

**TARGET MARKETING STRATEGY AND COMPETITIVE  
ADVANTAGE BY STANDARD CHARTERED BANK**

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## DECLARATION

This project is my original work and has not been submitted for a degree in any other University.

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This project has been submitted for examination with my approval as university Supervisor.

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## **DEDICATION**

This study is dedicated to my parents, Mr. Ernest Olbara and Mrs. Pauline Olbara. My success and achievements up to this level would be impossible without your unwavering support, love and guidance.

## ABSTRACT

To gain real competitive advantage, the focus of target marketing must be on developing new-to-the world or new-to-the-market products that provide consumers with totally new perceived benefits. Regardless of the industry, the changes in the marketplace that are affecting most companies, and how they compete, are the same: dramatically improving quality; increasingly global markets and more competitors; and more demanding customers. Adding values for customers, employees, and owners has become a central theme in strategic management for service companies. To create values for these stakeholders, a firm should achieve a competitive advantage over its competitors by adapting itself to the uncertain industry environment, understanding the changing needs of customers, and responding to new market entries.

The objective of the study was to determine target marketing strategy and competitive advantage by Standard Chartered Bank. The data was collected using an interview guide which acted as a guide during the interview. Content analysis was used to analyze the qualitative primary data which had been collected by conducting interviews and secondary information from the organization.

The study found that target marketing has enabled the bank to achieve competitive advantage. These was achieved through brand building, use of differentiation strategy, analysis of environmental factors, innovation, competitive conditions and available resources in which issues such as market growth potential, level and structure of competition, nature of customer needs, relevant company expertise, long term planning, cost management, entry barriers, the bank core values and the use of the marketing concept as part of the firm's strategic marketing planning.

The conclusion was that the bank should continue innovating products for its target market and building the brand which they have achieved through offering services to the targeted market. After many years of target marketing the bank should have understood the challenges affecting the strategy and they have come up with the solutions in order to gain fully from the strategy.

## **LIST OF ABBREVIATIONS**

CBA	Commercial Bank of Africa
CBK	Central Bank of Kenya
HVS	High Value Segment
ICT	Information and Communication Technology
MANCOM	Country Management Committee
SCB	Standard Chartered Bank

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# CHAPTER ONE: INTRODUCTION

## 1.1 Background of the Study

Organizations aspiring to meet the challenges of today's rapidly changing markets and increasing competition require strategic management decisions to be founded on well-conceived strategies. Well-justified decisions and clearly defined strategies are vital if the firm is to achieve its goals and objectives while optimizing the use of its resources (Ward and Lewandowska, 2008). Managers have to identify and assess the alternative ways in which their organization can use its strengths to capitalize on opportunities or minimize threats, and invest in available opportunities to overcome its weaknesses. The key task is to generate a well-justified set of strategic options and choose from them the ones that will contribute to the achievement of the corporate strategic goals and objectives.

In global and highly competitive markets, organizations strive to be innovative and agile enough to meet customers' demands. Competitiveness, based on organizational capabilities and production strategies, may lead to quality, efficiency and flexibility. In the pursuit of 'mass customization', flexibility and scale economies are followed simultaneously. The search for a system's flexibility, responsiveness and reliability on the one hand, and low costs on the other, has led to the reconfiguration of the design and production activities and thus advocated the changes in the target market by commercial banks (Suri, 1998). The management of organization clients is promoted as an important and necessary factor for organizational survival and maintenance of competitive strength. To remain at the forefront organizations need a good capacity to attract and retain

customers. The bank's policy of dealing with corporate and institutional banking places them in a level whereby the bank will have a competitive edge over its competitors.

The dominant paradigm in strategic management until the 1990s was that business management was determined by the appeal of the sectors in which the company was competing and by the competitive position of the company in those sectors, (Wiggins and Ruefli 2002). This focus provides an external explanation for a firm's competitive advantage, based on capitalizing on the relative imperfections of the sector in which the firm is competing. However, in recent years the idea of analyzing firm's competitive advantage from an intra-organizational perspective according to its own capabilities has made the targeting of business strategies easier, (Ray *et al.*, 2004). This intra-organizational focus began to gain general acceptance towards the end of the 1980s and was fully taken on board by firms in the 1990s. It involved a switch towards an introspective search for the origin of and an explanation for competitive advantage. The firm is regarded as a unit; a single, organized group of heterogeneous assets that is created, developed, renewed, evolved and improved with the passage of time. The acceptance of the concept of the firm as a unit of resources and capabilities has prompted interest in identifying the nature of these varying resources and in evaluating their potential for generating profits.

### **1.1.1 Target Marketing**

A "target market" is simply the market or submarket (such as a segment) at which the firm aims its marketing message(s). There is nothing inherent in the concept of target

marketing that requires a firm to segment, or - having segmented - to develop multiple product offerings or marketing messages. It simply means that a group of customers has been identified for whom the offering should be "right" and to whom the firm will direct the majority of its marketing time, resources, and attention, with the rationale that it is better to use a rifle than a shotgun to get results. Target Marketing involves breaking a market into segments and then concentrating your marketing efforts on one or a few key segments. Target marketing can be the key to a small business's success. The beauty of target marketing is that it makes the promotion, pricing and distribution of your products and/or services easier and more cost-effective. Target marketing provides a focus to all of your marketing activities. The strategic marketing planning process flows from a mission and vision statement to the selection of target markets, and the formulation of specific marketing mix and positioning objective for each product or service the organization will offer. In its first phase, choosing the value, the strategist "proceeds to segment the market, select the appropriate market target, and develop the offer's value positioning. The formula - segmentation, targeting, positioning is the essence of strategic marketing" (Kotler, 1994 p. 93).

Market segmentation is an adaptive strategy. It consists of the partition of the market with the purpose of selecting one or more market segments which the organization can target through the development of specific marketing mixes that adapt to particular market needs. But market segmentation need not be a purely adaptive strategy. The process of market segmentation can also consist of the selection of those segments for which a firm might be particularly well suited to serve by having competitive advantages relative to

competitors in the segment, reducing the cost of adaptation in order to gain a niche. Through market segmentation the firm can provide higher value to customers by developing a market mix that addresses the specific needs and concerns of the selected segment. Stated in economic terms, the firm creates monopolistic or oligopolistic market conditions through the utilization of various curves of demand for a specific product category (Ferstman and Muller, 1993).

### **1.1.2 Competitive Advantage**

Adding values for customers, employees, and owners has become a central theme in strategic management for service companies. To create values for these stakeholders, a firm should achieve a competitive advantage over its competitors by adapting itself to the uncertain industry environment, understanding the changing needs of customers, and responding to new market entries. Achieving competitive advantage is presently recognized as the single most important goal of a firm (Porter, 1980). Thus, organizations need to identify how to secure an advantageous competitive position where other players have not. Without achieving a competitive advantage, a firm will have few economic reasons for existing and finally will wither away.

According to the resource based view of gaining competitive advantage, firms' resources reside within a firm and therefore an advantageous competitive position of a firm is built on value-creating resources that are critical inputs into the production and distribution of its products and services (Barney, 1991). However the heterogeneity of the resource bases of different firms suggests that firms are presented with different opportunities for

sharing and adapting their portfolios of assets. As was observed by Barney (1991), competitive advantage stems from internally-developed resources with characteristics of value, rareness, inimitability, and non-substitutability and because resources with such characteristics can neither be commonly traded nor easily acquired by their competitors (Barney, 1991). Thus, the theory argues out that a firm's competitive advantage emanates from resources unique to a firm such as key competencies, assets, capabilities, resources, information, and knowledge.

### **1.1.3 The Banking Industry in Kenya**

The Banking industry in Kenya is governed by the Central Bank of Kenya Act cap 466 and the various prudential guidelines issued by the Central Bank of Kenya (CBK). The banking sector was liberalized in 1995 and exchange controls lifted. The CBK, which falls under the Minister for Finance docket, is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system (CBK Annual Report, 1996). There are several challenges that banking industry in Kenya currently face. These have to do with the changes in the environment such as legal changes, political changes, and economic conditions such as recession, social factors and technological advancements.

According to the CBK Annual Report (2010), there are a total of 45 licensed commercial banks in the country and one mortgage finance company. Out of the 45 institutions, 32 are locally owned and 13 are foreign owned. The locally owned financial institution comprise 3 banks with significant shareholding by government and state corporations, 28 commercial banks and 1 mortgage finance institution. However out of all the banks only 10 of them are listed in the Nairobi stock exchange having met the conditions of listing

and applied for the same. The (CBK, 2009) categorizes the financial institutions into three tiers; Large, Medium and Small in terms of net assets. Out of the 45 institutions, 13 were in the large peer group with aggregate net assets of over Ksh. 15 billion. The medium peer group comprise of 17 institutions with net assets ranging between Ksh. 5 billion and 15 billion, whereas the small peer group had 15 institutions with net assets of less than Ksh. 5 billion.

Over the last few years, the banking sector in Kenya has continued to grow in assets, deposits, profitability and products offering. The growth has been mainly underpinned by an industry wide branch network expansion strategy both in Kenya and in East Africa community region as well as automation of a large number of services and a move towards emphasis on the complex customer needs rather than traditional 'off-the-shelf' products. The (CBK, 2009) emphasizes that the banking institutions will need to cope continuously with changing business environment and a continuous flood of new requirement via a robust ICT platform, while staying sufficiently agile. Consumers will continue to demand individualized services, and to demand them faster than ever. Hence banks will continue aggressively design new products that leverage on ICT to remain competitive. Down streaming into the retail market segment will also be expected to continue particularly with the anticipated licensing of deposit taking Microfinance Institutions.

According to the CBK Annual Report (2009) diversification into other financial services is also expected as consumers increasingly seek "one stop financial supermarket." These developments are expected to enhance banking products being offered and bring more



Kenyans into the banking space. However, the main challenges facing the banking sector today include the Finance Act 2008, which took effect on 1 January 2009 that requires banks and mortgage firms to build a minimum core capital of Ksh 1 billion by December 2012 (CBK Annual Report, 2009). This requirement, it is hoped, will transform small banks into more stable organization. The implementation of this requirement poses a challenge to some of the existing banks and they may be forced to merge to comply. The other major challenge is declining interest margins.

#### **1.1.4 Standard Chartered Bank**

Standard Chartered Bank is a financial institution that operates on a model that can be described as being both Functional and Geographic. The bank is part of a larger Global entity known as Standard Chartered PLC which is present in over 56 countries. Being part of Group brings with it many advantages, the most important of which is the concept of migrating best practice. This simply means that Standard Chartered Kenya have a policy built around adopting the best outcomes that our sister franchises have attained in their normal operations. That includes lessons learnt; risks mitigated against, opportunities seized and in some cases, even sharing human resource expertise.

Standard Chartered Bank opened its doors in Kenya in 1911 with the first branch at Treasury Square in Mombasa. The bank has grown to a formidable business and respected brand. SCBK is one of the top banks in Kenya by profitability and market capitalization (CBK Annual Report, 2010). The bank is committed to building a sustainable business through ethical business practices and partnerships with all our stakeholders. The bank attributes excellent performance on three things. Clear strategy

and being disciplined in sticking to become the world's best international bank, leading the way in Africa, Asia and the Middle East. This strategy has stood in good stead especially in many turbulent political and economic times. Its focus has been and remains doing business within our chosen markets, with customers they know well and products that it fully understand. The bank has stuck to the basics of banking, never losing sight of the value of tightly managing liquidity and capital, being very prudent credit risk management, absolutely focused on cost control and efficiency and passionate about customer service and finally the bank have a distinct set of values and culture. In Kenya, the franchise has nine (9) major units, whose Heads comprise the Country's Management Committee (Mancom). These units include Consumer Bank, Wholesale Bank, Technology and Operations, Shared Service Centres, Legal and Compliance, Corporate Affairs, Human Resources and Finance. The Mancom is responsible for the running of the business and it reports to the board of directors (Stanchart Annual Report, 2009).

## **1.2 Problem Statement**

In a world characterized by durable products, stable consumer needs, well defined markets, and clearly defined customers, competition is a war of position in which companies' occupied competitive space, building and defending market share in clearly defined market segments. However, this traditional approach has become obsolete. As markets fragment and proliferate, owning any particular market segment becomes more difficult and less valuable and, as product life cycles accelerate, dominating existing product segments becomes less important than being able to create new products and exploit them quickly. To gain real competitive advantage, the focus of target marketing

must be on developing new-to-the world or new-to-the-market products that provide consumers with totally new perceived benefits. Regardless of the industry, the changes in the marketplace that are affecting most companies, and how they compete, are the same: dramatically improving quality; increasingly global markets and more competitors; and more demanding customers (Graebner, 2007).

The Kenyan banking industry has continued to grow both in terms of new local and foreign entrants, customer and deposit base, regionalization and increased scrutiny from the regulators specifically the Central Bank of Kenya. This new shift in the Kenyan banking industry can be attributed to the liberalization of the sector, increased adoption of information technology and improved business environment due to reforms being undertaken in the political, economic, social and cultural fields. With these changes, the level of competition in the banking industry has reached an all level high and coupled with an enlightened customers and increased scrutiny from the regulators, local banks have had to shift their attention to internal resources as a source of competitive advantage. Therefore, one of the ways that standard Chartered Bank has adopted in target marketing strategy. The bank adopted the strategy as it cannot appeal to all customers in the marketplace or at least not to all customers in the same way. Customers are too numerous, too widely scattered, and too varied in their needs and banking practices. Thus, the bank has moved away from mass marketing and concentrating on target marketing instead of scattering their marketing efforts (the “shotgun” approach) as the bank is focusing on the customers who have greater interest in the values they create best (the “rifle” approach).

Studies which have been undertaken on the use of target marketing strategy for competitive advantage includes Waruingi (2008) who undertook a study on the perception regarding cultivating competitive advantage through logistic services in the case of DHL customers. In the study, he found out that DHL services are strategic and assist in gaining competitive advantage. The company services are mostly referred by group companies and are bought by private foreign companies. Small and local companies are not sourcing from the company. Otieno (2008) did a study on cultivating competitive advantage through differentiation in the case of radio stations in Nairobi and found out that there is a relationship between differentiation strategy chosen by the radio stations and competitive advantage. Taneja (2006) did a survey of application of ICT for competitive advantage of firms listed at the NSE and found out that firms that have been longer in operation had a great extent of ICT application in their strategies. The findings also revealed that firms with relatively higher annual turnovers and many employees had higher extent of ICT application in their business operations and strategies. As can be evidenced from the above studies, there has been no study on the evaluation of target strategy for competitive advantage. This therefore leads to the following research question: How does standard chartered bank uses target marketing strategy for competitive advantage?

### **1.3 Research Objective**

To determine target marketing strategy for competitive advantage by standard chartered bank Kenya.

## 1.4 Value of the Study

The study will be important to:

The management of standard chartered bank as they will benefit a great deal from this study since the findings of study will be particularly concern the company. The management will be able to gain more insights concerning the competitiveness of their company's strategic processes. The findings will also enlighten them on the challenges facing target marketing processes in their company.

Other commercial banks in the banking sector will be able grasp crucial hints pertaining to the competitive of target marketing processes in standard chartered bank. This will pose as a wake up call to align their marketing strategies with those of its competitors if so far they are to achieve a higher competitive edge in the market.

The government through the ministry of finance will be able to gain some insights on various marketing strategies processes prevalent in the banking industry. This way, the ministry will be able to come up with policies that will govern these processes so as to ensure that consumer rights are safeguarded. This study is expected to increase body of knowledge to the scholars of marketing strategies in commercial banks and especially make them in touch with the various strategies being applied by the commercial banks in order to have a competitive edge over its competitors.

## CHAPTER TWO: LITERATURE REVIEW

### 2.1 Target Marketing Strategy

Target marketing is a key decision area for all organizations undertaking marketing and strategic planning. It is that part of the market segmentation process, which groups together customers with similar needs and buying behaviour (Dibb and Simkin, 1996). The basic process of market segmentation consists of three steps: determining segments, targeting and positioning (Kotler, 1984). The first step, where segments are defined, involves applying a base variable to group customers with similar needs and buying behaviour into segments. The second step, which provides the focus for this paper, involves identifying the segments on which marketing resources are to be centered. To achieve this, marketers are required to make choices about the relative attractiveness to the business of a number of target markets. The final step concerns the design of marketing mix programmes (product, price, promotion, distribution and people/service) which will reflect the proposition on offer and which will shape customers' perceptions about the nature of that offer (Dibb *et al.*, 1997).

According to Cooper (1993) an attractive market is one where the competition is weak, there is potential growth, there are few players and the customer base has an unsatisfied need for the product to be supplied. In practice, this means that decisions about target market attractiveness must be made within the context of environmental factors, competitive conditions and available resources. According to Dibb (1995), "Debate about which factors to include in the assessment of segment attractiveness centres on issues such as market growth potential, level and structure of competition, nature of customer

needs, relevant company expertise and entry barriers”. Target marketing at least implies that there are customers whom an organization do not wish to target, that will serve if possible but will make no special effort to serve and that there may be individuals whom they do not wish to serve at all. There major reasons for target marketing are that it forces a strategic focus to the firm, forcing the firm to look towards a realistic approach to its customers and its product/ service offerings and to determine the best fit(s) between them and that it forces a strategic focus on the firm, which begins outside with the customers and the market, and not inside with the firm. It requires the use of the marketing concept as part of the firm’s strategic marketing planning.

## **2.2 Competitive Advantage**

Competitive advantage is an organization’s ability to perform in one or more ways that competitors will not and cannot match (Kotler, 2000) and is realized by the organization’s marketing strategy, the implementation of this strategy and the context in which competition unfolds. The target consumers will be the core and center of the organization’s marketing strategy. The organization should identify the total market and divide it into smaller segments and it should select the segment(s) and focus on serving them. The organization then engages in marketing analysis, planning, implementation and control to find the best marketing mix and take action.

Contemporary business theory argues that companies must compete to keep or gain market share. Innovation is considered to be the key to creating competitive advantage (Stalk, 2006). Some marketing managers pay exaggerated attention to product innovation

as a source of competitive advantage while neglecting other sources of innovation like target marketing. This focus clouds the mindset of marketing personnel and reduces greatly the capacity of a firm to create continuous competitive advantages derived from target marketing. If the process of continuous innovation within a firm is based on the endogenous resources, then managers who understand comprehensively their competitive surroundings realize quickly that identifying the elements that enrich their firm's marketing strategy is a necessary step. Consequently, a firm's strategic competitive strategy can be the inimitable combination of different marketing factors at the fundamental levels discussed above. Moreover, the characteristics of successful marketing strategy includes a sound marketing strategy, the path taken in the market, the level of management skills within the firm and its unique organizational culture which will be difficult for competitors to imitate or replicate. A particular combination of these factors determines if marketing strategic will deliver strategic value to a firm. Competition is now a war of movement in which success depends on anticipation of market trends and quick response to changing customer needs. In this more dynamic business environment, corporate strategy must become more dynamic (Stalk, 2004).

### **2.3 Strategies Available for Selecting Target Markets**

Providing different services for the various potential client groups may not always be the best approach. There may be a few occasions when a single marketing mix can effectively service everyone. An undifferentiated strategy means that a single marketing mix is developed and offered to all the identified potential client groups. It emerges after the agency has reviewed differences between potential target markets and concluded that



the common needs of all these markets are greater than the variations in wants and preferences that differentiate them (Miller, 1988). Too often, however, an undifferentiated approach toward service delivery has emerged by default, reflecting a failure to consider the advantages of target marketing, rather than as an analytical, judicious response that has led to the conclusion that the benefits sought by all segments can be effectively delivered by a single marketing mix.

Using a differentiated strategy, an agency develops two or more marketing mixes, each tailored to a particular target market. This strategy enables a bank to adapt its services to the wants of particular client groups. Firms following a differentiation strategy aim at creating a product or service that customers see as unique. This is usually accomplished through such means as a superior brand image, technology, customer service, communication, distribution networks, positioning or innovative products (Miller, 1988).

The degree of adapted versus undifferentiated marketing strategies is a function of product, industry, market, organization and environmental characteristics (Dean, Mengüç and Myers, 2000). Firms following a differentiated strategy aim at creating a unique product or service. Miller (1988) suggests that this is usually achieved through such means as a superior brand image, technology, customer service or innovative products

If an agency lacks the resources to service several segments with a differentiated strategy, it may elect to pursue a concentrated strategy, which means that it focuses on only one client group (Colleran 2005). It is essential that the concentrated strategy is not exclusionary. The courts are unequivocal in recognizing that once a municipality

undertakes to provide a service that service must be made available to all residents who are eligible for it. For this reason, and because of the belief that "government should serve everybody, "there will often be pressure for the agency to adopt a compromise undifferentiated strategy aimed at the lowest common denominator in preference to a concentrated strategy that directs the resources only at one specific segment. Given a set of different services, however, it is likely that the needs of more people will be optimally met if concentrated strategies directed at priority target markets are adopted than if all services adopt an undifferentiated approach

## **2.4 Forces That Shape Competition**

Technology is crumbling and bringing together markets to the extent that similar firms, with similar products and brands are being found in proximal markets. In other words there is no clear divisibility and exclusivity of markets globally and nationally which used to exist in the olden days business environments. Firms in any industry face at least five sources of competition as they compete for higher profitability in serving customers (Hellriegel et al., 2004: 104). The strength of the competition is key to finding an organizations competitive advantage. Defining key industrial competitive pressures provides a framework for developing strategies an organization growth. Analyzing the primary competitor and identifying their Strengths, Weaknesses, Opportunities, and Threats (SWOT Analysis) help determine target markets, marketing plan, customer service, sales forecasting and sales planning.

## 2.4.1 The Threat of Substitutes

According to Miller (1992) a substitute performs the same or a similar function as an industry's product by a different means. Sometimes, the threat of substitution is downstream or indirect, when a substitute replaces a buyer industry's product. Substitutes are always present, but they are easy to overlook because they may appear to be very different from the industry's product. When the threat of substitutes is high, industry profitability suffers. Substitute products or services limit an industry's profit potential by placing a ceiling on prices. If an industry does not distance itself from substitutes through product performance, marketing, or other means, it will suffer in terms of profitability and often growth potential.

Competition increases when high quality substitutes exist in sufficient quantities and at competitive or comparable prices (Stevens et al., 2006: 115). New technologies result in new goods and services for consumers, improved existing products, better customer services and often lower prices. This is as a result of the development of *more cost-efficient* production and distribution methods. Rapid growth in technologies particularly the internet and other faster communication and transport methods have improved the speed of business. Consistently, banks need to embrace that competition is unsparingly drifting from physical places toward computer-mediated environments (Hollensen, 2003: 395). Industry margins are continuously blurring, while channel disintermediation is increasing and the net result is that products and services become tradable inter-industries. In fact, in the financial sector technology has widened the platform at which

financial institutions should compete on, since the substitutability of financial services has been increased.

Substitutes not only limit profits in normal times, they also reduce the bonanza an industry can reap in good times (Whitley 1999). The threat of a substitute is high if: It offers an attractive price-performance trade-off to the industry's product. The better the relative value of the substitute, the tighter is the lid on an industry's profit potential, or the buyer's cost of switching to the substitute is low. Switching from a proprietary, branded drug to a generic drug usually involves minimal costs, for example, which is why the shift to generics (and the fall in prices) is so substantial and rapid. Strategists should be particularly alert to changes in other industries that may make them attractive substitutes when they were not before.

#### **2.4.2 The Power of Buyers**

Powerful customers can *capture more value by forcing down prices*, demanding better quality or more service (thereby driving up costs), and generally playing industry participants against one another, all at the expense of industry profitability. Buyers are powerful if they have negotiating leverage relative to industry participants, especially if they are price sensitive, using their clout primarily to pressure price reductions. As with suppliers, there may be distinct groups of customers who differ in bargaining power. A customer group has negotiating leverage if: there are few buyers, or each one purchases in volumes that are large relative to the size of a single vendor, (Davidson 2001). Large-volume buyers are particularly powerful in industries with high fixed costs, the industry's

products are standardized or undifferentiated, buyers face few switching costs in changing vendors and buyers can credibly threaten to integrate backward and produce the industry's product themselves if vendors are too profitable. Producers of soft drinks and beer have long controlled the power of packaging manufacturers by threatening to make, and at times actually making, packaging materials themselves, (Pfeffer 1994).

The extents to which customers wield power through purchasing strength clearly influence the competitiveness of a market. When a banking market is dominated by a few number of clients or where the client takes a large proportion of the bank's service, competition from customers is likely to be high. Additionally, competition intensifies in an industry when buyers threaten to integrate backwards. This has been prominent with *traditional clients in the financial sector now involved in certain banking activities* (Falkena et al., 2004). *Technological dispensation in communication and transportation* has empowered customers and today's customers are highly informed and technologically enabled (Baker and Bass, 2003). Banking is increasingly moving to online, thus, the resulting effect of technology in bank clients is even more established and more pronounced. This same consumer has been exposed ceaselessly to empowering technological advancements consequently widening the customer's reach. Customization favours modern technologies, and it is critical for firms to identify customer needs on an individual basis. The internet offers marketers the potential to view customers on a more personalized basis, and this enables customers to have products as per the order from across the globe. Through online services customers can co-create value through knowledge, interactions and experiences. Increasingly banks should be tailoring products

at different rates for different clients and bringing new competitive offerings to the market (Strasheim and Pitt, 2001: 38).

### **2.4.3 The Power of Suppliers**

Powerful suppliers capture more of the value for themselves by charging higher prices, limiting quality or services, or shifting costs to industry participants. Powerful suppliers, including suppliers of labor, can squeeze profitability out of an industry that is unable to pass on cost increases in its own prices. Companies depend on a wide range of different supplier groups for inputs. A supplier group is powerful if: It is more concentrated than the industry it sells to, the supplier group does not depend heavily on the industry for its revenues, industry participants face switching costs in changing suppliers, suppliers offering products that are differentiated, there being no substitute for what the supplier group provides and the supplier group being credibly threatened to integrate forward into the industry. In that case, if industry participants make too much money relative to suppliers, they will induce suppliers to enter the market, (Porter 1980).

The bargaining power of suppliers tends to be intensified when suppliers are concentrated or they contribute the larger component of the products that are bought by the customer. They can bargain for higher prices and this reduces the profitability of the bank (Jain, 1997: 91). All firms play the role of the supplier and customer in their competitive environments and each firm needs to balance its position as a customer as well as a supplier. Malcolm and Martin (2003), also suggest that competition from suppliers is also increased when suppliers threaten to integrate forward. Fortunately, banks prominently

operate in oligopolistic markets and as customers they command high bargaining power to their suppliers.

#### **2.4.4 Rivalry Among Existing Competitors**

When a market is composed of numerous and almost balanced competing firms, overall competition in the industry intensifies. Prominently, competitors will utilize strategies such as price-cutting, improved service deliverance and quality (Hellriegel et al., 2004). Focusing and specializing on the firm's internal activities as well as its competitors' strategies is crucial in winning today's competition. Irreplaceably, market competition intensifies when strategies by major competitors are combined with technological advancements in production and product offerings. Thus, heightened competition in the financial sector is undeniably being proliferated by a dynamic interplay in massive technological use by banks (Malcolm and Martin, 2003). Technology is viewed by many as a bank's principal vehicle for reducing its high-cost 'bricks and mortar' infrastructure. As a result banks constantly search for new developments or better ways of operating their businesses. As of now, considerable trends are emerging that are aptly to gain impetus in the banking industries. For instance, as part and parcel of the improved thrust into retail banking, the banks are almost certainly introducing new and more user-friendly technology. As competition for personal business intensifies, profit margins are shrinking thereby forcing banks to shift towards low-cost electronic transactions for continued earnings growth (Padgett and Mulvey, 2007).

Rivalry among existing competitors takes many familiar forms, including price discounting, new product introductions, advertising campaigns, and service improvements. High rivalry limits the profitability of an industry. The degree to which rivalry drives down an industry's profit potential depends on the intensity with which companies compete and on the basis on which they compete. The intensity of rivalry is greatest if: Competitors are numerous or are roughly equal in size and power, industry growth is slow, exit barriers are high, rivals being highly committed to the business and have aspirations for leadership especially if they have goals that go beyond economic performance in the particular industry, firms cannot read each other's signals well because of lack of familiarity with one another, diverse approaches to competing, or differing goals, (Chimhanzi 2004).

The strength of rivalry reflects not just the intensity of competition but also the basis of competition. The dimensions on which competition takes place, and whether rivals converge to compete on the same dimensions, have a major influence on profitability. Rivalry is especially destructive to profitability if it gravitates solely to price because price competition transfers profits directly from an industry to its customers. Price cuts are usually easy for competitors to see and match, making successive rounds of retaliation likely. Sustained price competition also trains customers to pay less attention to product features and service, (Kotler 2000). Price competition is most liable to occur if: Products or services of rivals are nearly identical and there are few switching costs for buyers, fixed costs are high and marginal costs are low, capacity must be expanded in large increments to be efficient, the product is perishable. Competition on dimensions



other than price is on product features, support services, delivery time, or brand image, for instance—is less likely to erode profitability because it improves customer value and can support higher prices.

### **2.4.5 Threat of Entry**

New entrants to an industry bring new capacity and a desire to gain market share that puts pressure on prices, costs, and the rate of investment necessary to compete. Particularly when new entrants are diversifying from other markets, they can leverage existing capabilities and cash flows to shake up competition. The threat of entry, therefore, puts a cap on the profit potential of an industry. When the threat is high, incumbents must hold down their prices or boost investment to deter new competitors. The threat of entry in an industry depends on the height of entry barriers that are present and on the reaction entrants can expect from incumbents. If entry barriers are low and newcomers expect little retaliation from the entrenched competitors, the threat of entry is high and industry profitability is moderated. It is the threat of entry, not whether entry actually occurs, that holds down profitability, (Slotegraaf and Dickson, 2004).

In many industries competition increases when it develops from outside the traditional industry. New entrants enter the market prepared to challenge the incumbents with new methods of conducting business. Incumbents might find it difficult to develop sustainable competitive strategies against these new entrants. The incumbents must utilize innovative technologies and new forms of delivery, which are focused within the value chain, outsourced and integrated with up-to-date systems and infrastructures in order to remain competitive (Falkena et al., 2004). In some countries new entrants into some banking

sub-markets, especially in the retail banking have included supermarkets, motor car manufacturers, do-it-yourself furniture stores, the post office, utility companies, insurance companies, and even well known football clubs (Falkena et al., 2004).

## **2.5 Porter's Generic Business Strategies**

Strategy is an essential part of any effective business plan. By using an effective *competitive strategy*, an organization finds its industry niche and learns about its customers (Porter, 1980). Porter (1985) asserts there are basic businesses strategies differentiation, cost leadership, and focus and a company performs best by choosing one strategy on which to concentrate. However, many researchers feel a combination of these strategies may offer a company the best chance to achieve a competitive advantage (Hlavacka *et al.*, 2001). Whatever strategy a business chooses, it must fit with the company and its goals and objectives to gain a competitive advantage (Ross, 1999).

According to Suutari, (1999), Porter purports companies must be competitive to become an industry leader, to be successful both nationally and abroad, and these strategies for gaining competitive advantage apply to all industries in most nations. While various types of organizational strategies have been identified over the years, Porter's generic strategies remain the most commonly supported and identified in key strategic management textbooks and in the literature (David, 2000). Porter's (1980) generic strategies can yield competitive advantage and also ensures long-term profitability, the firm must make a choice between one of the generic strategies rather than end up being "stuck in the middle". From a marketing perspective, Baker (1992) argued that Porter's three generic strategies are typical marketing strategies that have been presented by

marketers for the past thirty years. Porter had only rebranded such marketing strategies using different names.

### **2.5.1 Differentiation**

Differentiation is a generic strategy that involves the creation of a significantly differentiated offering, for which the company may charge a premium. This specialty can be associated with design or brand image, technology feature, dealer network, or customer service. Differentiation is a viable strategy for earning above-average returns in a specific business because the resulting brand loyalty lowers customers' sensitivity to price. Buyers' loyalty also serves as an entry barrier (Porter, 1980). The target segments must have buyers with unusual needs or else the production and delivery system that best serves the target segment must differ from that of other industry segments. In using a focused differentiation strategy, the company seeks differentiation in its target segment. This strategy is valued because of the belief that a company that focuses its efforts can serve its narrow strategic target more effectively than can its competitors.

Product differentiation fulfills a customer need and involves tailoring the product or service to the customer. This allows organizations to charge a premium price to capture market share. The differentiation strategy is effectively implemented when the business provides unique or superior value to the customer through product quality, features, or after-sale support. Firms following a differentiation strategy can charge a higher price for their products based on the product characteristics, the delivery system, the quality of service, or the distribution channels. The quality may be real or perceived based on fashion, brand name, or image. The differentiation strategy appeals to a sophisticated or

knowledgeable consumer interested in a unique or quality product and willing to pay a higher price (McCracken, 2002). Some key concepts for establishing differentiation include: speaking about the product to select panels, writing on key topics affecting the company in the association's magazine or newsletter, becoming involved in the community, being creative when composing the company's portfolio, offering something the competitor does not or cannot offer, adding flair and drama to the store layout, providing e-commerce, using photos and renderings in brochures and selecting products and services for which there is a strong local need (Darrow *et al.*, 2001).

### **2.5.2 Cost Leadership**

Cost leadership is a low-cost competitive strategy that aims at the broad mass market and requires aggressive construction of efficient-scale facilities, vigorous pursuit of cost reduction from experience, tight cost, and overhead control, avoidance of marginal customer accounts, and cost minimization in areas like research and development, service, sales force, and advertising. Because of its lower cost, the cost leader is able to charge a lower price for its products than its competitors and still make a satisfactory profit. Having a low-cost position also gives a company a defence against rivals. Its lower costs allow it to continue to earn profits during times of heavy competition. Its high market share gives it great bargaining power with its suppliers because it buys in larger quantities. Its low costs serve as a barrier to entry, as few new entrants will be able to match the leader's cost advantage. As a result, cost leaders are likely to earn above-average return on investment (Porter, 1980).

This strategy focuses on gaining competitive advantage by having the lowest cost in the industry. In order to achieve a low-cost advantage, an organization must have a low-cost leadership strategy, low-cost manufacturing, and a workforce committed to the low-cost strategy. The organization must be willing to discontinue any activities in which they do not have a cost advantage and should consider outsourcing activities to other organizations with a cost advantage (Malburg, 2000). For an effective cost leadership strategy, a firm must have a large market share. There are many areas to achieve cost leadership such as mass production, mass distribution, economies of scale, technology, product design, input cost, capacity utilization of resources, and access to raw materials (Malburg, 2000).

### **2.5.3 Focus**

Cost focus is a low-cost strategy that focuses on a particular buyer group or geographic market and attempts to serve only this niche, to the exclusion of others. In using a cost focus strategy, the company seeks a cost advantage in its target segment. This strategy is based on the belief that a company that focuses its efforts can serve its narrow strategic target more efficiently than can its competitors. However, a focus strategy does necessitate a trade-off between profitability and overall market share (Wheelen and Hunger, 2004).

In the focus strategy, a firm targets a specific segment of the market (Davidson, 2001). The firm can choose to focus on a select customer group, product range, geographical area, or service line. Focus aims at growing market share through operating in a niche market or in markets either not attractive to, or overlooked by, larger competitors. These

niches arise from a number of factors including geography, buyer characteristics, and product specifications or requirements. A successful focus strategy depends upon an industry segment large enough to have good growth potential but not of key importance to other major competitors. Market penetration or market development can be an important focus strategy. Midsize and large firms use focus-based strategies but only in conjunction with differentiation or cost leadership generic strategies. But, focus strategies are most effective when consumers have distinct preferences and when the niche has not been pursued by rival firms David, (2000).

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

The chapter describes the proposed research design, the target population, sampling design, data collection instruments and procedures, and the techniques for data analysis.

### **3.2 Research Design**

The research design was a case study. A case study is an in-depth investigation of an individual, institution or phenomenon. The primary purpose of a case study is to evaluate target marketing strategy for competitive advantage in Standard Chartered Bank. The research study was adopted in this particular study since not all the target population of the study was knowledgeable of the role target marketing in gaining competitive advantage. In light of this therefore, a case study design was deemed the best design to fulfill the objective of the study as the results were expected to provide an insight in understanding how the organization uses its target marketing strategy in gaining competitive advantage. It is through an interview with some selected persons concerned with identification and harnessing of the organizations strategic decisions that the researcher can be able to identify how the organization has utilized its target marketing strategy to enhance its' strategic goal. As a result of this, a case study research design was an appropriate design.

### **3.3 Data Collection**

The study made use of primary data which was collected through a face to face interview with the researcher using an interview guide. An interview guide is a set of questions that

the interviewer asks when interviewing. The respondents interviewed were those involved with formulation and implementation of organization's strategies and consisted of the top managers and functional heads in charge of finance, business development, human resources, marketing and research division. These are considered to be key informants for this research. In addition the departments in which the intended respondents work in are the key host of the marketing strategy. The results were expected to provide an insight in understanding the target marketing strategy as a source of competitive advantage within the organization. The researcher believed that this would make it possible to obtain data required to meet specific objectives of the study.

### **3.4 Data Analysis**

The data obtained from the interview guide was analyzed qualitatively. Qualitative data analysis makes general statements on how categories or themes of data are related. The qualitative analysis was adopted in this study because the researcher was able to describe, interpret and at the same time criticize the subject matter of the research since it was difficult to do so numerically. The qualitative analysis was done using content analysis. Content analysis is the systematic qualitative description of the composition of the objects or materials of the study. It involves observation and detailed description of objects, items or things that comprise the object of study.



# CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSIONS

## 4.1 Introduction

The research objective was to evaluate target marketing strategy as source of competitive advantage by standard chartered bank. This chapter presents the analysis and findings with regard to the objective and discussion of the same.

## 4.2 Respondents Profile

The respondents comprised the top managers and functional heads in charge of finance, business development, human resources, marketing and research division. In total, the researcher interviewed five respondents out of the intended six respondents. This represented 83.3% response rate. All the respondents interviewed had university degrees with four of them having a master's degree as well. In addition, the respondents had worked in the organization for between one and seven years. With this solid background, it was felt that the respondents were knowledgeable enough on the research subject matter and thus of help in the realization of the research objective. One observation made from the results of the interview was that the respondents on been asked whether they will wish to change their current jobs answered in the affirmative. The reasons given were that they felt the amount of work they undertake in the bank does not commensurate with the level of compensation they get.

### 4.3 Strategy Development

This section of the interview guide aimed at establishing the strategy development in Standard Chartered Bank. The respondents in totality agreed that the strategy development of Standard Chartered bank (SCB) among others is concerned with carrying out situation analysis that leads to setting of objectives every year. The SCB mission statement which is ‘To be a world class bank, leading the way in Africa, Asia and middle east’ will in most cases be the guiding factor in the development of the strategies. In 2010, the bank has changed its brand promise to ‘Here for Customers, here for Good’ to resonate with its strategy to communicate that it is 100 years in Kenya and it shall still be there for the long run. The respondents noted that SCB strategy is very important to an organization as it assists the organization to know what they are supposed to do, at what time and thus helps in achieving its objectives. As a result, a policy guide towards the achievement of this will be important.

In the case of Standard Chartered Bank, the bank made their strategies ones a year and the approach normally used is the top-down though in some cases bottom –up approach was adopted depending on the circumstances. The top down strategy was used when the strategic decisions to be implemented are from the SCB group head office in London and it includes the allocation of finances for projects, marketing lines to be adopted and the products to focus on by the bank in long term (5-10 year strategies). The bottom up strategies is whereby the line managers will sit with their respective teams and formulate strategies to meet annual goals which could be specific to company’s or individuals to target, incentives for their staff and allocation of annual targets, cost management and

competition management. The duration of the period taken on the organizations strategy was mostly medium term covering two years though in some cases yearly goals was set. Some respondents observed that the duration taken varies on business impact e.g. operation or profitability will have on the organizations business.

The implementation of any organization strategy will only be successful if the employees who are the actual implementers participate fully in the process. This fact was reinforced by the respondents, who did indicate that one of the ways in which to motivate the employees to work to their best of ability was to offer an attractive pay package. The respondents observed that in the case of Standard Chartered Bank, employee compensation and job security is documented in the Human Resource Policy Manual (HRPM). In their view, the salary and benefit scheme of the bank was not among the best in the sector and that in consideration of the amount of work they undertake; they felt they still need much better remuneration. The challenges the bank faces in development of the strategies were while the bank targets the high value segment, other banks are lowering their prices and targeting all markets thus able to attract more customers, the bank does not invest a lot in product innovation and the change that comes with strategy development was not embraced wholesomely by all employees. Over the past five years, Standard chartered has experienced challenges in the banking industry including increased and tighter regulation for foreign banks, increased competition, introduction of new mobile money transfers and customer enlightenment.

#### **4.4 Target Marketing Strategy As A Source Of Competitive Advantage**

Banks today recognize that they cannot appeal to all customers in the marketplace or at least not to all customers in the same way. Customers are too numerous, too widely scattered, and too varied in their needs and banking practices. Moreover, the banks themselves vary widely in their abilities to serve different segments of the market. Instead, a bank must identify the parts of the market that it can serve best and most profitably. It must design customer-driven marketing strategies that build the right relationships with the right customers. The respondents indicated that SCB pursued target marketing instead of mass marketing as it will enable the bank to concentrate its promotion, pricing and distribution of products and/or services to high value segment of the market as it is more cost effective, it also provides a focus to all of the bank's marketing activities, it creates value to its stakeholders' as the bank adopted itself to the uncertain industry environment by understanding the changing needs of customers, since it resonates with the bank's policy and institutional structures that act as the catchment streams and responding to new market entries and that since there was no other bank which had ventured into the high value segment the bank identified that they will secure an advantageous competitive position.

The bank targets middle level to upper end customers (High Value Segment). The focus is on salaried individuals earning over sh 50,000 (Personal banking customers), over sh 100,000(Preferred customers), over sh 300,000(Priority Banking customers). SCB cannot appeal to all customers in the marketplace due to the high cost of appealing to mass market and also the cost of running the branches is high or at least not to all

customers in the same way and also in order to gain competitive on dramatically improving quality; increasingly global markets and more competitors; and more demanding customers the bank had to seek ways of differentiating itself from the common market whereby the banks appeal to all customers especially the lower end customers whom as much as they deposit and borrow less their transactions are frequent thus attracting charges which increases banks profitability. The banks' also determined the target market due to the customers being high net worth and have stable incomes and also due to the bank group strategy which targets the HVS market.

The bank made choices about the relative attractiveness to the business of target segments after taking into consideration the environmental factors, competitive conditions and available resources in which issues such as market growth potential, level and structure of competition, nature of customer needs, relevant company expertise and entry barriers were considered. Initially the bank had not segmented any market as it was a mass banking market for all but stratification and segmentation proved that the business can be both attractive and sustainable to the preferred segment. The respondents indicated that the bank designed a marketing mix programmes which reflected the proposition on offer like the launch of priority banking proposition for the higher net worth clientele and preferred banking proposition which suits high middle income earners. The marketing mix will attract middle and high value segments as it will result to increased pricing of products and services, re-launch of priority banking to target high value segments which has benefits like personalized relationship manager, exclusive banking halls, preferential pricing for priority customers, investment services and off shore banking, visa infinite

card, access to VIP lounge at over six hundred airports and 24 hour around for all financial requests. It also resulted to the re-launch of preferred banking to focus target on middle income clientele which results to benefits like more personalized, preferred centre's, longer banking hours, online banking and virtual transactions and preferential pricing. A unique mix of these elements in a given industry allows firms to compete more effectively, thus ensuring profitability and sustainability. By coordinating various product offerings and associated price discriminations with sales promotions and effective logistics, SCB has over the years increased its sales and profit. Some outstanding products offering in SCB include:

**Diva Club Account:** This specifically targets middle and high income women in society. The Diva Club Account is a unique bank account that is specifically designed to cater for the woman's changing lifestyle and needs. The feature-rich Diva Club Account, a first of its kind in the banking industry in Africa, is specifically packaged along the member's club model and will, among other key incentives, provide an opportunity and a forum for women to be part of a club where they can network and also learn from other likeminded women. In addition, the Divas get a quarterly newsletter, cocktails and a trip with other Divas every quarter.

**Internet and Mobile banking:** High end customers don't visit the bank regularly and have appreciated the use of internet banking and mobile services to make day- to -day banking easy

**Investment services:** Your portfolio can comprise traditional investments such as deposits, mutual funds and exchange traded funds that will give your portfolio diversified

exposure to a range of asset classes such as cash, bonds and equities. The range of asset classes is determined by our strategic asset allocation models.

And, depending on your preference, we can also offer you off-the-shelf portfolios or create them from our recommended funds—selected based on our in-house research.

Property investment solutions: SCB have made it their priority to help you secure the right loans and support you on maximizing returns from your investments in property. Our property investment solutions come with specially customized benefits that help you capitalize on the opportunity. Customized higher loan sizes, faster approvals through fast-track processes for your applications and preferential pricing tailored by your Relationship Manager. What's more, the bank's Relationship Managers and Mortgage Specialists can also help you negotiate the complexities of mortgages and loans in the property market.

Target marketing in itself is a source of innovation to the bank with a continuous competitive advantages being derived from targeted market. The bank did not abandon product innovation completely rather it concentrated on innovating the products suitable to serve the targeted market. On the strength of competition after adopting target marketing strategy, the respondents indicated that most banks had shifted to target mass market that saw an increase in opening of new branches and employing many staff to manage mass market. This left a major gap in the needs of the High values segment. This strategy for targeting this segment is very strong for the bank as it is easily adopted as it

has created emergence of similar strategies-only different names. The respondents said that the bank adopts SWOT analysis in which the bank uses its strengths to capitalize on opportunities or minimize threats, and invest in available opportunities to overcome its weaknesses. The key task is to generate a well-justified set of strategic options and choose from them the ones that will contribute to the achievement of the corporate strategic goals and objectives.

Successful implementation of target marketing strategy in the bank can be attributed to the long term planning with a strategy that covers ten years, cost management as the bank has lean employee base which manages the cost well to increase its profitability, the bank surpassing the expectations of the customers having been in operation in the country for a century thus they understand what the customers need, the bank core values and the use of the marketing concept as part of the firm's strategic marketing planning.

The competition in the banking industry however has been increasing daily thus the need to come up with strategies which will counter what other competitors have put in place by scb. In order to be relevant in the market, SCB reacted swiftly to competition by engaging in increased benefits to its clientele including introduction of the only Priority credit card for Preferred and Priority Customers. Threat of substitute products will perform the same or a similar function as an industry's product by a different means. The bank reacted to the treat of substitute through continuous product development and sustained service standards, through aggressive marketing, It launched a customer chartered dubbed 'The SCB Customer Charter' in 2010 to deliver to customers a deeper



level of customer based service. Sales personnel in SCB are motivated by trips to foreign countries, linkages/partnerships with key target market like corporate institutions lock in strategies and innovating new products and partnering with market leaders who can bring expertise required for competitiveness. In order to respond to competition brought about by powerful the bank initiated products to fit the needs of customers, market pricing analysis and forecasts, price differential analysis and market based pricing model. Entry of new competitor increases competition in the industry by applying different market strategies and the bank responded by embracing technology and cost management in order to reduce costs, offering incentives to existing customers, competitive pricing, improving services by satisfying its customers through value addition and customer reassurances.

The banking industry is regulated by the Central Bank of Kenya and therefore threat of entry results when additional banks are licensed to offer the services although there are some Saccos and Micro Finance Institutions which offer services which the commercial banks offers thus reducing the market share of the banks. It is the threat of entry, not whether entry actually occurs, that holds down profitability. The intensity of rivalry plays a major role in determining whether existing firms will expand capacity aggressively or choose to maintain profitability. Industry structure also determines how rapidly competitors will retire excess supply. The current players in the industry will defend its market share by lowering prices since they are established and some commercial banks enjoys economies of scale and massive resources.

Powerful suppliers, including suppliers of labor, can squeeze profitability out of an industry that is unable to pass on cost increases in its own prices. The bank do not have powerful suppliers as they source the goods and services which they need competitively thus maintaining its costs at low levels. In order for the firms to make profits, the bank has to source all the goods and services cheaply and the suppliers influence the level of competition if they charge high prices for their goods and services which will force the banks to increase the costs for goods and services which they render. The bank reacted to competition brought by new players by strategic alignment of existing product including turn around, partnerships, agency basis, price reduction and innovative customization of products. By responding to competition brought about by the competitive forces adequately, the bank alters the effect which the forces could have had to the bank and therefore gives the bank an edge over its competitors. The bank find the segments which matches its capabilities when the bank evaluates itself and the environment in which they operate and since it is easier for the bank to changes its capabilities to suit the customers then they changed rather than build customer capabilities as the customers are diversified and they have different tastes and preferences which the bank would not have satisfied had it tried to achieve satisfy each customers' needs.

The respondents indicated that SCB implements the best way to position itself for competitive advantage. The Standard Chartered brand is strong being over 100 years in Kenya and over 300 years worldwide. Positioning involves implanting the brand's unique benefits, and differentiation in customers' minds. The respondents therefore were of the view that the only sustainable generic strategy in a segmented market was differentiation

as it generate customer value, provide perceived value, and be difficult to copy. The SCB Brand promises a world class financial service and partnership at every client's life stage. The respondents also highlighted that the strategy worked in the bank as it involved the total organization, its structure, systems, people, and culture. After several years of sustained service to the customers, the bank has differentiated themselves by building its own brand which is difficult to be copied by any other bank and these has been sustained is it has created competitive barriers to protect the selected position by creating associations of the positioning variables with the brand name in the prospect's mind. A brand strategy permits the strategist to work with complex concepts and not limit the differentiation strategy to just a few competitive differences.

#### **4.5 Discussion of the Findings**

The present day business environment is tumultuous and a firm should be able to initiate appropriate strategies to counter competition in its business operating environment. The Standard Chartered Bank pursues target marketing strategy due to high competition in mass marketing and these has resulted to the bank concentrating its promotion, pricing and distribution of products and/or services to high value segment of the market as it is more cost effective, it also provides a focus to all of the bank's marketing activities, it creates value to its stakeholders' as the bank adopted itself to the uncertain industry environment by understanding the changing needs of customers, since it resonates with the bank's policy and institutional structures that act as the catchment streams and responding to new market and these has enabled the bank to cut an inch in the competitive industry. The results was in tandem with Cooper (1993) who noted that an attractive market is one where the competition is weak, there is potential growth, there

are few players and the customer base has an unsatisfied need for the product to be supplied. This means that decisions about target market attractiveness must be made within the context of environmental factors, competitive conditions and available resources.

Further, for the strategy adopted to effectively achieve the firm's objectives, the plans and actions must be strategically fit to the complexities and dynamism of a rapidly shifting environment. This need was evidenced in the case of Standard Chartered Bank target marketing strategy where it was found out that the bank has adopted a marketing mix programmes which reflected the proposition on offer like the launch of priority banking proposition for the higher net worth clientele and preferred banking proposition which suits high middle income earners. The marketing mix has enabled the bank to attract middle and high value segments as it increased pricing of products and services, re-launch of priority banking to target high value segments which has benefits like personalized relationship manager, exclusive banking halls, preferential pricing for priority customers, investment services and off shore banking, visa infinite card, access to VIP lounge at over six hundred airports and 24 hour around for all financial requests. Ferstman and Muller (1993) noted that through market segmentation the firm can provide higher value to customers by developing a market mix that addresses the specific needs and concerns of the selected segment. The firm creates monopolistic or oligopolistic market conditions through the utilization of various curves of demand for a specific product category.

# CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

## 5.1 Introduction

The chapter will deal with the summary of the findings, conclusions and the recommendations.

## 5.2 Summary of the Study

The respondents had university degrees although some of them having masters' degree which and therefore the respondents were competent enough to enable the researcher gather the necessary information. The respondents had university degrees although some of them having masters' degree which and therefore the respondents were competent enough to answer the questions. The respondents had worked in the organization for between one and seven years thus they have sufficient knowledge regarding the target marketing strategy in the organization.

Standard Chartered Bank operates in a complex, dynamic, highly competitive and regulated environment and these necessitates the adoption of strategies which will steer the company to succeed. It is a multi-national bank with presence in over 34 African countries. The bank makes its strategies ones a year while there are at the same time long term strategies covering a longer duration of time up to 10years. The bank uses top-down approach and in some cases bottom-up approach depending on the circumstances. The challenges which the bank faced in development of its strategy was lowering of prices by the other banks when the bank was targeting the high value segment and mass marketing

thus attracting different categories of the customers, the bank does not invest a lot in product innovation and the change that comes with strategy development was not embraced wholesomely by all employees.

The study established that SCB targets the high value segments who are customers with high income mostly derived from employment or business. These segments are salaried individuals earning a net of over sh 50,000 for Personal Banking customers, over sh 100,000 for Preferred banking customer and over sh 300,000 for priority banking customers. The bank pursued target marketing as it will enable the bank to concentrate its promotion, pricing and distribution of products and/or services to a segment of the market as it is more cost effective, provides a focus to all of the bank's marketing activities, creates value to bank stakeholders' as it has adopted itself to the uncertain industry environment by understanding the changing needs of customers, due to the bank policy which necessitates target marketing strategy and responding to new market entries and that since there was no other bank which had ventured into the high value segment the bank identified that they will secure an advantageous competitive position. SCB's main competition is Barclays Premier Banking and CBA bank who both charge sh 2500 and sh 3000 respectively. SCB charges sh 850 for the account and no charges for Priority banking membership which is very competitive for the High Value segment

The bank targets the middle and upper end customers in order to gain an advantage over its competitors by having the high income earners as their customers. SCB considered various factors including Products, price, promotion and distribution of its services to the

HVS before deciding on this target market and these helped the company to identify the ideal target market. Product innovation is a continuous process in order to remain competitively in the market and the bank currently innovates products which suit its target market. These innovations include internet and mobile banking, Priority membership clubs, Diva and X- Accounts. In order to overcome the threats posed by the competitors, the bank uses the SWOT analysis technique. The success of the strategy was attributed to long term planning, cost management, market understanding, the bank core values and the use of the marketing concept as part of the firm's strategic marketing planning.

The bank reacted to competition brought by forces of competition by through continuous product development and sustained service standards, through aggressive marketing, Introduction of Credit Cards with chip technologies, Offshore investment for local clients and the launch of the new brand promise ' Here for Good' are some of the examples. Increased sales staff motivation and financial incentives to penetrate the target market. SCB establishes linkages/partnerships with key target market like corporate institutions. These partnerships include special bundle for organizations with HVS clients like East African breweries Ltd (EABL), Coca cola group, Kenya Airways, United Nations, Unilever, University of Nairobi etc. This ensures a solid customer base that is not moved by competition easily. It helps to lock in strategies and innovating new products and partnering with market leaders who can bring expertise required for competitiveness, products initiation to fit customer needs, market pricing analysis and forecasts, price differential analysis and market based pricing model, by embracing technology and cost management in order to reduce costs, offering incentives to existing customers,

competitive pricing, improving services by satisfying its customers through value addition and customer re-assurances.

SCB has adopted differentiation strategy as it generates customer value, provide perceived value, and be difficult to copy. The strategy is focused on shifting the frontline staff members from being product –based to a client based relationship. SCB has introduced a tool for enhancing client relationships called ‘SCB Way’ tool, which helps to link a customers needs/objectives with matching solutions from the bank. This ensures a magic moment with every client interaction. The strategy worked in the bank as it involved the total organization, its structure, systems, people, and culture. The brand which the bank has built through segmentation is difficult to copy it has created competitive barriers to protect the selected position by creating associations of the positioning variables with the brand name in the prospect's mind.

### **5.3 Conclusion**

Successful strategies erode over time and management needs to continually evaluate its target marketing strategy in relation to its key customers. From the findings, it was established that the banking industry was undergoing one of the challenging times as the competition has become intense due to market entry by new banks and the scramble by the banks for the customers. These therefore call for careful analysis of the industry so that SCB does not rely on the strategy which does not relate to competitive advantage. As the bank pursues the target marketing strategy they must decide the on the differentiation and position strategy that create competitive advantage, choosing



advantages upon which to build a position, choosing the right competitive advantages, and selecting an overall positioning strategy.

The study established that the bank has created a brand out of the strategy which has adopted thus creating competitive advantage to the bank which resulted to the creation of barriers to protect the selected position, the bank however needs continued innovation so that they can continue offering products to its customers which will be hard for any new entrant into the industry to match as all forces of competition works against the bank's strategy.

#### **5.4 Recommendations**

Target marketing strategy will only succeed when the whole organization is working towards the achievement of the strategy, however for competitive advantage over its competitors the bank should ensure that they continue pulling the whole organization stakeholders towards the achievement of the strategy so that they can protect the market which has taken the bank a long time to build. The bank should also continue innovating products as a way of differentiating itself which will ensure that the brand name which has been built by the bank as a result offering quality products continues such that the new entrants into the segment does not cut an edge into the banks' market share.

The long term strategies which has been used by the bank to guide it in successful implementation of the strategy should always be updated to reflect the trends which are taking place in the industry so that the bank is not got off guard by the effect of the

external environment so that it affects its competitive edge in the market. The brand which has been built by the bank to gain competitive advantage over the years should continue to be built by the management of the company so that their customers gets value for their loyalty with the bank and also attracting new customers.

### **5.5 Suggestions for Further Research**

The study confined itself to Standard Chartered Bank of Kenya on the usage of target marketing strategy as a source of competitive advantage. Similar should however be done on all commercial banks operating in Kenya to determine their target market and whether they achieve competitive advantage with the adoption of the strategy.

### **5.6 Limitations of the Study**

This study depended on interviews and discussions with management and the employees of the organization. It would have been of value to obtain the views of those served by the organization or other stakeholders in the firm. The scope and depth of study was also limited by the time factor and financial resource constraints. This put the researcher under immense time pressure. The researcher also encountered immense problems with the respondents' unwillingness to give the researcher interview time promptly.

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# APPENDICES

## APPENDIX I: LETTER OF INTRODUCTION

University of Nairobi  
School of Business  
Department of Strategic Management  
P. O. Box 30197  
Nairobi

14<sup>th</sup> August, 2011

Dear Respondent,

### **RE: COLLECTION OF SURVEY DATA**

I am a postgraduate student at the University of Nairobi, at the School of Business. In order to fulfill the degree requirement, I am undertaking a management research project on evaluation of target marketing strategy as a source of competitive advantage by Standard Chartered Bank.

You have been selected to form part of this study. This is to kindly request you to assist me collect the data by filling out the accompanying questionnaire. The information/ data you provide will be exclusively for academic purposes. My supervisor and I assure you that the information you will give will be treated with strict confidence. At no time will you or your organization's name appear in my report.

**Olbara C. Jepkemboi**

**Student no: D61/70119/2008**

**Florence Muindi**

**Supervisor**



## **APPENDIX II: INTERVIEW GUIDE**

The interview guide will seek to achieve the following objective;

1. To evaluate target marketing strategy as source of competitive advantage by standard chartered bank

### **Background Information on the interviewees**

- For how long have you been holding the current position?
- Would you change your current duties if given a chance?

### **Strategy development process in the Bank**

- What duration does the banks strategy cover?
- What approach can you categorize the strategy development process of the bank to take?
- What level of involvement of employees does the strategy development take?
- What sort of challenges does the organization face in the development of its strategies?

### **Target marketing strategy as a source of competitive advantage**

1. Why did the bank decides to adopt target marketing strategy at the expense of mass marketing strategy?
2. Which category of customers do you target?
3. Which criteria did the bank use to determine the target customers?

4. Did the bank make choices about the relative attractiveness to the business of a number of target markets?
5. Did the bank design a marketing mix programmes (product, price, promotion, distribution and people/service) which will reflect the proposition on offer and which will shape customers' perceptions about the nature of that offer?
6. Does the bank create competitive advantage after adopting target marketing at the expense of product innovation?
7. How can you describe the strength of the competition after adopting target marketing strategy as key to finding an organizations competitive advantage?
8. Does the bank adopts SWOT analysis in order determine target markets, marketing plan, customer service, sales forecasting and sales planning?
9. What can you attribute to be the driving force behind successful implementation of target marketing strategy in the bank?
10. How does the bank responds to the five forces of competition in order to obtain competitive advantage?
11. Does the bank analyses the five competitive forces, then develop the target market at those points where the forces are weak?
12. How does the bank deals with the threat of substitute products in order to gain competitive advantage?
13. Does the bank alter the competitive forces in order to achieve competitive advantage?
14. How does the bank find segments which match its capabilities rather than building capabilities that match customer needs?

15. Which generic strategy does the bank use in order to gain competitive advantage?
16. Why do you prefer the strategy?
17. Does the strategy which you have adopted generate customer value, provide perceived value, and be difficult to copy?