

# Marketing Strategies And Competitive Advantage In Selected Commercial Banks In Nakuru County, Kenya

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*Abstract: Kenyan commercial banks are intensely competitive, necessitating the creation of competitive tactics to maintain their survival. These commercial banks must consider both how to enter a market and how to enhance and maintain their competitive position. The purpose of this research was to see how selected banks in Nakuru County, Kenya, react strategically to banking competition. The study examined how marketing strategies affected competition in the banking industry in Nakuru, Kenya. The 31 commercial banks in Nakuru County were the study's target population, and the respondents were the operations and strategy management of those banks. Among the 31 commercial banks in Nakuru's CBD, there were 70 operational and strategic managers. In this study, the census method was employed as the sampling technique. Primary data was used in this study. Data was collected using structured questionnaires and the data was analyzed using SPSS. The study found out that there was a positive significant association between marketing strategies on competitive advantage in selected commercial banks. The researcher concluded that the institution applies market relative strategies such as market penetrant strategy, new user strategy and geographic expansion strategy. The researcher recommended that 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.*

**Keywords: Marketing, strategies, commercial banks, Nakuru, Kenya**

## I. INTRODUCTION

To boost intermediation efficiency, commercial banks must compete more fiercely. In the long run, competition eliminates the inefficient aspect of intermediation, which presents itself in massive bank profits fueled by high interest rates and large spreads (Flamini, Schumacher and McDonald, 2019). As a result, commercial bank competition has an effect on entrepreneurship, capital access, productive sector development, economic growth, and banking sector stability (Chronopoulos, Liu, McMillan, and Wilson, 2014). According to Ansoff and McDonnell (2015), strategic reaction is the ability to design, analyze, and implement crucial decisions that enable an organization to remain viable and fulfill its objectives in the face of adversity. It provides a thorough explanation of the company's objectives, policies, and aspirations. It shows how a company's behavior changes

as a consequence of external factors. Organizational performance has been linked to strategic responses. Visible leadership, great customer service, customer awareness, strategic positioning, strategic outsourcing, and market segmentation are all examples of strategic management approaches. Mergers and acquisitions, according to Nganga and Mugo (2014), are associated with superior performance (Sohl, 2017).

Various banks throughout the world have tried a variety of tactics in order to stay competitive in the face of strong competition. Citigroup and HSBC have a huge network of retail affiliates when compared to other financial institutions throughout the world (Grosse, 2014). The Gulf War-related economic crisis of 1990, as well as other Asian financial crises, had an influence on Citigroup's performance (Timmers, 2019). Citibank's corporate, business, and marketing strategies will need to be modified as a result in order to maintain its

long-term viability and stay ahead of its competitors. It also used e-commerce and e-business tactics to provide new products and services, such as wealth management, stockbroking, and financial trading. Grant et al. (2016) connoted that a strategy gap occurs when an organization's strategy is out of sync with its surroundings. The extent to which a response is feasible will also differ substantially depending on the region or nation in question. The social, environmental, and economic implications of a response are determined by the reaction's location (Grant, 2017).

Kenya has 45 commercial banks, with Kenyans owning the majority of the small and medium-sized banks and foreigners owning the bulk of the big banks. The Kenyan banking sector is governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act, and a variety of prudential recommendations published by the Central Bank of Kenya (CBK). A bank is defined as a company that participates in or plans to engage in banking operations, according to the Banking Act of 2004. This concept does not apply to the Kenyan Central Bank. Large commercial banks such as Barclays Bank, Standard Chartered Bank, Kenya Commercial Bank, Cooperative Bank, and Equity Bank serviced Nakuru Town until 2010. The town underwent tremendous expansion and diversification from an agricultural to a commercial basis after a dramatic population surge in 2008–2009. As a consequence, the number of commercial banks has substantially increased, reaching 31 in 2015. Kenya's central bank is the Bank of Kenya (Kenya Central Bank, 2015). The central bank established a cash center to cope with the huge increase in cash supply and demand. However, the town has a high relative ratio of banks to total population, with 31 commercial bank branches servicing a population of less than one million, resulting in heightened bank competition.

## II. STATEMENT OF THE PROBLEM

Kenyan commercial banks compete fiercely for business, adopting aggressive techniques in order to remain viable. These commercial banks must think about how to penetrate new markets while also maintaining and improving their competitive position. Banks recognize that no one institution can supply all services to all customers while simultaneously being the best or number one institution. As a consequence, banks should evaluate the success of their combined approach in addition to implementing competition-fighting measures (Kungu et al., 2014). The capacity of a company to sustain a competitive advantage is defined by the durability of its advantages over time. The country's economic environment has shifted dramatically, encouraging a slew of commercial banks to build offices across international boundaries, enhancing worldwide business competition (Porter, 2004). According to Dulo (2006), every bank must think about how to join a market as well as how to create and sustain its competitive position. Based on these facts, a study of Kenya's banking sector is required, with a focus on the ramifications of multi-nation methods in Kenyan commercial banks.

The adoption of competitive methods by a range of firms, such as banks, has been the subject of empirical research in the past. Chege (2008), for example, looked at Equity Bank

Limited's competitive tactics. Warucu (2004) investigated commercial banks' competitive tactics. Nairobi audit businesses' competitive tactics were explored by Nyakang'o (2007). Gakenia looked at the Kenya Commercial Bank's plan execution (2008). Gitonga investigated Equity Bank Ltd's varied approaches to competition in the Kenyan banking market (2008). None of the studies, however, looked at how local commercial banks in Nakuru County responded to competitive advantage in the banking business. Based on the preceding facts, the purpose of this study was to investigate the effect of marketing strategies and competitive advantage in selected commercial banks in Nakuru County, Kenya.

## III. EMPIRICAL LITERATURE REVIEW

Ebitu (2016) researched marketing strategies and company performance in Nigeria's Akwa-Ibom State. The research was driven by the fact that SMEs in Akwa Ibom State operate in a competitive environment and may be uninformed of the most efficient marketing methods for enhancing their company's success. This investigation took the form of a survey. SMEs in the state's three senatorial districts received a total of 240 questionnaires. Product quality strategy and relationship marketing strategy, according to the research, have a significant influence on SMEs' profitability and market share in Akwa Ibom State.

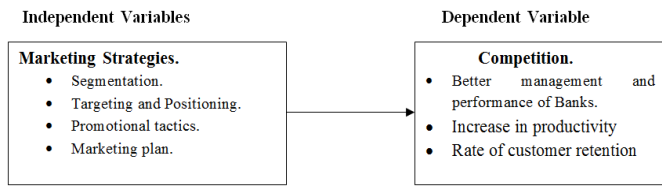
A study was undertaken by Kisaka (2012) in Mombasa area to see whether there was a link between marketing methods and the effectiveness of savings and credit institutions. To explore the impact of marketing tactics on SACCO performance, the researchers used a descriptive study design. The target demographics were the chief executive officer, marketing manager, and loan manager/officer. A census population of 84 people was used in this study. The outcomes of the research revealed a connection between SACCO performance and marketing methods. Most of these businesses use techniques such as product differentiation and specialized marketing to position themselves as the lowest in their markets.

Njoroge (2015) investigated marketing tactics and company performance in Matuu, Machakos County, Kenya. To achieve its objectives, the study used a descriptive research technique, with the population of interest consisting of all small and medium companies in Matuu town, Machakos County. To establish a sample of 86 SMEs, simple random and stratified selection techniques were applied. According to the study, customer connection marketing techniques and technology-based marketing strategies have a positive but modest effect on SMEs' performance in Matuu town; however creative marketing approaches have a large negative impact.

Oyedijo et al. (2012) investigated how marketing approaches may help improve company performance. In Lagos, Nigeria, the study looked at 160 small enterprises. Marketing methods and performance were shown to have a positive relationship. Similarly, Ayanda and Adefemi (2012) looked at the relationship between marketing practices and the performance of 117 Nigerian businesses and found that those with efficient marketing strategies outperformed those without. The research also discovered that a company's long-term performance is dependent on its marketing approach.

CONCEPTUAL FRAMEWORK

It defines the relationship between two variables in the study.



Source: Researcher (2021)

IV. RESEARCH METHODOLOGY

Descriptive study design was used to tackle the research problem. This design allowed a study of the link between strategic response and competitiveness in terms of information marketing strategies. According to Doyle (2004), a descriptive research study is a collection of approaches for gathering data and eliciting responses from participants to a set of pre-determined questions. A descriptive approach was used in this study because it allowed the researcher to obtain a vast amount of detailed information on the population being investigated.

Target Population is any set of persons or objects that possesses one common characteristic as Cooper and Schindler (2008) refer population as the collection of elements about which we wish to reference. The target population of this study comprised of the commercial banks in Nakuru County while the respondents were the operations managers and strategic managers of the commercial banks in Nakuru County. There were 70 operations managers and strategic managers in all the 31 commercial banks in Nakuru CBD.

This research relied on primary data. Structured questionnaires were used to obtain primary data. The questionnaires were used to gather the main data for the investigation. Questionnaires are any written instruments that ask respondents questions or make assertions to which they must reply in writing or choose from a list of possibilities, according to the author (Babbie, 2010). The survey featured structured questions, which are questions for which the respondent were given a list of alternative replies by the researcher. The instruments were employed since they were simple to distribute during data collecting.

The data was analyzed with SPSS, and quantitative methods were utilized to interpret the data. Quantitative data from surveys was coded and input into a computer for descriptive statistics computation. The SPSS was used to run descriptive analyses to produce frequency distribution. Tables were used to summarize the data. This quantitative data was analyzed using correlation coefficient as well as multiple regression analysis as;

$$Y = \beta_0 + \beta_1 X_1$$

V. FINDINGS AND DISCUSSIONS

EFFECT OF MARKETING STRATEGIES ON COMPETITION IN THE BANKING INDUSTRY

The researcher sought to determine level of agreement on effect of marketing strategies on competitive advantage in the banking industry.

Statement	N	Min	Ma	Mean	Std
x					
My institution applies market relative strategies such as; market penetrant strategy, new user strategy and geographic expansion strategy.	53	1	5	3.906	1.334
The strategic objectives of my organization are defined by the market challenger company which aims at increasing the market share and lead to territorial leadership in the business.	53	1	5	4.226	0.993
My organizations management are keen on analyzing competitors and their strategies i.e. identifying them, identifying their strategies, objectives strengths and weaknesses.	53	1	5	3.887	1.281
Evaluation of competitors strategic positions enables my organization to determine whom to attack or avoid.	53	1	5	4.453	1.048
My organization designs the basic marketing strategies based on overall cost leadership, differentiation, focus, operational excellence, customer intimacy and product leadership.	53	1	5	4.170	0.826
Planning, implementation, control and evaluation of marketing strategies	53	1	5	4.528	0.868

are profoundly emphasized to ensure that the organization is positioned for market leadership. My organization builds an informed marketing strategy based on research and development and market research.	53	1	5	4.528	0.868
Marketing strategies helps my organization in evaluating the current environment, establishing clear marketing objectives and streamlining the product development.	53	1	5	4.755	0.434

Table 1

From the analysis respondents agreed that the institution applies market relative strategies such as; market penetrant strategy, new user strategy and geographic expansion strategy with a (mean = 3.906; std = 1.334). The findings showed that the respondents agreed with (mean = 4.226; std = 0.993) that strategic objectives of the organization are defined by the market challenger company which aims at increasing the market share and lead to territorial leadership in the business further majority of the respondents agreed that the organizations management are keen on analyzing competitors and their strategies i.e. identifying them, identifying their strategies, objectives strengths and weaknesses (mean = 3.887; std = 0.281). Additionally, respondents (mean = 4.453; std= 1.048) agreed that evaluation of competitors strategic positions enables my organization to determine whom to attack or avoid. The findings showed that respondents agreed with (mean = 4.170; std = 0.826) that the organization designs the basic marketing strategies based on overall cost leadership, differentiation, focus, operational excellence, customer intimacy and product leadership. Further, respondents agreed that (mean = 3.887; std = 0.281) planning, implementation, control and evaluation of marketing strategies are profoundly emphasized to ensure that the organization is positioned for market leadership. The respondents agreed that the organization builds an informed marketing strategy based on research and development and market research with a with (mean = 4.528; std = 0.826). Finally, the respondents (mean = 4.755; std= 0.434) that marketing strategies helps the organization in evaluating the current environment, establishing clear marketing objectives and streamlining the product development.

#### COMPETITIVE ADVANTAGE IN THE SELECTED BANKS

The researcher sought to determine level of agreement on competitive advantage in the selected banks

Statement	N	Min	Max	Mean	Std
Competition strategies adopted by my organization has spur the invention of new better services and products.	53	1	5	4.359	1.076
Competition strategies contribute to more efficient processes	53	1	5	4.094	1.165
Competition among the financial institutions has boosted innovation	53	1	5	4.585	0.795
The competitive strategies have enhanced Innovative thinking among the financial Institutions.	53	1	5	4.340	1.125
Better and quality service is realized since businesses adopt strategies for competition.	53	1	5	4.396	0.768
Competitive strategies have led to better knowledge about customer preferences consequently better services.	53	1	5	4.321	1.123

Table 2

The study result showed that the sampled population agreed that competition strategies adopted by my organization has spur the invention of new better services and products with (mean = 4.359; std = 1.076). In addition, the respondents agreed that competition strategies contribute to more efficient processes (mean = 4.094; std = 1.165). The respondents agreed that competition among the financial institutions has boosted innovation (mean = 4.585; std = 0.795). further, the respondents agreed that competitive strategies have enhanced Innovative thinking among the financial institutions with (mean = 4.340; std = 1.125). The respondents agreed that better and quality service is realized since businesses adopt strategies for competition with (mean = 4.396; std = 0.768). Finally, the respondents agreed with (mean = 4.321; std = 1.123) that competitive strategies have led to better knowledge about customer preferences consequently better services.

**CORRELATION BETWEEN MARKETING STRATEGIES AND COMPETITIVE ADVANTAGE IN SELECTED COMMERCIAL BANKS**

		Competitive advantage in selected commercial banks
Marketing Strategies	Pearson Correlation	.266**
	Sig. (2-tailed)	.054
	N	53

\*\*\*. Correlation is significant at the 0.05 level (2-tailed).

Table 3

The study established that there was a positive significant association between marketing strategies on competitive advantage in selected commercial banks. This is shown by a correlation coefficient of 0.266 and a p-value of 0.054.

*Model Summary*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.563	0.57199	0.52761	0.337

Table 4

The R-Squared is the proportion of variance in the dependent variable which can be explained by the independent variables. The R-squared in this study was 0.572, which shows that the marketing strategies can explain 57.2% of competitive advantage in selected commercial banks in Nakuru County while other factors explain 42.8%.

*Analysis of Variance*

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	2.225	4	0.556	4.893	0.002
1 Residual	5.457	48	0.114		
Total	7.681	52			

Table 5

The analysis of variance in this study was used to determine whether the model is a good fit for the data. From the findings, the p-value was 0.002 which is less than 0.05 and hence the model is good in predicting how the marketing strategies affected competitive advantage in the selected commercial banks in Nakuru County, the F-calculated (4.893) was more than the F-critical which shows that the model was fit in predicting the influence of the

*Regression Coefficients*

	Unstandardized Coefficients	Std. Error	Standardized Coefficients	t	Sig.
		Beta	Beta		
1 (Constant)	5.797	1.016		5.708	.000
1 Marketing Strategies	.179	.177	.138	1.008	.032

a. Dependent Variable: Competitive advantage in selected commercial banks

The overall significant test results for the hypothesized research model.

The interpretations of the findings indicated follow the following regression model.

$$Y = \beta_0 + \beta_1 X_1$$

The results also indicate that there is a positive significant relationship between marketing strategies on competitive advantage in selected commercial banks as shown by a

regression coefficient of 0.179. The p-value (0.032) was less than the significance level (0.05).

VI. CONCLUSION

The researcher concluded that the institution applies market relative strategies such as; market penetrant strategy, new user strategy and geographic expansion strategy. The strategic objectives of the organization are defined by the market challenger company which aims at increasing the market share and lead to territorial leadership in the business. The organizations management are keen on analyzing competitors and their strategies i.e. identifying them, identifying their strategies, objectives strengths and weaknesses. The Organization designs the basic marketing strategies based on overall cost leadership, differentiation, focus, operational excellence, customer intimacy and product leadership also Planning, implementation, control and evaluation of marketing strategies are profoundly emphasized to ensure that the Organization is positioned for market leadership. The organization builds an informed marketing strategy based on research and development and market research and marketing strategies helps the organization in evaluating the current environment, establishing clear marketing objectives and streamlining the product development.

VII. RECOMMENDATIONS

The researcher recommended that 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 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.

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