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RESEARCH ARTICLE

EFFECTS OF MARKETING IN THE BUSINESS PERFORMANCE IN BANKING INDUSTRY-A CASE STUDY OF MOMBASA COUNTY

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Abstract

Marketing professions in banking industry have continued to undertake a number of reform measures to control their market share and their competitive advantage as well. Every organization either government financial institution, private or NGO would wish to improve the way they operate especially in the marketing which is very significant for any organization's survival. The purpose of this study was to assess the effects of marketing in the Business Performance in banking industry. Equity Bank branch in Mombasa County was studied as a case with an aim of finding out the views of the various key stake holders in marketing profession in financial institutions on issues regarding marketing strategies, market share and competitive advantage. It was hoped that the findings of the research could be generalized and applied to other financial institution especially in marketing department in government service, non-governmental organizations or even private sector. Methodology used was primary data analysis gathered through interviews and secondary data analysis which involves the utilization of existing data collected from the existing documents, the study reviewed literature on assessing the effects of marketing in banking industry and some other issues concerning similar research topic. Observation gathered during the research was also incorporated in the findings of the research. The study use both quantitative and qualitative data, tables and graphs to illustrate findings. The target population under study was 50 Equity Bank customers who are based in Mombasa County from the 5 different backgrounds. Conclusion therefore sought to identify achievements, lessons learned and challenges of implementing various key ways of improving marketing strategies to gain more market share and maintain customer loyalty.

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INTRODUCTION

Banking industry plays a major role in the development of Kenya's economy and creation of employment both in Kenya and outside the country. The country is essential as it ensures that consumer's security and rights are kept up to standards. According to Samolyk 2004 in the Future of Banking in America, "Traditionally the World over Commercial Banks Has Been Performing the Role of Financial Intermediation by Lending to Corporate in the Form of Loans Therefore, Bank Ends up Taking up Taking Lending Decisions without Fully Understanding and Appreciating the Nature of the Organization." James Mwangi Chief Executive Officer while addressing the Thirty-sixth Session of IFAD's Governing Council states that (Rosemary, 2013), "Equity Banks offers consumers loans which include capital for business and also educational loads for business and also educational loans for students and scholarship. It also offers financial service throughout its wide network and branches in Kenya, Uganda and Tanzania. Supported by ultimate delivery channels which include the following: Branded ATM consumers use ATM's to get money very conveniently without going to queue in the bank." It is stated that Equity Bank has made it sure that there are some branches for easy convenience for their customers in internet and mobile banking. Consumers may access their money when they are at their working place through their mobile. The study attempted to analyze the impact of marketing in consumer banking in Kenya.

1.1 Equity Bank

Equity Bank commenced in 1984 it evolved from a building society, a microfinance institution to now regional banking services with several outlets and listed in Nairobi Stock Exchange and Uganda securities exchange as public listed commercial banks. According Equity Bank's investment arm 2004. It is the leading bank in Africa by customer base, with bank accounts in Kenya, Uganda, South Sudan, Rwanda and Tanzania. The vision of Equity Bank is to champion the social economic prosperity of the people of Africa while its purpose is to transform the lives and livelihoods of the people socially and economically by availing them modern, inclusive financial services that maximize their opportunities. Equity Bank has received local and global accolades for its unique and transformational financial model. The bank is credited for taking banking services to their people through its accessible, affordable and by the following core values with it uphold in all activities and these are: professionalism for example. Equity Bank offers job opportunities, creating innovation that increase their customer base and uplift their standards of living etc. With over 4.1 million accounts, accounting for over 52% of all banking accounts in Kenya. The solidness of Equity Bank is underpinned by its shareholders funds based of over Ksh 19 million making Equity Bank one of the most capitalized bank in the region, however this is due to the strategies put in place within the organization to compete for customer among others (Ogega, 2010). There are many consumers all over the country; some are in rural areas and others in urban countries. The marketing department places a huge role in the banking industry (Mwangi, 2010). Through marketing the bank advertise its products but there are some limitations or problems that the bank faces. e.g. if not properly advertised the consumers get confused on which bank to use because most of them offer similar services and consumers may not be aware of which bank to use and this might be a problem (Shah, 2005). Other financial institutions such as commercial banks, microfinance institutions, self-help group and insurance companies are coming up with new strategies targeting same customers. These have stiffened the competition in the market and hence strategies to create awareness and attract new customers as well as retain the old customer in currently in play in all banks in Kenya. Rising to a higher level of success is easy but retaining the same level or higher is becoming a challenge as a result of competition, thus there is need of diversification in the way bank implement its strategies, which creates a unique feature and an innovation which attract new clientele.(Kenya Association of Bankers, 2012).

2.0 LITERATURE REVIEW

This section reviews the literature by discussing the conceptual and theoretical frame work of the study and other related literature. It also evaluates the concepts of banking industry performance, the relationship between marketing methods or strategies and customer service delivery and finally the study will draw conclusions on the literature review on marketing as a tool of communication that has major differences and similarities between Customer's Perception and Company's Expectations. Consequently, the other main aim of this literature review is to understand what other writers have written about the impacts of marketing in banking in Kenya and appreciates what fellow researchers have contributed towards the area of study and assesses what may need to be researched. The theoretical framework of the study involves the concepts of marketing strategies on Diversification, Personalized Marketing and Marketing Penetration by Banks operation in Mombasa County.

2.1 Classical Theory of Interest

Interest, in real terms, is the reward for the productive use of capital, which is equal to the marginal productivity of physical capital. In a money economy, however, as physical capital is purchased with monetary funds, the rate of interest is taken to be the annual rate of return over money capital invested in physical capital assets. According to Keynes, true classical theory of interest rate is the savings investment theory. Basically, the theory holds the proposition based on the general equilibrium theory that the rate of interest is determined by the intersection of the demand for and supply of capital. (Caplan, 2000) argued that an equilibrium rate of interest is determined at a point at which the demand for capital equals its supply. The implication of the theory, different banks have different liquidate, if what stated in the theory is true high liquid bank should charge low interest rate on funds lend in order to attract more borrowers and interest rate on savings should be low in order to discourage savings or if it charges the same rate as other banks on money borrowed then interest rate on saving should remain very low . If that is true interest rate spread on highly liquid banks should be comparatively more than low liquid banks. Financial performance on comparatively high liquid bank should be better than low liquid bank (Rochon and Vernengo, 2001).

2.2 Innovation Diffusion Theory

According to Rogers (2003), the factors which influence the diffusion of an innovation include; relative advantage the extent to which a technology offers improvements over currently available tools, compatibility (its consistency with social practices and norms among its users, complexity its ease of use or learning, trialability the opportunity to try an innovation before committing to use it), and observability (the extent to which the technology's outputs and its gains are clear to see. By analyzing Rogers (2003) diffusion of innovation theory through the lens of the Dubin framework, some gaps in the theory emerge (Lundblad and Jennifer, 2003). Organizations are described as a social system, but within organizations, departments or teams can also serve as social systems. Yet the unique issues and elements of departments or teams within a larger organizational context are not addressed in terms of how these boundaries affect the adoption of innovation. For diffusion of innovation theory in organizations, the only system state defined by the theory is what type of decision-making process is in place for adopting and implementing innovations, identified as optional, collective, authority, and contingent innovation-decisions.

2.3 Conceptual Framework.

Here there are two streams of research which will form part of the theoretical framework of the study. These are the concepts of marketing strategies and the concepts of consumer banking in Kenya.

Figure 1.1: Schematic Conceptual Framework

Independent variables **Dependent Variable**

Sources: Author

The Conceptual Framework will concentrate on the three areas which according to the hypothesis will have direct effect on the performance of banks in Mombasa County as a dependent variable and the independent variables are Market Diversification to banking services, Personalized Marketing and Marketing Penetration in Mombasa.

2.3.1 Market Diversification

Increased competition in the banking system can promote efficiency in the allocation of resources, strengthen their flexibility during financial crises, and foster banks to focus on its own competence, thereby putting a premium on financial innovation and diversification. It is important for the banks to mould a competitive strategy, and to examine and understand the nature of its products and the needs of its customers. Financial development goes hand-in-hand with economic development (Stephen et al 2012). The centrality of finance in an economy and its contribution to economic growth hence raise the importance of innovation and diversification in financial products. Weak lending growth may reflect deep-rooted structural problems and poses risks to economic growth. Since finance is an input to virtually all production activities and many consumption activities, improvements in the financial sector will have direct positive effect on the economy. In addition, better finance can encourage more saving and investment, and hence have indirect positive effects on further financial innovation and diversification as well. (Ho 2002), Macao has been successful in deepening its financial system, as all the relevant indicators of financial deepening showed upward trends during the period under investigation. Lack of lending opportunities has channelled bank's lending efforts into consumer credit, particularly residential mortgage lending, which is the major area that has seen a discernible demand of borrowers. Other consumer credits, such as credit card, hire purchase and personal loans, have also emerged to become the other major battleground for bank's loan expansion. Traditionally it has been argued in the academic literature that the less competition there is in a country's banking system the more stable it is likely to be. This is known as the "charter value" hypothesis. The idea is that banks will be more valuable in a concentrated system and as a result owners will be less willing to take risks. A recent counterargument is that it is necessary to look at the loan market as well. A more competitive banking industry means that the interest rate on loans will be lower. Borrowers will then be more profitable and as a result they will be less willing to take risks, therefore the stability of the banking system will be improved. The overall outcome will depend on the relative strength of the two effects (Franklin 2011).

2.3.2 Personalized Marketing

Marketing is about managing relationships. In order to persuade the ultimate consumers of the products to buy, others concerned with the product have to be persuaded that what is on offer will satisfy customer's wants and needs. The chain of persuasion can stretch right back into the organization itself and involve employees of the company (Proctor 2000). According to Kotler and Keller, there has been a shift from managing product portfolios to managing customer portfolios, emphasizing the importance of ethical and social implications to marketing concepts (Keller and Kotler 2012). Michael Porter created a model used in industry analysis; the model denotes that industry is influenced by five forces. Companies seeking to develop an edge of their competitors utilize this model in order to gain a better understanding of the industry in which it operates. According to Kotler, the model probes the operational environment for threats from competitors and identifies them early enough in orders to minimize them in the long run. It analyses the company's profitability and position within the sector against direct and indirect competitors (Keller, 2012). The marketing strategy of a company reflects its overall corporate strategy and objectives, its vision, mission and values. The strategy will be shaped by the nature of the company's market and its wider marketing environment. A company's marketing strategy in practice will typically be a mixture of carefully planned and deliberate steps, and more informal patterns of decisions and actions that emerge as managers react to events and improvise (Belz and Peattie 2009).

2.3.3 Marketing Penetration

The slow growth in market penetration by banks can be explained by the customer perceived value theory. Customer perceived value is the difference between the prospective customer's evaluation of all benefits and all the costs of an offering and the perceived alternatives. CPV = what customer gets (benefits) – what he gives (costs). Total customer benefit is the perceived monetary value of the bundle of economic, functional and psychological benefits customers expect from a given market offering because of the products, services, personnel, and image involved. Total customer cost is the perceived bundle of costs customers expect to incur in evaluating, obtaining, using, and disposing of the given market offering, including monetary, time, energy, and psychological costs (Kotler and Armstrong, 2010). New market entrants intensify the industry capacity, thereby heightening market share competition while lowering present costs (Proctor 2000). Marketing implementation is turning marketing strategies and plans into marketing actions to accomplish strategic marketing objectives. The implementation process addresses who, where, when and how the marketing activities adopted by a company (Kotler, Armstrong 2013).

2.0 DATA PRESENTATION, ANALYSIS AND INTERPRETATION

The initial sample size of 50 and all the questionnaires that were distributed were received back with no defect or any alteration hence 100% of the sample size responded to the survey.

3.1 Background information of the respondents.

All the respondents in the sample size were asked questions regarding their level of experience with bank services and also their level of satisfaction. This was done with the intention purposely to gain frequency of interraction with banks, the respond with reasonable validity and reliability to the survey on assessing the impact of marketing in the banking industry.

Source: Author

Among the respondents, 40% were male and 60% were female. This clearly indicates that the marketing professional in the organization is female dominated. This is because marketing involves a lot of talking and convincing procurement of which ladies are good at convincing individuals. However there are a few men in the front office, marketing department and human resource department. This disparity did not in either way affect the outcome of this research study. This indicates that the rate of male employees in the banking industry especially in marketing department was less than the females, an implication of gender imbalance. On the level of education of respondents the findings were as shown below:

Level of Education	Percentage %
polytechnic	20
College	27
University	53
Total	100

Source: Author

The majority of respondents 53% were university graduates. 27% of the respondents had attended college while 20% were polytechnics graduates. This shows that most employees are university graduates. It further clarifies that for one to work in a bank, he or she should be a university graduate to stand a better chance to work in the banking industry in Kenya. Most of the respondents have good experience working in banking industry in Kenya. About one – third of the group have worked in their current office for between 6 to 8 years thus beyond doubt they could tell the impact of marketing in banking industry. Majority employees in the banking industry feel that their customers are loyal to their banks. On the loyalty of the customers, 41% of the employees strongly disagree with the idea that customer frequently switch from one bank to another. This clearly indicates that customers are retained in their respective banks through vigorous marketing and offering the customers with good products and services packages. 67% of the employees say they can recommend their banks to their friends. This shows the level of confidence with employees to their respective banks is very high. 54% strongly disagree with the idea of taking a loan from another financial institution. This shows that they are totally satisfied with the level of rates they are offered. Those who feel that the current bank rates are very cheap and fair add up to 66%. 20% of the respondents feel the rates are just cheap while the respondents who feel that the rates are expensive add up to only 14%. This is a clear indication that the bank has a competitive advantage when it comes to product pricing rates.

Source: Author

From the study, the respondents were represented in percentages as 60% and 40% respectively. It revealed therefore that the bank has developed different products as a marketing strategy to have a big market share. 33% agree with the statement that the information system used by bank is leading to the growth of the bank significantly. This is because of the marketing efforts done by marketing team in the bank. 60% are in favor of the information system used by bank since they feel the system is leading to the growth of the bank. 20% strongly disagree with the information system and they feel it is not contributing towards the growth of the bank. This is a clear indication that the marketing department or the marketing professionals have to do a lot of marketing to create awareness of the information system they are using. The study revealed that the bank is providing sufficient and attractive products to the customers thus enhancing its marketing strategy. It further revealed that the current management of bank affects marketing strategies to gain competitive advantages.

The researcher attempts to analyze the marketing strategies imployed by the bank in maintaining its bench mark position and its competitive advantage in Mombasa as well. The finding indicated that the rate of female employees in marketing department and human resources department in the organization was more than that of the males which is an implication of gender imbalance; Most employees have worked with the bank for a period of 6 – 8 years which means they have more knowledge and experience about banks and its marketing environment. Majority of respondents felt that information system is affecting the marketing strategy to gaining competitive advantage of bank. This therefore shows that information system being used by the bank has an effect in their marketing strategy to gaining competitive advantage.

4.0. Conclusion

The research concludes that Market Diversification in banking services is a strong strategy in competition with other banks offering the same services and Awareness Creation for every Innovation brought forth for expanding the market share requires a Personalized Marketing or increasing the customer contact for a common understanding of needs of the customer. For Marketing Penetration, a great positive image of the bank is core, self-motivated marketing professions and a greater degree of both internal and external customer controls as a marketing strategy, improved quality performance and service delivery.

5.0. Recommendations

All financial institutions both government financial organizations and private financial organization, even microfinance-individual need to have well defined strategies of marketing in order to compete for the market share. Instruments of control such as quality policy, service charter and company policies must compliment marketing professionalism terms and conditions.

Training for all staff should be done regularly to ensure that all the staffs are well conversant with the organization marketing policy terms and conditions and be aware of their market target. Culture that empowers staff to embrace and manage change is necessary. Management instruments focusing on quality performance and staff motivation should be developed in an integrated manner. Knowledge of strategic planning, development of works plan monitoring capacities among the staff is central to the success of assessing the effects of marketing in the Business Performance in banking industry.

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