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The Effect of Marketing Strategies as a Strategic Response on the Attainment of Competitive Advantage: A Study of Commercial Banks in Kenya

Fridah Chepkiyeng
P.O. Box 2465 – 30100, ELDORET
fchepkiyeng@gmail.com

Prisca Choge
Eldoret Polytechnic, P.O. Box 2465 – 30100, ELDORET
priscachoge@gmail.com

Abstract
This study investigated the effect of marketing strategies as a strategic response on the attainment of competitive advantage in the commercial banks in Kenya. Thirty three commercial banks in Kenya were studied. Data was collected through questionnaire. The hypotheses were tested using the Spearman's rank correlation. Finding's revealed that there is a relationship between marketing strategies and the competitive advantage of commercial bank. Marketing strategies used by Commercial banks differ with market development being the strategy used by Commercial banks to access a market and attain competitive advantage. Based on the findings the major recommendations proffered include that Commercial banks should adopt the Ansoff Marketing strategies in order to attain competitive advantage.
Key words: Marketing Strategies, Competitive Advantage.

INTRODUCTION

As a result of economic transformations in Kenya, the market for commercial banking services has developed dynamically over the last decades. Not only has the number of banks increased currently at forty five (Bank Supervision report 2013), but also the rules of their functioning have altered. Increased competition has stimulated them to explore marketing strategies that would enable them attain competitive advantage. Seeking competitive advantage, the banks adopted the rules of marketing responses, accentuating the integrity of four areas: market penetration, product development, market development and diversification.

Hypotheses

(i) There is significant relationship between marketing strategies and the attainment of competitive advantage in the commercial banks in Kenya.
(ii) Marketing Strategies adopted by commercial banks in Kenya conforms to competition.

Methodology

The data for this study were gathered through the administration of questionnaire on the General Managers and Head of Departments of the thirty three Commercial Banks in Kenya. The questionnaire was designed in multiple choice methods: - Very low extent, low extent, indifferent, high extent and very high extent. The extent was measured from 1 to 5 as in Likert Scale, while 1 represents the least extent, 5 represent the highest extent.

The questionnaire's validity and reliability were determined through content analysis and its reliability determined through a pilot survey of eight (8) general managers of selected commercial banks in Kenya. A split-half method was adopted and a reliability co-efficient of 73.86% was obtained. The data collected was analyzed using the mean score while the hypotheses were statistically tested with the Spearman Rank Order correlation co-efficient.

LITERATURE REVIEW

Marketing Strategies and Competitive Advantage

Kotler and Armstrong (1999) defined marketing as a social and managerial process. It is the process by which individual and groups obtain what they need and want through creating and changing products and value with others. Basically, it is about satisfying consumer's needs and wants. Kotler (2000) observed that Marketing helps to define the business mission, as well as analyzing the environmental, competitive and business situations. It therefore, plays a major role in the organizations strategic planning process. The strategic marketing responses are based on the marketing mix elements of product, price, place and promotion and market research (probe).
Thompson and Strickland (1993) point out Environmental scanning enables managers to identify potential

developments that could have an important impact on industry conditions leading to the emergence of opportunities and threats. This will help the manager to develop appropriate strategies given the industry competitive situation. A number of strategic marketing variables may be manipulated to respond to a competitive situation. These include; adjusting of target market, diversification, developing new products, distribution changes and making price cuts. Other marketing variables that compromise the firm's response to a changing competitive situation include the advantages and establishment of relationship marketing.

The following are marketing strategies proposed by Ansoff growth matrix.

	Existing Products	New Products
Existing Markets	Market Penetration	Product Development
New Markets	Market Development	Diversification

Figure 1 Ansoff's product/market growth.
Source: Igor Ansoff (1978) "Corporate Strategy", McGraw-Hill, Middlesex

Market Penetration Strategy
Johnston and Scholes (2002) argue that market penetration strategy, is the least risky since it leverages many of the firms existing resources and capabilities in a growing market, simply maintaining market share will result in growth, and there may exit opportunities to increase market share if competitors reach capacity limits. The strategy also probably requires the least amount of finance for expansion although resources may need to be channeled into promotional campaigns to appeal to and then persuade customers. This could be in the form of advertising, sponsorship special promotions and even temporary discounts. The most obvious risk on pursuing this strategy is that of retaliatory action from competitors, this is especially likely if the penetration can only come at the expense of cannibalizing rivals market share and when products are good substitutes for each other.

Market Development Strategy
According to Pearce and Robinson (2001), market development consists of marketing present products to customers in related areas. These customers could represent untapped verticals, virgin geographies or other new opportunities. The company targets new geographical areas domestically and; internationally, identifying potential new consumer groups, seeking additional distribution channels and developing new locations both domestic and abroad cannibalizing rivals market share and when products are good substitutes for each other.

Product Development Strategy
New product development strategies is used when the external factors suggest that the market is saturated or that stronger competition or other threats to the market exist and the internal factors show weakness in distribution or strength in product development. New market developments strategy may be adopted when internal factors suggest adding markets for existing products due to greater distribution strengths but production or product development weakness (Jauch and Glueck, 1988)

Diversification Strategy
A diversification strategy could take the form of related diversification or unrelated diversification. Related diversification allow a business to escape from possible internecine war with existing competitors while minimizing product – market adjustments costs in terms of having to adopt technology (Doyle,1994)). Unrelated

diversification is an expansion by a business into market areas that are not related to existing product or services in terms of technology, distribution channels or the rationale for such an expansion path is financial rather than industrial. Unrelated diversification releases the firm from any constraints upon the chosen market in which to expand. Unrelated diversification could either be concentric or conglomerate.

Competitive Advantage
Penrose (1959) emphasized that the origins of competitive advantage are in the valuable resources or competencies the firms possesses, which often are intangible assets such like skills and reputation.

Porter (1985) point out the characteristics firms need for sustainability of competitive advantage, are durability, transparency, transferability and replicability. A firm is said to have sustained competitive advantage when throughout time it performs better than rivals.
Hamel and Prahalad (1990) noted that competitive advantage does not lie in the products or services themselves, but in the resources and capabilities that produce them. A company's own resources and capabilities must therefore be difficult to imitate, not easily substituted by other resources or capabilities, incapable of being rapidly developed elsewhere, and firmly attached to the firms that formed or uses them. This could result into having the right products or services, in the right market, at the right time hence value for customers which could either be cost advantage, services or differentiated strategies.

Presentation and Analysis of Data
The data for this study were presented in a frequency table and were analyzed using the mean scores.

The respondents were asked whether there was a relationship between marketing strategies and competitive advantage and the responses were presented in table 1 below:

This objective sought to find out the extent to which commercial banks had implemented marketing strategies that reflected the reality of the changes in competition within the banking sector. The results obtained indicate that all the respondents (100 per cent) concurred that there had been changes in marketing in their commercial banks after liberalization in Kenya.

Table 1: Extent of marketing strategies adopted in your bank

Extent Marketing Strategies	No/little important %	moderate %	Important or very important %	Mean	Std. Deviation
Product development	6.3	18.8	75.0	4.16	.954
Market development	0.0	23.5	76.5	4.03	.717
Market penetration	5.6	41.7	52.8	3.64	.833
Marketing focus	5.6	41.7	52.8	3.53	.696
Diversification	39.3	7.1	53.6	3.39	1.257
n=36					

Scale: 1 No importance, 5: Very important Source: Survey

Results in Table 1 above shows that product development was the most highly ranked in terms of importance and had a mean score of 4.16 this means that it is the marketing strategy mostly adopted by the banks. This is in agreement with Thompson and Strickland (1993) who contended that a number of strategic marketing variables may be manipulated to respond to a competitive situation. This, according to them, includes adjusting of target market, developing new products, distribution changes, diversification and making price cuts.

Market development had a mean score of 4.03 and market penetration had a mean score of 3.64, with76.5% and 52.8% respectively of the respondents rating them as very important. This is true, according to the respondents, with the commercial banks in Kenya whereby after developing new products they search for untapped verticals, virgin geographies or other new opportunities which is in agreement with Pearce and Robinson (2001). The latter suggests that banks set a strategy to actively identify new markets (geographic) for their products.
Diversification had a mean score of 3.39, with 39.3% of the respondents who ranked it least in terms of importance as a marketing strategy adopted by commercial banks implying that banks did not actively pursue it as a marketing strategy.

In general, two factors were rated important that is product development and market development with mean scores of between 4.0 and 5.0. Market penetration and market focus had a mean score of 3.0 to 3.9 meaning that they are moderate in terms of importance only diversification had a mean score of less than 3.5.This shows that according to the respondents these factor do not or slightly is undertaken by most banks.

The respondents were further asked to cite any other marketing strategies relating to marketing that have been seen in the banks. Other apparent marketing strategies in the banks included media adverts 53.8 (%).The findings on the use of newspaper advertisement and brochures in an earlier study by Nyaga (2003), which noted that private or middle level colleges rely on such methods as using the media in a bid to create awareness of the existence of a product in the market. In fact, when asked if they participated in any community activities such as sponsoring the needy only 46.2 % of the respondents said that they had allocations to support the society they live in. The latter implies that the banks not necessarily draw a line between corporate responsibility and marketing.

Table 2: Marketing as a strategic response to attain competitive advantage

Response Extent	**No or little extent**	**Moderate**	**Great or very great extent**	**Mean**	**Std. Deviation**
Marketing	0.0	11.1	88.9	4.42	.692
n=36					

Scale: 1- To no extent 5- Very great extent Source: Survey

Table 2 above shows that the objectives of marketing as a strategic response were rated to have been the best met as indicated by a mean score of 4.42, with 88.9% of the respondents ranking it as a response to attain competitive advantage to a great extent. This means that banks have redefined their market segments and that marketing functions have been reorganized into retail and corporate divisions. The retail division targets the mass market that comprises individuals and medium size enterprises while the corporate division serves the specialized needs of large business organizations with respective corporate relationship manager in charge. The respondents were all in agreement that their banks are in continuous development of new products.

Statistical Analysis

This study sought to establish the relationship between the dependent variable and the independent variable. To achieve this simple linear regression preceded by a correlation analysis was used to examine the nature of this relationship.

Model for estimation of competitiveness

Response Estimation	**Coefficients**	**Significance**	**Deductions**
(Constant)	**0.20990**	**0.760**	
Marketing	**0.32198**	**0.009**	**Significant**

Source: Survey

Significance tests show that marketing was significant at (95 per cent) confidence level. It can then be deduced that in a model to estimate competitiveness of a commercial bank marketing as a strategic response, is essentially significant.

Summary of Findings and Recommendations

The results of the analysis revealed that:

(1) There is a relationship between marketing and competitive advantage in a commercial bank. The implication is that the commercial banks which have embraced marketing as a strategic response are performing well. Thus the problem lies on the recalcitrant of the nature of the leaders of commercial banks who find it difficult to abide by the strategies as stipulated by Ansoff (1978).

(2) The study also revealed that a number of strategic marketing variables are manipulated by commercial banks to respond to a competitive intensity in the banking sector. These include; developing new products, market focus and market development.

(3) The questionnaire and literature further revealed that the problem is that the constantly changing customer needs require that constant product innovations have to be made and offered ahead of the competition if commercial banks are to maintain or enhance its competitive edge. Thompson and Strickland (1993) who contended that a number of strategic marketing variables may be manipulated to respond to a competitive situation. This, according to them, includes adjusting of target market, developing new products, distribution changes, diversification and making price cuts. Commercial banks may also be attaching great significance to developing products with which attract a wider cross section of clientele.

Recommendations

In the light of the foregoing, the following recommendations have been offered:

(1) Since most respondents felt that commercial banks were not doing enough in the area of promoting their products, it is of paramount importance that they become more aggressive in advertising, personal selling and sales promotion so as to tap potential consumers who up to date do have bank accounts.

(2) The banks should look into their competitors actions. This way, they might end up killing two birds with one stone in that, they will be able to reach more consumers at the same time, cut out costs since no time will be wasted in inventing products already in the market.(Benchmarking).

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