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EFFECT OF PUSH PROMOTION STRATEGIES ON THE PERFORMANCE OF COMMERCIAL BANKS IN KENYA

A CASE STUDY OF BANKS IN NAROK COUNTY, KENYA

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Abstract

It is evident that most commercial banks operating in the banking industry in Kenya face various challenges during customer service delivery some which include long procedures. The purpose of this study was to determine the extent to which push strategies enhance performance of banks. The target population comprised of 225 respondents. The sample size was thirty percent of the target population which comprised of two hundred and twenty five respondents. The study employed a descriptive research design. Questionnaires were used for data collection and data was analyzed with both qualitative and quantitative methods. It was revealed to a great extent that push promotional strategies influence the development index of banks when used within the set goals and implemented accordingly. From the analysis of data the result revealed that there is low level of awareness, competence, poor handling of discounts and bonuses from those who are involved in providing the same services as well as frequent shortage of bonuses when required to overcome these barriers efforts to improve staff skill through basic and in-service should be enhanced. Banks should also update their websites to make it easy to navigate and allow users to transfer money and view accounts from multiple locations this could improve the performance of banks. For effective marketing planning and funding should be given priority to streamline the deployment and use of ICT, develop in-service training for staff to improve capacity for using technology.

Keywords: Implement, Strategy, Finance, Bankruptcy, Kenya

INTRODUCTION

According to Aboelmaged and Gebba (2013), the business environment has become dynamic especially with globalization taking strides. In this regard therefore firms need to maintain their competitive advantage to improve their performance and compete effectively with their competitors. A study by the Bank Administration institute in a bid to benchmark strategies of leading banks in the United States (Al-Jabri and Sohail, 2012) revealed that marketing, design operations, organisational structure as well as existing customers, as well as strengthen ties with their distribution network (Cebi, Aydin, and Gozlu, 2010).

However, there is need to grapple with a number of forces such as accelerated product and organizations technological change, global competition, political instability deregulation demographic changes and the trends towards a service society and information age. These forces have transformed the field in which organisations compete, increasing dramatically for them to be responsive, flexible as well as being capable to compete and reacting in a market place (Sarri, Bakouros, and Petridou, 2010). In spite of these complicated market as well as sophisticated delivery systems the major challenge with banks is how to earn a satisfactory return on stockholders' money while adhering to sound as well as time tested banking principles (Cocheo, 2009).

In addition Finance has been identified as the most important factor determining the survival and growth of developing countries. To compete effectively in the financing sector, with the service breakdown, organizations need to provide financial services that meet the specialized needs of customers while coping with the high risks and costs associated with servicing them (Akinboboye, 2007). To achieve this, an increasing number of banks have adopted separate strategies to service customers' needs. The current trend is to shift from a product-based focus to a more customer oriented focus of providing packages of financial services tailored to their needs. This has the potential of considerably improving the banks' relations with the target market, as well as increasing the profitability of providing financial services to it (Carrier, 2000)

Today, companies are looking beyond traditional practices to new tactics and tools that analysts and thought leaders have identified as the best for the industry (Kiptugen, 2003). Service breakdown manifests itself by way of delayed approval of loans. Customers are deal seekers and they always look for a financial institution that can serve them within the minimum time possible. However, the approval of business loans takes weeks or even months depending on the availability of the required documentation. This delay is costly especially when a firm has a limited time frame to demonstrate that it can raise the required capital to carry out a particular task. Also, intrusive documentation is of concern. At the point of application for banking services, some banks are known to be too demanding on documentation. Customers feel that the documentation required (such as tax compliance certificate) before the approval of the much needed loans is an intrusion into their financial privacy. Discouraged by this exercise some customers have opted for other informal financial institutions that do not require too much detail (Kiptugen, 2003).

Statement of the Problem

The strategies that are undertaken by organizations depend on the changes in the environment. The environmental changes are changes in technology, competition, regulation, globalization and changing consumer needs and wants. The strategic responses may include joint venture, new product development, and adoption of new technology, entry into foreign markets, price adjustments, product differentiation and a variety of actions that can result in competitive advantage (Kombo, 2006). It is evident that most commercial banks operating in the banking industry in Kenya face various Challenges during customer service delivery. Some of these challenges included; Lack of clear Communication, long procedures, intrusive documentation and lack of flexibility. Related studies that have been carried out clearly indicate that, Commercial Banks in Kenya have not fully adopted strategies that would lead to sound performance of the banks. A study carried out by Anyim and Munyoki (2010), clearly indicated that banks experience various challenges when trying to carry out the financial functions. Kiptugen (2003) indicated that most of the banks in Kenya find it difficult to respond strategically due to unpredictable environmental changes and inadequate organizational resources to make strategic responses a reality. According to performance surveys that have been carried out on performance of banks, clearly indicate that performance of Commercial Banks in Kenya still has remained a challenge due to inappropriate strategies adopted.

Adoption of effective strategies by Commercial Banks in Kenya in managing performance will enhance organizational performance and market competitiveness (www.cbk.co.ke). There are many areas about push promotion strategies adopted by Commercial banks to enhance performance that have not yet been fully addressed. It is for this reason that this study seeks to establish the importance of push promotion strategies on the performance of commercial banks in Kenya.

General Objective

The general objective of the study was to establish the extent to which push promotion strategies influence performance of commercial banks in Kenya, Narok County

EMPIRICAL LITERATURE

Strategy is management's game plan for strengthening the organization's position, pleasing customers, and achieving performance targets. Strategy includes the goals and major policies of the organization. Strategies are grounded in the array of competitive moves, and business management of an organization depends on how to produce successful performance. Managers' device strategies to guide how the company's business will be conducted and to help them make reasoned, cohesive choices among alternative courses of action. The strategy managers decide or indicate that among all the paths and actions we could have chosen, we decided to follow this route and conduct our business in this manner without strategy, a manager has no thought-out course to follow, no roadmap to manage by, no unified action program to produce the intended results. Indeed, good strategy and good strategy execution are the most trustworthy signs of good management.

Thompson and Strickland (2005) stated that managers must combine good strategy making with good strategy execution for company performance to approach maximum potential. Financial strategy is a combination of financial tools for the reengineering of an organization towards achieving the maximum potentials (Thompson, 2003). The tasks that Strickland (2005) highlighted comprising strategy include; deciding what business the company will be in and forming a strategic vision of where the organization needs to be headed. In effect, this is infusing the organization with a sense of purpose, providing long-term direction, and establishing a clear mission to be accomplished, converting the strategic vision and mission into measurable objectives and performance targets, crafting a strategy to achieve the desired results, implementing and executing the chosen strategy efficiently and effectively, evaluating performance, reviewing new developments, and initiating corrective adjustments in long-term direction, objectives, strategy, or implementing in light of actual experience, changing conditions, new ideas, and new opportunities.

METHODOLOGY

Research Design

According to Orotho (2006) research design is the scheme, outline or plan that is used to generate answers to research problems. It is the conceptual structure within which research is conducted and constitutes the blue print for collection, measurement and analysis of data. A descriptive survey research design was used in this study. Kothari (2005) defines descriptive research as all those studies concerned with specific predictions, narration and characteristics concerning individual groups or situations. This method was considered appropriate since it allowed for collection of qualitative information such as those aimed at measuring attitudes, opinions or habits which this study aimed at.

Target Population

The study targeted staff working in the commercial banks, customers and the top management of these banks. A total of nine banks were chosen giving a population of 150 respondents consisting of 9 branch managers, 30 sectional managers, 49 support staff, and 60 customers. All the stakeholders and management were targeted to ensure that the sample was representative of the population.

Table 1: Target Population

Category	target population
Branch managers	9
Departmental managers	30
Support staff	49
Bank customers	137
Total	225

Sampling Procedure

The research used stratified random sampling technique to select the respondents and this involved dividing population into homogenous subgroups and then taking a sample in each subgroup. The sample was selected so as to ensure that certain subgroups in the population were represented in the sample in proportion to their number in the population.

Sampling Design

According to Kombo (2006), the term sample design refers to the part of research plan that indicates how the cases are to be selected for observation. Mugenda and Mugenda (2005) acknowledge 10% to 30% of the target population to be the sample population of the study as it gives the in-depth of the study, for this study 30% was used to draw the sample size of 68 respondents to the study.

Table 2: Sample Size

Category	target population	sample
Branch managers	9	3
Departmental managers	30	9
Clerical officers	49	15
Bank customers	137	41
Total	225	68

Data Collection Instruments

A structured questionnaire was used for data collection because it offered considerable advantages in the administration. It also presents an even stimulus potentially to large numbers of people simultaneously and provides the investigation with an easy accumulation of data. Anonymity helped to produce more candid answers than is possible in an interview. The questionnaire comprised of close-ended questions.

ANALYSIS AND FINDINGS

Effects of Push Promotional Strategies on the Performance of Banks

According to table 3 the researcher sought to establish the effect of push promotional strategies on the performance of banks using a five point likert scale.

Table 3: Strategic Management Practices on Performance of Banks

Practice Extent	5-very great extent	4 – great extent	3-moderate extent	2- less extent	1- no	£fi	£wifi	£wifi/£fi
Market share	7	32	21	6	2	68	240	3.52
Sales volume of banks	3	40	15	7	3	68	237	3.48
Development index of banks	11	31	24	2	0	68	255	3.75
Penetration levels of banks	3	7	41	15	2	68	198	2.9
Cost management of banks	17	25	11	10	3	68	241	3.54
Pre-tax profits of banks	8	6	24	30	3	68	199	2.92
Customer satisfaction	4	20	16	25	4	68	202	2.97

From table 3 it was revealed with a great extent of 3.52 that push promotional strategies as a positive influence on market share of banks arguing that through this push strategies banks sensitize customers on the products they offer and the terms and conditions available. It was also reported with a moderate extent of 3.48 that push promotional strategies influences the sales volume of banks since this strategies has a direct influence on customer persuasions on the products banks offer. Further it was shown with a great extent of 3.75 that push promotional strategies influences positively the development index of banks as thus play a critical role for customer retention. Also, it was shown with a great extent of 3.54 that push promotional strategies as an effect on the cost management of banks. Further a moderate extent of 2.97 was of the views that push promotional strategies leads to customer satisfaction translating to sound performance of banks.

CONCLUSION

The researcher drew the following conclusions from the study based on the research objectives highlighted in chapter one. The study sought to establish the effects discounts and bonuses as push promotion strategy on the performance of banks. The findings reaffirmed that discounts and bonuses as push promotion strategies is essential for sound performance since it plays critical role in retaining customers. Therefore banks must analyze the targeted customer base to determine what type of free items will most appeal to potential customer also more emphasis should be dwelt on word of mouth has the greatest potential to attract customers to a bank in addition to discounts and bonuses as push strategy to enhance the performance of the banks. In addition to this, the careful elimination of draconian strategies of giving bonuses and discounts in place strategies that involve all employees in decision making process could help for better performance of banks. For sound performance of banks adoption of promotional gifts as a push \strategy is a necessity, it provides efficient access and dissemination of information to customers of the various services offered by banks. The lack of adequate, organized, reliable and timely information of promotional gifts leads to the inadequate dissemination of information about the banks. further customers should be encouraged to direct friends and family members to the bank by offering referral incentives in the form of lowest fees or cash rewards also become involved in the community by sponsoring a local sports team, setting up a booth that a local festival or providing a mobile ATM machine for local event this can act as promotional gifts that could retain customers.

RECOMMENDATIONS

In order to manage the service delivery in banks to customers that will enhance performance in the same banks the researcher made the following recommendations. From the analysis of data the result revealed that there is low level of awareness, competence, poor handling of discounts and bonuses from those who are involved in providing the same services as well as frequent shortage of bonuses when required to overcome these barriers efforts to improve staff skill through basic and in-service should be enhanced. Banks should also update their websites to make it easy to navigate and allow users to transfer money and view accounts from multiple locations this could improve the performance of banks. For effective marketing planning and funding should be given priority to streamline the deployment and use of ICT, develop in-service training for staff to improve capacity for using technology and develop multimedia mechanisms for dissemination of information and improvement of communication in the banking sector and to increase use of internal and local area networks to improve internal and external communication so that customers are aware of the various services offered by customers. Also, banks should strive to offer online customer services options for customers who do not have time to visit a branch or wait on the phone this could enhance performance of banks.

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