration

University of Nairobi

DEDICATION

I wish to dedicate this research project to my beloved parents, Mum and Dad, for your selfless love, support, prayers and encouragement.

To my two sisters, Macoh and Vinnie, for loving me and being there for me all the time.

I love you all.

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To my entire family, friends and colleagues who have been such an inspiration to me. To all I say thank you.

ABSTRACT

The research study was carried out to determine the competitive and collaborative positioning strategies adopted by the commercial banks in the Kenyan market. The study targeted all the 44 commercial banks but response was received from 37 commercial banks.

All commercial banks in Kenya had their head offices located either within Nairobi city centre or its outskirts; therefore data collection was done within Nairobi city. Two research assistants were hired to assist in data collection where one was provided with a list of banks within Nairobi city centre and the other one in the outskirts. The questionnaires were delivered to all the commercial banks specifically to either marketing managers or finance managers through personal delivery by the research assistants of which some were referred to public relations officers and business development officers later. A few questionnaires were received within three days; personal telephone calls were made to the individual respondents as a follow up after which the bulk of them were received in the third week. The questionnaires were checked for completeness and relevance before being coded for data entry into SPSS. Data analysis was done by SPSS and presented through frequency tables, mean, variance and standard deviation.

It was found out that most commercial banks were more familiar with the competitive strategies like cost leadership and differentiation than collaborative strategies such as mergers, acquisitions and joint ventures. Various factors including competitor reaction, attitude towards risk and timing were considered during positioning process. Products with high growth rate in the market were regarded more highly in allocation of resources subject to business strength. Several benefits were obtained from strategic positioning and among them were increased customer loyalty, increased business opportunities and increased sales but competition amongst the commercial banks came out as the most challenging factor to achieving a sustainable competitive advantage.

TABLE OF CONTENTS PAGES

ABBREVIATIONS

CBK - Central Bank of Kenya

KBA - Kenya Bankers Association

SPSS - Statistical Package for Social Studies

LIST OF FIGURES **PAGE**

LIST OF TABLES PAGE

CHAPTER ONE

INTRODUCTION

1.1 Background

Strategy is a pattern of actions and resource allocations designed to achieve the goals of the organizations (Bateman and Zeithaml, 1993). The strategy a firm implements is an attempt to match the skills and resources of the organization to the opportunities found in the external environment. According to Thompson and Strickland (2003), a company strategy consists of the competitive efforts and business approaches that managers employ to please customers compete successfully and achieve organizational objectives. Gavetti et al (2005) define strategy based on three conditions; namely, that a company develops and implements an internally consistent set of goals and functional policies that collectively define its position in the market; aligning the firm's strengths and weaknesses with external opportunities and threats; and being centrally concerned with the creation and exploitation of distinctive competencies.

Market positioning as suggested by Kotler (1997) is the act of designing the company's offering and image so that they occupy a meaningful and distinct competitive position in the target customers' minds. In order to have focused positioning, a company must decide how many and which differences (e.g. benefits, features) to promote to its target customers. Hax and Majluf (1996) suggest that strategy is a definition of the competitive domain of the firm, which addresses issues of growth, diversification and divestment. This is done through a process of effective business segmentation. Segmentation is the key for business analysis, strategic positioning, resource allocation and portfolio management. It involves selecting the customers, the business units will be serving and consequently the competition that they will be facing. On their part, Pearce and Robinson (2002) define grand strategy as the comprehensive general plan of major actions through which a firm intends to achieve its long-term objectives in a dynamic environment. They further noted that operational strategies developed at divisional levels are detailed statements of the means that will be used to achieve the overall objectives of a firm.

According to Ries and Trout as quoted in Kotler (1997), positioning starts with a product, a service, a company or a person but positioning is not what you do to a product; it's what you do to the mind of the prospect. The most commonly promoted positioning include best quality, best services, lowest price, best value and most convenient.

1.1.1 Market Positioning

Market positioning is a positioning within a market sector, which has been defined by customer-oriented market segmentation, and thus positioning is the mediating force or match between the firms and its wider environment (Atkinson and Wilson 1996). Similarly, Wilson and Gilligan (1997) observe that positioning is the process of designing an image and value so that customers within the target segments understand what the company or brand stands for in relation to its competitors. Therefore, positioning is a fundamental element of the marketing planning process since any decision on positioning has direct and immediate implications for the whole of the marketing mix. In essence, the marketing mix can be seen as the tactical details of the organizations positioning strategy. Barnerjee (1999) refers to positioning as perceptual mapping. He argues that perception influences decision – making at both the subconscious and conscious levels. He finds positioning as an organized system for finding a window in the mind of consumers. The real benefit of positioning lies in identifying the gap in the market place and then filling it. This summarizes to the concept of niche marketing in which specialization is the key to success.

1.1.2 Strategic Market Positioning

A firm's marketing strategy identifies the buyer to be targeted and the positioning strategy, which involves product, place (distribution), price and promotion strategies to be used for each customer target selected by management. Strategy selection process involves: market definition and analysis, market segmentation and industry structure and competition. Product market analysis, segmentation, industry and competitor analysis and competition decisions establish key guidelines for deciding which buyers to target and selecting a positioning strategy appealing to each group of targeted buyers (Cravens, 1996). Churchill and Peter (1995), define market segmentation as the process of subdividing a market into distinct subsets of customers that behave in the same way or have the same needs.

Individuals or firms in each subset or market segment have common needs and similar responses to a particular marketing effort. This information is used to determine which segments of the market a business can serve most profitably. Segmentation may either be Geographic, Demographic or Psychographic. Renowned Economists have long predicted the coming together of world markets and with exponential advancements in technology, communication and the Internet, shrinking world become a reality. Since globalization and integration of the world economy is increasingly imminent, it becomes imperative for businesses to strategically position themselves in the new world market. They observe that achieving effective strategic market positioning involves analyzing an industry to determine strategic market segments and then making investments in those segments that will lead to increased returns and overall market share. Strategic Market Positioning is therefore the ability of a business to compete effectively in multiple segments of the market.

1.1.3 The Banking Industry in Kenya

A summary from PriceWaterHouse Coopers website shows that there are forty-six bank and non-bank financial institutions in Kenya, fifteen micro finance institutions and forty-eight foreign exchange bureaus. Thirty-five of the banks, most of which are small to medium sized, are locally owned. A few large banks most of which are foreign-owned, though some are partially locally owned, dominate the industry. Six of the major banks include: Barclays Bank, Standard Chartered Bank, Kenya Commercial Bank, Equity Bank, Cooperative Bank, National Bank and Central Bank of Kenya as the Regulator. The PriceWaterHouse Coopers website further outlines that the commercial banks and non-banking financial institutions offer corporate and retail banking services but a small number, mainly comprising the larger banks, offer other services including investment banking. The banking sector was liberalized in 1995 and exchange controls lifted. The Central Bank of Kenya (CBK), which falls under the Minister for Finance's docket, is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system. The CBK publishes information on Kenya's commercial banks and non-banking financial institutions, interest rates and other publications and guidelines.

The banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the banks' interests and also addresses issues affecting its members. Key issues affecting the banking industry in Kenya include: changes in the regulatory framework, where liberalization exists but the market still continues to be restrictive; declining interest margins due to customer pressure, leading to mergers and reorganizations; increased demand for non-traditional services including the automation of a large number of services and a move towards emphasis on the customer rather than the product; and introduction of non-traditional players, who now offer financial services products. The banking sector is poised for significant product and market development that should result in further consolidation of the banking sector.

Kenyan Banks more than any other business are experiencing severe challenges as competition intensifies both from the traditional competitors and new forms of competition from outside the sector. Much of it has to do with the liberalization of the economy that allows even no-financial institutions to conduct previously a preserve for banks only (Thuo, 1999). Okutoyi (1988) notes that in banking, the growth of marketing awareness is attributed to increased competition, which resulted into decline in the share of the deposit market. Savings banks, savings and loans associations, credit unions have been given the authority to diversify and to offer services that were once offered exclusively by Commercial Banks. This created a buyers market – a situation in which the buyer has a multitude of choices open, giving rise to intense competition among sellers.

1.2 Statement of the Problem

The Banking industry in Kenya has for a very long time concentrated on Corporate Banking leaving out individual customers and this has in itself created a gap in Retail Banking. Closure of branches in small towns over the years meant lack of access to banking services for the individuals, small and medium business enterprises. This fact led to mushrooming of pyramid schemes and merry- go- rounds as individuals sought for ways of investing and saving their money. Commercial banks have recently identified the market gap and moved swiftly to close it though faced with various challenges.

Globalization effect has posed the greatest challenge as it only stiffens the competition that already existed in the market. Channon (1986) as quoted in Okutoyi (1988) notes that as a result of the growing level of competition and rapid change, more and more banks worldwide are increasing their strategic planning efforts aimed at gaining a comparative advantage. With the advancement in technology the Commercial banks in Kenyan Market have had to seek for their survival through product development, customer satisfaction and technological upgrade. This is evidenced by increased automation of services and partnering with various business enterprises through Visa cards.

Various studies have been carried out on strategic marketing (Okutoyi, 1988; Thuo, 1999) and competitive strategies in various Kenyan industries (Jowi, 2006) but none has specifically covered the issue of Strategic Market Positioning Practices by the Commercial Banks in Kenya. For instance, Okutoyi (1988) focuses on the relationship between the use of strategic marketing and bank performance in Kenya; and how local banks, multinational subsidiary banks and Government banks compare in regard to the use of strategic marketing while Thuo (1999) examines the relationship marketing strategy in Kenyan banking sector through perception of banking service marketers and their attitude towards investing in relationships. This study will go beyond just finding out if and how customer relationships are established to examine how Commercial Banks in Kenyan Market ensure that they capture customer's attention, perception and ensure customer loyalty for their sustainability in the current highly dynamic and competitive market.

1.3 Research Objective

The objective of this study was to determine the competitive and collaborative positioning strategies adopted by the Commercial Banks in Kenya for Sustainable Competitive Advantage.

1.4 Significance of the Study

This study will be of benefit to the following:

a. The Banking Industry as a whole the daily management of the commercial banks as the level of competition in the market stiffens and every bank needs to achieve niche marketing.

b. The Investors in determining where to place their more in order to maximize their returns either in the short run or in the long run.

c. Future researchers in establishing how the transition of Commercial Banks from reactive to proactive nature came about.

CHAPTER TWO

LITERATURE REVIEW

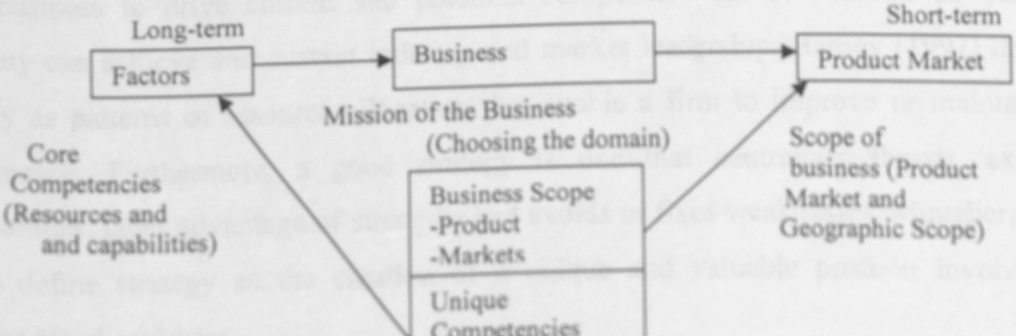
2.1 Introduction

This chapter reviews the relevant literature on strategy, market positioning and sustainable competitive advantage through strategic marketing positioning practices adopted by commercial banks in the Kenyan market.

2.2 Strategy

Strategy is a means of establishing the organizational purpose in terms of its long term objectives, action programs and resource allocation priorities. One of the central concerns of strategy is defining the businesses the firm is in or intends to be in. this places strategy as the basic force that addresses issues of growth, diversification and divestment. Therefore, defining a formal strategic planning process is an effective business segmentation, which is important to strategic positioning (Hax and Majluf, 1996). Furthermore, strategy embraces the overall purpose of a firm and a unified definition has to address the controversy between the industry structure –competitive positioning paradigm and the resource –based view of the firm. Figure 2.1 illustrates this concept by offering reconciliation between the market- driven and the factor – driven approaches, the bridge being the mission of the business. The mission captures the two central questions that link these approaches; business scope and unique competencies that determine the key capabilities of the firm.

Figure 2.1: Integration of Factor and Product/Market-driven views of Strategy



Source: Hax and Majluf, 1996; The Strategy process and Concepts. A Pragmatic Approach. 2nd Edition Prentice Hall Pg 13

The business scope is defined in terms of the products the firm is offering; the selection of customers to be served and the geographical reach the firm aspires to have. In this way, it establishes the competitive domain of the business. The business scope specifies where the firm is competing and how it is serving the dynamic needs of the market in the most effective way. Given the enormous turbulence that is inherent in market dynamics, this concern, by necessity has to be flexible and short term oriented. The second dimension of the mission of the business is how to compete. This refers to the development of those unique or core competencies that will allow the firm to achieve a sustainable competitive advantage. These competencies stem from the basic factors of production as well as the resources and capabilities that belong exclusively to the firm. The core competencies provide the long-term competitive standing of the business.

Strategy is a sequence of united events which amounts to a coherent pattern of business behaviour. Business strategy focuses on the relationship between the firm and its environment. A meaningful strategy is not a statement of corporate aspirations but it is rooted in the distinctive capabilities of the individual firm (Tang and Bauer, 1995). The environment is set by the participants external to the firm that create forces and exert pressure on the firm(among the external participants are competitors, Government bodies, Regulatory agencies, other firms, suppliers, distributors, service companies etc). In addition, Tang and Bauer (1995) state that strategy is the effort to outwit and out-perform your adversaries while they are trying to do the same to you and therefore a continuous business process which takes resources out of bad business and puts new resources into good business to drive current and potential competitors out of business so that the company can achieve and sustain industry and market leadership. Barney (1997) defines strategy as patterns of resource allocation that enable a firm to improve or maintain its performance. Furthermore, a good strategy is one that neutralizes threats, exploits opportunities, takes advantage of strengths and avoids or fixes weaknesses. Mintzberg et al (2002) define strategy as the creation of a unique and valuable position involving a different set of activities.

Banks must seek to define their own unique personality with due regard for the strengths and weaknesses. He observed that "The friendly bank, The Family bank" are not enough in themselves. The banks must recognize the wider areas of competition involved in the diversification of the market. The strategy must be communicated to all levels of the organization to provide a detailed planning of the entire firm (Handscombe, 1982). Thompson et al (2007) suggest that strategy is management's action plan for running the business and conducting operations. A company's strategy consists of the competitive moves and business approaches that managers are employing to grow the business, attract and please customers, compete successfully, conduct operations and achieve the targeted levels of organizational performance.

2.3 Market Positioning

Marketing concept means a market orientation and how it fits within the modern business firm (Bruning and Lockshin, 1994). External participants collectively create forces that shape the environment in which a company has to compete and distinguish itself. These forces create a set of dynamics that alter the equilibrium of forces and dislocate the status quo for a company. In this situation, the firm creates initiatives and actions to alter the direction and magnitude of these forces. The sum total of these initiatives is the operational expression of a company's strategy. Through strategies every company is constantly seeking to change the playing field so that it is unleveled and optimized to its own capabilities (Tang and Bauer, 1995).

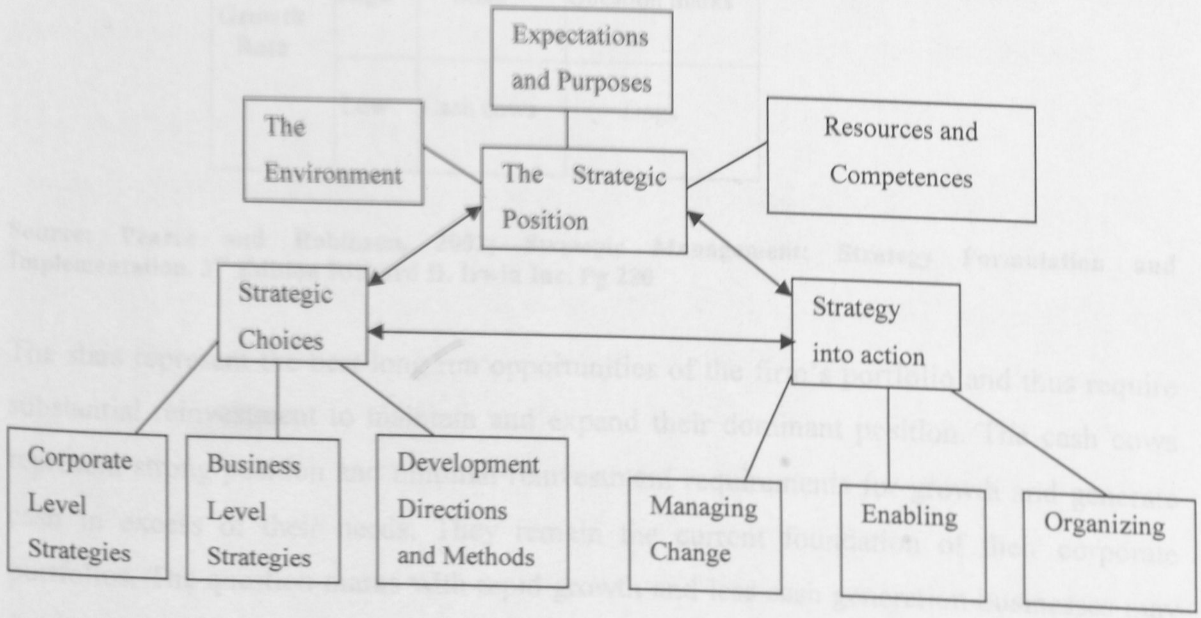
Positioning is the art of selecting out of a number of unique selling propositions, the one that will get you maximum sales (Sengupta, 1990). According to Kotler (1994), market positioning is mainly viewed as the process of market segmentation that involves breaking down a market into smaller segments in order to better understand consumer behavior and identify opportunities to increase overall market share. Narver and Slater as quoted by Bruning and Lockshin (1994) developed the construct of a market orientation to include customer orientation, competitor orientation and interfunctional coordination each of which is necessary to create the culture and organization able to sustain a competitive advantage.

Strategic Market Positioning entails maximizing the chances of identifying successful strategies, thinking beyond the current business offerings and evaluating other businesses that share the same customers or leverage the same technologies. Gaining a competitive advantage through the provision of greater value to customers can be expected to lead to superior performance measured in conventional terms such as market-based performance (e.g., market share, customer satisfaction) and financial-based performance which include, return on investment, shareholder wealth creation (Kotler, 1994). Day and Wesley as quoted by Bruning and Lockshin (1994) indicate the necessity of management integrating the sources of advantage into a strategy that maintains and improves the company's position relative to customers and competitors. Specifically, diagonizing and maintaining competitive advantage is directly related to information collection and application.

The essence of strategic positioning is to choose activities that are different from rivals. Competitive strategy is about being different which means deliberately choosing a different set of activities to deliver a unique mix of value (Mintzberg et al, 2002). One of the major concerns that has to be present in any effort leading towards the strategic positioning of the firm has to do with the degree to which the organization is challenged to achieve demanding goals. Strategic intent envisions a desired leadership position and establishes he criteria an organization will use to chart its progress. Strategic intent also encompasses an active management process that creates a sense of urgency, focuses the organization on the essence of winning and motivates people through actions such as: developing a competitor focus at every level through widespread use of competitive intelligence; providing employees with the skills they need to work effectively; leaving room for individual and team contribution; guiding resource allocation through the consistent use of intent; giving the organization time to digest one challenge before launching another; establishing clear milestones and review mechanisms to track progress; ensure that internal recognition and reward reinforce desired behaviour (Hax and Majluf (1996). Johnson and Scholes (2002) note that the Strategic Position is concerned with impact of strategy on the external environment, internal resources and competencies and expectations and influence of stakeholders.

Figure 2.2 is a model of the element of strategic management to show the key influences on the present and future well being of an organization. The environment creates opportunities and threats, the competencies of the organization and the expectation of stakeholders.

Figure 2.2: Model of the Element of Strategic Management



Source: Johnson and Scholes, 2002; Exploring Corporate Strategy. 6th Edition Prentice Hall Inc. Pg 17

The environment focuses on the context in which the organization exists which may be a complex commercial, political, economic, socio-technological, environmental and legal world. This will give rise to opportunities and threats, resources and competencies of an organization make up the strategic capability of an organization, which considers strengths and weaknesses. The issue of corporate governance and the expectations of different stakeholders who are influenced by their cultural and political practices influence the organization's purpose.

Pearce and Robinson (2002) observe that corporations are continually involved in strategic analysis in their business portfolio approach. They use both the Boston Consulting Group (BCG) model and General Electric (GE) model to achieve competitive positions. BCG's growth matrix – facilitates corporate strategic analysis of likely generators and optimum users of corporate resources as illustrated in figure 2.3

Figure 2.3: Boston Consulting Group (BCG) model

		Relative Competitive Position (market share)	
		High	Low
Market Growth Rate	High	Stars	Question marks
	Low	Cash cows	Dogs

Source: Pearce and Robinson, 2002; Strategic Management: Strategy Formulation and Implementation. 3rd Edition Richard D. Irwin Inc. Pg 280

The stars represent the best long run opportunities of the firm's portfolio and thus require substantial reinvestment to maintain and expand their dominant position. The cash cows represent strong position and minimal reinvestment requirements for growth and generate cash in excess of their needs. They remain the current foundation of their corporate portfolios. The question marks with rapid growth and less cash generation businesses may opt to reposition the resources more effectively in other portfolios. The dogs represent saturated mature markets with intense competition and low profit margins and as such should be divested. As shown in figure 2.4, GE model uses multiple factors to assess industry attractiveness and business strength.

Figure 2.4: General Electric (GE) model

		Industry Attractiveness		
		High	Medium	Low
Business Strength	Strong	A	A	B
	Average	A	B	C
	Weak	B	C	C

A – Invest/Grow
B – Selectivity
C – Harvest/Divest

Source: Pearce and Robinson, 2002; Strategic Management: Strategy Formulation and Implementation. 3rd Edition Richard D. Irwin Inc. Pg 287

Business strength factors include: Relative market share, profit margins, ability to compete on prices and quality, knowledge of customers and market, competitive strengths and weaknesses and technological capability. Industry attractiveness factors include: Market size and growth rate, industry profit margins, competitive intensity, seasonality, cyclical economies of scale, technology, social, environmental, legal and human impacts.

2.4 Sustainable Competitive Advantage

Competitive Advantage results from offering superior value to customers through lower prices than competitors' equivalent benefits and unique benefits that more than offset a higher price (Ansoff, 1965). In addition, value addition to customers is an essential element of sustainable competitive advantage. Therefore, for a resource to be a potential source of permanent competitive advantage it must enable the creation of value, the firm needs to implement strategies that improve its efficiency and effectiveness by meeting the needs of customers. The inability of competitors to duplicate resource endowments is a central element of sustainable competitive advantage. According to Hax and Majluf (1996), the strategic posture of the firm is a se of pragmatic requirements developed at the corporate level to guide the formulation of corporate, business and functional strategies. It is expressed through the formulation of corporate strategic thrusts and corporate performance objectives.

Corporate strategic thrusts constitute a powerful mechanism for translating the broad sense of directions the organization wants to follow into a practical set of instructions to all key managers involved in the strategic process. Strategic thrusts are the primary issues the firm has to address in the short term to establish a healthy competitive position in the key markets in which it participates. Corporate performance objectives are quantitative indicators of the overall performance of the firm which are predominantly financial in nature. These include among others size, growth, profitability, capital markets and managerial capabilities. For a competitive advantage to be sustainable, the conditions of uniqueness associated with a business unit strategy should be preserved. Therefore, there should be no threats of either substitution or imitation.

From a resource-based view, the resources of a firm must have certain attributes like valuable, scarce and difficult to imitate in order to hold the potential for sustainability. In recent developments, Hill and Jones (2004) have observed that the four factors that build and sustain competitive advantage are: superior efficiency, quality, innovation and customer responsiveness. Superior efficiency is achieved when the cost of basic factors of production such as labour, land, capital management and technological know-how is lower than the benefit accrued from the outputs. The quality of output is what determines how much benefit the firm will accrue. Innovation is the act of creating new products or processes which involves product and process innovation. Product innovation is the development of products that are new to the world or have superior attributes to the existing products. Process innovation is the development of a new process for producing products and delivering them to customers.

To achieve superior responsiveness to customers, a company must be able to do better job than competitors of identifying and satisfying its customers' needs. Additionally, sustainability of competitive advantage depends on barriers to imitation, capability of competitors and the general dynamism of the industry environment. Mintzberg et al (2002) observe that a strategic position is not sustainable unless there are trade offs with other positions. Trade offs means choosing what not to do in competing. More so, strategic fit among many activities is fundamental to both competitive advantage and sustainability of the advantage. Hill and Jones (2004) observe that a company has a competitive advantage over its rivals when its profitability is greater than the average profitability for all companies in its industry. It has a sustained competitive advantage when it is able to maintain above average profitability over a number of years. They found out that strategy is the driver of competitive advantage and profitability.

2.5 Competitive and Collaborative Strategies

Market share and profitability are both outcomes of the efforts by firm's secure cost and differentiation advantages, delivery of value to customers and levels of customer satisfaction leading to potential market share and profitability gains.

According to renowned scholars, advantage-creating resources must meet four conditions, namely, value, rareness, inimitability and non-substitutability, and these overlap with strategic industry factors (Kotler, 1994). Porter (1998) observes that positioning determines whether a firm's profitability is above or below the industry average. A firm that positions itself well may earn high rates of return even though industry structure is unfavorable and average profitability of the industry is modest. Figure 2.5 illustrates that competitive strategies are basically low cost or differentiation. Cost Advantage and differentiation stem from industry structure.

Figure 2.5: Porter's Generic Competitive Strategies model

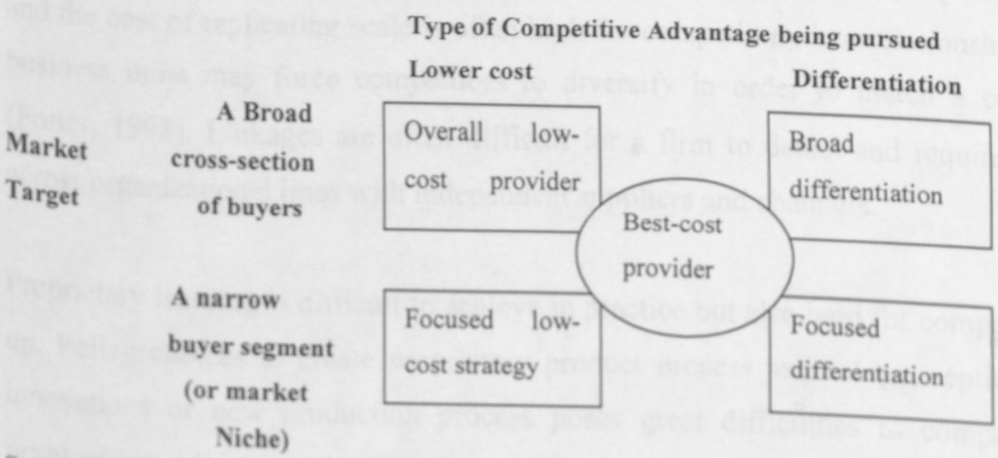
		Competitive Advantage	
		Lower cost	**Differentiation**
Competitive Scope	**Broad Target**	Cost Leadership	Differentiation
	Narrow Target	Cost Focus	Differentiation Focus

Source: Porter, 1998; Competitive Advantage. The Free Press Pg 12

Cost Leadership is where a firm sets out to become the low cost producer in its industry. The firm has a broad scope and serves many industry segments and may even operate in related industries. The sources of competitive Advantage may include economies of scale, automated production, efficient services and preferential access to raw materials. A firm may sustain overall cost leadership and command prices at or near the industry average. Differentiation seeks to be unique in its industry along some dimensions that are widely valued by buyers. It can be based on the product itself, the delivery system by which it is sold, the marketing approach and a broad range of other factors. A firm that can achieve and sustain differentiation will be an above average performer in its industry if its price premium exceeds the extra costs incurred by being unique. Focus rests on the choice of a narrow competitive scope within the industry. The firm selects a segment or a group of segments in the industry and tailors its strategy to serving them to the exclusion of others.

According to Miruka (2000) states that the process of managing competition is outlined not merely by defining its broader objectives and goals, both short term and long term but also by evolving an effective strategy to fulfill such objectives. Contemporary management thinking recognizes three avenues for managing competition effectively, which are; cost leadership, product differentiation and focus strategy. Sources of cost advantage include: High volume of production, specialized machines, specialized employees, economies of scale, differential low cost access to factors of production and technological software. Sources of product differentiation advantages include: product features, linkages between functions, timing, location, product mix, links with other firms and reputation (Barney, 1997). Thompson et al (2007) note that a competitive strategy concerns the specifics of management's game plan for competing successfully and securing a competitive advantage over rivals. They outlined five distinct competitive strategy approaches as shown in figure 2.6 and each stakes out a different market position.

Figure 2.6: Five Generic Competitive Strategies



Source: Thompson et al, 2007; Crafting and Executing Strategy. 15th Edition Mc Graw-Hill Irwin Pg 134

Low-cost provider strategy usually by under pricing rivals, a broad differentiation strategy emphasizing on how products appeal to customers and a best-cost provider strategy which emphasizes on giving customers more value for their money through excellent product attributes for a lower cost than rivals.

A focused strategy or market niche strategy based on low costs concentrating on a narrow customer segment and out competing rivals by having lower cost and based on differentiation, concentrating on narrow customer segment and out-competing rivals by offering customized attributes. Thompson et al (2007) note that companies form strategic alliances and partnerships to complement their own strategic initiatives and strengthen their competitiveness in domestic and international markets. Strategic cooperation is much favored where technological developments are occurring at a fast pace along many different paths and where advance in one technology spill over to affect others. Barney (1997) indicates that companies can also obtain competitive advantage through cooperative strategies. Some may be illegal (e.g. explicit collusion, tacit collusion) while others are legal (e.g. joint ventures, licensing agreement, distribution agreements, supply contracts.)

2.6 Factors Influencing Choice of Strategy

Cost advantage will result in above average performance only if the firm can sustain it. Improving relative cost position in unsustainable ways may allow a firm to maintain cost parity or proximity but affirm attempting to achieve cost leadership strategy must also develop sustainable sources of cost advantage. Some drivers may be: scale mobility barrier and the cost of replicating scale is often high for competitors, interrelationships with sister business units may force competitors to diversify in order to match a cost advantage (Porter, 1998). Linkages are often difficult for a firm to detect and require coordination across organizational lines with independent suppliers and channels.

Proprietary learning is difficult to achieve in practice but also hard for competitors to catch up. Policy choices to create proprietary product process technology, replicating product innovations or new production process poses great difficulties to competitors. Target problem is the business situation the strategist hopes to resolve. The challenge of interest is how to position a firm in an industry that is novel either to managers or the firm itself. For a firm to position itself, it must make a vast array of detailed choices about how to develop, design, produce, sell, deliver and service products.

The choices incur costs and generate buyer value thus shape the economic success of the firm (Porter, 1991). Gavetti and Rivikin (2005) observe that the heart of a company's strategy is what it chooses to do and not to do. The quality of the thinking that goes into such choices is a key driver of the quality and success of a company's strategy. It further states that reasoning by analogy plays a role in strategic decision-making. Faced with unfamiliar problem or opportunity, senior managers draw lessons from a previous similar situation.

A particular strategic choice involves looking at dominant coalition which means the greatest influence, perceptions of the management, segmentation, scanning activities and the firm's dynamic constraints (Miles and Snow, 1978). According to Porter (1998), differentiation is more sustainable under the following conditions: the firm's sources of uniqueness involve barriers in linkages, interrelationships, and first mover advantages; the firm has a cost advantage in differentiating; sources of differentiation are multiple and a firm creates switching costs at the same time it differentiates. Sustainability of a focus strategy against competitors is determined by sustainability against broadly targeted competitors, mobility barriers and sustainability against segment substitution. Pearce and Robinson (2002) observe that simultaneous assessment of the external environment and company profile enabled a firm to identify a range of possibly attractive interactive opportunities, which are possible avenues for investment. This results to a selection process of a strategic choice that matches a combination of long-term objectives and grand strategy that will optimally position the company to achieve its mission. Among the criteria used in assessing strategic choice alternatives include: Role of past strategy, degree of the firm's external dependence, attitudes towards risk, internal political considerations, timing and competitive reaction.

2.7 Challenges Posed By Competition

Many multinational companies are learning that they must collaborate to compete. They can create the highest value for customers and stakeholders by selectively sharing and trading control, costs, capital, access to markets, information and technology with competitors and suppliers alike.

Formation of alliances has brought about both euphoria over the potential of such arrangements to meet the intensifying demands of global competition as well as disappointment over the challenges inherent in their implementation (Mintzberg et al, 2002). These challenges include among others partner opportunism organizational challenges, partner dependency, decision paralysis, evolving environment, greater inflexibility in vertical relations, cultural incompatibility and static strategic position. Kotler (1993) notes that the sustainability of a generic strategy requires that a firm possesses some barriers that make imitation of a strategy difficult. Since barriers to imitation are never insurmountable, however, it is usually necessary for a firm to offer a moving target to its competitors by investing in order to continually improve its position. Not every firm will find many opportunities for differentiating its offer and gaining competitive advantage. Some companies will find minor advantages that are easily copied by competitors and thus highly perishable. Therefore, they should keep identifying new potential advantages and introduce them one by one to keep competitors off balance. A firm can have differentiation along various lines, product, services, personnel and image.

According to Morris (1982) keen competition between the banks is keeping prices down and emphasizing the need to minimize costs. Therefore, sophisticated use of Information Technology is required to meet the changing customers' needs. Quinton (1982) observes that multinational customers expect speedy responses to their requests, which can often involve demands for new products. This requires adaptability of organizational structure, which allows decisions to be made prudently and swiftly. The banks must strive to corporate banking, professional people in middle market, small businesses as well as individuals. In meeting these needs, Commercial Banks face the danger of taking excessive risks, too many services to meet too little viable demands. Therefore, the bankers will need to become increasingly specialized which requires sufficient training resources.

2.8 Summary

Sustainable competitive advantage would only be achieved if there was a strategy in place and this literature review study covered various positioning strategies that would be adopted by the commercial banks in order to remain in business given the stiff competition.

These strategies range from cost leadership in broad target of lower costs to focus differentiation in narrow target differentiation advantages. Some commercial banks may also choose to blend lower costs with differentiation to give the best prices for high quality products. The strategy that a commercial bank decides to adopt at any particular time will highly depend on the internal and external factors prevailing at the time, the outlook of their products in the market and the business strength.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter focuses on the nature of the research study, the target population and how data was collected. Given the study was a qualitative census; the research was carried out through a descriptive design. The study involved a detailed analysis of strategic market positioning practices by all the commercial banks in the Kenyan market. Two research assistants were hired to drop and collect the questionnaires.

3.2 Research Design

The research study was carried out through a descriptive design being a qualitative in nature. The study involved a detailed analysis of strategic market positioning practices by all the commercial banks fully operational in Kenyan market as at January 2008.

3.3 Study Population

The nature of the research study was a census as the population of interest was all the 44 Commercial Banks in Kenya which were listed by Central Bank of Kenya as operational. Two Commercial Banks that were under CBK's statutory management were excluded from the study. The respondents included Marketing Managers, Business Development Officers and Public Relations Officers in Finance and Marketing Departments.

3.4 Data Collection

Qualitative primary data was the only source of data through a self constructed questionnaire to all the 44 commercial banks using "drop and pick later" method. Data was collected within Nairobi city centre since all the commercial banks had their head office either within Nairobi city centre or in its outskirts. Two research assistants were hired to assist in dropping and collection of the questionnaires as the banks were categorized as within city centre and outside city centre. One research assistant was provided with a list of the banks within city centre and their physical location and the other a similar list but for banks outside city centre.

3.5 Data Analysis

Data was analyzed using descriptive statistics at two levels. Univariate Analysis for the scaled questions, which involved determining the distribution using frequency tables, the central tendancy using the mean and dispersion using variance and standard deviation. Level two was Multivariate Analysis for the open ended questions which involved cluster analysis initially to put similar statements together and then factor analysis to determine the frequency of occurrence of the clustered statements.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION

4.1 Introduction

This chapter presents an analysis of data using descriptive statistics at two levels. Level one was Univariate Analysis for the scaled questions, which involved determining the distribution using frequency tables, the central tendancy using the mean and dispersion using variance and standard deviation. Level two was Multivariate Analysis for the open ended questions which involved cluster analysis initially to put similar statements together and then factor analysis to determine the frequency of occurrence of the clustered statements. The analyzed data was presented in Frequency tables. The SPSS statistical computer package was used in the analysis.

4.2 Banks' Profile

The respondents were asked to indicate if their banks were foreign or locally owned and the results were as shown in Table 4.1

Table 4.1: Nature of ownership

Response	Count	% Count
Foreign	19	51
Local	18	49
Total	**37**	**100**

51% of the respondents indicated that their banks were foreign owned while 49% were outlined as locally owned. Further, the respondents were asked to give the nature of the foreign ownership and the response was as indicated in Table 4.2

Table 4.2: Foreign Ownership Structure

Structure of foreign ownership	Count	% Count
Wholly owned subsidiary	15	79
Partially owned subsidiary	2	11
Associate	1	5
Others	1	5
Total	19	100

The foreign owned banks were 79% wholly owned subsidiaries and 11% partially owned subsidiaries.

All the banks were required to indicate the location of their head office and the results were as presented in Table 4.3

Table 4.3: Head Office location

Head Office Location	Count	% Count
Within Nairobi	36	97
Outside Nairobi	0	0
Outside Kenya	1	3
Total	37	100

Regardless of the nature of ownership, 97% of the banks had their head office located within Nairobi and none outside Nairobi.

It was found out that all the commercial banks that responded had adopted a strategic plan according to the respondents and it was therefore necessary to find out how often the strategic plans were reviewed and the results were as indicated in Table 4.4

Table 4.4: Strategic plan review

	Count	% Count
Annually	20	54
Less than 5 years	12	32
Every 5 years	5	14
Total	**37**	**100**

Annual review is more popular among the banks as 54% confirmed this while 14% review every 5 years. The respondents were asked to indicate their job titles as the target population was departmental managers in Finance, Marketing and Strategic Management departments. Respondents' profile was as shown in Table 4.5

Table 4.5: Respondents' Response Profile

Job Title	Frequency	% Frequency
Marketing Manager	23	62
Business Development Officer	10	27
Public Relations Officer	4	1
Total	**37**	**100**
Expected Response	**44**	
Response Rate (%)	**84%**	

The respondents in this survey were 62% Marketing Managers, 27% Business Development Officers and 1% Public Relations Officers from the various Commercial Banks in Kenya. A total of 44 questionnaires were administered through "drop and pick later" method and follow up made through telephone calls to the particular respondents of which 37 were received as complete and 1 as incomplete.

A response rate of 84 percent was realized which was an adequate sample to estimate the parameters for analysis purposes.

4.3 Definition of Strategic Market Positioning

The respondents were asked to describe the concept of Strategic Market Positioning from their own understanding. Table 4.6 shows the results of the responses.

Table 4.6: Respondents' understanding of the concept

Response	Frequency	% Frequency
Identification of market segment	18	37
Provision of Satisfactory services	18	37
Undertaking different trade activities	3	6
Creation of good image to customers	7	14
Being a product leader in differentiation	3	6
Total	**49**	**100**

Table 4.6 shows that 37% of the banks defined Strategic Market Positioning as identification of market segment another 37% as provision of satisfactory services to the customers while the rest viewed it as being a product leader in differentiation, undertaking different trade activities and creating a good image to customers. Multiple responses were received where the respondents viewed strategic market positioning in several but different ways and indicated all of them in the responses.

4.4 Competitive and Collaborative Market Positioning Strategies

4.4.1 Competitive Strategies

In the analysis of the strategies used by commercial banks in the Kenyan market to continuously position themselves, the respondents were requested to rank competitive strategies in terms of importance in their banks. The results are as shown in Table 4.7

Table 4.7: Ranking of the Competitive Strategies

Strategy	Cost Leadership		Broad differentiation		Best-cost provider		Focused low cost		Focused differentiation	
	Count	% Count	Count	% Count	Count	% Count	Count	% Count	Count	% Count
Not Important	0	0	0	0	0	0	2	5	0	0
Less important	2	6	1	3	5	14	6	16	3	8
Important	12	32	13	35	9	24	10	27	7	20
Very Important	13	35	9	24	13	35	11	30	9	26
Extremely important	10	27	14	38	10	27	8	22	16	46
Total	**37**	**100**	**37**	**100**	**37**	**100**	**37**	**100**	**35**	**100**

As shown in Table 4.7, focused and broad and differentiation were considered extremely important by 46% and 38% of the respondents respectively, followed by cost leadership and best cost provider at 27% while Focused low cost was presented as less important. Table 4.8 shows the general outlook of the competitive strategies to give a finer picture of the results.

Table 4.8: General outlook of the Competitive Strategies

Strategy	Mean	Variance	Standard Deviation
Cost Leadership	3.84	0.806	0.898
Broad Differentiation	3.97	0.860	0.928
Best Cost Provider	3.76	1.023	1.011
Focused Low Cost	3.46	1.366	1.169
Focused Differentiation	4.09	1.022	1.011

Table 4.8 shows that all competitive strategies were highly regarded as their mean is about 4 in exception of focused low cost which was 3.46. Low values of the variance and the standard deviation in cost leadership and broad differentiation showed that most commercial banks preferred broad target in the market as opposed to narrow target, borrowing from Porter's model in figure 2.5. Focused differentiation came second in the narrow target at lower costs while Best cost provider came third. Borrowing from the five generic competitive strategies model in figure 2.6, Best cost provider is a blend of both broad and narrow target with a touch of lower costs and differentiation.

Focused differentiation was far from the mean with a higher standard deviation as most respondents were conservative about use of the strategy in the Kenyan market.

4.4.2 Cooperative Strategies

The respondents were asked if they had been involved in cooperative strategies such as mergers and acquisitions in the past and it was found that 59% of the banks had never been involved in cooperative arrangements while only 41% of the population had used cooperative strategies for market positioning. Not withstanding their previous involvement, the respondents were asked to rank cooperative strategies in terms of future considerations and their response was as shown in Table 4.9

Table 4.9: Ranking of the Cooperative Strategies

Importance	**merging**		**acquisition**		**joint venture**		**Licensing**		**Distribution contracts**		**Supply contracts**	
	Count	**% count**	**Count**	**% count**	**Count**	**% count**	**Count**	**% count**	**Count**	**% count**	**Count**	**% count**
Not important	3	9	1	3	2	6	3	9	4	12	4	13
Less important	3	9	3	9	7	22	8	24	8	24	5	16
Important	10	30	11	34	14	44	10	30	7	21	13	41
Very Important	9	27	13	41	8	25	9	28	13	40	9	27
Extremely important	8	25	4	13	1	3	3	9	1	3	1	3
Total	**33**	**100**	**32**	**100**	**32**	**100**	**33**	**100**	**33**	**100**	**32**	**100**

From the general outlook, 30% of the respondents ranked mergers as important, 27% very important and 25% extremely important. Acquisitions were ranked as very important by 41% of the respondents and important by 34%. Joint ventures were viewed as important by 44% and 25% were of the opinion they were very important. Distribution contracts were embraced as very important by 40%, Licensing as important and very important by 30% and 28% respectively and Supply contracts seen as important by 41% of the respondents. Though the respondents were willing to embrace all cooperative strategies mergers, acquisitions and joint ventures were more preferable as illustrated in Table 4.10.

Table 4.10: Ranking of the Cooperative Strategies

Strategy	Mean	Variance	Standard Deviation
Mergers	3.500	0.950	0.903
Acquisitions	2.970	0.933	0.870
Joint venture	3.281	0.940	0.970
Licensing	3.030	1.242	1.114
Distribution contracts	2.967	1.241	1.114
Supply contracts	2.938	1.025	1.012

Table 4.10 represents the mean, variance and standard deviation for the various cooperative strategies as ranked by the respondents. Mergers were ranked very important with a mean of 3.50, Joint ventures, licensing, acquisitions, Distribution and Supply contracts as important with a mean of 3.28, 3.03 and 2.970, 2.967 and 2.94 respectively. Generally, the respondents considered all the cooperative strategies important but from the standard deviation, mergers, acquisitions and joint ventures were more preferable as their standard deviation from the mean were lower.

4.4.3 Market Positioning Practices and Criteria

Positioning practice plays a major role in ensuring a sustainable competitive strategy. Therefore, respondents were asked to choose among three practices, the one that was practiced by their banks and the results were as presented in Table 4.11.

Table 4.11: Market Positioning Practices

Strategy	Count	% Count
Reduced prices for high quality services	9	23
Unique products in the market	21	54
Serving a particular segment in the market	9	23
Total	**39**	**100**

As shown in Table 4.11, the most commonly used positioning practice according to 54% of the respondents is unique products. 23% quoted reduced prices for high quality services and a similar percentage serving a particular segment in the market. Further, respondents were requested to indicate the positioning criteria in classification used in market positioning and they responded as shown in Table 4.12.

Table 4.12: Market Positioning Criteria

Importance	Classification of Products				Resource Allocation			
	Market Share		Growth rate		Industry Attractiveness		Business Strength	
	count	% count	count	% count	count	% count	count	% count
Less important	2	5	0	0	1	3	0	0
Important	7	19	3	8	7	19	6	16
Very Important	16	43	25	68	12	32	18	49
Extremely important	12	33	9	24	17	46	13	35
Total	**37**	**100**	**37**	**100**	37	**100**	**37**	**100**

Table 4.12 shows that 92% of the banks considered growth rate as either very important or extremely important in classification of products while 76% referred to market share at the same level of importance. Similarly, as the criteria for positioning 84% of the banks confirmed their preference for business strength as either very important or extremely important in resource allocation to products and 76% considered industry attractiveness at the same level of importance.

4.4.4 Factors Influencing Choice of Positioning Strategy

In choosing the positioning strategy in the market, commercial banks consider various factors. This is largely because the market is highly dynamic and requires that all factors are put into consideration. Respondents were asked to rank various factors in terms of their importance in influencing the positioning strategy adopted by the commercial banks. Table 4.13 shows the results of the response.

Table 4.13: Ranking of the Factors Influencing Choice of Positioning Strategy

Importance	Role of past strategy		Degree of the firm's external dependence		Attitudes towards risk		Internal political considerations		Timing		Competive Reaction	
	Count	% count	Count	% count	Count	% count	Count	% count	Count	% count	Count	% count
Not important	0	0	2	6	1	3	6	17	1	3	1	3
Less important	1	3	6	17	9	25	13	37	6	17	2	6
Important	16	48	12	34	16	44	12	34	17	47	3	8
Very Important	11	31	13	37	10	28	4	12	12	33	11	31
Extremely important	7	8	2	6	0	0	0	0	0	0	19	53
Total	35	100	35	100	36	100	35	100	36	100	36	100

Table 4.13 shows that competitive reaction was ranked as extremely important by 53% of the respondents while degree of the firm's external dependence, timing, role of past strategy and attitude towards risk were ranked second, third, fourth and fifth respectively. Internal political considerations were seen to have no impact or less impact by 54% of the respondents. This necessitated a closer look at competition as a major challenge among the banks under challenges of strategic market positioning.

4.5 Benefits and Challenges of Strategic Market Positioning

4.5.1 Benefits

The respondents were asked to outline the benefits they enjoy from placing themselves strategically in the market. Multiple responses were received as there was no limit to this question which was open ended. In the analysis, cluster analysis method was applied at level one to group the multiple responses and then factor analysis at level two to determine the frequency of the clustered responses. Table 4.14 illustrates the responses as they were presented.

Table 4.14: Benefits of Strategic Market Positioning

Benefits	Count	% Count
Identification of market niche	17	15
Product specification	8	8
Increased sales	18	17
Increased customer loyalty	21	20
Increased business opportunities	19	18
Risk hedging	8	8
Time management	7	7
Ability to react to competitor influence	7	7
Total	**105**	**100**

Increased customer loyalty was fronted as the best benefit received by 20% of the banks, followed by increased business opportunities at 18%, increased sales at 17% and identification of market niche at 15%. The commercial banks seemed to have diversified benefits indicated by multiple responses.

4.5.2 Challenges

Multiple responses in regard to the challenges faced by the commercial banks in market positioning were received. A similar analysis to the one used in analyzing the benefits was adopted where, cluster analysis method was applied to group the multiple responses and then factor analysis to determine the frequency of the clustered responses. Table 4.15 illustrates the responses.

Table 4.15: Challenges of Strategic Market Positioning

Challenges	Count	% Count
Good will of top management	5	5
High cost of the initiative	22	21
Competitor reaction	25	24
Legislative Restrictions	13	12
Economic and political instability	19	18
Timing of strategy implementation	10	10
Incompetent Human resource	11	10
Total	**105**	**100**

As presented in Table 4.15, competitor reaction was the highest ranked at 24%; High cost of initiative came second at 21%, followed by economic and political stability at 18%. Goodwill of the top management was not outline as a real challenge among most of the banks.

Given the emphasis accorded to competitive reaction an analysis was done to find out the extent to which competition posed a threat to commercial banks. It was found out that 95% of the commercial banks considered competition a major threat in the Kenyan market and to find out just who their main competitors were, the respondents were asked to rate their competitors in terms of importance and the results were as presented in Table 4.16

Table 4.16: Major Competitors

Importance	Other Banks		Non-bank		other factors	
	Count	% count	Count	% count	Count	% count
Not Important	0	0	1	3	4	12
Less Important	0	0	4	11	7	21
Important	4	11	10	29	13	38
Very Important	10	27	14	40	8	24
Extremely important	23	62	6	17	2	5
Total	**37**	**100**	**35**	**100**	**34**	**100**

Refer to the Table 4.16 where commercial banks considered their counterparts extremely important giving figures at 62% while non-financial institutions were considered very important at 40%. Other factors like Sacco's and M-Pesa that are involved in transfer of cash were considered only important at 38%.

4.6 Summary

Data analysis was carried out after the questionnaires were checked for completeness and relevance. Closed questions were analyzed from the likert scale while the open ended questions were clustered, coded then factor analysis done to determine the frequency of occurrence determined. Presentation of the analyzed data was done in frequency tables. The mean, variance and standard deviation were calculated where necessary to give a clear picture of the analyzed data.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary

The study came up with several key findings which are worth mentioning as follows:

Foremost, it was found out that Competitive strategies were more popular than cooperative Strategies. Among the competitive strategies most commercial banks preferred a blend of cost leadership and broad differentiation. Deducing from Porter's Generic competitive strategies model figure 2.5, commercial banks therefore apply this model through adoption of a broad target competitive scope pegged on lower costs and differentiation as competitive advantages. Similarly, the Five Generic competitive strategies model in figure 2.6 is popular through provision of the banks positioning themselves as the best cost providers. Most commercial banks are conservative on narrow focus and cooperative strategies as less than half the population of the commercial banks has undertaken these strategies. Of the cooperative strategies, commercial banks are more likely to undertake mergers, acquisitions and distribution agreements in future than they would joint venture, licensing and supply contracts.

Secondly, most commercial banks opt for unique products in the market as the market positioning practice as opposed to reduced prices for high quality and serving a particular segment in the market. In choice of positioning criteria most commercial banks use growth rate of the products in classification of products and business strength in resource allocation to the various products. Among the factors that influence choice of positioning strategy, competitive reaction is seen as extremely important followed by timing and attitude towards risk.

Finally, Commercial banks enjoy various benefits from placing themselves strategically in the market of which increased customer loyalty is the most highly valued followed by increased business opportunities, increased sales and identification of a market niche.

Competition from other banks and non financial institutions is regarded as the most challenging reality by the commercial banks. Other competitors like the Sacco's and M-Pesa are also seen as a threat. Other challenges include; high cost of initiative, economic and political instability, Timing and incompetent human resource.

5.2 Conclusions

The study's conclusions were as follows:

First, commercial banks in Kenya had more preference for competitive strategies like cost leadership, broad differentiation and best cost provider than cooperative strategies such as mergers, acquisitions and joint ventures in market positioning. In pursuit of the competitive strategies, most commercial banks had a broad target which involved use both cost leadership and broad differentiation in order to successfully position themselves.

Secondly, strategic planning in commercial banks was extremely important in market positioning as all the banks that responded had a strategic plan in place. Additionally, market growth rate of products and business strength were the main criteria for product classification and resource allocation respectively.

Lastly, in making decisions regarding market positioning strategies, banks considered both internal and external factors among which are role of past strategy, attitude towards risk, competitor reaction and timing. Competitor reaction came out as the major challenge among the commercial banks and having unique products in the market helped to cushion the banks.

5.3 Recommendations

This study makes two recommendations; one with policy implications and the other a suggestion for further reading as follows:

Cooperative strategies such as mergers and acquisitions were not popular which led to stiff competition amongst the banks. In recent cases there has been a paradigm shift among the banks as mergers and acquisitions are gaining popularity with an aim of creating giant banks. It is recommended that cooperative strategies should be emphasized among the commercial banks in the Kenyan market to reduce competitor reaction.

Focused differentiation should also be considered as it leads to segmentation which is a form of market positioning. More so, Commercial banks should eliminate inherent risks in market positioning by hiring competent human resource.

The study did not give a detailed analysis of the benefits of and challenges faced by commercial banks in strategic market positioning. Therefore, the researcher makes suggestions for further research on the challenges faced by commercial banks in strategic market positioning and benefits that arise out of strategic market positioning in other service industries like Transport industry, Mobile Communication industry and hospitality industry.

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APPENDICES

Appendix 1: Letter to the Respondents

September 1, 2008

Wambugu, Jeddidah Reg. No. D61/P/8466/2005

MBA Student, School of Business, University of Nairobi

P.O. Box 75691-00200, Nairobi

Dear Sir/Madam,

RE: REQUEST FOR RESEARCH DATA

I am a postgraduate student in the school of Business, University of Nairobi pursuing Master of Business Administration in Strategic Management.

In partial fulfillment of the course, I am conducting a research study titled "Strategic Market Positioning Practices by Commercial Banks in Kenya". I kindly request for your assistance in completing the attached questionnaire soonest possible and to the best of your knowledge. The questionnaire is in four parts. Part A is Background data; Part B is Competitive strategies and Practices; Part C, Factors influencing Choice of Strategy and Part D, Benefits and Challenges of Strategic Market Positioning .

The information given is purely for academic purposes and I wish to assure you that it will be held in strict confidence. Your assistance and cooperation will be highly appreciated. Thank you

Sincerely,

Jeddidah Wambugu
MBA Student
School of Business
University of Nairobi

Dr. J. M. Munyoki
Supervisor & Lecturer
School of Business
University of Nairobi

Appendix 2: Research Instrument

This Questionnaire is a Research Instrument for an academic research study to be answered by Departmental Managers in either Marketing or Finance/Strategic Management Departments. I kindly request for your assistance in completing the questionnaire below, as soon as practically possible and to the best of your knowledge. The information given is purely for academic purposes and will be treated in strict confidence. Your assistance and cooperation will be highly appreciated. Thank you

QUESTIONNAIRE

PART A: BANK BACKGROUND

1) What is the name of your Bank?

----

2) Kindly indicate your Job Title

----

3) When was the Bank established?

----

4) Is your Bank foreign owned?

☐ Yes

☐ No

If yes, answer Question (5) and (6)

5) What is the nature of ownership? (Please tick in the appropriate box)

☐ Wholly owned Subsidiary

☐ Partially owned Subsidiary

☐ Branch

☐ Associate

☐ Others

Specify------------------------------

6) What is the shareholding? In percentage

Foreign ☐

Local ☐

7) How many branches do you have in Kenya?

----

8) Where is your bank's Head Office located? (Please tick in the appropriate box)

☐ Within Nairobi

☐ Outside Nairobi

☐ Outside Kenya

PART B: COMPETITIVE AND COLLABORATIVE STRATEGIES AND PRACTICES

9) Does your Bank have a Strategic Plan?

☐ Yes

☐ No

If yes, answer Question (10) and (11)

10) How often is the Strategic plan reviewed? (Please tick in the appropriate box)

☐ Annually

☐ Less than 5 years

☐ Every 5 years

☐ Over 5 years

11) Is Strategic plan review a centralized form of review

Yes ☐

No ☐

12) How important is strategic planning in your Bank? (Please tick in the appropriate box)

1) Not important ☐
2) Less important ☐
3) Important ☐
4) Very important ☐
5) Extremely important ☐

13) At what level is strategic planning done in your Bank (Please tick in the appropriate box)

a) Operational ☐
b) Business ☐
c) Corporate ☐

14) Please rank in terms of importance how the management appreciates employees' contribution to strategic objectives. (Please tick in the appropriate box)

1) Not important ☐
2) Less important ☐
3) Important ☐
4) Very Important ☐
5) Extremely Important ☐

15) Briefly describe the concept of Strategic Market Positioning as you understand it

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16) How important is strategic market positioning in your Bank? (Please tick in the appropriate box)

1) Not important ☐
2) Less important ☐
3) Important ☐
4) Very Important ☐
5) Extremely Important ☐

17) Please rank in terms of importance in your bank, the following competitive strategies. (Please tick in the appropriate box)

Strategy	Not Important 1	Less Important 2	3	Very Important 4	Extremely Important 5
Cost Leadership	☐	☐	☐	☐	☐
Broad differentiation	☐	☐	☐	☐	☐
Best-cost provider	☐	☐	☐	☐	☐
Focused low cost	☐	☐	☐	☐	☐
Focused differentiation	☐	☐	☐	☐	☐

18) Which method of Market Positioning does your Bank adopt?

☐ Reduced prices for High Quality services
☐ Unique Products in the market
☐ Serving a particular segment in the market
☐ Other
Specify-----------------------

19) Has your bank ever been involved in Cooperative strategies such as mergers, acquisitions etc

Yes ☐

No ☐

20) Kindly rank the cooperative strategies below in terms of importance

Strategy	Not Important 1	Less Important 2	Important 3	Very Important 4	Extremely Important 5
Mergers	☐	☐	☐	☐	☐
Acquisitions	☐	☐	☐	☐	☐
Joint venture	☐	☐	☐	☐	☐
Licensing Agreement	☐	☐	☐	☐	☐
Distribution Agreement	☐	☐	☐	☐	☐
Supply contracts	☐	☐	☐	☐	☐
Others					

Specify---

PART C: FACTORS INFLUENCING CHOICE OF STRATEGY

21) How would you describe your business environment for the last five years? (Please tick in the appropriate box)

Turbulent ☐

Relatively Stable ☐

Irregular ☐

Unpredictable ☐

22) Does your Bank carry out a SWOT Analysis?

Yes ☐

No ☐

23) How important is SWOT Analysis in your Bank? (Please tick in the appropriate box)

1) Not important ☐
2) Less important ☐
3) Important ☐
4) Very Important ☐
5) Extremely Important ☐

24) How often is SWOT Analysis done in your Bank

Continuously ☐

Weekly ☐

Monthly ☐

Quarterly ☐

Semi Annually ☐

Annually ☐

25) Please rate the importance of the factors below in classification of your products (Please tick in the appropriate box)

Factor	Not Important 1	Less Important 2	Important 3	Very Important 4	Extremely Important 5
Market Share	☐	☐	☐	☐	☐
Growth Rate	☐	☐	☐	☐	☐

26) Please rate the factors below in terms of importance in your product resource allocation (Please tick in the appropriate box)

Factor	Not Important 1	Less Important 2	Important 3	Very Important 4	Extremely Important 5
Industry Attractiveness	☐	☐	☐	☐	☐
Business Strength	☐	☐	☐	☐	☐

27) Please rank the following factors in terms of importance in influencing choice of positioning strategy (Please tick in the appropriate box)

Factor	Not Important 1	Less Important 2	Important 3	Very Important 4	Extremely Important 5
Role of past strategy	☐	☐	☐	☐	☐
Degree of the firm's external dependence	☐	☐	☐	☐	☐
Attitudes towards risk	☐	☐	☐	☐	☐
Internal political considerations	☐	☐	☐	☐	☐
Timing	☐	☐	☐	☐	☐
Competitive Reaction	☐	☐	☐	☐	☐

PART D: BENEFITS AND CHALLENGES

28) Is competition a major challenge to your bank?

Yes ☐

No ☐

29) Who do you consider your major competitors? Rank in terms of importance (Please tick in the appropriate box)

	Not Important 1	Less Important 2	Important 3	Very Important 4	Extremely Important 5
Other banks	☐	☐	☐	☐	☐
Non – bank financial institutions	☐	☐	☐	☐	☐
Others (e.g. SACCOs, pyramid schemes, merry go rounds etc) Specify----------------------	☐	☐	☐	☐	☐

30) Kindly list the benefits obtained from strategic Market Positioning practices in your bank

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31) Kindly list the challenges faced in implementing the strategic market positioning practices in your Bank

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Thank you for your time.

----------THE END------------

Appendix 3: List of Commercial Banks

1	African Banking Corporation Ltd	26	Habib Bank Ltd
2	Bank of Africa	27	Imperial Bank Ltd
3	Bank of Baroda (K) Ltd	28	Housing Finance
4	Bank of India	29	Investment and Mortgages Bank
5	Barclays Bank of Kenya Ltd	30	Kenya Commercial Bank Ltd
6	CFC Bank Ltd	31	K-Rep Bank Ltd
7	Chase Bank Ltd	32	Middle East Bank Ltd
8	Citibank, N.A	33	National Bank of Kenya Ltd
9	City Finance Bank Ltd	34	National Industrial Credit Bank Ltd
10	Commercial Bank of Africa Ltd	35	Oriental Commercial Bank Ltd
11	Consolidated Bank of Kenya Ltd	36	Paramount – Universal Bank Ltd
12	Cooperative Bank of Kenya Ltd	37	Prime Bank Ltd
13	Credit Bank Ltd	38	Southern Credit Banking Corporation
14	Development Bank of Kenya Ltd	39	Savings and Loans
15	Diamond Trust Bank Kenya Ltd	40	Stanbic Bank Kenya Ltd
16	Dubai Bank Ltd	41	Standard Chartered Bank Ltd
17	EABS Bank Ltd/ Eco Bank Ltd	42	Trans-National Bank Ltd
18	Equatorial Commercial bank Ltd	43	Victoria Commercial Bank Ltd
19	Equity Bank Ltd	44	Gulf African Bank
20	Family Bank Ltd		
21	Fidelity Commercial Bank Ltd		
22	Fina Bank Ltd		
23	Giro Commercial Bank Ltd		
24	Guardian Bank Ltd		
25	Habib AG Zurich		

(Source: Central Bank of Kenya, January 2008. The list excludes commercial banks under CBK's Statutory Management)