

**AN ANALYSIS OF FACTORS CONTRIBUTING TO INCREASED  
MARKETING ACTIVITIES BY KENYA COMMERCIAL BANK LTD**

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## DEDICATION

This work is dedicated to my mother, Susan Wanjiku Nguthuku (Muchiku) for the sacrifices she made when we were young.

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To the almighty God for his love, provision, protection and peace. He has brought me this far and sustained our Family.

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## ABSTRACT

The Market place is changing radically as a result of major environmental forces such as technological advances, globalization and deregulation. As a result of these factors, competition in the Banking industry is getting more fierce. Competitive pressure has forced organizations to adapt the Marketing orientation, which call for constant change as Market conditions evolve, a strategy for dealing with Market turbulence. Banks in Kenya did not feel the need for a Marketing department until fairly recently. We are Currently witnessing a lot of marketing activities by all major Banks in Kenya, which includes Kenya Commercial Bank Ltd.

The study therefore aims at identifying the factors that have contributed to increased Marketing Activity by Kenya Commercial Bank Ltd, Establish the Marketing activities perceived to be most important and establish the benefits of increased Marketing activities. A case study was carried out and disproportionate stratified sampling method used to randomly select 30 respondents to participate in the study. The data was analyzed using Tables, graphical presentations and charts using the statistical package for social sciences (SPSS).

Results indicated that there are a lot of a lot of Marketing activities being carried out by Kenya Commercial Bank Ltd especially sponsorship and community service. This has resulted in growth of customer base and increased profitability. Increased marketing activities in Kenya Commercial Bank Ltd has resulted from increased competition, need for greater profitability and customer sophistication and empowerment. The results of this study will help Marketing Managers in Banks implement appropriate Marketing strategies.

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## CHAPTER ONE: INTRODUCTION

### 1.1 Background

The commercial banking industry has undergone significant change in the past 15 years. From the origin of commercial banking, the cost of key ingredient-money was controlled. The business activities in which banks could and could not compete were largely determined by legislation (Sullivan, 1986). Today, large commercial banks operate in a far more dynamic marketplace. The cost of funds fluctuates rapidly and there is increased competition from both inside and outside the traditional banking industry. Federal and state legislation continues to exert influence on the industry, products and customers are increasingly sophisticated and the rate of change in the industry continues unabated. Such rapidly changing circumstances have prompted a number of significant changes in traditional bank management. Challenges confronting bank managers include developing: a capacity to meet and exceed the performance levels of sophisticated competitors; a customer focused marketing approach; an ability to manage numerous and often diverse products and services; Capability to measure both market performance and product profitability; and initiative and entrepreneurial thinking within their organizations (Wichman, 1989).

The market place is changing radically as a result of major environment force such as technological advances, globalization and deregulation (Kotler, 2003; Lovelock et al, 1996). It is not news to even the most casual observer of the financial services industry that these are challenging times for financial institutions. The pace of change and the growing complexity around are breathtaking. The information technology revolution, globalization, increasing buying sophistication and significant demographic changes are driving forces behind these changes.

For CEOs, the implications are far-reaching: an exponential growth in information availability and use, new parts of the globe opening up, rapidly fragmenting demand, a proliferation of sales channels, shortened product, project and process life cycles, and intensified, often price-based competition. These trends are all the more challenging because many banks are emerging from a period dominated by cost cutting, downsizing or delayering. In other words: after a prolonged period of internal focus, banks must again concentrate on external issues, and put strategic marketing at the top of their agenda. (Jagersma, 2006)

Due to the resulting intense competition, growing customer financial sophistication, the need to improve profit to cover increasing costs, inflation and expansion factors banks are gradually appreciating the need for marketing. According to Amino (2003) many banks in Kenya did not feel the need for a Marketing department until fairly recently and the branch Manager was in charge of marketing within a specific branch. However in the 1990s bankers began incorporating the Marketing department in the hiring training and organizing functions.

Commercial banks in Kenya have been characterized by a lot of marketing activities since the beginning of the 21<sup>st</sup> century. Kenya commercial bank Ltd, one of the major banks in Kenya has increased its distribution channels and opened branches in areas where it had previously ignored e.g. areas like Githurai, Gikomba and Ngong. What then are the factors contributing to increased marketing activities by Kenya Commercial Bank Ltd?

### **1.1.1 Importance of marketing activities in organizations**

Watkins (2002) points out that marketing is a very important function in an organization in that it focuses the management attention on customers and what they want. Ensures that the management concentrates on satisfying the needs and wants of the selected, specific target markets and it also helps in the achievement of business plans by providing customers with tailored solutions and thus giving customer satisfaction.

An organization will only be effective and efficient if its marketing activities meet the perceived and desired benefits of its clients. Thus it's critical for marketing and senior management in organizations to be well endowed with marketing to continue to adapt and align its resources to the ever-changing environment. Kotler and Keller (2006) noted that the market place isn't what it used to be, i.e. it is different as a result of major interlinking societal forces that have created new behaviours, opportunities and new challenges. They pointed out the following forces to the changing environment: Changing Technology, Globalisation, Deregulation, Privatisation, and Customer Empowerment. Need for greater profitability and heightened Competition

During the 1980s, commercial banks in Europe found it necessary to introduce marketing techniques and concepts as a response to an increasingly competitive marketplace. During this era, many banking industry leaders believed that a business –marketing strategy was evolving in close association with information technology planning. In a banking system like this, customer service,

user-friendly technology, and customer-driven products are important components within the marketing mix, but communication is fast emerging as the crucial element in the marketing activity of a bank (Andrew, 1990).

Payne (2004) points out that marketing, in this competitive marketplace, has become a key differentiator between corporate success and failure. In addition to competition he has mentioned other forces in the market place as deregulation and privatisation. He has further pointed out that the market place is ever changing and its dynamism results to new opportunities and threats that require a strong marketing ability to manage them.

### **1.1.2 Strategic business marketing in the banking industry**

In general, the banking industry is still a long way from strategic business marketing excellence. Most banks are still focused on professionalizing their basic product tailoring and their customer classification skills. Their aim is to become excellent sellers of excellent financial products and services. Most banks are product-oriented instead of customer-oriented: they focus on their own needs, the needs of the seller.

Thus, learning how to create strategies aimed at understanding and adding value to customers is a key issues. Banks have to develop focused strategies to identify, segment and exploit customer needs that could offer promising potential. Formulating such strategies is a tough job, implementing them may be even tougher. Implementing a focused strategy means choosing between different alternatives that are often all attractive, for example selling the same product with two different technologies / distribution strategies to different customer segments which are both profitable. Commitment to a strategic choice is a key success factor here, given the inherent shortage of financial and / or managerial resources. (Jagersma, 1999).

### 1.1.3 Marketing activities of banks in Kenya

Studies have shown that the service sector lagged behind in marketing compared to the Industrial sector until recently when competition stiffened. Watkins (2002) noted that the most successful financial services companies are those that believe that marketing is a fundamentally important part of their business. Kotler and Keller (2006) indicated that the financial success of companies often depends on their marketing ability. Hence the analysis of the factors contributing to increased marketing activities in the banking industry and other sectors is an important aspect that cannot be ignored by the management in organizations. It is in this respect that banks in the current competitive and dynamic environment cannot ignore their marketing activities for this is where the success of the company lies.

A lot of marketing activities by banks in Kenya have been witnessed in the recent past. The banks have developed different products to satisfy the different market segments. They have products for both the upper and lower end of the market. There has been a general trend in reduction of prices of bank services due to competition within the industry. This has resulted from the small banks low pricing strategy. There has also been a general trend for banks in Kenya to open new branches and reopen the branches they closed a few years ago. E.g. Kenya Commercial Bank Ltd intends to open 50 branches in 2008.

A lot of promotional activities by banks in Kenya have also been witnessed. The most evident being the standard bank marathon, KCB safari rally and Barclays bank 'chomoka Na' pick up promotion. For a long time Kenya Commercial Bank Ltd like other commercial banks in Kenya engaged in minimum Marketing activities. Increased marketing activities in Kenya Commercial Bank Ltd started in 2002 with branding of both Kenya Commercial Bank Ltd and Savings and Loan branches. During the branding exercise, the bank changed its logo, Brand colours and refurbished the entire branch network. Thereafter for the first time in its 100 years history, the bank recruited a sales force to sell its products. According to the chief executive Martin Odour, the bank intends to employ 1000 direct sales representatives in 2008. Available evidence indicates that the bank has been spending a lot of money in advertisements, Sales promotions, donations and sponsoring events like the Safari Rally. For example for the year 2005 to 2008 Kenya Commercial Bank Ltd has committed kshs 105 million on the safari rally sponsorship with a provision of

renewal for a further three years. New products development in all the specific business units has also been witnessed.

#### **1.1.4 History of Kenya Commercial bank Ltd**

According to the Central Bank of Kenya website (2008) there are currently 45 commercial banks operating in Kenya. They are regulated by the Central bank of Kenya through the banking act, prudential guidelines and other applicable acts and regulations. Among the leading players in the banking industry Kenya Commercial Bank Ltd ranks highly. It is the largest indigenous bank in Kenya in terms of asset base and branch network (kamande, 2006).

The history of Kenya Commercial Bank Ltd dates back to 1896 when its predecessor, the National Bank of India opened a branch in Mombasa. In 1904, the bank extended its operations to Nairobi, which had become the headquarters to the expanding railway line to Uganda. In 1958 Grindlays Bank merged with the national Bank of India to form the National and Grindlays Bank. Upon independence the Government of Kenya acquired 60% shareholding in National and Grindlays Bank in an effort to bring banking closer to the majority of Kenyans. In 1970, the Government acquired 100% of the bank's operation in Kenya. National and Grindlays Bank was renamed Kenya Commercial Bank.

In 1972 Savings and Loan (K) Ltd was acquired to specialise in mortgage finance. In 1997, another subsidiary, Kenya Commercial Bank (Tanzania) Limited was incorporated in Dar-es-Salaam, Tanzania to provide banking services and promote cross-border trading. In May 2006, Kenya Commercial Bank Ltd extended Ltd operations to Southern Sudan, to provide conventional banking services. The latest addition into the Kenya Commercial Bank Ltd family came in November 2007 with the opening of KCB Bank Uganda Limited.

The Government has over the years reduced its shareholding to 35% and more recently to 26.2 % following the rights issue exercise in 2004. In the second Rights issue exercise held in 2008, the Government further reduced its shareholding to 23.1%. (KCB Website, 2008). Since incorporation, Kenya Commercial Bank has achieved tremendous growth to emerge as a leader in Kenya's banking and financial sector. In 1970 the bank had 32 full time branches of which 25 were located in rural areas five in Nairobi and two in Mombasa (Kamande, 2006). Kenya Commercial bank had a total of 150 branches as at 30.6.08.

## 1.2 The Research Problem

The 1990s have seen a lot of changes in the economy of Kenya. Most of these changes have mainly to do with liberalization, globalisation, technological advancement and a more enlightened consumer. The harsh economic conditions in Kenya have seriously affected the profitability and Market share of companies (Government of Kenya, 1999). Many sectors of the economy witnessed stiff competition following liberalization. This has forced many companies to adopt changes to compete in the new turbulent environment.

For a long time, banks in Kenya never had marketing departments (Mazrui, 2003), for example Kenya Commercial Bank Ltd despite being in existence for over one century had no marketing department until the mid 80s. Standard chartered bank has been in operation for over 80 years and had no marketing department until early nineties (Amino, 2003). The branch manager was responsible for marketing within the area their branch was located. Competitive pressure made banks become more customer focused by recruiting customer or business relationship managers (Okatch, 2001).

It has been observed that banks in Kenya are currently carrying out a lot of marketing activities. This is evident in both the print and electronic media that are flooded with information about banks, products and services that they offer. According to Wright (1991) previously bankers considered marketing role to be confined to advertising and promotion, which they considered to be the main responsibility of marketing department.

A number of studies have been done on marketing activities in the Banking Sector in Kenya. For example Murigi (2003) did a study on consumer satisfaction through end-to-end service Management strategy. It looks at the application of the value chain in service delivery in large local commercial banks. Musa (2004) did a study on responses of Commercial Banks to changes in the operating environment. It was a case study on the National bank of Kenya and looks at how the bank tried to enhance customer satisfaction to regain competitiveness.

Mugambi (2006) did a survey of Internal service delivery systems in Kenya commercial bank Ltd, She focused on challenges facing the internal customer and systems put in place. Kisia (2006) did an Analysis of factors affecting the provision of services by banks in International Business: A case

study of National Bank of Kenya. She focused on establishing the factors and customer and Customer perception regarding banking services. Mazrui (2003) did a study on marketing approaches used by Managers to address customer service challenges in the banking sector while Kandie (2003) did an investigation on Customers perception of service quality. The researcher in his literature review did not find any study that has analysed factors contributing to increased marketing activities by commercial banks. This study was therefore designed to fill the gap by identifying the factors that have contributed to increased marketing activities by Kenya Commercial Bank Ltd. The study will provide information to the marketing managers in the banking industry who may use it to develop their marketing strategies.

### **1.3 The Research objectives**

The study is expected to achieve the following objectives:

- i) To identify the factors that have contributed to the increased marketing activities by Kenya Commercial Bank Ltd.
- ii) To establish the Marketing activities perceived by Kenya Commercial Bank Ltd to be most important.
- iii) To establish the benefits of increased marketing activities in Kenya Commercial Bank Ltd.

### **1.4 Importance of the study**

- i) It will give insight to marketing managers in banks the environmental factors that affect their firms to enable them implement appropriate marketing strategies.
- ii) Assist the marketing managers in making strategic marketing decisions.
- iii) Scholars and researchers may use the results of this study as a source of reference.

## **1.5 Overview of the final report**

The report will be organized in five chapters. The first chapter will be the introduction chapter and will highlight the timeliness of the study and historical background of the study. Chapter two is the literature review chapter while chapter three is the methodology of the study. Chapter four is data analysis while chapter five will be the conclusion and recommendations.



## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

Many scholars have associated marketing with a firm's financial success, for example Kotler and Keller (2006) say that the financial successes of companies often depends on their marketing ability, all other efforts in the company (e.g. operations, accounting and others) will not matter if there's no sufficient demand for products and services to warrant the company to make profits. In addition they point out that many organizations have now created the position of Chief Marketing Officer (CMO) to put the marketing executive on a more equal footing with other executives in the company like Chief Executive Officer and Chief Financial Officer. This is an indication of the growing importance of marketing in an organization.

Kotler and Keller (2006), caution that the companies that are at great risks are those that fails to carefully monitor their customers and competitors and continuously improve their value offerings or implement a strong marketing program. Payne (2004) points out that marketing, in this competitive marketplace, has become a key differentiator between corporate success and failure.

### **2.2 Adoption of the marketing concept by banks**

According to Pezzullo (1993) the marketing concept in banks developed with time dating back from 1950s when the banks used to wait for customers to come to them for financial services. Thereafter competition for savings accounts struck in and banks started to promote their products through advertising and sales promotion. Banks then realized that it was easy to acquire customers but difficult to retain them, they then decided to make banking a little pleasant to the customer and created warmth and friendly environment. As this continued the banks realized that there was need to differentiate themselves from the competition.

Many recognized the changing financial needs of their customers and developed new products to satisfy them. In the 1970s banks sought to create a competitive advantage and changed their approach to focusing on specific segments of the market. Some designed their service products, established prices and advertising to appeal to target market while others worked on their

positioning and image. With the emergence of business plans in the 1980s banks also applied the same in marketing of their services. They developed annual marketing plans, identified target markets, identified market needs, offered products that met those needs, established goals and developed systems for measuring and controlling the plan. In the 1990s banks joined a movement to provide better quality, customer oriented services. This was the birth of the marketing concept in the banking industry, which gave a new meaning to customer orientation.

McCarthy and Perreault (1993) appreciate the fact that it has not been easy for industries to adopt the marketing concept including the service industry. However this has changed in the recent past due to stiff competition among firms. For example the banks now open for longer hours than before, they offer more services to their customers, have more teller machines that offer financial services twenty-four hours, they have personal bankers to give financial advice and they also aggressively advertise their services.

### **2.3 The marketing mix**

Marketing is the process of planning, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individuals and organizational goals. McCarthy and Perreault (1987) have defined the marketing mix as the controllable variables that an organization can coordinate to satisfy its target market. According to Kotler and Armstrong (2004) the marketing mix is a set of controllable tactical marketing tools that the firm blends to produce the response it wants in its target market. The essence of the marketing mix concept is therefore the idea of a set of controllable variables or a tool kit at the disposal of marketing management, which can be used to influence customers. There are four main marketing mix variables (4Ps) namely product, price, place and promotion (Kotler, 1998). Fifield (1998) observes that the term marketing mix has been used as a short hand way of describing the combined activities of the marketing functions.

Payne (2004) introduces us to an expanded mix of seven elements as opposed to the traditional mix of four elements, which include the product, price, place, promotion, people, processes and customer service, whereas Lovelock (2001) include physical environment element instead of customer service to the mix. The physical environment, which includes visible cues like buildings, staff, equipment, furnishing, signs and printed materials, provides tangible evidence of a service

which impacts on the customers' impression. According to Fifield (1998) these additional three elements are brought in to broaden the marketer's attention beyond the mechanical product-price-place promotion myopia. There is a growing consensus in the service marketing literature that services marketing is different because of the nature of services. That is because of their inherent intangibility, perishability, heterogeneity and inseparability (lovelock, 1979) services require a different type of marketing and different marketing mix (Booms and Bitner, 1981)

## **Service**

Marketing starts with the product or service since it is what an organization has to offer its target market. This area is concerned with developing the right product or service for the target market by defining the characteristics of the product or service to meet the customers' needs. In addition to satisfying the target market's needs, the product or service is important because it is what makes organizations generate revenue. Banks have similar core products but they always differentiate themselves from others through value additions to the core service. Watkins (2002) noted that with time markets and appeal to services changes. It is therefore important for products to be monitored and updated or closed and new ones developed.

The key to attaining competitive advantage is satisfying the explicit and implicit needs of the customer. Most banks have also found themselves faced with the need for greater cost control. These two major pressures can easily end up in conflict: on the one hand, there is the externally focused need to improve customer orientation and tailor market offerings closely to customer requirements. On the other hand, there is the internal need to improve operating efficiency by reducing staff while simplifying and standardizing core processes. Resolving the dilemma, and achieving a balance between "looking out" and "looking in", is one of the key challenges for (wholesale) banks. Service quality is regarded as one of the few means for service differentiation and competitive advantage, which attracts new customers and contributes to the market share. It is also viewed as an important means for customer retention. (Mugambi, 2006). Customers needs and expectations have changed drastically as they expect higher quality service and greater customization.

Needless to say, many companies still have a long way to go before they reach this high skill level. Many still focus on price to influence customer choices, and operate at the mercy of the demand flow. These companies merely react to changes in the industry, and define their business

by the product or service they offer. They look no further than selling and sales support, continue to hold customers at arm's length, rarely innovate, and generate only marginal revenue from new products or services. They confine themselves to building strength in domestic markets only, wait for others to invent new channels, continue to rely exclusively on their own business systems, and ignore the opportunities provided by cross-border strategic alliances and acquisitions. They will not be competitive enough for tomorrow's global markets. (Jagersma, 1999)

## **Price**

Price is a means of recovering costs and making profits, however it can be used to affect behaviour and attitudes, which can position the bank in a desirable competitive position. Price can be used to build volume and market share. For example through charges and interest waivers. Price can also be used to prevent competition from entering the market. Large well-established banks that have invested a lot of money and are enjoying economies of scale, normally achieve this. This means that they are able to charge a low price for a product and still manage to operate profitably. However, this will mean reduced profits over time, and giving the competition a chance to concentrate on other aspects like products, place and promotion. A bank may also use price, to position itself in the market place. For example a bank may charge a similar product differently depending on the target market, benefits offered and image to be created. Banks are increasingly anxious to measure the profitability of their products, and with this knowledge, to aggregate a customer's product portfolio to determine the profitability of each customer. Similarly by consolidating the profitability of similar customers segment profitability can be determined, and this indicates which segments are attractive for Bank marketing. (Trethowan and Scullion, 1997)

## **Place**

According to McCarthy and Perreault (1993) Place is concerned with the decisions involved in getting the right product to the target market. Distribution decisions focus on establishing a system that, at its basic level, allows customers to gain access and purchase a marketer's product. The retail banks use several different distribution channels. They offer their services through both branch networks, automatic teller machines, the telephone, Personal Computers and Internet-based home banking systems. Also channels such as car dealers, mobile branches (buses), and retailers are used for distributing bank services. (Niels et al, 1999)

According to Niels et al (1999), ordinary branch banking requires the customers to come to the branch, where they have access to a wide variety of banking services but have to wait in line before getting served. The introduction of widespread networks of cash machines, and the willingness of retailers to give cash on a growing number of debit cards is reducing the need for personal customers to come to the branch (Trethowan and Scullion, 1997). Telephone banking requires the customers to phone the bank, which is more cost-effective than an ordinary branch, and it is more convenient for the customer, PC banking can be used by customers who have access to, and can use a personal computer and a modem, whereas Internet banking requires access to the World Wide Web. According Niels et al, (1998), a study was conducted to establish the customers' selection criteria for choosing a specific bank and the results indicated that convenience, service facilities, reputation and interest rates ranked highly. Customers have less time to spend on activities such as visiting a bank and therefore require a high degree of convenience and accessibility, which can be offered easily through the Internet. Although most banking today is done at the branch level, the Internet banking continues to grow offering a lower waiting time and more convenience.

## **Promotion**

Promotion is a form of corporate communication that uses various methods to reach a targeted audience with a certain message in order to achieve specific organizational objectives. Promotional activities include advertising, personal selling, sales promotions, direct marketing and public relations. According to Lovelock (2001) promotions provides the needed information and advise to persuade the target customers of the merits of the service and encourage them to take action at specific times. An effective promotional strategy requires the marketer to understand how promotion fits with other elements of the marketing mix i.e. the product, price, distribution, promotion, people, processes and physical evidence. Banks at present use a mix of advertising and sponsorship at national, regional and local levels. Many banks promotional strategies are now turning to building cultural identity of sales and service excellence that will be recognizable to their customers and the market place in general (Trethowan and Scullion, 1997)

Information in general and marketing information in particular is a key asset for banks, and is becoming a more important avenue to exploit as sources proliferate and technology advances. However, it is also becoming harder to manage. Judging by the annual market research budget reported by executives, most banks are aware of the strategic importance of information: the

average annual budget for market research five years from now is expected to be four times as high as it was two years ago.

Internal and competitor information will become available in ever-greater amounts. But most banks also expect that the quantity of information on customer needs and integrated customer databases will make a quantum leap in the next five years. Five years from now, 91 percent of executives will be using database marketing, compared to 58 percent today (Jagersma, 1999). In general, the increase variety and complexity of information enables banks to radically improve the quality of marketing decisions, provided that the risk of information overload can be avoided. Advanced technology allows for more frequent monitoring, finer geographic and demographic cuts and an increasing number of relevant and available measures.

The opportunity to design information flows that can support the strategic marketing decisions process could therefore be critical for achieving competitive advantage in the future. Learning from strategic marketing information involves identifying patterns and relationships in order to anticipate customer needs and competitive actions and reactions. Accordingly, designing and managing information flows is probably the most powerful management task. To build more productive information architecture, banks must activate their “sensors”, i.e. their sales forces, in order to obtain reliable and valid data. The quality of the information used to support marketing and strategic management decision depends to a large extent on this interface between the bank and its environment.

## **People**

Lovelock (2001) noted that the interaction between customers and employees influences customer perception of the service quality. Successful banks must therefore devote significant effort on employees. There are different types of people working in banks; there are those that have direct contact with customers on a daily basis and others that are indirectly involved with customers. It is essential for all of them to understand the overall marketing strategy, and how their functions contribute to the quality of service delivered to the customer. Payne (2004) noted that people can be an important part of differentiation, which can create added value for the customer. He also recognized internal marketing as an important contributor of the people element and a basis for successful marketing to the external customer. Kotler and Keller (2006) points out that a positive employee attitude promotes stronger customer loyalty, firms must design sound training programs,

provide support and reward good performance. In most service businesses, services are delivered during interaction between the customers and customer contact employees and thus employees attitude and behaviour towards customers determine customers perceived service quality, satisfaction and performance (Pfeffer, 1994)

### **Processes**

These are the steps, procedures, mechanisms and all activities by which the service is delivered. It is the heart of the delivery and operating systems. According to Lovelock (2001) badly designed processes often lead to slow, bureaucratic and ineffective service delivery and also results in dissatisfied customers. They also make it difficult for front line staff to do their job well. He also noted that due to competition and technological advancements, many banks have had to adjust their processes in an attempt to increase their profitability.

### **Physical Evidence**

Physical evidence refers to the environment in which the service is delivered and any tangible goods that facilitate the performance and communication of the service. Physical evidence is important because customers use tangible clues to assess the quality of service provided. (Booms and Bitner, 1981). Thus the more intangible –dominant a service is, the greater the need to make the service tangible. Credit cards are an example of the use of tangible evidence that facilitates the provision of (intangible) credit facilities by banks and credit card companies. The physical environment itself (i.e. the buildings, décor, furnishings, and layout) is instrumental in customer's assessment of the quality and level of service they expect, for example in restaurants, hotels, retailing and many other services. In fact, the physical environment is part of the product itself.

## **2.4 Factors that have contributed to increased marketing activities by banks globally**

### **2.4.1 Changing Technology**

Technology allows people to use knowledge, tools, and systems to make their lives easier and better. The technological advancement has led to today's business being carried over electronic networks like the intranet, extranets and the Internet which makes business life much more easier and simpler. Information and communications technologies (ICTs) in the western world have increased the use of electronic money and changed the way payments are made for goods and services. Electronic money includes electronic channels such as automated teller machines (ATMs); electronic funds transfer at point of sale (EFTPOS), telephone banking, the fax and the Internet. Electronic money also includes payment instruments such as direct transfers, and debit and credit cards used over the telephone or the Internet (Singh, 2004).

Internet banking provides banks with a competitive advantage, by improving the quality of customer services and reducing the operations costs (Joudan and Katz, 1999). Indeed, during the last decade the number of banks that recognized the benefits of Internet banking services and adopted Internet banking increased dramatically. While globally only one bank offered Internet banking services in 1995, by the end of 2002 this figure rose to 6000 banks (Claessens et al, 2003).

It has been observed that a major challenge for banks is that technology solutions are developed by non-banking enterprises. The banks therefore do not know where the next wave of advancement will come from and in what form it is likely to be (Chase, 1978). It becomes questionable whether both the banks and technology providers are on the same page with their end users when it comes to the services that bank customers need (Hirst, 1968).

The banks that have taken advantage of technological advancement are able to deliver services more efficiently, process payments, design and deliver new products to the satisfaction of their customers. The application of advanced computer technology has enabled banks to pursue related opportunities for competitive advantage. Apart from communication and development of new products banks can use technology to create a database for cross selling, automate back office processes to reduce costs as well as improve its services. Technology has also enabled many companies to differentiate services to fit customers' specifications. Firms are also able to interact with customers and personalize their messages, services and the relationships.



According to Kotler (2003), the digital revolution has placed a new set of capabilities in the hands of consumers and business, which has led to substantially new terms of marketing and businesses.

Technological innovations have reduced both geographical and economic barriers to competition and created an added dimension of uncertainty in the industry. Automated teller machines (ATMs) significantly reduced geographic barriers and helped banks serve their customers better. Other advances facilitated an increase in the number of products that banks provide, most of which are system dependent which means they are fundamentally different from older, tradition products and are ' all vitally linked to systems technology' (Nelson, 1999).

### **2.4.2 Globalization**

Globalisation in the financial market has been mostly influenced by deregulation and information technology. It is a process of interaction and integration between the people, companies, and governments of different nations, a process driven by international trade and investment and aided by information technology. This process has effects on the environment, culture, political systems, economic development and prosperity, and on human physical well being in societies around the world. Globalisation, which is due to the technological advances in transportation, shipping and communication have made it easier for companies to market in other countries and for consumers to buy products from other countries. It has therefore increased competition among banks reducing their profit levels and creating a constant struggle for customers. This is a challenge to many firms let alone banks, which require marketing strategies to respond to the challenges of globalisation.

### **2.4.3 Deregulation**

This is the process by which governments remove, reduce, or simplify restrictions on business and individuals in order to encourage the efficient operation of markets. It can take the form of abolition of exchange controls, hire purchase controls, banks' reserve asset ratios and the greater freedom given to building societies. The rationale for deregulation is that fewer and simpler regulations will lead to a raised level of competitiveness, therefore higher productivity, more efficiency and lower overall prices. In most countries today industries have been deregulated to create greater competition and growth opportunities for new products, new geographic markets and new customer groups. Deregulation of industries encourages mergers and new entrants within the

Industry. Through deregulation, building societies and micro finance companies have grown to compete with banks.

In the last two decades many of the worlds business have been deregulated. (Coyne and Dye, 1988). The resulting changes in the market have prompted the affected firms to respond by altering their marketing mix in various ways. According to Harris etal (1994) studies done in Indonesia revealed that, following the 1983 banking deregulation, interest rates on deposits at state banks almost doubled. At the same time, private banks increased their deposit rates. This forced the banking industry to adjust its lending rate to remain profitable in a competitive market.

In Greek, until the mid-1980s, the banking system was heavily regulated in all areas of activity. The price regulation and the various credit controls forced by the government crated a system where the concept of competition was unknown to the management of the banks. The liberalization of the Greek banking system started gradually in the late1980s. The deregulation of interest rates, the abolition of the various credit controls, the further development of the capital market, the competition from non –bank institutions, the free movement of capital flows, and the free entrance of European banking institutions into the Greek Market led to a more competitive banking environment (Noulas, 2001)

In Kenya a good example is Equity bank, which is currently holding number one position in Kenya in terms of customer base. It has over one million customers. Not only did deregulation provide the incentive for growth but it also led to greater competitive pressure in the market place between the various financial services institutions. This has therefore forced banks and other financial institutions to increase their marketing efforts to be competitive.

#### **2.4.4 Privatization**

It occurs when the government relinquishes ownership and control of an operation by divesting itself of the commercial activity, including the associated real property, and becomes a customer that purchases goods and services from a commercial source. The conversion of public companies to private ownership and management has greatly affected the marketing of many organisations. Many public banks are often faced with profits paralysis, wild cost structures and substantial non-

performing loans portfolios some of which are unrecoverable. This was the case with the National Bank of Kenya and Kenya Commercial Bank (Marketing Intelligence Nov/Dec 2004). However this situation has changed for Kenya Commercial Bank Ltd after the government reduced their share holding to 23 .1 % following rights issues in 2004 and 2008 which it did not take its allocation.

#### **2.4.5 Customer Empowerment and sophistication**

There are three main trends that are currently influencing retail customers' behaviors: increasing affluence, people living longer (Chisnall, 1991) and growing economic importance of women. Most consumers' wealth has increased in developed countries over the last decades and they are showing much greater discrimination in their search for value. Demographic change is characterized by ageing and of particular importance is the maturing well-educated post-war generation. As this group grows older, it will have plenty of purchasing power. This creates opportunities for businesses, which are able to tap into their sophisticated tastes. The third trend is the changing role of women in society, including increasing participation in the work force and higher average age of marriage and birth of the first child. Time has become an increasingly importance factor for families where both parents are working, creating demand for convenient and time saving services (Lowe and Kuusisto, 1982).

The emerging trend of focusing on the customer is in the recognition that customer satisfaction and loyalty is build through the creation of superior value for the customer, which is created throughout the organization and beyond. To shift to customer focus has resulted in a service culture which has been fuelled by the environmental changes (Lovelock, et al 1996). Customers' expectations and demand have increased at a high rate. They are more time conscious and require convenience, they perceive fewer real product differences and show less brand loyalty. They have access to the Internet and are able to access more products and therefore shop more intelligently. They are also price sensitive and look for value for their money, the customer expertise, sophistication and power has contributed to the development of technology. For banks to be able to cope with dynamic and sophisticated customers they have to put in place strategies that will ensure that they provide services that will satisfy and retain them.

### **2.4.6 Increased Competition**

Owing to deregulation, new technology and changing consumer behavior, the competition in the banking sector is getting more fierce. In the Danish banking sector the intensified competition has recently resulted in a number of banks launching non-bank financial services through their branches as well as insurance companies and other financial companies opening banks. The battle for the customers is, however, also fought through new electronic distribution channels. (Niels et al, 1999)

The entire banking industry is faced with a lot of competition from mutual funds, brokerage houses, insurance companies and other financial institutions apart from the competition from other banks both local and foreign. Competition among the financial institutions has mainly been contributed by deregulation and technological advancement. As a response banks have increased their promotional activities. Inter bank competition has heated up and banks are facing increasing competition from non-banking financial institutions and the financial markets with mutual funds competing for the banks' core deposit base. With the increased competition in the banking industry, banks have been forced to quickly and significantly increase their efficiency and effectiveness hence more emphasis on marketing.

Accordingly to Kotler (2003), competitive pressure has forced organizations to adopt the marketing orientation which calls for constant change as market condition evolve as a strategy for dealing with market turbulence. The search for competitive advantage has led organization to reconfigure their operations and by extension their organization. Time based competition is a reality and has resulted in a buyer market, where increasingly knowledgeable customers are free to purchase product and services from the global market place (Peck et al, 1999)

### **2.5 Conclusion**

Banks are going through a crucial period of changing policies and culture, in which not all the current players will survive. Following the removal of barriers that once protected banks from competition, their initial strategic response have been unsuitable leading to a shortage of capital and a degree of disenchantment by customers who, in the absence of adequate level of service quality have objected to paying higher charges that reflect the cost of providing the services that they consume (Trethowan and Scullion, 1997).

One of the benefits of computerization is a more consistent approach to the process of product delivery in the industry, which enables cost accounting techniques to calculate the profitability of individual financial products and services consumed. At the same time, banks are striving to raise the standard and quality of their operations, in consideration for these charges. Banks are addressing their profitability by demand-side measures such as aggressive marketing, and recovering costs by fees and charges, while the customers are seeking supply-side strategies from their bank. These supply-side measures include increasing quality of products, delivery and competence of, and way they are treated by, staff.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Research design**

The Research design of the project is a case study. A case study is a form of qualitative analysis that allows for in-depth exploration of issues in a phenomenon. It is most appropriate when detailed analysis of a single unit of study is designed as it provides focused and detailed insights to phenomenon that may otherwise be unclear. The importance of a case study was emphasised by Kothari (1990) that it is a very powerful form of qualitative analysis that involves a careful and complete observation of a social unit, irrespective of what type of unit is under study. It is a method that drills down rather than cast wide. Banks are highly sensitive institutions and suspicious of any in and out flow of information. In fact members of staff are expressly cautioned by way of taking oaths of secrecy not to divulge information about their institutions. The researcher stood a privileged position in being able to obtain both primary and secondary data from Kenya commercial bank ltd. This research design therefore allowed the researcher to understand clearly the factors that have contributed to increased marketing activities by Kenya Commercial Bank Ltd.

### **3.2 Data collection**

The study used primary data. Structured questionnaires were used to collect the data. The research used the drop and pick method of administering the questionnaires. The researcher personally delivered the questionnaires to the managers in Head Office and collected them the following day. A follow up by phone and electronic mail was made to enhance the response rate. The population comprised 110 managers working in Kenya Commercial Bank, Head Office in Retail Banking, Corporate, Marketing, Operations and Finance Division. These respondents were chosen as they make all the strategic decisions in Kenya commercial bank Ltd. Six respondents from each Division were selected to participate in the study using stratified random sampling method. Disproportionate stratified sampling was used. Each division formed a stratum from which the sample was drawn.

### 3.3 Data analysis

The data in this study was collected through a structured questionnaire. It was edited, coded and analysed through descriptive statistics such as percentages. Data analysis was done using tables, graphical presentations and charts using software package for statistical sciences (SPSS) from which conclusions and recommendations of the study were made. The data was analysed according to the three objectives of the study.

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

### **4.1 Introduction**

This chapter deals with data analysis, findings and discussions of the research findings. The findings are presented in a way of addressing the research objectives. They are based on the data collected from the respondents. The organization in the study was Kenya Commercial Bank Ltd.

A total of 30 managers from Kenya Commercial Bank Ltd, Head Office participated in the study. The sample consisted of six respondents each from Retail Banking, Corporate, Marketing, Operations and Finance division. Each respondent was given a questionnaire and all of them responded by completing and returning the questionnaire. This gave a response rate of 100%. The high response rate was attributed to the data collection method used. The researcher used the drop and pick method and made follow-ups through telephone and email to ensure that every respondent completed the questionnaire. The collected data was edited and coded. Data analysis was done using tables, graphical presentation and charts using the statistical package for social sciences (SPSS).

### **4.2 Factors contributing to the increased Marketing Activities**

The study sought to establish the factors that contributed to the increased marketing activities by Kenya Commercial Bank Limited. Respondents were asked to indicate how they would rate the contribution of the listed factors to the increased marketing activities by Kenya Commercial Bank Ltd. This was measured on a four-point scale 1 to 4 where 1 represented 'greatly contributed', 2 represented 'contributed', 3, 'slightly contributed', and 4, 'does not contribute'. The findings are presented in Table 1 below.



**Table 1: Rating of factors contributing to increased marketing activities**

|   | N  | Greatly<br>contributed<br>(%) | Contributed<br>(%) | Slightly<br>contributed<br>(%) | Does not<br>contribute<br>(%) |
|---|----|-------------------------------|--------------------|--------------------------------|-------------------------------|
| Market deregulation                     | 30 | 17                            | 33                 | 33                             | 13                            |
| Globalization                           | 30 | 27                            | 43                 | 23                             | 3                             |
| Privatization                           | 30 | 27                            | 43                 | 27                             | 0                             |
| Technological advancement               | 30 | 43                            | 43                 | 10                             | 0                             |
| Customer empowerment and sophistication | 30 | 67                            | 27                 | 0                              | 7                             |
| Increased competition                   | 30 | 77                            | 10                 | 3                              | 7                             |
| Need for greater profitability          | 30 | 57                            | 47                 | 13                             | 0                             |

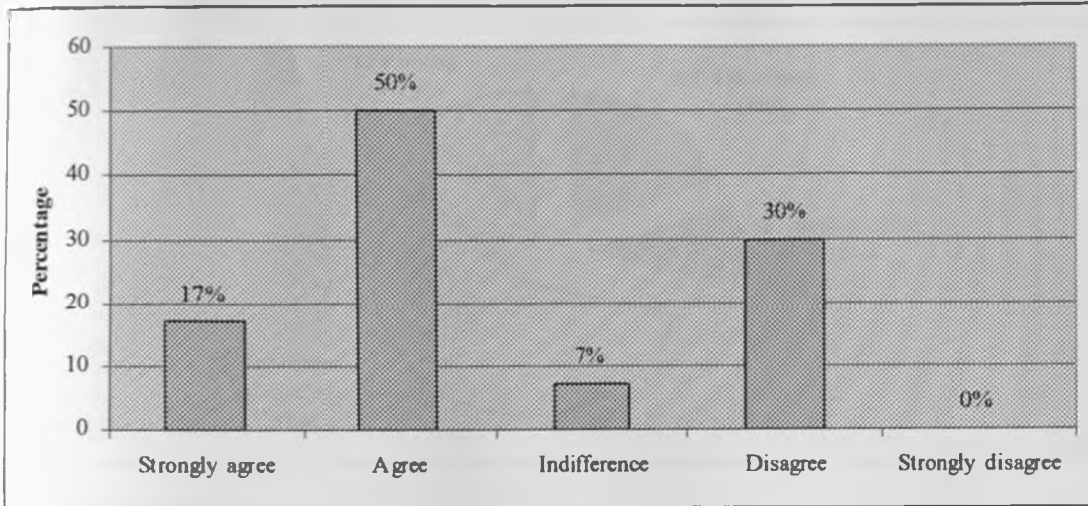
Source: Primary data

According to the findings of the study in table 1 above, factors that are considered to have greatly contributed to increased marketing activities by the Kenya Commercial Bank Ltd were increased competition which was rated by 77 percent of the respondents. The table also show that 67 percent of the respondents indicated that customer empowerment and sophistication greatly contributed to the institutions' increased marketing activities. It also shows that 57 percent of respondents rated need for greater profitability to have greatly contributed to the increased marketing activities.

### **4.3 Integration among Departments**

Respondents were asked to indicate the extent to which they agreed with the statement that integration among the various departments in Kenya Commercial Bank Ltd were as a result of increased marketing activities in the bank. The findings of the study are depicted in Figure 1 below.

**Figure 1: Integration among Departments a result of Increased Marketing Activities**



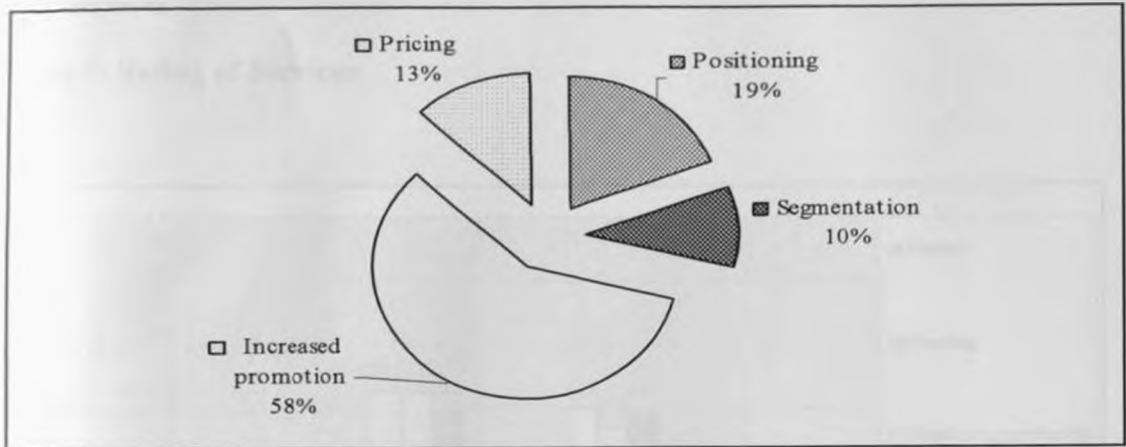
Source: Primary data

The study established that 50 percent of the respondents indicated that they agreed with the statement that integration among the various departments in Kenya Commercial Bank Ltd was a result of increased marketing activities in the bank, while 17 percent indicated that they strongly agreed with the statement.

#### **4.4 Kenya Commercial Bank Ltd Response to Competition**

The study sought to establish how Kenya Commercial Bank Ltd responded to competition. Figure 2 below shows the findings of the study.

**Figure 2: Bank's response to competition**



Source: Primary data

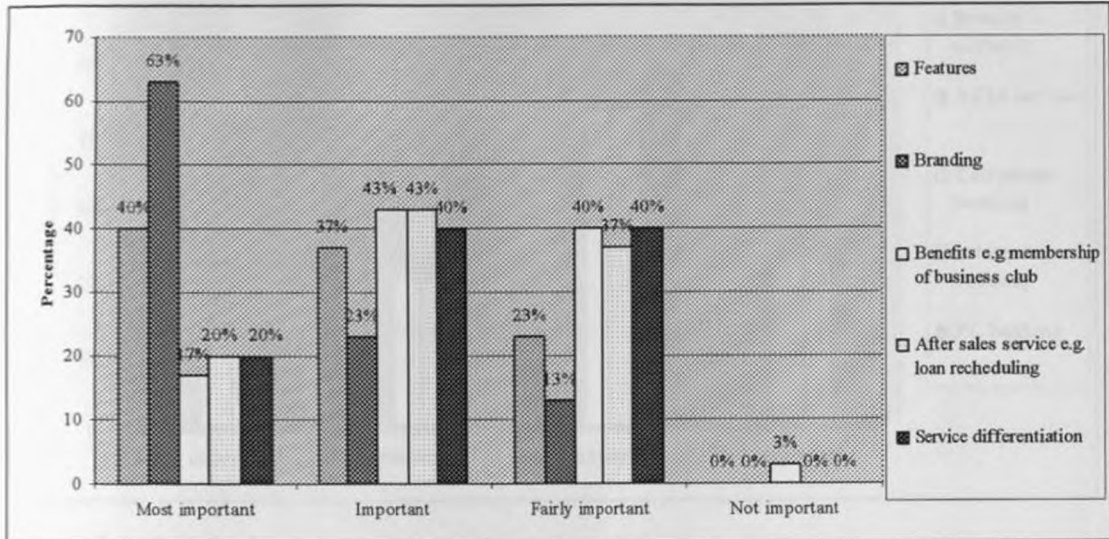
Figure 2 above shows that the bank has responded to competition by increasing promotion as indicated by 58 percent of the respondents. The study also shows that 19 percent of the respondents indicated that the bank has since adopted positioning as a strategy to counter competition.

#### **4.5 Rating of Marketing Activities in order of Importance.**

Respondents were asked to rate the listed marketing activities in order of importance to Kenya Commercial Bank Ltd on a scale of 1 to 4 where 1 represented 'most important', 2 'important', 3 'fairly important' and 4 'not important'. The results are presented in the subsequent sections.

#### 4.5.1 Services

Figure 3: Rating of Services



Source: Primary data

According to figure 3, 63 percent of respondents rated branding as most important as far as services are concerned. Features were also rated most important by 40 percent of the respondents.

#### 4.5.2 Pricing

Table 2: Pricing

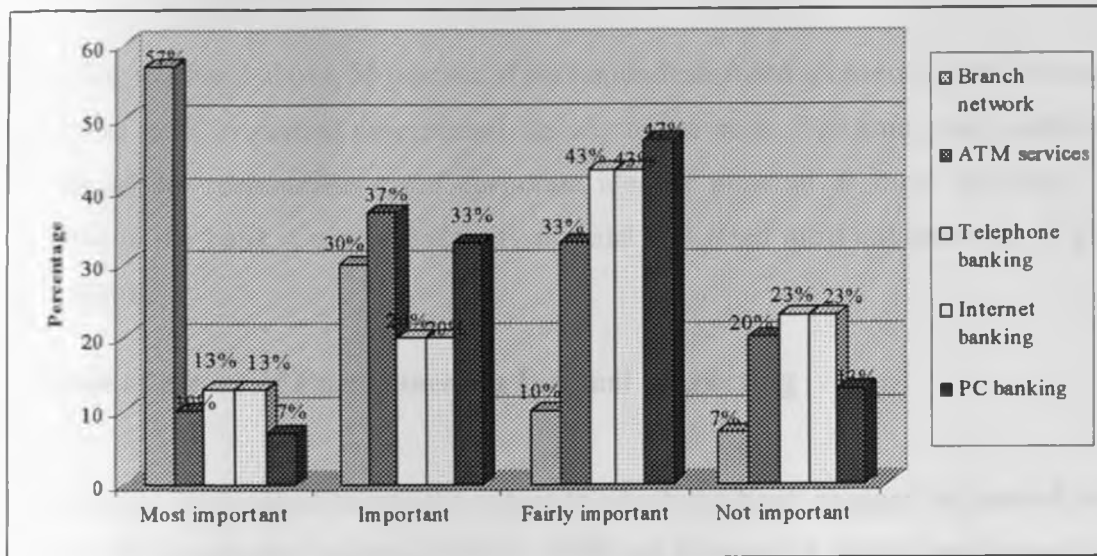
|                 | N  | Most important (%) | Important (%) | Fairly important (%) | Not important (%) |
|-----------------|----|--------------------|---------------|----------------------|-------------------|
| Joining fee     | 30 | 20                 | 40            | 37                   | 7                 |
| Monthly charges | 30 | 33                 | 53            | 10                   | 0                 |
| Transaction fee | 30 | 17                 | 23            | 37                   | 23                |
| Penalty charges | 30 | 53                 | 23            | 17                   | 3                 |
| Interest rates  | 30 | 77                 | 20            | 0                    | 3                 |

Source: Primary data

According to the results of the study as presented in table 2 above, 77 percent rated interest rates as most important pricing method to the bank. Penalty was rated most important by 53 percent of the respondents.

#### 4. 5.3: Place

Figure 4: Place



Source: Primary data

According to figure 4 above, 57 percent of the respondents rated branch network the most important distribution channel to Kenya Commercial Bank Ltd.

#### 4. 5.4: Promotion

Table 3: Promotion

|                             | N  | Most important (%) | Important (%) | Fairly important (%) | Not important (%) | No response (%) |
|-----------------------------|----|--------------------|---------------|----------------------|-------------------|-----------------|
| Sponsorship                 | 30 | 50                 | 27            | 20                   | 0                 | 3               |
| Corporate Identity material | 30 | 47                 | 33            | 20                   | 0                 | 0               |
| Community service activity  | 30 | 50                 | 33            | 17                   | 0                 | 0               |
| Direct sales                | 30 | 40                 | 40            | 13                   | 0                 | 7               |
| Sales presentation          | 30 | 30                 | 43            | 7                    | 13                | 7               |
| Print and broadcast ads     | 30 | 40                 | 33            | 23                   | 0                 | 4               |
| Brochures                   | 30 | 7                  | 43            | 40                   | 7                 | 3               |
| Billboards                  | 30 | 20                 | 47            | 27                   | 3                 | 3               |
| Fair and tradeshows         | 30 | 10                 | 50            | 30                   | 7                 | 3               |

|             |    |    |    |    |    |   |
|-------------|----|----|----|----|----|---|
| Exhibitions | 30 | 10 | 30 | 40 | 17 | 3 |
| Direct mail | 30 | 10 | 20 | 20 | 47 | 3 |
| E-mail      | 30 | 7  | 27 | 30 | 30 | 6 |

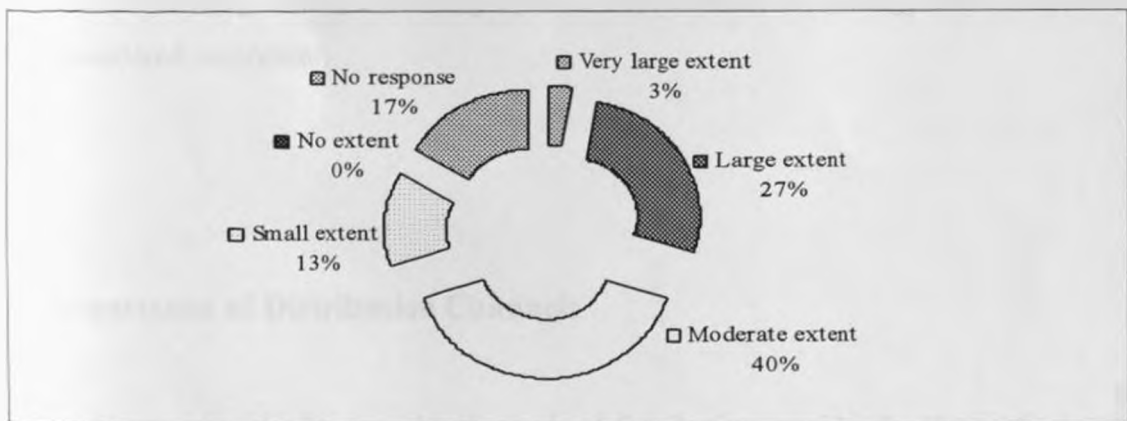
Source: Primary data

According to table 3 above, 50 percent of the respondents rated sponsorship and community service activity as most important promotional activity to the bank. The study also established that 47 percent of the respondents rated corporate identity material as most important promotional activities to the bank. Corporate identity material was rated most important by 40 percent of the respondents.

#### 4.6 Rate of extent of Engagement in Internal Marketing

Respondents were asked to rate the extent to which the bank engaged in internal marketing. 40 percent of respondents indicated that the bank had engaged in internal marketing to a moderate extent, while 27 percent indicated that the bank had engaged in internal marketing to a large extent.

Figure 5: Extent of Engagement of bank in internal marketing



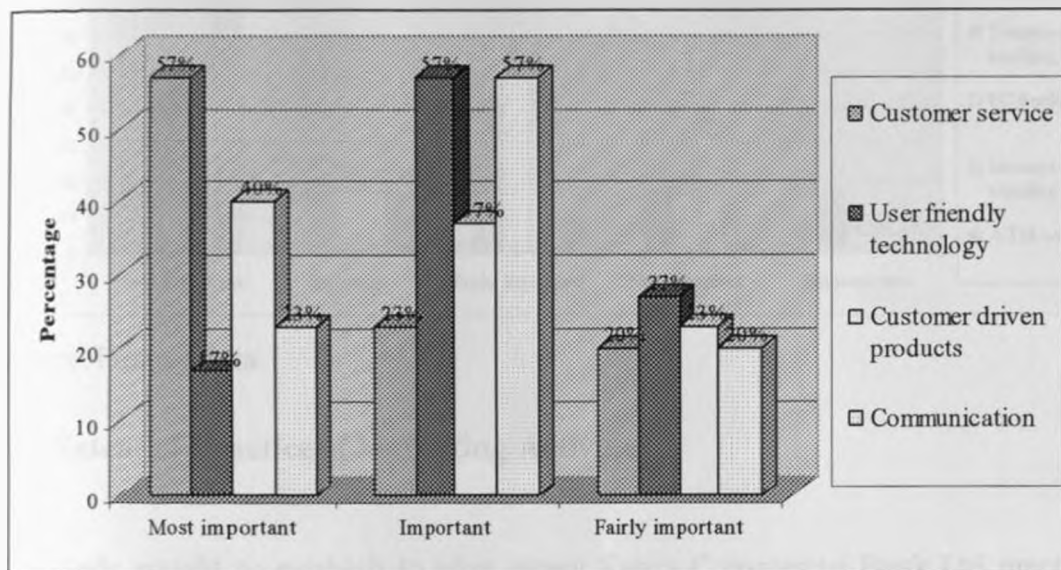
Source: Primary data

#### 4.7 Importance of Components within Marketing Mix in a Banking System

The respondents were asked to rate in terms of importance the components within marketing mix in banking system with 1, being the most important, 2, important, 3 fairly important and 4 not important. 57 percent of respondents rated customer service as very important. The study also

established that 57 percent of respondents rated communication and user friendly technology important. The presentation of findings is shown in figure 6 below.

**Figure 6: Importance of Marketing Mix in a Banking System of a Bank**



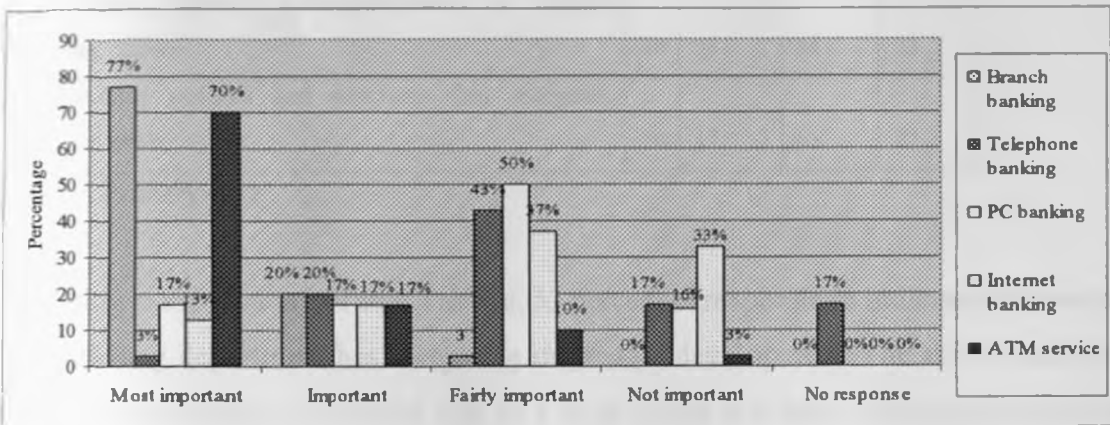
Source: Primary data

According to the figure above, 57 percent of the respondents rated customer service as the most important Marketing Mix in a Banking System. User-friendly technology and Communication was also considered important.

#### 4. 8 Importance of Distribution Channels

Respondents were asked to rate the channels of distribution used by the Kenya Commercial Bank Ltd in terms of their importance. According to the study as presented in Figure 7 below, 77 percent of respondents rated branch banking the most important while 70 percent rated ATM services the most important.

**Figure 7: Importance of Distribution Channels used by the Bank**



Source: Primary data

**4. 9 Extent of Practice of Marketing Activities**

The study sought to establish to what extent Kenya Commercial Bank Ltd practiced the listed marketing activities. The findings are presented in Table 4 below.

**Table 4: Extent of Practice of Marketing Activities**

|   | N  | Large extent (%) | Some extent (%) | Small extent (%) | No extent (%) |
|---|----|------------------|-----------------|------------------|---------------|
| Involvement of cross-functional teams in product development      | 30 | 17               | 47              | 33               | 3             |
| Marketing department having a key role in product development     | 30 | 53               | 27              | 20               | 0             |
| Involvement of cross-functional teams in setting prices           | 30 | 20               | 40              | 40               | 0             |
| Marketing department having a key role in setting prices          | 30 | 17               | 40              | 40               | 3             |
| Considering customer needs in developing processes and procedures | 30 | 40               | 40              | 20               | 0             |
| Marketing playing a coordinating role in the organization         | 30 | 20               | 40              | 40               | 0             |
| Involvement of marketing in management of high contact personnel  | 30 | 17               | 43              | 40               | 0             |
| The organization structure being aligned to customer needs        | 30 | 17               | 50              | 33               | 0             |
| Focusing on employee satisfaction                                 | 30 | 17               | 17              | 60               | 6             |



|   |    |    |    |    |    |
|---|----|----|----|----|----|
| Practicing customer relationship management                       | 30 | 17 | 36 | 30 | 17 |
| Setting up one stop customer service desks                        | 30 | 13 | 33 | 44 | 10 |
| Implementing internal communication to nurture corporate culture  | 30 | 33 | 44 | 23 | 0  |
| Implementing systems and structures that recognize customer needs | 30 | 17 | 53 | 27 | 3  |

Source: Primary data

According to the results in Table 4 above, 53 percent of respondents indicated that to a large extent the marketing department has a key role in product development. The study established that 40 percent of respondents indicated that to a large extent the bank considered customer needs in developing processes and procedures.

#### 4.10 Benefits of Increased Marketing

The study sought to establish the benefits of increased marketing activities to Kenya Commercial Bank Ltd. Respondents were requested to indicate the extent to which they agreed that the listed benefits to the bank resulted from increased marketing activities. The results are presented in table 5 below.

**Table 5: Benefits of Increased Marketing**

|                                       | Strongly agree (%) | Agree (%) | Indifference (%) | Disagree (%) | Strongly disagree (%) |
|---------------------------------------|--------------------|-----------|------------------|--------------|-----------------------|
| Increased customer deposits           | 37                 | 53        | 10               | 0            | 0                     |
| Improved profit margins               | 37                 | 46        | 7                | 10           | 0                     |
| Growth in customer base               | 47                 | 40        | 13               | 0            | 0                     |
| Stronger customer-banker relationship | 17                 | 50        | 17               | 16           | 0                     |
| Greater customer satisfaction         | 13                 | 33        | 33               | 21           | 0                     |
| Reduced turn around time              | 17                 | 17        | 40               | 26           | 0                     |
| Enhanced customer loyalty             | 27                 | 23        | 37               | 13           | 0                     |
| Increased market share                | 27                 | 43        | 17               | 13           | 0                     |
| Increased CSR                         | 33                 | 47        | 10               | 10           | 0                     |
| Improved customer service             | 27                 | 27        | 33               | 13           | 0                     |
| Increased customer awareness          | 40                 | 33        | 17               | 10           | 0                     |

Source: Primary data

According to results in table 5 above, 47 percent of the respondents strongly agreed that growth in customer base resulted from increased marketing activities. 40 percent strongly agreed that increased customer awareness was as a result of increased marketing activities.

## **CHAPTER FIVE: DISCUSSIONS, CONCLUSION AND RECOMMENDATION**

### **5.1 Introduction**

This chapter offers inferences from the study by discussing the findings gathered from the analysis as well as conclusion reached. It also cites various limitations experienced in the study and gives suggestion for further research. The objective of this study was to identify the factors that have contributed to the increased marketing activities by Kenya Commercial Bank Ltd. The study also sought to establish the marketing activities perceived to be most important to the bank and establish the benefits of increases marketing activities. The study was conducted among Managers in Kenya Commercial Bank Ltd. Six respondents each from Operations, Corporate, Retail Banking, Marketing and Finance Division participated in the study. Data analysis was done using Tables, Graphical Presentations and Charts using statistical package for social sciences (SPSS).

### **5.2 Discussions**

From the Research findings presented in Chapter four of this study a number of observations can be made. From the findings of this study increased marketing activities have resulted from increased Competition, need for greater profitability and Customer sophistication and empowerment. This is consistent with what other writers have noted (Niels, et al, 1999., Lovelock, et al, 1996., Kotler, 2003., Wichman, 1989). The bank has responded to Competition by Increasing Promotion, in particular Sponsorship and Community service activity. Kenya Commercial Bank Ltd has spent Ksh 105 Million by Sponsoring Safari Rally between the years 2005 and 2008. It has has been in partnership with the ministry of Natural Resources for planting and maintenance of trees in Karura forest from the year 2005 to date.

Branding was rated most important in the service element of the Marketing Mix. Kenya Commercial Bank Ltd started the branding exercise in the year 2002 after making huge losses in the year 2001. This was the beginning of turn around for Kenya Commercial Bank Ltd. Interest and penalty charges were rated high in the pricing element of the marketing mix. The base rate of a bank can be a competitive strategy for a bank. Branch network was rated the most important element in the place element of the Marketing Mix followed by ATM service. Most banking today is done at the branch level (Niel et al, 1998). Customer service was rated an important element of

**Marketing Mix in the Banking system.** This is in line with what Mugambi (2006) has noted. Marketing department was also rated highly as having a key role in product development. Marketing department is therefore important in a bank as noted by Amino (2003).

Integration among other departments and Internal Marketing were rated Moderately and there is therefore need to improve on this area. Integration is one of the Five main pillars of the Marketing Concept namely, Market Focus, Customer Focus, Integrated or Coordinated Marketing, Profitability and Competition. People element of the Marketing Mix is critical in service delivery as noted by various writers (Lovell, 2001., Payne, 2004., Kotler and Keller, 2006., Pfeffer, 1994). There are various benefits of increased Marketing activities to the Bank, which includes growth in customer base and deposits, Increased Customer awareness and improved profit margins. The total number of Kenyans with bank accounts is less than 30% of the total population hence increased Marketing is very important.

### **5.3 Conclusion**

There are a number of issues that can be concluded from this research. They relate to the objectives of the study. It can be concluded that increased Marketing activities are as a result of increased competition in the Banking Industry, Customer empowerment and sophistication and need for greater profitability. This situation has resulted from changes in the environment. There are various Marketing activities, which are more important to a Bank; this includes branding, which distinguishes the products of one bank from the other and Features of the products offered. Interest rates and penalty charges which are critical issues in pricing of services in a bank. In regards to distribution Channels, Branch Network and ATM services are considered most important while in promotion, Sponsorship and Community service were rated most important. Increased Marketing activities should therefore be sustained and even enhanced further for the bank to reap the benefits attributed to increased marketing activities which includes growth of Customer base and increased profitability.

### **5.4 Recommendations**

On the basis of the results of this study it is recommended that to compete more effectively in the Industry banks should increase their Marketing activities even further especially Promotions, Corporate Social Responsibility, branch network and ATM services. This will increase their

Customer base and improve on their bottom line among other benefits. It is further recommended that an Integrated approach to Internal Marketing be enhanced. This will place the bank ahead of Industry Competition.

### **5.5 Limitation of the study**

There was limitation of time allocated for carrying out this project. More time was required to access and review more literature which could have enriched this project further. This study focused on Kenya Commercial Bank Ltd, which though purposively selected, may not adequately represent the Banking Industry in Kenya. Lastly the study relied on contributions of Managers in Head Office. These respondents may have been biased or dishonest and their perception may change over time.

### **5.6 Suggestion for further Research**

This study was done for Kenya Commercial Bank Ltd only. The study should therefore be replicated in other Commercial banks in Kenya. Future studies could include building societies and other deposit taking institutions that compete with Banks.

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## APPENDIX A- Questionnaire

### Questionnaire on analysis of factors contributing to increased marketing activities by Kenya Commercial Bank Ltd.

Department

- Marketing
- Retail Banking
- Corporate Affairs
- Operations
- Finance

1. How would you rate the contribution of the following factors to the increased marketing activities by Kenya Commercial Bank Ltd? Please tick your answer on a scale of 1 to 4 where 1 represents Greatly Contributed, 2 Contributed, 3 Slightly Contributed, 4 Does not contribute

|   | 1                        | 2                        | 3                        | 4                        |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| a) Market Deregulation                      | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| b) Globalisation                            | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| c) Privatisation                            | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| d) Technological advancement                | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| e) Customer Empowerment<br>& Sophistication | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| f) Increased competition                    | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| g) Need for greater profitability           | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| h) Others Specify                           | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

2. Do you agree that integration among various departments in Kenya commercial bank ltd is a result of increased marketing activities in Kenya Commercial Bank Ltd?

- Strongly Agree
- Agree
- Indifference
- Disagree
- Strongly disagree

3. How has Kenya Commercial bank Ltd responded to Competition:

- a) Positioning
- b) Segmentation
- c) Increased promotion
- d) Pricing
- e) Others Specify

4. Please rate the Following marketing activities in order of importance to Kenya Commercial Bank Ltd with 1 being the most important, 2 Important, 3 Fairly Important, and 4 Not important

|  | 1                        | 2                        | 3                        | 4                        |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| a) SERVICES                                      |                          |                          |                          |                          |
| i) Features                                      | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| ii) Branding                                     | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| iii) Benefits e.g membership<br>Of business club | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| iv) After Sales Service<br>E.g Loan rescheduling | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| v) Service differentiation                       | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| vi) Others (Please specify)                      | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

**b) PRICING**

- |                      |                          |                          |                          |                          |
|----------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| i) Joining fees      | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| ii) Monthly charges  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| iii) Transaction fee | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| iv) Penalty charges  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| v) Interest rates    | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

**c) PLACE**

- |                        |                          |                          |                          |                          |
|------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| i) Branch Network      | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| ii) ATM Service        | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| iii) Telephone banking | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| iv) Internet banking   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| v) PC Banking          | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

**d) PROMOTION**

- |                                   |                          |                          |                          |                          |
|-----------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| i) Sponsorship                    | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| ii) Corporate Identity Materials  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| iii) Community Service Activities | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| iv) Direct Sales                  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| v) Sales Presentations            | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| vi) Print and broadcast ads       | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| vii) Brochures                    | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| viii) Billboards                  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| ix) Fairs and trade shows         | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| x) Exhibitions                    | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| xi) Direct Mail                   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| xii) E-mail                       | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

5. Please rate the extent to which Kenya Commercial Bank Ltd is engaged in internal marketing:

- a) Very large extent
- b) Large extent
- c) Moderate extent
- d) Small extent
- e) No extent

6. Please rate the importance of the following components within the marketing mix in a banking system to Kenya Commercial Bank Ltd with 1, being the most important, 2 Important, 3 Fairly Important, and 4 Not important

|                             | 1                        | 2                        | 3                        | 4                        |
|-----------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| 1) Customer Service         | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2) User Friendly Technology | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3) Customer driven products | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4) Communication            | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

7. Please rate the importance of the following distribution channels used by Kenya Commercial Bank Ltd in order of importance with 1 being the most important, 2 Important, 3 Fairly Important, and 4 Not important

|                      | 1                        | 2                        | 3                        | 4                        |
|----------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| a) Branch Banking    | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| b) Telephone Banking | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| c) PC Banking        | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| d) Internet Banking  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| e) ATM service       | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

8. Please rate the extent to which Kenya Commercial Bank Ltd practices the following marketing activities on a scale of 1-4, with 1 being to a large extent, 2 some extent, 3 small extent and 4 no extent

|  | 1                        | 2                        | 3                        | 4                        |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| a) Involvement of cross-functional teams in product development      | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| b) Marketing department having a key role in product development     | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| c) Involvement of cross-functional teams in setting prices           | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| d) Marketing department having a key role in setting prices          | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| e) Considering customer needs in developing processes and procedures | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| f) Marketing playing a coordinating role in the organization         | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| g) Involvement of Marketing in management of high contact personnel  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| h) The Organization structure being aligned to customer needs        | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| i) Focusing on employee satisfaction                                 | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| j) Practicing customer relationship management                       | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| k) Setting up one-stop customer service desks                        | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| l) Implementing internal communication to nurture corporate culture  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| m) Implementing systems and structures that recognize customer needs | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

9. To what extent do you agree that the following benefits to Kenya Commercial bank are as a result of increased marketing activities? Please tick your response as per the key:

1 - Strongly Agree

2 - Agree

3 - Indifference

4 - Disagree

5 - Strongly Disgrace

|  | 1                        | 2                        | 3                        | 4                        | 5                        |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| a) Increased customer deposits               | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| b) Improved profit margins                   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| c) Growth in customer base                   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| d) Stronger customer-banker Relationship     | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| f) Greater customer Satisfaction             | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| h) Reduced turn around time                  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| i) Enhanced customer loyalty                 | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| x) Increased market share                    | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| j) Increased corporate social responsibility | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| k) Improved customer service                 | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| l) Increased customer awareness              | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |