THE EFFECTS OF MARKETING MIX ON PROFITABILITY OF INSTITUTIONS IN THE BANKING SECTOR IN KENYA (A Case Study of Family Bank Ltd.)

BY

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DECLARATION

This research report is my original work and has not been presented for any award or degree in any other university.

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This research report has been submitted to Kenyatta University for examination with my approval as the University supervisor.

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ABSTRACT

The purpose of the study was to investigate the effects of Marketing Mix on the profitability of institutions in the banking industry, a case study of Family Bank Ltd. Marketing scope in banking sector is considered under the service marketing framework. Performed marketing strategy is the case which is determination of the place of financial institutions on customers’ mind. Bank marketing does not only include service selling of the bank but also is the function which gets personality and image for bank on its customers’ mind. On the other hand, financial marketing is the function which relates uncongenitalies, differences and non similar applications between financial institutions and judgement standards of their customers. Other specific objectives included product decisions, pricing, promotion and distribution.

The research adopted a descriptive research design. The population of the study was 118 composed of selected respondents from Head Office, Fourways, Sonalux, KTDA Plaza, Cargen and Pan African House branches. A sample of 50% was drawn from the population using stratified random sampling. Data was collected by use of questionnaire method and will have both closed and open ended questions. Data was analyzed using descriptive statistics including frequency distribution tables, means, mode and standard deviation; there was the use of Microsoft Excel and SPSS to aid this. This study aimed to be useful to academics since it will give opportunity for further research and will help policy makers to use it for proper positive implementation.

From the study the researcher aimed to investigate the effects of Marketing Mix on the profitability of institutions in the banking industry. From the findings of the study: product decisions, pricing, promotion and distribution were found to affect profitability in the banking industry. This was as depicted in the co-relation coefficients for the variables: Product decisions (0.647), Pricing (0.897), Promotion (0.7) and Distribution (0.579). From the study the following recommendations were made: rigorous consultations with customers prior to launching products, proper market research and product testing, creation of more awareness on the pricing as most of them are not aware of some of them prices especially the charges that appear hidden, more use of the social media, better adverts that are more captivating, use of street marketing teams, and proper public relations, more branches being opened at strategic locations, partnerships with other banks, introduction of agency banking and the possibility of going regional by expanding over East Africa and beyond.
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DEDICATION

This work is dedicated to my family. You are a blessing to my life. You have allowed and encouraged me to pursue my ambitions and inspirations.
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DEFINITION OF TERMS

Marketing Mix—the *marketing mix* elements are price, place (distribution), product, and promotion.

**Price**—the price of the products that the organization offers will affect the number of customers that it can get. If the price is relatively low compared to the competitors, more customers will choose the product and thus the organization will have a large customer base. This will in turn contribute to the growth of the organization.

**Distribution/Place**—The more the numbers of outlets that the bank has the more accessible will its services be to the customers. This may be attractive to the customers thus a higher clientele base which will directly contribute to its growth.

**Product decisions**—If there is diversity in the products, this will attract customers as they will have a variety of products to choose from depending on their needs. This will equally contribute to the growth of the bank.

**Promotion**—The more the promotion that is undertaken by the organization, the higher the chances of creating awareness to people with regard to the available products.
CHAPTER ONE

INTRODUCTION

1.0 Background of the Study

Marketing is a dynamic process of ensuring a close fit between the capabilities of an organization and the demands placed upon it by its external environment. It follows that what a company offers to a market will need to evolve continually over time in order to meet changes occurring in the company’s internal objectives and in its external business environment. It is not good enough for a company to develop a marketing plan that works for a short period, but then fails to make good long-term profits for the company because the plan is not sufficiently responsive to changes in its marketing environment.

Profitability is achieved after successfully carrying out a business process of delivering a product or service. According to Lancaster, Massingham and Ashford (Essentials of Marketing, 4th Edition, McGraw Hill), the rate of profitability is impacted by the marketing strategy in a company. The current and future strategies selected by the company will certainly affect the results and consequently its profitability. There exists a positive relationship between the investment made by the company to meet the needs of the customer and the earning of profits as a result of this process. Since the main focus of the company should be dedication towards satisfying its customers’ needs, it is imperative that strategies should be implemented to ensure that this is achieved. History is full of marketing plans that appear too good to be true. A company may have enjoyed a very high level of sales in the short term, but failed to earn sufficient profits over the longer term. It may be that such a company has underpriced its products, leaving it an
insufficient margin to cover its fixed costs. Or it may have invested heavily in product
design and promotion but failed to generate a sufficient level of sales to pay for such an
investment. It is not difficult to develop short-term marketing strategies that at first
appear highly successful when judged by sales levels. It is much more difficult to
develop a marketing strategy that is sustainable over the longer term by producing
adequate levels of continuing profitability. This might point to strategies that will exploit
the available opportunities to significantly strengthen the products and services, enhance
the quality standards and subsequently achieve customer satisfaction.

Central to this long-term strategy is the development of strong brands which can allow a
company to charge premium prices for products that consistently deliver a high level of
customer-defined value (Palmer, 2009).

The marketing mix is the combination of techniques used to market a brand. The
techniques are often called the “Ps”. Originally there were four Ps:

a) Product (or service): what you sell, and the variety or range of products you sell.
   This includes the quality (how good it is), branding, and reputation (the opinion
   the consumers have) of the product. For a service, support for the client after the
   purchase is important.

b) Price: how much the product or service costs.

c) Place: where you sell the product or service. This means the location of your
   shop, or outlet, or the accessibility of your service – how easy it is to access.
d) Promotion: how you tell consumers about the product or service. The promotional mix is a blend of the promotional tools used to communicate about the product or service (Cate Farrall and Marianne Lindsley, 2001).

Palmer (2009) points out that banks have been made to realize that their competitors are not just other banks, or even other financial services organizations, but any organization that has a strong brand reputation and customer base. Through these, supermarkets, airlines, and car companies have all developed various forms of banking services which now compete with mainstream banks. Even without considering the possibility of new market entrants appearing, it is possible to identify direct and indirect competitors. Direct competitors are generally similar in form and satisfy customers’ needs in a similar way. Indirect competitors may appear different in form, but satisfy a fundamentally similar need. A sound analysis of the direct and indirect competitors of a firm is crucial in defining the business mission of an organization.

1.0.1 Family Bank Ltd

Family Bank Ltd (formerly Family Finance Building Society) started in 1984 as a building society with a vision to be the institution of choice for the unbanked people. The Vision statement is “Serving the Nation since 1984”. It aims to make customers feel valued, understood, supported and respected like family members. The target was to serve the needs of the mass market which had been greatly ignored by the mainstream banks. This market comprised of millions of micro, small and medium scale enterprises, jua kali artisans, tea, coffee, dairy, grain, fish and sugar farmers, teachers, junior
employees of government (local authorities and central government), parastatals NGOs and even private organizations. It was converted to a fully-fledged bank in 2007. Since inception, Family Bank Ltd has been providing affordable financial services to the low and medium income earners. Its products and services are well researched and tailor-made to suit market needs. The bank has over 800,000 customers which makes it one of the largest banks serving the mass market in all parts of country. The bank is a financial intermediary, providing superior technology driven savings facilities as well as affordable loans of all sizes for all kinds of needs, from working capital to school, medical fees and even food (www.familybank.co.ke). The mission over the years has been to liberate the unbanked from financial bondage and the cycle of poverty. Becoming a commercial bank has widened the bank’s capacity to serve all their needs including offering cheque books, electronic funds transfer, foreign exchange and international banking (www.familybank.com).

1.0.1.1 Branch network of Family Bank Ltd.
The organization grew from one branch in Kiambu in 1984 to the current branch network of 66 branches countrywide. Family Bank Ltd has grown from a building society serving farmers in rural Kenya to a nationwide commercial bank serving retail as well as corporate clientele with prospects of expanding to other countries within the region.

1.1 Statement of the Problem
Kenya’s banking sector is a cut-throat business arena, with 44 players including multinationals all scrambling for a slice of the pie. Marketing scope in banking sector should be considered under the service marketing framework. Performed marketing
strategy is the case which is determination of the place of financial institutions on customers’ mind. Bank marketing does not only include service selling of the bank but also is the function which gets personality and image for bank on its customers’ mind. On the other hand, financial marketing is the function which relates uncongenitalies, differences and non similar applications between financial institutions and judgement standards of their customers. In today’s world, the importance of marketing accrues rapidly because of the rough market conditions. Companies need to find the best way to access the customers and make sure that they are satisfied with their own products and services. The companies’ way of serving their product directly affects the companies’ market performance and it leads to financial success or failure (Chen, H., Green, R.D, 2009).

Developing an integrated marketing plan and generating a successful marketing mix is a complex process that requires a deep understanding of many factors. Even though marketing mix accounts for the formulation of a company’s core marketing decisions, it fails to provide a well defined marketing model (Brownlie, D. & Saren, M, 1992). The effectiveness of subcomponents, like public relations and distribution channels, are hard to be measured by quantitative scales. It is against this background that the researcher aims to establish the effects of Marketing Mix on profitability in the banking industry.

1.2 Objectives Of The Study

The objectives of this study included the following:
1.2.1 General Objective

To investigate the effects of Marketing Mix on the profitability of institutions in the banking industry, a case study of Family Bank Ltd.

1.2.2 Specific Objectives

i. To find out the effect of product decisions on the profitability of Family Bank Ltd.

ii. To determine whether pricing affects the profitability of Family Bank Ltd.

iii. To establish how promotion has influenced the profitability of Family Bank Ltd.

iv. To determine the extent to which distribution affects the profitability of Family Bank Ltd.

1.3 Research Questions

The study sought information to answer the following questions;

i. What is the effect of product decisions on profitability of Family Bank Ltd.?

ii. How does pricing affect the profitability of Family Bank Ltd.?

iii. How does the promotion of products and services affect the profitability of Family Bank Ltd.?

iv. To what extent does the distribution network affect the profitability of Family Bank Ltd.?

1.4 Significance of the Study

The study will benefit the following groups;
1.4.1 Top management of Family Bank Ltd who may use the study to understand what affects profitability.

1.4.2 Government especially the Ministry of Finance who will use the information to improve policies related to profitability of banks.

1.4.3 Staff of marketing in Family Bank Ltd who will use the information to enhance the Bank’s profitability.

1.4.4 Stakeholders such as shareholders, suppliers amongst others will use the information to understand what affects profitability for planning purposes.

1.4.5 Other researchers in this area will use it to borrow ideas.

1.5 Scope of the Study

The scope of this study was Family Bank Ltd in Nairobi CBD. There were approximately 180 staff members in these units from which the sample was taken.

1.6 Limitations of the Study

The possible or anticipated limitations included uncooperative respondents, unreturned questionnaires among other factors.
CHAPTER TWO
LITERATURE REVIEW

2.0 Introduction

This chapter presents a review of literature pertinent to the study as presented by various researchers, scholars' analysts and authors. This chapter summarises literature that has been reviewed and will be reviewed for the purpose of the study which is to investigate the effects of Marketing Mix on the profitability of institutions within the banking sector, a case study of Family Bank Ltd.

2.1 Main Review

2.1.1 Marketing Mix

Marketing scope in banking sector should be considered under the service marketing framework. Performed marketing strategy is the case which is determination of the place of financial institutions on customers' mind. Bank marketing does not only include selling the services of the bank but also is the function which gets the personality and image of the bank fixed on its customers' mind. On the other hand, financial marketing is the function which relates uncongenitalies, differences and non similar applications between financial institutions and judgement standards of their customers. The reasons for marketing scope to have importance in banking and for banks to take interest in the marketing subject can be arranged as:(i) Change in demographic structure: Differentiation of population in the number and composition affect quality and attribute of customer whom benefits from banking services; (ii) Intense competition in financial service sector: The competition became intense due to the growing local and international
banking perceptiveness and recently being non limiting for new enterprises in the sector. Increase in liberalization of interest rates has intensified the competition and (iii) the Bank’s wish for increasing profit: Banks have to increase their profits to create new markets, to protect and develop their market shares and to survive on the basis of intense competition and demographic chance levels (Gunal, 2000).

4 P’s is the basic issue in marketing, which attempts to show the formulation of reaching to the market. It should be assumed as a prescription and the exact formulation will provide the best marketing performance to the company. The term, Marketing Mix, is first pronounced by Professor Neil Borden of Harvard Business School in 1964 and defined as “a related group of activities designated to influence buyer behavior” (Knillans, G., 2008).

The performance of the marketing mix can be measured by market share and profitability (1992, Brownlie & Saren.). However, this requires the implementation of a planned marketing mix. In the planning process, the numerical evaluation of marketing mix alternatives will help the company to choose the best marketing mix through the alternatives. Although, there have been some attempts to compute the optimum marketing mix, there is not an integrated model covering all the components and subcomponent. Optimization of marketing mix, is still a non solved considerable marketing problem (1992, Brownlie & Saren).
Porter (1980) provides a framework for analyzing the competition facing a company in a market. His model illustrates the relationship between existing competitors and potential competitors in a market and identifies five forces requiring evaluation: the threat of new entrants; the threat of substitute products; the intensity of rivalry between competing firms, the power of suppliers; and the power of buyers. He adds that understanding the structure of competition within a market is a vital prerequisite for formulating a strategy to attain a sustainable competitive advantage.

Palmer (2009) elaborates that the threat of new entrants is greatest where there are low barriers to entry. New entrants may already be active in a similar market sector, but in another geographic market. The threat becomes reality when a company that is strong in one geographical market decides to exploit other geographical markets. Substitute products emerge from alternative technologies, particularly as the economics of production change. Initially new technology may have high costs associated with it and serve only small niche markets. As the technology and experience develop, the level of investment rises and production volumes increase, resulting in economies of scale that are associated with falling production costs. Many products have to be consigned to obscurity by the development of new technologies. He adds that a company needs to become established as the dominant technology or brand before the industry matures, because entering the market later may require a considerably greater investment.

However in a mature industry, particularly if it is characterized by high fixed costs and excess capacity, the intensity of competitive rivalry may be very high. This is because
manufacturers or service providers need to operate at or near maximum capacity in order to cover their overhead costs. As the industry matures, or at times of cyclical downturn, firms fight to maintain their maximum level of sales. Price cuts and discounting may become commonplace and profits eroded. Low-cost producers with high brand loyalty have the best chance of survival.

2.1.2 Profitability

Profitability is the ability of a firm to generate Net Income on a consistent basis. It is expressed in terms of numbers that measure “how much a company makes with what it has or has taken in”. It is a relative measure of business success and is usually expressed as an income to cost ratio. Simply expressed, it is Earnings minus Costs.

Profits play an important role in every business organization. It is used as a measure of the efficiency of a company in generating earnings. For a business to be termed as profitable, it must generate excess income over its expenditure during a given time. The business must be able to generate adequate profit in relation to the Risk and Capital invested in it. It is therefore a matter that concerns the proprietor, managers, directors, shareholders amongst others.

Maximization of profit is one of its important goals of every business venture. The existence, continuity and expansion of any business depend largely on its capacity to earn profit to serve and grow over a long period of time. According to Korn & Boyd,
underlying the entire financial structure of a firm is the profitability ratio. They point out that only if a company can earn profits will it survive in the long run.

Profit is essential. However, not all action should be aimed at Profit maximization, irrespective of social impact.

2.1.3 Product Decisions

A company's product mix refers to the total number of products that are offered for sale. The product mix has certain width, length, depth and consistency. The width of a product mix refers to the total number of different product lines of the company. The length of a product mix refers to the total number of brands in all of the company's product lines. The depth of a product mix refers to the average number of variants of the company's products. The consistency of a product mix refers to how closely related are the company's product lines in terms of characteristics, production process, distribution channels to name just a few (Kotler, 2003).

Hollensen (2003) asserts that the first level of product decisions concerns individual products or services that a firm manufactures and markets. A product item is, then, by definition a separate product entity, identified by a certain design quality, features, packaging and branding. Individual product items that are closely related in some way to another are classed as product lines. The product mix then constitutes the sum of individual product items and product lines. He adds that decisions about new products should reflect consistency with existing product lines in relation to previously determined marketing objectives set for product provision in specified markets. Hence the addition to
the width of the mix and the depth within each product line should be compatible with the planned long-term marketing strategy, based on a set of evaluation criteria so that the decisions taken are rational and not purely emotional or opportunistic. Product mix strategy involves the management of existing successful products, the elimination of obsolete or nonprofit-making ones, and the development and introduction of new products.

Product decisions at the product mix level tend to determine the width of a company’s product mix. The basic product-policy/strategy issues at the product mix level cluster around the following: which product categories to offer, what are the groups and classes of customers for which the products are intended to serve, whether to seek to serve our markets as full-line suppliers or limited line specialists, whether to attempt to take a position of technical leadership or whether we will achieve greater success as a follower and the business characteristics each product line must meet in order to be included in the product mix (portfolio). The answers to the foregoing questions tend to form the company’s general product policy, which will guide management in making decisions pertaining to the addition or elimination of product-lines from the company’s product mix. In adding new product-lines management has to decide about the type and the nature of the product lines as well as the ways that these lines should be added to the mix. The decision to add new product-lines to the mix is ordinarily described as diversification and it can be materialized through licensing, merger and acquisitions, joint ventures or alliances (Kotler, 2003).
2.1.4 Pricing Decisions

The price which is an important component of marketing mix is named differently in the base of transaction exchange that it takes place. Banks have to estimate the prices of their services offered. By performing this, they keep their relations with existing customers and take new ones. The prices in banking have names like interest, commission and expenses.

Price is the sole element of marketing variables that create earnings, while others cause expenditure. While marketing mix elements other than price affect sales volume, price affect both profit and sales volume directly. Banks should be very careful in determining their prices and price policies. This is because mistakes in pricing cause customers' shift toward the rivals offering similar services (Gunal, 2000).

Pricing is one of the most important marketing mix decisions, price being the only marketing mix variable that generates revenues. Pricing is not a single concept, but a multidimensional one with different meanings and implications for the manufacturer, the middleman and the end customer. Pricing strategy is of great importance because it affects both revenue and buyer behaviour. Pricing involves the determination (and adjustment) of a price structure and price levels, as well as decisions on short-term price changes. A more effective, goal-orientated approach to pricing is needed that explicitly takes into account the role of price as a marketing mix instrument and as a profit generator. This provides a framework for effective, goal-orientated pricing, and helps highlight the major aspects and factors of the pricing decision (Hollensen, 2003).
Pricing is a fundamental aspect of financial modeling, and is one of the four Ps of the marketing mix. The other three aspects are product, promotion, and place. It is also a key variable in microeconomic price allocation theory. Price is the only revenue generating element amongst the four Ps, the rest being cost centers. Pricing is the manual or automatic process of applying prices to purchase and sales orders, based on factors such as: a fixed amount, quantity break, promotion or sales campaign, specific vendor quote, price prevailing on entry, shipment or invoice date, combination of multiple orders or lines, and many others (www.wikipedia.com).

A key parameter affecting pricing decisions is essentially customer based. The upper limit to the price to be charged is set by the market. Unless, of course, the customer must purchase the product and we are the sole supplier. Effectively, then, at least in competitive markets, demand is a major consideration in the selection of pricing strategies and levels. Ideally, the Marketing Manager needs to know the demand schedule for the products and services to be priced. This means that we must take into consideration the time factor. Certainly demand can, and does, vary over these different time periods. The time period must be explicit when evaluating demand concepts in the context of marketing. The ability of the purchaser to buy products and services according to income levels and purchasing power converts the buyer’s needs and wants into actual purchasing. The economist refers to this willingness and ability to purchase as ‘effective demand’. For an organizational buyer, the ability to purchase is directly related to budget requirements and constraints set on the purchaser.
Demand for a product or service, and indeed the price the customer is willing to pay, is related to the attributes of competitive products being offered. Demand for a product is therefore closely related to how the customer perceives the various attributes of competitive products. These attributes include physical/tangible attributes of the product or service in question: for example, quality features, packaging, and so on, and ‘intangible’ attributes, such as brand/corporate image and status (Hollensen, 2003).

2.1.5 Promotional Decisions

Promotion involves disseminating information about a product, product line, brand, or company. Promotion is generally sub-divided into two parts: above the line promotion which is mainly promotion in the media in which the advertiser pays an advertising agency to place the advertisement. Below the line promotion includes all other promotion. Much of this is intended to be subtle enough that the consumer is unaware that promotion is taking place. Like sponsorship, product placement, endorsements, sales promotion, merchandising, direct mail, personal selling, public relations, trade shows. Promotion will enable a product or service to be known as it creates awareness and thus may increase the customer base. (www.wikipedia.com)

Promotion is the communication of information between the seller and the buyer to change attitude and behaviour. Promotion encourages primary tools, personal selling advertising sales promotion and publicity. Promotion plays an important role in awakening and stimulating customer demand for a service or product. It aims at influencing customer attitude beliefs, values preferences and life styles. As a tool of
marketing, communicating in the Promotion mix is employed to achieve the objective of the promotion which is basically information, persuasion and reminding. Objectives of sales promotion include informing, persuading, reminding, to introduce new products, to attract new customers, to introduce present customers to buy more, to help the firm remain competitive, to increase sales during off season period and to add to the stock of the dealers (Kumar, 2007).

A supplier might be seeking to promote their services to an audience, but what the customer actually wants is the communication. In other words they would like to listen to what the promoter has to say, but increasingly also want a chance to talk back. The communication should be a two-way process, whereas promotion should just highlight the good bit (Ace, 2002).

2.1.6 Distribution Decisions

Gunal (2000) asserts that the most important feature of banking is the persuasion of customers benefiting from services. Most banks’ services are complex in attribute and when this feature joins the intangibility characteristics, offerings take also mental intangibility in addition to physical intangibility. On the other hand, value of service and benefits taken from it mostly depend on knowledge, capability and participation of customers besides features of offerings. This is resulted from the fact that production and consumption have non separable characteristics in those services. Most features of banking services makes personal interaction between customer and bank obligatory and the direct distribution is the sole alternative.
Perreault & McCarthy (1999) define place or distribution channel as the method of making one's products or services available to the consumer. He adds that it has the functions of: Information as it gathers and distributes market research; Promotion by developing and communicating offers; Contact by communicating with prospective customers; Physical distribution through availing the goods or services at specific locations; Financing by getting and using funds to cover the costs of channel work and risk taking as it assumes the risk of the channel work.

From only one branch in 1984, Family Bank Ltd has grown over time and currently enjoys a network of over 50 branches countrywide. Since inception, Family Bank Ltd has been providing affordable financial services to the low and medium income earners. Our products and services are well researched and tailor-made to suit market needs. The bank has over 600,000 customers which makes it one of the largest banks serving the mass market in all parts of country. The bank is a financial intermediary, providing superior technology driven savings facilities as well as affordable loans of all sizes for all kinds of needs, from working capital to school, medical fees and even food (www.familybank.co.ke).

Dent (2008) asserts that the most important elements that should be brought by a distribution channel are: Growth - emphasizing the level of demand for the supplier's products or services and the investment it will make in stimulating demand; Profitability - showing the margins, contributions, utilization of overheads and net profitability that selling the supplier's products or services will deliver to the channel member; Return on capital - demonstrating the productivity of the channel member's investments in
inventory, working capital or fixed assets will be improved by engaging with the supplier; Brand - showing how the association with the supplier will empower the channel member's own brand, or allow it to "borrow" or leverage the supplier's brand and Skilled suppliers research their channel members' needs to ensure that they tune their channel value proposition to these needs to gain more traction in winning share of the channel and to minimize the cost of so doing.

2.2 Critical Review
No study has been done on the effects of Marketing Mix on the profitability of institutions in the banking industry, a case study of Family Bank Ltd. Therefore the factors set in the literature may not clearly relate to the specific organization thus not clearly relate with one another. Some of the literature is based on information from the developed world thus may not reflect the state of affairs at the ground.

2.3 Summary and Gaps to be filled by the study
Very little research has been done on this area of study. The research study sought to build on the existing knowledge so as to determine the effects of Marketing Mix on the profitability of institutions in the banking industry and thus make recommendations, which can help improve the situation. Highlighted in the literature review are product decisions, pricing, promotion and distribution. However, the study leaves a gap for further research of the effects of Marketing Mix on the profitability of institutions in the banking industry.
2.4 Conceptual Framework

Figure 2.1: Conceptual Framework

Marketing mix

Independent variable

Intervening variables

Profitability of institutions in the banking sector.

Dependent variable

Source: Author (2010)
CHAPTER THREE
RESEARCH METHODOLOGY

3.0 Introduction

This chapter describes the research design, target population, data collection procedure and data analysis procedure that will guide the study.

3.1 Study Design

The study adopted a Descriptive research design. Descriptive research was the method used to conduct this study. Best and Kahn (1998) pointed out that descriptive research is concerned with the analysis of the relationships between non-manipulated variables and the development of generalizations, extending its conclusion beyond the sample observed. The method basically collects information to answer, who, what, when, where and how. By asking these questions, Descriptive research collects information about subjects regarding the nature of their activities or the current status of their activities in the studied areas. In this case the researcher went to the population in a bid to tackle the topic of the study.

3.2 Target Population

The target population consisted of the 118 staff of Family Bank Ltd at the Head Office and branches within Nairobi’s Central Business District. They were randomly selected to answer the questions with regard to the topic of the study thus provide relevant information to the topic.
Table 3.1 Target Population

<table>
<thead>
<tr>
<th>Group</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Head Office</td>
<td>39</td>
<td>33</td>
</tr>
<tr>
<td>Four ways Branch</td>
<td>12</td>
<td>10</td>
</tr>
<tr>
<td>Sonalux Branch, Moi Avenue</td>
<td>18</td>
<td>15</td>
</tr>
<tr>
<td>KTDA Plaza, Moi Avenue</td>
<td>11</td>
<td>9</td>
</tr>
<tr>
<td>Cargen House, Moi Avenue</td>
<td>16</td>
<td>14</td>
</tr>
<tr>
<td>Pan African House, Kenyatta Avenue</td>
<td>22</td>
<td>19</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>118</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Source; Family Bank Ltd (2010)

3.3 Sampling Design

From the above population of 118, a sample of 50% was drawn by use of stratified random sampling. According to Mugenda & Mugenda (2003), a representative sample is one that is at least 10% of the population of interest. In addition, this sampling technique is be used when the population of interest is not homogeneous, in this particular case the population of interest was composed of staff from the Head Office and the various branches located in Nairobi’s CBD. The sample was obtained as indicated in the following table:
Table 3.2 Sample Design

<table>
<thead>
<tr>
<th>Group</th>
<th>Frequency</th>
<th>Sample Ratio</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Head Office</td>
<td>39</td>
<td>0.5</td>
<td>19</td>
</tr>
<tr>
<td>Fourways Branch</td>
<td>12</td>
<td>0.5</td>
<td>7</td>
</tr>
<tr>
<td>Sonalux Branch – Moi Avenue</td>
<td>18</td>
<td>0.5</td>
<td>9</td>
</tr>
<tr>
<td>KTDA Plaza, Moi Avenue</td>
<td>11</td>
<td>0.5</td>
<td>5</td>
</tr>
<tr>
<td>Cargen House, Moi Avenue</td>
<td>16</td>
<td>0.5</td>
<td>8</td>
</tr>
<tr>
<td>Pan African House, Kenyatta Avenue</td>
<td>22</td>
<td>0.5</td>
<td>11</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>118</strong></td>
<td><strong>0.5</strong></td>
<td><strong>59</strong></td>
</tr>
</tbody>
</table>

Source: Family Bank Ltd (2010)
3.4 Data Collection procedures

Data was collected mainly by use of questionnaire method. Oppenheim (2001) suggests that this method of data collection ensures a high response rate and accurate sampling. He also urged that greatest care is needed in briefing the respondents, or they may, with the best intentions, introduce fatal bias. The questionnaire was aimed at a representative sample of stakeholders, although it was stratified into clusters according to their position as shown in the table above. Questions were directed towards the variables as brought out in the conceptual framework.

3.5 Data Analysis

The data collected was both quantitative and qualitative. Quantitative data was analyzed using descriptive statistics such as frequency distributions, corelation and percentages. Qualitative data was analysed using content analysis. There was the use of Microsoft Excel and SPSS to aid in the analysis.
CHAPTER FOUR
DATA ANALYSIS AND PRESENTATION OF RESULTS

4.0 Introduction

This chapter presents an analysis of the findings of the research. Several descriptive analyses were made to achieve the objectives of the study.

Table 4.0: Response Rate

The study targeted 59 respondents with 42 respondents answering the questionnaires comprising a 71% response rate while the remaining 17 respondents comprising 29% did not answer. This is as depicted in the table below;

<table>
<thead>
<tr>
<th></th>
<th>FREQUENCY</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Response</td>
<td>42</td>
<td>71</td>
</tr>
<tr>
<td>Non-response</td>
<td>17</td>
<td>29</td>
</tr>
<tr>
<td>TOTAL</td>
<td>59</td>
<td>100</td>
</tr>
</tbody>
</table>

*Source: Study (2011)*

The above information can also be depicted as in the chart below:
4.1 General Information

The respondents were profiled using three different criteria that included their gender, the duration which they had been staff of the bank and their education level.

Table 4.1 Respondents’ Gender

Only the questionnaires from the 42 respondents who completed fully were analyzed. The table below represents the gender of the respondents;

<table>
<thead>
<tr>
<th>GENDER</th>
<th>FREQUENCY</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>24</td>
<td>57</td>
</tr>
<tr>
<td>Female</td>
<td>18</td>
<td>43</td>
</tr>
<tr>
<td>TOTAL</td>
<td>42</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Research Data (2011)

The above table shows the respondents’ gender. From the findings majority of the respondents were males as indicated by 57% of the response, while 43% were females. The great tendency of male respondents was noted due to males being appointed in the
organization in the earlier days when the bank was still a building society. The information above can also be represented in the figure below:

**Figure 4.1 Respondents' Gender**

![Bar chart showing respondents' gender](image)

*Source: Study (2011)*

4.2 Experience in the bank

The respondents were requested by the researcher to indicate how long they had worked at Family Bank Ltd. The data in Table 4.3 indicates that majority of the respondents as shown by 41% had been in Family Bank Ltd for 0-5 years, 31% had been in Family Bank Ltd for 6-10 years, 21% for 11-15 years and 7% for over 15 years. The findings indicated that most respondents had the relevant experience in the bank. This implies also that the respondents were able to answer the questions knowledgeably given their experience.
Table 4.2 Respondents' Experience

<table>
<thead>
<tr>
<th>EXPERIENCE</th>
<th>FREQUENCY</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-5 years</td>
<td>17</td>
<td>41</td>
</tr>
<tr>
<td>6-10 years</td>
<td>13</td>
<td>31</td>
</tr>
<tr>
<td>11-15 years</td>
<td>9</td>
<td>21</td>
</tr>
<tr>
<td>Over 15 years</td>
<td>3</td>
<td>7</td>
</tr>
<tr>
<td>Total</td>
<td>42</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Study (2011)

Figure 4.2 Respondents' Experience

The figure below gives a graphical representation of the respondents' experience.

Source: Study (2011)

4.3 Respondents' level of education

The respondents were requested by the researcher to state their education levels. From the findings the researcher found out that majority of the respondents had university
education as shown by 36% of the respondents, 26% of the respondents had college education, 21% of the respondents had Postgraduate education, 17% had secondary education while 0% had primary education. The findings show that majority of the respondents are learned thus would be able to understand and answer the questionnaires. The levels of education would enable relevant information to be obtained from the respondents due to clarity and understanding on the factors affecting the growth of Family Bank Ltd in the banking industry.

Table 4.3. Education level

<table>
<thead>
<tr>
<th>EDUCATION LEVEL</th>
<th>FREQUENCY</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Secondary</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>College</td>
<td>15</td>
<td>36</td>
</tr>
<tr>
<td>University</td>
<td>18</td>
<td>43</td>
</tr>
<tr>
<td>Postgraduate</td>
<td>9</td>
<td>21</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>42</td>
<td>100</td>
</tr>
</tbody>
</table>

*Source: Study (2011)*

The above information can also be represented as in the figure below:
This general information was very important to the researcher as it helped to know how well the respondents were versed on the factors affecting the growth of Family Bank Ltd in the banking industry which mainly depended on their level of education and duration the respondents had been staff members of the bank. This would thus be a great contributing factor with regard to the answers that would be expected from the respondents.

4.4 Growth and profitability

4.4.1 Whether there has been growth and profitability in the banking industry

The data in Table 4.5 represents the findings on the opinion of the respondents on whether there has been growth in the banking industry in the recent years. Eighty one (81%) percentage of the respondents indicated that there has been growth in the banking industry while nineteen percent (19%) indicated that there had been no major growth in the banking industry. The respondents pointed out that there had been growth in the deposits in the banking industry, growth in profits that have been reported in the banking industry and an increase in the branch expansion. The minority indicated that some banks
had collapsed during the period while others had reduced in size. The above information can be represented in the table below;

Table 4.4.1 Growth and profitability of the banking industry

<table>
<thead>
<tr>
<th>RESPONSE</th>
<th>FREQUENCY</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>34</td>
<td>81</td>
</tr>
<tr>
<td>No</td>
<td>8</td>
<td>19</td>
</tr>
<tr>
<td>Total</td>
<td>42</td>
<td>100</td>
</tr>
</tbody>
</table>

*Source: Study (2011)*

The above information can also be represented as shown in the figure below

Figure 4.4.1 Growth and profitability of the banking industry

*Source: Study (2011)*

4.4.2 Growth of Family Bank Ltd

The data in Table 4.6 represents the findings on whether Family Bank Ltd had experienced growth in its market base in the past five years. All the respondents (100%) indicated that Family Bank Ltd had experienced growth in the past 5 years. They pointed opening new branches, increase in the accounts opened as shown by an increase in customer base and increase in capital base of the bank. The above information is as represented in the table below;
Table 4.4.2 Growth of Family Bank Ltd

<table>
<thead>
<tr>
<th>RESPONSE</th>
<th>FREQUENCY</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>42</td>
<td>100</td>
</tr>
<tr>
<td>No</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>TOTAL</td>
<td>42</td>
<td>100</td>
</tr>
</tbody>
</table>

*Source: Study (2011)*

The above information can also be represented as shown in the figure below.

Figure 4.4.2 Growth of Family Bank Ltd

*Source: Study (2011)*

4.4.3 Profitability of institutions in the banking industry

The respondents were requested to give their opinion on the factors that affect the profitability of institutions in the banking industry. They indicated government regulations like the banking act, inflation, competition, demand for banking services, marketing and the product range available to the customers.
4.4.4 Suggestions to aid the growth and profitability of institutions in the banking industry

The respondents were requested to give their opinion on what can be done to enhance the growth of institutions in the banking industry. They indicated flexible government regulations, innovative products, aggressive marketing and increase in the branch network.

4.5 Product decisions

4.5.1 Customer involvement in the decision making process

The following table represents the respondents view on whether customers are involved in the decision making process with regards to the products offered by Family Bank Ltd to the market.

<table>
<thead>
<tr>
<th>RESPONSE</th>
<th>FREQUENCY</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>33</td>
<td>79</td>
</tr>
<tr>
<td>No</td>
<td>9</td>
<td>21</td>
</tr>
<tr>
<td>TOTAL</td>
<td>42</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Study (2011)

Majority of the respondents as shown by 79% of the respondents stated that customers are involved in the decision making process while 21% of the respondents indicated that customers are not involved in the process. The majority stated that this was done through market research, questionnaires and interviews to collect the views of customers and the potential customers. The respondents who stated that customers are not involved in the decision making process stated that customers are not involved especially in deciding how the product suits the customers. The information can also be represented as in the figure below:
4.5.1.1 Regression analysis

Regression analysis was applied to determine the importance of the each of the four variables on the growth of Family Bank Ltd. The regression model was as follows:

\[ y = \alpha + a_1x_1 + a_2x_2 + a_3x_3 + a_4x_4 \]

Where

- \( y \) = Growth, \( \alpha \) = constant term, \( a_1, a_2, a_3, a_4 \) = beta coefficients
- \( x_1 \) = product decisions, \( x_2 \) = price, \( x_3 \) = promotions, \( x_4 \) = distribution/place

4.5.2 Product decisions and profitability

Table 4.5.2 Model Summary of product decisions

<table>
<thead>
<tr>
<th>Mode</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.647(( x_1 ))</td>
<td>.418</td>
<td>.224</td>
<td>6.24767</td>
</tr>
</tbody>
</table>

Source: Study (2011)
Predictors (Constant): Product decisions should be made carefully as they affect the profitability of the organization. Therefore consideration should be made to ensure that the customers' views are taken into consideration in making any decisions with regards to the products which is availed to them.

The coefficient of correlation (R) equals 0.647, which shows that there exists a positive correlation between the product decisions and profitability in the banking sector. This shows that product decisions affect the profitability of Family Bank Ltd significantly.

The coefficient of determination (R square) equals 0.418. This shows that 41.8% of the total variations in the product decisions can be explained, leaving 58.2% unexplained.

4.5.3 Improving on product decisions

The respondents were requested to suggest what can be done with regards to product decisions to improve the growth in profits of Family Bank Ltd. The respondents suggested rigorous consultations with customers prior to launching products, proper market research and product testing.

4.6 Pricing

4.6.1 Pricing of Family Bank Ltd as compared to the competitors

The following table represents the respondents view on whether the prices of the products offered by Family Bank Ltd are affordable as compared to those of its competitors.

<table>
<thead>
<tr>
<th>RESPONSE</th>
<th>FREQUENCY</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>27</td>
<td>64</td>
</tr>
<tr>
<td>No</td>
<td>15</td>
<td>36</td>
</tr>
<tr>
<td>TOTAL</td>
<td>42</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Study (2011)
Majority of the respondents as shown by 64% of the respondents stated that the pricing of Family Bank Ltd was affordable as compared to those of competitors while 36% of the respondents indicated that customers felt the pricing was not affordable. The majority indicated that the pricing of Family Bank Ltd was a bit cheaper than that offered by other banks. Those who did not support the statement claimed that the pricing of the bank was similar to those of other banks and expensive on some products thus not affordable in all fronts. The information can also be represented as in the figure below:

Figure 4.6.1 Pricing of Family Bank Ltd as compared to the competitors

Source: Study (2011)

4.6.2 Pricing and profitability

Table 4.6.2 Model summary of Price

<table>
<thead>
<tr>
<th>Mode</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.897(x2)</td>
<td>.804</td>
<td>.739</td>
<td>3.51663</td>
</tr>
</tbody>
</table>

Source: Study (2011)
Predictors (Constant): The prices of products determine whether the customers take a product or not. Therefore if a proper price is set, it will attract new customers while retaining the existing customers.

The coefficient of correlation (R) equals 0.897, which shows that there exists a strong positive correlation between pricing and growth in profits. This indicates that pricing is a critical factor taken into consideration by the customers of the bank and therefore is instrumental to the profitability of the Family Bank Ltd.

The coefficient of determination (R square) equals 0.739. This shows that 73.9% of the total variation in the change of the price can be explained, leaving only 26.1% unexplained.

4.6.3 Improvements on the price

Most of the respondents appreciated the pricing structure of Family Bank Ltd. The respondents suggested creation of more awareness on the prices as most are not aware of some of the prices especially where the charges appear hidden.

4.7 Promotion

4.7.1 Promotion

In the table below, the respondents were asked whether the way that Family Bank Ltd undertakes its promotion is adequate and effective in selling the organizations products and services.

Table 4.7.1 Promotion

<table>
<thead>
<tr>
<th>RESPONSE</th>
<th>FREQUENCY</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>29</td>
<td>69</td>
</tr>
<tr>
<td>No</td>
<td>13</td>
<td>31</td>
</tr>
<tr>
<td>TOTAL</td>
<td>42</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Research Data (2011)
Majority of the respondents as shown by 69% responded in the affirmative while 31% indicated inadequacy and ineffectiveness in the way the promotions were being done. The positive response was attributed to the various promotions that had captured majority of the public especially the ‘Pesa Pap’ promotion which had helped the bank grow its customer base. The minority of the respondents were of the opinion that more needs to be done especially with regards to the marketing budget to enable the bank to hold massive campaigns especially in the print, audio and visual advertising. The information can also be represented as in the chart below:

**Figure 4.7.1 Promotion**

![Bar Chart](image)

*Source: Study (2011)*
4.7.2 Promotion and profitability

Table 4.7.2 Model framework of Promotion

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>0.700(x3)</td>
<td>0.490</td>
<td>0.320</td>
<td>1.3041</td>
</tr>
</tbody>
</table>

Source: Study (2011)

Predictors (Constant): Promotion enables the creation of awareness of an organization’s product or service to both the customers and the potential customers. If promotion of a firm’s product and services are done well this will ensure that it captures many people.

The coefficient of correlation (R) equals 0.700, which shows that there exists a moderate positive correlation between promotion and profitability. This indicates that the promotion exercise has a considerable effect on the profitability of the bank.

The coefficient of determination (R square) equals 0.490. This shows that 49% of the total variation in the change of the promotion can be explained, leaving only 51% unexplained.

4.7.3 Improvements on Promotion

The respondents made the following suggestions to improve on promotion of goods and services to enhance the profitability in the banking industry. They suggested more use of the social media, better adverts that are more captivating, use of Direct sales teams, and proper public relations.

4.8 Distribution

4.8.1 Distribution network

In the table below, the respondents were asked whether Family Bank Ltd has a proper distribution network of its branches around the country:
Table 4.8.1 Distribution network

<table>
<thead>
<tr>
<th>RESPONSE</th>
<th>FREQUENCY</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>26</td>
<td>62</td>
</tr>
<tr>
<td>No</td>
<td>16</td>
<td>38</td>
</tr>
<tr>
<td>TOTAL</td>
<td>42</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Study (2011)

Majority of the respondents as shown by 62% responded in the affirmative while 38% indicated that it was not the case. The positive response was attributed to the various attempts by the bank to open branches in various parts of the country and joining the Kenswitch and Pesa Point ATM networks. The minority of the respondents were of the opinion that there is need for the bank to open up more branches to enable access of its products and services. The information can also be represented as in the chart below:

Figure 4.8.1 Distribution network

Source: Study (2011)
4.8.2 Distribution and profitability

Table 4.8.2 Model summary of distribution

<table>
<thead>
<tr>
<th>Mode</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>.579(X4)</td>
<td>.336</td>
<td>.114</td>
<td>5.13809</td>
</tr>
</tbody>
</table>

Source: Study (2011)

Predictors (Constant): Distribution is the most important feature of banking in the persuasion of customers benefiting from its services. If a bank is properly distributed, it will be able to achieve its growth as its products and services will be readily available to its customers.

The coefficient of correlation (R) equals 0.579, which shows that there exists a positive correlation between distribution and profitability in the banking industry.

The coefficient of determination (R square) equals 0.336. This shows that 33.6% of the total variation in ethics can be explained, leaving 67.4% unexplained.

4.8.3 Improvements on distribution

The respondents made the following suggestions on distribution to enhance the growth of profits of the bank. They indicated more branches should be opened at strategic locations, partnerships with other banks, introduction of agency banking and the possibility of going regional by expanding over East Africa and beyond.
CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter presents the summary of the findings, conclusions, recommendations of the study and areas that require further research. The broad objective of the study was to investigate the effects of Marketing Mix on the profitability of institutions in the banking industry, a case study of Family Bank Ltd. The study was a descriptive survey design based on the following objectives:

i. To find out the effect of product decisions on the profitability of Family Bank Ltd.

ii. To determine whether pricing affects the profitability of Family Bank Ltd.

iii. To establish how promotion has influenced the profitability of Family Bank Ltd.

iv. To determine the extent to which distribution affects the profitability of Family Bank Ltd.

Data was analyzed according to the objectives of the study. The aim of the study was to investigate the effects of Marketing Mix on the profitability of institutions in the banking industry; a case study of Family Bank Ltd. Data was collected from the respondents and subjected to analysis.

5.1 Answers to Research questions

5.1.1 Product decisions

Research Question 1 sought to find the effect of product decisions on profitability of Family Bank Ltd. The results of the regression analysis revealed a coefficient of correlation (R) equals 0.647, which shows that there exists a positive correlation between the product decisions and growth in profitability in the banking sector. This shows that product decisions affect the profitability of Family Bank Ltd significantly.
5.1.2 Pricing

Research Question 2 sought to find out whether pricing affects the profitability of Family Bank Ltd. The results of the regression analysis revealed coefficient of correlation (R) equals 0.897, which shows that there exists a strong positive correlation between pricing and profitability. This indicates that pricing is a critical factor taken into consideration by the customers and therefore is instrumental to the profitability of Family Bank Ltd.

5.1.3 Promotion

The research also sought to find out whether the promotion of products and services affects the profitability of Family Bank Ltd. The results of the regression analysis revealed a coefficient of correlation (R) equals 0.7, which shows that there exists a moderate positive correlation between promotion and profitability. This indicates that the promotion exercise has a considerable effect on the growth in profits of the bank.

5.1.4 Distribution

The study further sought to find out the extent to which the distribution network affects the profitability of Family Bank Ltd. The results of the regression analysis revealed a coefficient of correlation (R) equals 0.579, which shows that there exists a positive correlation between distribution and profitability in the banking industry. This indicates that having a proper distribution network affects the profitability of banks as it makes accessibility of its products and services easier.

5.2 Conclusions

From the research, it is evident that the profitability of banks is affected by the variables put forward in the literature review. This has been reflected by the response as depicted above. These are further explained below.

The study concludes that product decisions affect the profitability of Family Bank Ltd. The results of the regression analysis revealed a coefficient of correlation (R) equals 0.647, showed that there exists a positive correlation between the product decisions and growth in profitability in the banking sector. This shows that product decisions affect the
profitability of Family Bank Ltd significantly. The respondents affirmed that development of proper products that suit the customers will attract them, thus leading to profitability. On pricing, the results of the regression analysis revealed coefficient of correlation (R) equals 0.897, showed that there exists a strong positive correlation between pricing and profitability. From the results it can be concluded that pricing is a critical factor taken into consideration by the customers and therefore is instrumental to the profitability of Family Bank Ltd.

On Promotion, the results of the regression analysis revealed a coefficient of correlation (R) equals 0.7, which showed that there exists a moderate positive correlation between promotion and profitability. This was affirmed by the respondents who stated that promotion of products affects the profitability of the bank by increasing the customer base. On distribution, the results of the regression analysis revealed a coefficient of correlation (R) equals 0.579, which shows that there exists a positive correlation between distribution and profitability in the banking industry. An increase in distribution through having a proper branch network helps in increasing the customer base and thus translating to profits. Thus it was finally concluded that proper distribution affects the profitability in the banking sector.

5.3 Recommendations

Based on the findings of the study, the following recommendations were made;

5.3.1 Recommendations on product decisions

The respondents were requested to suggest what can be done with regards to product decisions to improve the growth in profits of Family Bank Ltd. The respondents suggested rigorous consultations with customers prior to launching products, proper market research and product testing.
5.3.2 Recommendations on the pricing structure

Most of the respondents appreciated the pricing structure of the Family Bank Ltd. However the respondents recommended the creation of more awareness on the pricing as most of them are not aware of some of them prices especially the charges that appear hidden.

5.3.3 Recommendations on promotion

The respondents made the following recommendations on promotion; more use of the social media, better adverts that are more captivating, use of Direct Sales teams, and proper public relations.

5.3.4 Recommendations on distribution

The respondents made the following recommendations on distribution to improve the profitability of the bank; more branches being opened at strategic locations, partnerships with other banks, introduction of agency banking and the possibility of going regional by extending throughout East Africa and beyond.

5.4 Suggestion for further research

The study only focused on Family Bank Ltd. Further research should be done on other banks in the country to cover the topic of the study. This will widen the scope of information collected on the topic of the study.
REFERENCES


Gunal Once (2000), *Service Marketing In Banking Sector And Recent Perceptions In Marketing Thoughts Of Services*, Dokuz Eylül University Faculty of Economics and Business, Marketing Department.


