

# ANALYSIS OF MARKETING STRATEGIES AND PERFORMANCE OF TIER ONE LISTED BANKS IN KENYA

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## Abstract

The objective of the study was to determine the influence of marketing strategies on performance of tier one listed banks in Kenya. By examining how marketing strategies affect performance, appropriate resource allocation towards marketing effort would be achieved leading to enhanced performance of the banks. Market segmentation theory anchored the study with various studies suggesting that performance of banks was crucial for a nation's economic sustainability but there remained disagreement on how marketing strategies influence performance. This lack of consensus pointed to an information vacuum which this study sought to fill. Employing a descriptive cross-sectional survey based on positivist philosophy, 88 respondents were surveyed using a standardized questionnaire. Data analysis encompassed descriptive and inferential statistics using mean, standard deviation and correlation analysis while findings were displayed in frequency tables. The model explained a statistically significant 53.8% of the variation in performance of the banks leading to the rejection of the null hypothesis. It was suggested that bank executives should focus on marketing strategies to enhance competitiveness. Additionally, regulatory authorities should support non-conventional distribution channels including online platforms to drive growth. Future research on impact of digital marketing on performance of banks was recommended.

**Keywords:** Marketing strategies, Performance, Tier one listed banks.

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## 1. INTRODUCTION

Bank managers are actively crafting strategies to enhance performance which refers to the level at which a bank achieves its goals and objectives efficiently. It involves a number of dimensions including budgetary

impacts, customer satisfaction, innovation and engagement of the employees (Richard et al., 2009). Marketing strategies are essential for commercial banks seeking to attract and retain clientele while establishing differentiation within a saturated market. Hossain et al. (2023) delineated a comprehensive range of marketing initiatives, including publicity campaigns, media advertising, strategic pricing, product alignment, and effective distribution channel management, which collectively serve to augment market share, bolster client satisfaction, and raise financial performance.

In the digital era, commercial banks have increasingly embraced information and communication technology innovations to bolster their market presence. In Europe, Diener and Špaček (2021) elucidate that effective digital strategies encompass reliable internet access, mobile banking platforms, enhanced security protocols and automated payment systems. By integrating cutting-edge technologies with robust security measures, banks can fortify their resilience in an increasingly digitized financial landscape.

A study by Ejemeyovwi et al. (2021) in Nigeria revealed that scalable and agile solutions that supply timely (ideally real-time) services while promoting client involvement inside safe settings are important for African financial institutions to retain relevance throughout the fourth industrial revolution (Ejemeyovwi et al., 2021). Moreover, Odhiambo et al. (2020) underscored the significance of robust marketing strategies in driving the performance of Kenyan commercial banks. In a dynamic environment characterized by intensifying competition and evolving consumer preferences, banks are pivoting towards leveraging innovative marketing methodologies. These encompass a spectrum of strategies, including media advertising campaigns, strategic publicity initiatives, judicious pricing frameworks, and meticulous optimization of distribution channels, which are fundamental to enhancing market share, strengthening brand resonance, and cultivating enduring customer loyalty.

## 2. STATEMENT OF THE PROBLEM

Maximisation of share value, customer satisfaction, optimization of financial performance and increment in market share while employing resources efficiently is the fundamental purpose for business organisations in achieving their work mission. Adoption of marketing strategies including technological innovations like mobile phone transactions, ease of account opening through applications are geared to achieve performance.

However, the overall performance of banks has been subpar since 2017 to date. The market share held by tier one banks is threatened by mobile telephone-based applications lenders and other non-conventional banking service providers. This is because customers are increasingly demanding for more convenient services. Pre-tax earnings from listed commercial banks in Kenya fell from 85.35 billion in 2016 to 75.39

billion in 2022, a 14% fall, according to the Central Bank's supervisory report. Banks had to take drastic actions including closing branches, laying off employees, instituting voluntary early retirement programs, increasing charges and fees to increase non-interest revenue but still pre-tax income reduced by 11.96 billion. The financial security of families has been negatively affected by these measures. From 2017, the banking industry's earnings dropped from 147.4 billion Kenya shilling to 133.2 billion Kenya shilling, a loss of 14.2 billion Kenya shilling, according to Central bank's supervisory report. Further, in 2020, according to CBK, the industry saw the closure of 23 outlets and the lay-off of 2,792 people. Various studies suggest that the performance of banks is crucial for a nation's economic well-being, yet there remains disagreement on the impact and mechanisms through which marketing strategies adopted by tier one listed banks influence their performance. Banks could upgrade efficiency by aggressively implementing mass marketing technologies including mobile money, electronic banking, and agency banking. Mobile money, agency banking and electronic banking together facilitate the provision and sale of goods and services to clients but the extent to which these channels influence performance is yet to be known. The findings could indicate whether profitability is directly influenced by the availability of these services and if customer satisfaction mediates the relationship between service quality and net income. When looking at the Kenyan market, there is a lack of consensus on how marketing strategies affect the performance of tier one listed commercial banks. To address this information vacuum, this research examined how marketing strategies of Kenyan tier one banks relate to performance.

### 3. LITERATURE REVIEW

Boosting organizational performance relies on effective marketing strategies, including promotion, pricing, distribution, and product differentiation, which influence consumer perceptions and drive revenue (Mishra et al., 2021). In East Africa, diverse tactics like advertising and public relations drive performance. In Kenya, marketing strategies play a critical role in banking performance. Ngugi (2020) underscores the importance of promotional mix elements, including pricing and product differentiation, for optimal performance. Technology-driven strategies; mobile apps and online platforms, target urban consumers effectively. However, Kamboj (2022) highlights challenges like cybersecurity concerns and limited internet access, emphasizing the need for secure and inclusive approaches. While these strategies significantly enhance performance, addressing the constraints ensures sustainable growth.

#### 4. METHODS USED

The study was based on a positivism paradigm and descriptive cross-sectional design, aimed to collect quantitative data at a specific time without altering the environment (Wang & Cheng, 2020). Targeting 88 participants across Eight tier One banks in Nairobi, the study involved heads of departments; operations, marketing, information technology, retail banking, customer service, human resources, communication and finance. A census method was applied, and structured questionnaires, segmented by study objectives, were used to ensure standardized, reliable data collection. Pre-testing was conducted with nine Family Bank employees, ensuring both content and construct validity, with Cronbach's alpha assessing internal consistency. Data analysis was conducted using SPSS, incorporating descriptive statistics such as frequencies, percentages, means, and standard deviations, alongside inferential statistics; correlation analysis. Diagnostic tests for normality (The Kolmogorov-Smirnov test was 0.087 with a p-value of 0.172) multicollinearity (Tolerance=0.476; VIF =2.103), and autocorrelation (Durbin-Watson statistic =1.842) were also performed to maintain accurate estimates (Bayman & Dexter, 2021). Ethical standards were adhered to by maintaining participant confidentiality and autonomy, securing data, and obtaining approvals from the Mount Kenya University Ethical Review Committee (Approval No. 3076) and NACOSTI (Permit No. NACOSTI/P/24/40057).

#### 5. RESULTS AND DISCUSSION

The investigation aimed to evaluate the impact of marketing strategies on the performance of banks. Key focus areas included media advertising, pricing strategies, product diversification, distribution channels, and promotional techniques. Data collection utilized a five-point Likert scale, ranging from Strongly Disagree to Strongly Agree, to measure responses for each of these factors as presented in table 1.

With an average score of 3.97 and a standard deviation of 0.520, the research found that marketing tactics significantly contribute to the performance increase of Kenya's listed commercial banks. Most respondents (57.1%) strongly agreed that their banks prioritize brand identity, aligning with Muchiri's (2019) findings on the importance of brand identity for customer loyalty. Many respondents (31% agreed, 36.9% strongly agreed) reported effective cost-reduction efforts, as supported by Wanjiku (2019). Cost considerations were noted in advertising, with 61.9% strongly agreeing that banks assess media and service costs before advertisements. Discounts were frequently provided, resonating with Wambui (2019), who found that discounts help retain customers. Competitive pricing was common (45.2% strongly agreed), reflecting Onyango's (2019) findings that price strategies attract cost-sensitive customers. Banks also focused on product vision (mean = 4.24), which aligns with Gikandi (2020) on strategic alignment, and offered self-

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service options like ATMs (mean = 4.40). Othman et al. (2020) disagreed with the findings pointing out customer dissatisfaction with outdated technologies.

TABLE 1. RESPONDENTS OPINION ON MARKETING STRATEGIES

Constructs	SD	D	M	A	SA	M	Std. Dev
The bank always generates new Products	65.5%	11.9%	9.5%	9.5%	3.6%	1.74	1.183
The bank reduced service costs	4.8%	6.0%	21.4%	31.0%	36.9%	3.89	1.120
The bank clearly defines the target audience when creating advert messages	2.4%	6.0%	23.8%	36.9%	31.0%	3.88	.999
The bank always has a well-defined plan for brand identity	0.0%	2.4%	13.1%	27.4%	57.1%	4.39	.807
The banks hardly develop advertising budgets	2.4%	3.6%	29.8%	32.1%	32.1%	3.88	.987
Before any advertisement, the bank considers the cost of media and services provided.	1.2%	2.4%	8.3%	26.2%	61.9%	4.45	.842
Always, bank provides discounts to customers	0.0%	3.6%	16.7%	44.0%	35.7%	4.12	.813
The bank offers monitoring and evaluation of products	1.2%	0.0%	21.4%	33.3%	44.0%	4.19	.857
Our bank has competitor-based pricing to ensure competitiveness	1.2%	0.0%	10.7%	42.9%	45.2%	4.31	.760
The bank has customer support programs	4.8%	4.8%	26.2%	31.0%	33.3%	3.83	1.096
Our bank always defines a compelling and inspiring product vision for long-term performance	0.0%	3.6%	14.3%	36.9%	45.2%	4.24	.830
Our customers have self-service terminals like ATMs, internet banking, PC banking, TV banking)	0.0%	2.4%	13.1%	26.2%	58.3%	4.40	.808
The bank always provides electronic payment systems (such as POS-devices and credit cards)	0.0%	1.2%	15.5%	33.3%	50.0%	4.32	.779
Aggregate value						3.97	.520

Source: Author's research

However, innovation on new product development was low, with 65.5% disagreeing on frequent product generation (mean = 1.74), echoing Omondi (2018) on banks' focus on existing services. Advertising budgets were inconsistently allocated (mean = 3.88), in line with Ngugi's (2020) findings on budget constraints in Kenyan banks.

### 5.1 Performance of tier one listed banks in Kenya

The study assessed performance in listed commercial banks through five indicators: profitability, employee productivity, market share, branch expansion, and customer satisfaction, providing a structured approach for analyzing the variable's significance as shown in table 2.

The majority of Kenya's publicly traded commercial banks had a favorable impression of their own performance, according to the research. Profitability, competitive positioning, and happy customers were some of the highlighted qualities. Growing client base and increasing market share are two areas that may need some work. Respondents rated product and service quality highly (mean = 3.80; SD = 1.039). Profit stability also received strong ratings (mean = 3.88; SD = 0.870), supporting Odinga's (2020) emphasis on financial health. Market share growth saw moderate success (mean = 3.73), resonating with Kimani's (2018) findings on its role in competitive strength. Positive trends in customer base expansion (mean = 3.74; SD =

0.933) align with Njeri (2019) on the importance of customer acquisition. Managing repeat sales and loyalty (mean = 3.87) supports Mwangi (2020) on the value of retention. High new account openings (mean = 3.75) reflect successful outreach, consistent with Wambua (2019).

TABLE 2. MEASUREMENT OF PERFORMANCE OF TIER ONE LISTED BANKS

Constructs	SD	D	M	A	SA	M	Std. Dev
The bank always offers high quality products and services	2.4%	9.5%	22.6%	36.9%	28.6%	3.80	1.039
Our bank hardly recorded decreased level of profits	0.0%	7.1%	22.6%	45.2%	25.0%	3.88	.870
Our bank has witnessed an increase in the levels of market share	1.2%	6.0%	32.1%	40.5%	20.2%	3.73	.896
The number of customers in our bank has increased over the last five years	2.4%	6.0%	27.4%	44.0%	20.2%	3.74	.933
Our bank always manages repeat sales by retaining the old and loyal customers	1.2%	2.4%	26.2%	48.8%	21.4%	3.87	.818
Our bank account openings have grown	0.0%	6.0%	33.3%	40.5%	20.2%	3.75	.848
Our bank has recorded an increased competitive niche in all our products and services	0.0%	4.8%	23.8%	48.8%	22.6%	3.89	.807
The sales volumes have increased	1.2%	3.6%	31.0%	42.9%	21.4%	3.80	.861
Our customers' net promoter score has recorded an upward pattern	1.2%	7.1%	31.0%	44.0%	16.7%	3.68	.880
The bank has recorded an increase in profits	2.4%	8.3%	38.1%	36.9%	14.3%	3.52	.925
The bank market share increased	6.0%	15.5%	33.3%	36.9%	8.3%	3.26	1.019
The bank's loyalty customers increased	1.2%	9.5%	35.7%	41.7%	11.9%	3.54	.870
Aggregate value						3.70	.607

Source: Author's research

Competitive positioning (mean = 3.79) aligns with Muriuki (2020) on differentiation, while sales growth (mean = 3.80) supports Kamau's (2018) on strategic effectiveness. Positive customer sentiment (net promoter score mean = 3.68) aligns with Kirui (2020), and profit and loyalty growth (mean = 3.54) reflect Gikandi's (2018) insights on long-term success.

The bivariate Pearson correlation was employed to examine the direction and strength of the relationship between marketing strategy and organizational performance as presented in table 3.

TABLE 3. CORRELATIONS1

Variable		Organizational performance	Marketing strategy
Performance	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	84	
	Sig. (2-tailed)	.000	
	N	84	
Marketing strategy	Pearson Correlation	.661**	1
	Sig. (2-tailed)	.000	
	N	84	84
	N	84	84

Source: Author's research

Results showed a very significant positive relationship ( $r = .661^{**}$ ,  $n = 84$ ,  $p = 0.000$ ) between marketing strategies and organizational performance. Therefore, it is clear that tier One banks listed in Kenya rely

heavily on their marketing efforts. However, Research conducted in Egypt noted that while banks adopt various marketing strategies, ineffective implementation and lack of adaptation to competitive pressures often hinder their potential to significantly impact performance (Hilal & Tantawy, 2022).

## 6. THE STUDY RECOMMENDATIONS

To enhance the performance of listed banks, it is crucial for policy makers including Central bank of Kenya and the leadership of the banking sector to develop supportive frameworks that promote the alignment of marketing strategies with Sustainable Development Goals (SDG) number 1 on ending poverty and number 8 on decent work and economic growth. This involves encouraging banks to focus on marketing strategies, including use of various media channels to enhance the visibility of banking products and services. By promoting increased brand awareness and customer loyalty, banks can achieve higher levels of performance and competitiveness. Additionally, regulatory frameworks should support the expansion of distribution channels, including physical branches, ATMs, mobile banking, and online platforms, to ensure that banking services are accessible to under-served markets, driving revenue growth and financial inclusion. Market segmentation theory was used to provide a robust framework for understanding the connection between various strategic approaches and their impact on organizational performance. Future research should further explore the applicability of this theory in different contexts and industries to validate its relevance and generalizability. For instance, the theory has been criticized for assuming that customers can be simply grouped into homogeneous segments and their behavior will be the same within the groups which is not always true. Further, it was recommended that, banks should strategically use various media channels for publicity and advertising to reach a broader public, attract new clientele and retain current ones. Emphasizing a well-curated product portfolio and appropriate pricing can help banks remain relevant to their clientele while maintaining profitability. Expanding distribution channels, including physical branches, ATMs, mobile banking and online platforms, can enhance customer satisfaction and drive revenue growth. Specific areas recommended for further investigation could include the impact of social media engagement, personalized marketing approaches including data driven customer targeting and the role of content marketing on customer acquisition and retention.

## 7. CONCLUSIONS

According to the study marketing strategies significantly improved the performance of Kenyan tier one listed banks with a mean score of 3.97 and a standard deviation of 0.520. The researcher discovered a



strong positive correlation between marketing strategies and bank performance. For each one-unit increase in marketing strategy, performance increases by 0.380 units. This suggested that marketing strategy was an impactful predictor in the model. The study concluded that marketing strategy has a significant influence on performance, leading to the rejection of the null hypothesis. By implementing comprehensive marketing campaigns, leveraging on digital marketing channels and understanding customer needs, banks can enhance brand visibility, attract new customers and retain existing ones. These marketing efforts are crucial in driving business growth and maintaining a competitive edge in the market.

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