



Positioning Strategies and Competitive Advantage of Tier One Banks in Mombasa County, Kenya

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ABSTRACT

The financial and commercial banking sector of the economy across the globe is under intense pressure from competition and market changes as customers demand better service delivery. Kenyan banking sector has had a drastic change where many non-banking financial institutions such as microfinance institutions, building societies and Saccos are converting into fully fledged banks. This has led to a tremendous increase in the number of banks to the current 43 thereby setting in increased competition. For banks to gain new markets and retain existing ones, they need to strategize to gain superiority over their rivals by positioning their services, products and their brands aimed at consumer behavior and perceptions. Positioning is therefore regarded as the development of the image of a product or service in the minds of clients directly against that offered by competitors. Kenyan banking industry is dominated by few large banks of which together account over 60 percent market share. This study aimed to examine the positioning strategies adopted by Tier one banks to gain competitive advantage in Mombasa County, Kenya. The study specifically determined the effect of product differentiation, strategic pricing, agency banking and mergers and acquisition on competitive advantage of Tier one banks in Mombasa County, Kenya. Resource based view theory, Porter's theory of competitive advantage, agency theory and modern portfolio theory guided the study. The study methodology entailed conducting descriptive research of 56 branch managers, operational managers and 9 regional managers. The study conducted census. Content validity of the research instruments was ensured by consulting the university supervisor while reliability was tested using Cronbach's alpha coefficient. Structured questionnaires were used to collect data. Both descriptive and inferential statistics were used for analyzing data after which it was presented in tables. Descriptive statistics included frequencies, percentages, means and standard deviations. Inferential statistical tools were correlation and multiple regression analysis. The findings indicate that product differentiation ($\beta_1 = 0.080$; $t = 0.876$; $p > 0.05$), pricing ($\beta_2 = -.044$; $t = -.429$; $p > 0.05$) and mergers and acquisition ($\beta_4 = 0.165$; $t = 1.840$; $p > 0.05$) positively and insignificantly affects competitive advantage of banks of tier one banks in Mombasa County. It was established that strategic pricing ($\beta_2 = -.044$; $t = -.429$; $p > 0.05$) negatively and insignificantly ($\beta_4 = 0.165$; $t = 1.840$; $p > 0.05$) affects competitive advantage of banks. Firstly, the study concludes that product differentiation and mergers and acquisition positively and insignificantly affect competitive advantage. It was concluded that pricing negatively and insignificantly affects competitive advantage. It was also



concluded that agency banking positively and significantly affects competitive advantage of Tier one banks in Mombasa County, Kenya. To banks, this study recommends that agency banking should be improved to enhance competitive advantage. Banks should also consider re-strategizing in terms of product differentiation, strategic pricing and mergers and acquisitions to improve their competitiveness in the market.

Key Words: *Positioning Strategies, Competitive Advantage, Tier One Banks*

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1.0 Introduction

1.1 Background to the Study

Organizations need to have a strategy that enhances its competitive advantage over its competitors and due to the ever-increasing competition and entry of new firms in any sector, this necessitates the design of competitive strategies to guarantee better and enhanced performance and gaining of a competitive edge (Ulrich & Lake, 2018). Ahmad, Bosua and Scheepers (2021) observe that organizational competitiveness has forced firms to rethink their approach towards sustaining their competitive advantage. Therefore, Organizations must understand where to direct their efforts to attain competitive advantage which is mainly affected by various factors including both internal and external. Hill (2017) observes that the goal of many companies is to maximize profits and create a competitive advantage that is difficult for competitors to imitate. To achieve this, marketers adopt a positioning strategy that enforces competition. According to Brooksbank (2020) the positioning strategy aims to increase sales by improving the company's corporate image. This means being known for a distinct feature that appeals to the exact needs of the consumers. This feature is what differentiates the company from its competitors. Therefore, it is important to understand the needs that influenced the creation of a particular product or service.

Companies globally are being forced to come up with strategies that will help them remain competitive or survive in each market where they operate. With a thought-out competitive strategy, a company makes informed decisions and constantly improves their products and services (Thuo, 2015). Porter (2008) argues that a competitive strategy helps a firm maintain its performance as well as cope with the turbulence in the environment hence the need for a firm to position itself to overcome the challenges in its environment. Michael Porter defines competitive advantage as the strategic advantage one business entity has over its rival entities within its industry. The term competitive advantage is the ability gained through various attributes and different level resources to perform at a higher level than others in the same industry or market. A competitive advantage exists when the company can deliver the same benefits as competitors but at a lower cost of goods (cost advantage); or deliver benefits that exceed those of competing products (differentiation



advantage). A competitive advantage enables the company to create extra superior value for its customers and/ or superior profits for the company (Chaharbaghi & Lynch, 1999).

An advantage over competitors is gained by offering consumers greater value, either by means of lower prices or by providing greater benefits and better servicing facilities that could justify higher prices. This advantage may be achieved in various ways, including increased product performance, superior distribution methods, or creative advertising. A firm can achieve a competitive edge or advantage over its competitors by implementing a strategy that is not familiar with its competitors in that they are unable to replicate the same (Hornsby, Kuratko, Shepherd & Bott, 2009). The globalization of business reflects the view that most companies must compete in a borderless environment. Challenges and opportunities are tremendous especially in the European Community, where profound changes have been experienced (Chan, 2019). Wilkins (2020) observes that European companies must compete in an increasingly competitive global market. They must undergo the continuous threats of new entrants and substitute products and the strengthening bargaining power of all their business partners, within or beyond the European frontiers. Therefore, the achievement of sustainable competitive advantage requires dramatic business process changes, moving toward more flexible and agile structures.

1.1.1 Competitive Advantage

Competitive advantage is what enables a business organization to thrive. It is the objective of strategy. It is the combination of elements in the business model which enables a business to better satisfy the needs in its environment (Johnson, Scholes & Whittington, 2015). Riwo-Abudho, Njanja and Ochieng (2013) state that firms create and sustain competitive advantage because of the capacity to continuously improve, innovate, and upgrade their competitive advantages over time. A company could achieve competitive advantage by producing similar quality products or services but at lower costs or by offering unique products and services and charging premium price for that. Competitive advantage is acquired when a company gets features that are superior to those of competition. Value adding strategies that the competitor is not applying can enable a company to acquire competitive advantage (Odhiambo & Wanjira, 2019). Williams (2012) observes that a bank achieves competitiveness when the bank develops features superior to enable it to beat competition. It comes as no surprise that best performing banks continually innovate and come up with strategies that give them a position superior to the competition (Odhiambo & Wanjira, 2019).

Banking activities play a crucial role in economic growth along with initiation and continuation of manufacturing and service. This matter is done by suitable collection of liquidity and correct conduction to proper manufacturing channels. Therefore, in the banking industry, efficient performances of banks cause purpose achievement and significant change on national economy. During strong competition in the banking environment, performance of banks in terms of market share is the focus of all commercial banks (Saravani, Tash & Mahmoodpour, 2015). The market share of firms has a crucial role in determining the equilibrium price. In other words, the greater numbers of firms in the market along with the less market share results in better market movement



towards a competitive market. Therefore, when the firm is not competitive, its competitive advantage would fail (Saravani et al., 2015). Market share indicators can be divided into three categories based on computational principles. Indicators based on deposits show the market share through the proportion of local banking system in banking market (Seyed, Javadin & Ebrahimi, 2010). Totally, the more indicators demonstrate the higher banks' market share in the money market. Due to the importance of deposits in banks' market share evaluation, it is evaluated based on number and cost. Based on the bank's experts and professional opinions, cost and number of deposits are significant in assessing the market share of banks. Customers who are the statistical community can empirically evaluate the number of people coming and going and statistical information provided by banks and broadcast in internet for being informed about the number and cost of deposits of each bank (Nopasand & Ebrahimpour, 2012).

1.1.2 Positioning Strategies

A positioning strategy is a type of marketing strategy that focuses on distinguishing a brand from its competitors. The goal of a positioning strategy is to influence consumer perception by effectively communicating a brand's competitive advantage (Devlin, Ennew & Mirza, 2018). Gul, Liu, Jamil, Baig, Awan, and Liu (2021) indicate that in addition to investing to discover how their product/service can deliver value, organizations need to clearly define their positioning strategy, as well as the value proposition of each solution. Therefore, effective positioning strategies consider the strengths and weaknesses of the organization, the needs of the customer, and the claims of competitors. In this study, positioning strategy will be measured in terms of product differentiation, pricing, agency banking and mergers and acquisition.

Product differentiation is aimed at the broad market that involves the creation of a product or services that is perceived throughout its industry as unique. The company or business unit may then charge a premium for its product (Gupta & Govindarajan, 2014). This specialty can be associated with design, brand image, technology, features, dealers, network, or customer's service. According to Saitone and Sexton (2018) product differentiation aims to help businesses develop a competitive advantage and define compelling, unique selling propositions that set their product apart from competitors. Dudu and Agwu (2014) observe that pricing strategy enables us to differentiate a product or service from another one of similar characteristics. Pricing decisions derive from the underlying objectives and best-suited strategies. The elements of pricing objective include profit maximization, revenue maximization, quality leadership, quantity maximization and survival. Penetration pricing, value-based pricing and price skimming are strategies that can be used by commercial banks when penetrating markets (Smith, 2016; Rajagopal, 2019). Therefore, pricing strategy is a critical aspect of any business, as it directly impacts customer perception, revenue, and profitability.

Mwando (2019) indicates that agency banking refers to contracting of a retail or postal outlet by a financial institution or a mobile network operator to process bank clients' transactions. According to Barasa and Mwirigi (2021) banking agents help financial institutions to divert existing



customers from crowded branches providing a complementary, often more convenient channel. Other financial institutions, especially in developing markets, use agents to reach an additional client segment or geography. Reaching poor clients in rural areas is often prohibitively expensive for financial institutions since transaction numbers and volumes do not cover the cost of a branch. Mergers and acquisitions are primarily pursued to strategically position business in a competitive sector. Businesses exist in highly competitive and changing environments necessitating strategic changes in their operations which include mergers and acquisitions (Maundu, 2020). Mergers refers to the situation where two companies fuse and operate as one business entity. According to Koi-Akrofi (2016), mergers occur when one company acquires the whole assets of another company. Conversely, acquisitions refer to the purchase of part of the assets by one company from another business entity. In the scenario of acquisitions, the firms may continue to operate as a separate entity, but one firm can have a majority shareholding or have the controlling stake. Accordingly, mergers can be horizontal, vertical, or conglomerate which is backed by a unique purpose that an organization wants to achieve (Maundu, 2020)

1.1.3 Tier One Banks in Mombasa County

As of December 31, 2021, the Kenyan banking sector comprised of the Central Bank of Kenya (CBK), as the regulatory authority, 38 Commercial Banks, 1 Mortgage Finance Company, 1 Mortgage Refinance Company, 9 Representative Offices of foreign banks, 14 Microfinance Banks (MFBs), 3 Credit Reference Bureaus (CRBs), 17 Money Remittance Providers (MRPs), 8 non-operating bank holding companies and 68 foreign exchange (forex) bureaus. For the year ended December 31, 2021, there were 9 large banks with a combined market share of 74.76 percent, 8 medium banks with a combined market share of 16.41 percent and 22 small banks with a combined market share of 8.82 percent (Central Bank Supervision report 2021). The CBK came up with this classification system as a means of distinguishing different banks according to their market share, asset base, and some customer deposits. Tier one or large banks comprises of banks with hundreds of billions in cumulative assets and millions of depositors. These banks asset bases are so deep that any failures would have a catastrophic effect on our economy as a country (Njeru 2015). They include Kenya Commercial bank, Equity Bank, Cooperative bank, Standard Chartered Bank, Absa Bank, Diamond Trust Bank, NCBA Bank, Stanbic Bank & I&M Bank. (Cytonn 2021) all of which have a strong presence in Mombasa County.

Commercial banks in Kenya are regulated by the central bank of Kenya under the Banking Act Cap. 488 of the laws of Kenya. The CBK licenses, controls, and regulates the activities of banks to ensure that the interests of all stakeholders are protected. In discharging its mandate, the CBK issues prudential guidelines that seek to provide a stable sector (CBK 2021). Since commercial banks operate in a competitive environment, strategies that will enable market penetration should be put in place to enable banks to gain control and protect their market share to remain competitive.



1.2 Statement of the Problem

The financial and commercial banking sector of the economy across the globe is under intense pressure from competition and market changes as customers demand better service delivery. Kenyan banking sector has had a drastic change where many non-banking financial institutions such as microfinance institutions, building societies and Sacco's are converting into fully fledged banks. This has led to a tremendous increase in the number of banks thereby setting in increased competition (Thuo, 2015). Kenya's banking industry exhibited strong capital and liquidity ratios and remained resilient and stable in 2021. The total capital adequacy ratio was higher than the required minimum of 14.5 percent in December 2021, while the liquidity ratio was higher than the required minimum of 20 percent on average during the same period. However, food inflation declined to 8.6 percent in December 2021 from 9.1 percent in December 2020, driven by improved weather conditions, during the last quarter of 2021. The deposit rate declined to an annual average of 6.4 percent in 2021 from 6.7 percent in 2020. The Kenya Shilling exchange rate weakened against major international currencies because of the COVID-19 impact on global financial conditions. It exchanged at an average of KSh.109.6 in 2021, against the US dollar from an average of KSh.106.5 in 2020. The deposit rate declined to an annual average of 6.4 percent in 2021 from 6.7 percent in 2020.

Different relevant studies have therefore been carried out on strategies adopted by commercial banks and the competitive advantage of banks. Thuo (2015) examined strategies adopted by Kenya Commercial Bank Group Ltd to gain competitive advantage. The study revealed that KCB has adopted strategies such as invention and innovation of new products and services to gain competitive advantage in the Kenyan banking industry. However, the focus of the study is only on one bank. The proposed study will be done in all tiers one banks in Mombasa County with a focus on market penetration strategies. Guchu (2022) examined the effects of marketing strategies on performance of recruitment agencies in Nairobi County. The specific objectives of the study were to determine the effect of marketing penetration strategy on performance, to establish the effect marketing development on performance and to determine the effect of diversification strategy on performance. The findings revealed that there was an existing relationship between marketing strategies on performance of recruitment agencies, where there is a positive correlation between market penetration strategy and performance of recruitment agencies. It is clear the study did not focus on commercial banks and the independent variables was different from the current study done on market penetration strategies not to forget the dependent variable is not competitive advantage.

1.3 Research Objectives

The general objective of the study was to determine the effect of positioning strategies and competitive advantage of Tier one banks in Mombasa County, Kenya. The specific objectives of the study were:



- i. To examine the effect of product differentiation on competitive advantage of Tier one banks in Mombasa County, Kenya.
- ii. To assess the effect of pricing on competitive advantage of Tier one banks in Mombasa County, Kenya.
- iii. To determine the effect of agency banking on competitive advantage of Tier one banks in Mombasa County, Kenya.
- iv. To examine the effect of mergers and acquisition on competitive advantage of Tier one banks in Mombasa County, Kenya.

2.0 Literature Review

2.1 Theoretical Review

2.1.1 Resource Based View Theory

The resource-based view (RBV) theory was developed by Penrose (1959). The RBV takes an ‘inside-out’ view or firm-specific perspective on why organizations succeed or fail in the marketplace (Dicksen, 1996). Resources that are valuable, rare, inimitable, and non-substitutable make it possible for businesses to develop and maintain competitive advantages, to utilize these resources and competitive advantages for superior performance (Grant, 1991). According to RBV, an organization can be considered as a collection of physical resources, human resources, and organizational resources. Resources of organizations that are valuable, rare, imperfectly imitable, and imperfectly substitutable are main source of sustainable competitive advantage for sustained superior performance (Barney, 1991).

The RBV analyzes and interprets internal resources of the organizations and emphasizes resources and capabilities in formulating strategies to achieve sustainable competitive advantages. Resources may be considered as inputs that enable firms to carry out their activities. Internal resources and capabilities determine strategic choices made by firms while competing in their external business environment. Firm’s abilities also allow some firms to add value to the customer value chain, develop new products or expand in new marketplace (Wernerfelt, 1984). The RBV draws upon the resources and capabilities that reside within the organization to develop sustainable competitive advantages. According to RBV, not all the resources of the firm will be strategic and hence, sources of competitive advantage. Competitive advantage occurs only when there is a situation of resource heterogeneity and resource immobility (Collis & Montgomery, 1995). The theory is the basis for conceptualizing that product differentiation variable affects competitive advantage.

2.1.2 Porter’s Theory of Competitive Advantage

Michael Porter proposed the theory of competitive advantage in 1985. The competitive advantage theory suggests that states and businesses should pursue policies that create high-quality goods to sell at high prices in the market. Porter emphasizes productivity growth as the focus of national strategies. This theory rests on the notion that cheap labor is ubiquitous, and natural resources are



not necessary for a good economy. The competitive advantage theory attempts to correct for this issue by stressing maximizing scale economies in goods and services that garner premium prices (Porter, 1985). Competitive advantage occurs when an organization acquires or develops an attribute or combination of attributes that allows it to outperform its competitors. These attributes can include access to natural resources, such as high-grade ores or inexpensive power or access to highly trained and skilled personnel human resources. New technologies, such as robotics and strategic pricing, are either to be included as a part of the product or to assist in making it (Porter, 1985).

Strategic pricing has become such a prominent part of the modern business world that it can also contribute to competitive advantage by outperforming competitors regarding internet presence (Barney, 1991). From the very beginning (i.e., Adam Smith's *Wealth of Nations*), the central problem of information transmittal, leading to the rise of middlemen in the marketplace, has been a significant impediment in gaining competitive advantage. By using the internet as the middleman, the purveyor of information to the final consumer, businesses can gain a competitive advantage through creation of an effective website, which in the past required extensive effort finding the right middleman and cultivating the relationship (Grundy, 2006). Competition is at the core of the success or failure of firms. Competition determines the appropriateness of a firm's activities that can contribute to its performance, such as innovations, a cohesive culture, or good implementation (Porter, 2008). Competitive strategy is the search for a favorable competitive position in an industry, the fundamental arena in which competition occurs. Competitive strategy aims to establish a profitable and sustainable position against the forces that determine industry competition (Ankil, 1992). The theory is the basis for conceptualizing that pricing variable affects competitive advantage.

2.1.3 Agency Theory

The Agency theory brings to light the problems created when one party, the *agent*, acts on behalf of the principal. Agency has two sides: The activities and problems of identifying and providing services of “acting for” – the agent, and the activities and problems of guiding and correcting agent actions - the principal. The theory emerged in the 1970s from the combined disciplines of economics and institutional theory by Stephen Ross and Barry Mitnick respectively. Mitnick introduced the insight that institutions form around agency, and evolve a deal with agency, in response to the essential imperfection of agency relationships. Behavior never occurs as it is preferred by the principal because it does not pay to make it perfect (Mitnick, 2015). Ross identifies the agency problem as generic in society, not merely as a problem in the theory of the firm. This sets his work apart from the existing stream on the theory of the firm as well as the more general formal approaches on decision making under risk or uncertainty and under different information states (Darayseh & Chazi, 2018). Agency theory explains the relationship between principals, such as a shareholders and agents such as a company's executives. In such relationships the principal hires or delegates an agent to perform the work. The theory attempts to deal with two specific problems; first, that the goals of the principal and agent are not in conflict (agency problem), and



second, that the principal and agent reconcile different tolerances for risk (Bergen & Walker, 1992).

Banking agents must fit within the distribution strategies of banks, alongside other channels, such as branches or automatic teller machines (ATMs). Commercial banks are big beneficiaries of the rapid growth of agency outlets, which have helped cut costs on expansion and staffing, but it is important that the bank has a clear strategic rationale for each agent it sets up, to drive decision making, ensure appropriate agent setup and channel support, and permit subsequent performance evaluation against the original strategic intent (Siedek, 2008). Benefits of agent banking are among others bringing banking services closer to the customers for instance customers can apply for lines of credit, credit cards, loans, and Mortgages through these agents hence, fewer visits are required to banks for doing banking transactions (Odhiambo, 2015). Agent businesses are more profitable and produce higher revenues than commercial banks that use only branch networks.

2.1.4 Modern Portfolio Theory

Modern Portfolio theory was proposed by Markowitz in 1952, and thereafter been generalized by scholars and applied to various aspects of finance. According to Maier-Paape and Zhu (2018), portfolio theory holds the premise that organizations should pay more attention to the benefits of carrying out a business transaction having factored in the risks and the expected returns. Esfahani, Sobhiyah and Yousefi (2016), explained that portfolio theory allows the firms to implement a certain business strategy for a certain expected return based on certain number of risks. Lee, Cheng, and Chang (2015) pointed out that the modern portfolio theory seeks to maximize returns or minimize risks from an investment transaction. This implies that firms should expect a certain number of risks when implementing business strategies like M&A if the risks fall below the expected returns (Maundu, 2020).

Additionally, Esfahami et al. (2016), pointed out that an appropriate trade-off requires the organization to carefully select the factors of a portfolio. In this regard, Bodnar, Mazur and Pdgorski (2015) noted that Markowitz proposed a mathematical model appropriate for the selection of the elements of the portfolio. The mathematical formula proposed assigning weights on the components of a portfolio using historical data. The modern portfolio theory applies to this study. This is because M&A is an investment decision that must be made by an organization considering penetrating potential markets to increase their reach. In so doing, an acquiring organization must carefully select the desirable elements in a portfolio and assign weights to them based on the historical data available. This practice is supported by various scholars who proposed that an organization aiming to acquire the whole or part of the assets of another organization should carry out due diligence (Okofu-Dartey, 2019; Galpin, 2018). Additionally, firms should gauge the benefits of a possible merger or acquisition transaction given the existing risks. This theory explains merger and acquisition variables affect competitive advantage.



2.2 Empirical Literature Review

2.2.1 Product Differentiation on Competitive Advantage

Chiguvi, Khumalo, Tadu, Dube and Jazi (2020) study examined product differentiation for competitive advantage in the private tertiary education institutions in Botswana. The study used descriptive survey research. In this study, quantitative approach was employed and both primary and secondary sources of data were utilized. The secondary data sources provided essential information for understanding the Botswana tertiary education sector. The probability -stratified random sampling was used, where the target population was stratified into two institutions, University A and University B and random samples were drawn among students and staff members in management position. Two private universities were examined with emphasis on Gaborone Campuses. In this study, the target population was stratified into two institutions, University A and University B and random samples were drawn among existing students and staff members in management position. The findings revealed that the private universities have not done enough to clearly stand out as differentiated universities.

Nolega, Oloko, Sakataka and Oteki (2015) carried out a study on the effects of product differentiation strategies on firm product performance at Kenya Seed Company (KSC), Kitale. The findings indicated that the customer's trend has grown tremendously over the last 15 years which is reflected by the growth in agent's base too due to their differentia on strategy. ASK shows provide the most important marketing strategy for KSC. The research recommends that KSC to increase strategic pricing by increasing agents and enhancing field days in the remote ASAL and highland areas which still plant indigenous maize seeds. However, the study did not focus on the competitive performance of commercial banks. Valipour, Birjandi and Honarbakhsh (2012) conducted a study on the effects of product differentiation strategy on the performance of firms listed at the Tehran Security Exchange (TSE). The sample was chosen from the firms listed on the Tehran stock exchange (TSE), for the period 2003 to 2010. The correlation research method was used to determine the relationship between financial leverage, business strategies, firm's size, and dividend pay-out with performance. Multiple regressions were applied to test the relationship between these variables.

2.2.2 Pricing and Competitive Advantage

Oke, Olarewaju and Ayooluwade (2016) study sought to evaluate the relevance of pricing strategies on corporate performances in Nigeria. The study adopted cross-sectional research design and the secondary data gathered from the quoted brewery industries was analysed using panel data regression model. The result revealed that pricing strategies have a great influence on the performance of brewery as it was showed that 91 percent in the performance of the industry can be explained by the pricing strategy. This further revealed the degree or extent to which both variables are correlated. However, the study was not done in banking context to be specific. It was also done outside Kenya hence contextual differences. Nyaga and Muema (2017) study analysed the effect of pricing strategies on profitability of insurance firms in Kenya. The descriptive



research design was preferred. The population of study was the 45 insurance companies operating in Kenya as of 31st December 2012. Data was drawn from a period of five (5) years that is 2008-2012. The sample was generated by purposively sampling two employees from each insurance company. The researcher collected primary data with the help of a questionnaire. Regression and correlation results indicated that there was a statistically significant and positive relationship between economy pricing, skimming pricing, penetration pricing, premium pricing, price optimization strategies, strategies, and profitability. However, the study was not done in banking context to be specific.

Soufi and Moradian (2015) carried out a study which examined the relationship between pricing strategy and market capabilities. Data were collected from 210 industries through a questionnaire. Result show that pricing strategies has a significant effect on marketing capabilities aspects, that is, there is significant relationship between pricing strategies and marketing capabilities aspects. This shows that pricing strategies has a positive effect on marketing capabilities aspects and confirms the research hypotheses stated as effect of pricing strategies on marketing capabilities aspects. However, the study was not done in banking context to be specific. Moreover, the dependent variable was not competitive advantage of commercial banks.

2.2.3 Agency Banking and Competitive Advantage

Mwaiwa, Kwasira, Boit and Chelule (2022) studied agent banking on sustainable competitive advantage for commercial banks in Kenya. The study targets head of departments and branch managers from commercial banks in Nairobi County using a census approach. Questionnaires were used for data collection and a combination of descriptive and inferential statistics for data analysis. The study found that agent banking has a linear relationship with sustainable competitive advantage. The positive coefficient implies that agent banking significantly contributed 29.2% of the commercial bank's competitive edge at 5% level of significance.

Chiteli (2018) investigated the influence of agent banking operations as a competitive strategy of commercial banks in Kisumu City. The study used descriptive research. The population was three Commercial Banks actively operating agent banking in Kisumu city which thus: KCB, Cooperative bank, and Equity bank and two which do not have agent banking operations. The bank managers in the commercial banks who comprised of the branch manager, the operations/service quality manager, and the sales manager in each of the three banks, the heads of agent banking of the three commercial banks, and the bank agents in Kisumu city of the three commercial banks. A census was conducted on all the 73 respondents. The primary data was collected by use of questionnaires. Being a descriptive study, descriptive statistics such as measures of central tendency, correlation analysis and chi square tests were conducted. The study found that agent banking significantly influenced the competitive advantage of commercial banks. However, the study focused on commercial banks in Kisumu City. Maina (2021) study investigated the effect of agency banking strategy on performance of micro finance institutions in Nairobi City County, Kenya. The study used descriptive research, and in particular, cross-sectional research study design



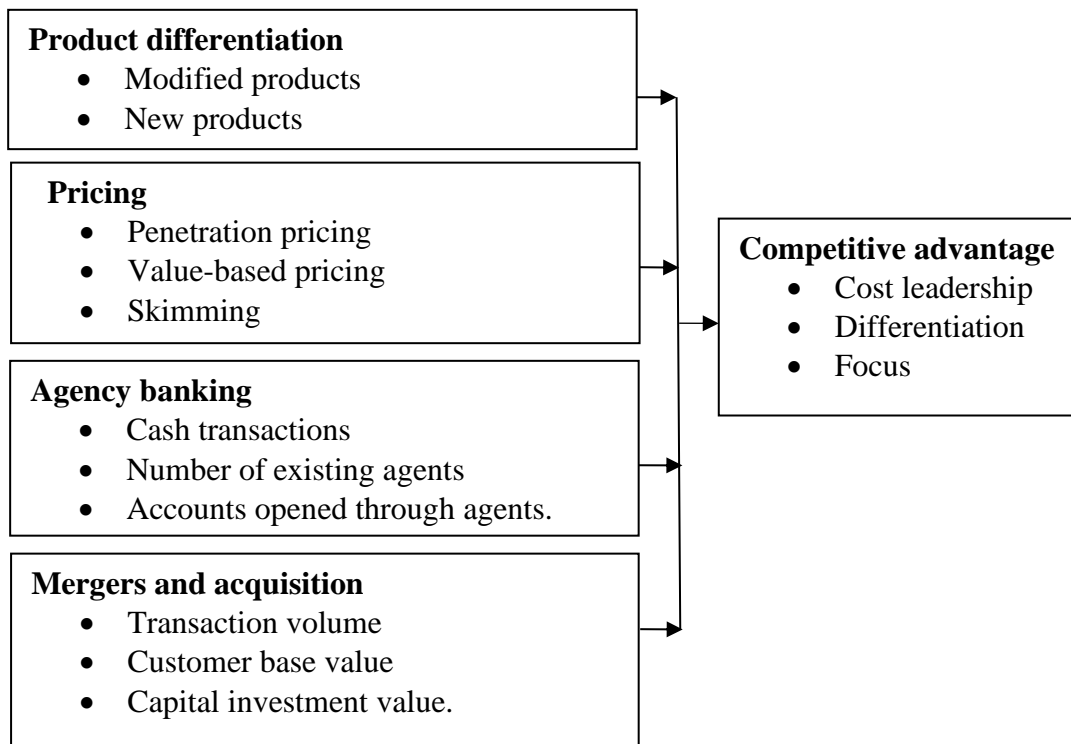
with the targeted population encompassing 13 microfinance institutions licensed by the CBK with 65 respondents. A semi-structured questionnaire was used in the collection of data from the respondents. Secondary data was gathered from CBK reports and the microfinance institutions 'audited financial statements. Data was analyzed using multiple regression and descriptive statistics. Percentage and frequency distribution tabulations were employed.

2.2.4 Mergers and Acquisition on Competitive Advantage

Maundu (2020) studied effect of mergers and acquisitions on the market performance of commercial banks in Kenya. Four market driving factors notably; volume of business transactions, customer base value, capital investment value and competitive advantage were examined in the study in relation to mergers and acquisitions within the banking sector. All the respondents were employees of listed commercial banks in Kenya, which accounted for 53% of the total market share in the financial services industry. Linear regression analysis was used in analyzing the data collected from the field survey. The study established that mergers and acquisitions accrued positive effect for commercial banks, recording outcomes such as increased volume of business transactions, increased customer base value, access to more capital investment and enhanced competitive advantage. The study concluded that successful mergers and acquisition deals result in boosting the firm's market position in all areas of customer value, capital investment and competitive advantage. The study recommended effective and open communication of information relating to mergers and acquisitions within the banking sector as it impacts customer confidence and loyalty. The study also recommended increased investments towards product and services quality improvement post-merger to maximize prospects for competitive advantage. However, the study was not specifically done in Tier One banks. Abdulazeez and Yahaya (2016) examined the impact of mergers and acquisitions on the financial performance of deposit money banks in Nigeria. This paper used returns on asset (ROA) and return on equity (ROE) of the selected banks to measure the financial performance of the banks before and after consolidation.

2.3 Conceptual Framework

Figure 1: Conceptual Framework



Independent variables

Dependent variable

3.0 Research Methodology

This study used descriptive research design which helped provide answers to the questions of who, what, when, where, and how associated with a particular research problem; a descriptive study cannot conclusively ascertain answers to why. Descriptive research is used to obtain information concerning the status of the phenomena and to describe what exists with respect to variables or conditions in a situation (Goertz & Mahoney, 2012). Descriptive research design provides a precise investigation of the research problem hence the study sought to find out the effect of market penetration strategies on competitive advantage of tier one banks in Mombasa County. Therefore, the study was guided by descriptive research design by soliciting data from the respondents and analyzing it as per the respondents' perspective. Further, descriptive design minimises biases in the study by limiting the extent to which the researcher can manipulate the variables (Kumar, 2014).

The study conducted a census of all Tier one banks and branches in Mombasa County as the researcher will be able to manage given time and money resources available. A census is an attempt to list all elements in a group and to measure one or more characteristics of those elements. A census can provide detailed information on all or most elements in the population, thereby enabling totals for rare population groups or small geographic areas. Therefore, a census of 121 respondents was carried out. Primary data was utilised by the study. Structured self-administered



questionnaires were be utilised to collect primary data. The questionnaires were preferred in this study because respondents of the study are assumed to be literate and able to answer questions asked adequately whereas secondary data sheets will be utilised to collect secondary data. In relation to Khan (2014), time is saved, and it is economical to administer questionnaires. Descriptive statistical analysis namely frequencies, percentages such as mean and standard deviation were used in analysing the quantitative data. The results were presented using tables. Further the study carried out inferential analysis which included correlation analysis and regression analysis to establish the extent to which the variables influence each other. The empirical regression equation guiding the study is as follows:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$$

Where, Y =Competitive advantage

X_1 =Product differentiation

X_2 = Strategic pricing

X_3 = Agency banking

X_4 = Mergers and acquisition

β_0 represents the y-intercept.

$\beta_1, \beta_2, \beta_3$ and β_4 represent coefficients of determination

ε = represent error term

4.0 Research Findings

The study analyzed the combined effect of product differentiation, strategic pricing, agency banking and mergers and acquisition on competitive advantage of Tier one banks in Mombasa County, Kenya. The results are presented in Table 1.

Table 1: Explanatory Power of the Multiple Regression Model

Mode	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.440	.194	.161	.83562	.194	6.003	4	10	.000

a. Predictors: (Constant), Mergers and acquisition, Product differentiation, Strategic pricing, Agency banking

b. Dependent Variable: Competitive advantage of Tier one banks in Mombasa County, Kenya

The findings indicate that there is a weak positive and significant relationship between positioning strategies and competitive advantage of Tier one banks in Mombasa County, Kenya ($R = 0.440$; p



< 0.05). The findings indicate that 19.4% of the variation in competitive advantage of Tier one banks in Mombasa County, Kenya can be explained by product differentiation, strategic pricing, agency banking and mergers and acquisition ($R^2 = 0.194$).

Table 2: ANOVA Results for Multiple Regression

		Sum of Squares	df	Mean Square	F	Sig.
Model 1	Regression	16.768	4	4.192	6.003	.000
	Residual	69.827	100	.698		
	Total	86.594	104			

a. Dependent Variable: Competitive advantage of Tier one banks in Mombasa County, Kenya.

b. Predictors: (Constant), Mergers and acquisition, Product differentiation, Strategic pricing, Agency banking.

The ANOVA findings indicate that there is a statistically significant relationship between positioning strategies and competitive advantage of Tier one banks in Mombasa County, Kenya ($F = 6.003$; $p < 0.05$). This implies that positioning strategies significantly determine competitive advantage of Tier one banks in Mombasa County, Kenya ($p < 0.05$).

Table 3: Individual Regression Coefficients

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.214	.663		1.831	.070
Product differentiation	.080	.091	.079	.876	.383
Pricing	-.044	.102	-.040	-.429	.669
Agency banking	.462	.100	.416	4.611	.000
Mergers and acquisition	.165	.090	.172	1.840	.069

a. Dependent Variable: Competitive advantage of Tier one banks in Mombasa County, Kenya.

b. Predictors: (Constant), Mergers and acquisition, Product differentiation, Strategic pricing, Agency banking.

The findings indicate that product differentiation positively and insignificantly predicts competitive advantage of Tier one banks in Mombasa County, Kenya ($\beta_1 = 0.080$; $t = 0.876$; $p > 0.05$). It was concluded that there is an insignificant relationship between product differentiation and competitive advantage of Tier one banks in Mombasa County, Kenya. It was determined that Pricing negatively and insignificantly predicts competitive advantage of Tier one banks in Mombasa County, Kenya ($\beta_2 = -.044$; $t = -.429$; $p > 0.05$). It was concluded that there is an insignificant relationship between strategic pricing and competitive advantage of Tier one banks in Mombasa County, Kenya. The study established that agency banking positively and significantly predicts competitive advantage of Tier one banks in Mombasa County, Kenya ($\beta_3 =$



0.462; $t = 4.611$; $p < 0.05$). It was concluded that there is a significant relationship between agency banking and competitive advantage of Tier one banks in Mombasa County, Kenya. The study also established that mergers and acquisition positively and significantly predict competitive advantage of Tier one banks in Mombasa County, Kenya ($\beta_4 = 0.165$; $t = 1.840$; $p > 0.05$). It was concluded that there is a significant relationship between mergers and acquisition and competitive advantage of Tier one banks in Mombasa County, Kenya. The results of the t-test of individual regression coefficients clearly depict that agency banking and the constant would be included in the regression equation as they were significant ($p < 0.05$; $p < 0.1$).

5.0 Conclusions and Recommendations

5.1 Conclusions

Firstly, the study concludes that product differentiation positively and insignificantly affects competitive advantage of Tier one banks in Mombasa County, Kenya. Secondly, the researcher concludes that Pricing negatively and insignificantly affects competitive advantage of Tier one banks in Mombasa County, Kenya. It was also concluded that agency banking positively and significantly affects competitive advantage of Tier one banks in Mombasa County, Kenya. The study also concludes that mergers and acquisition positively and insignificantly affect competitive advantage of Tier one banks in Mombasa County, Kenya.

5.2 Recommendations

To banks, this study recommends that agency banking should be improved to enhance competitive advantage. Banks should also consider re-strategizing in terms of product differentiation, pricing and mergers and acquisitions to improve their competitiveness in the market. To financial advisors and consultants, this study recommends that they should advise banks appropriately considering the influence of positioning strategies namely product differentiation, pricing, agency banking and mergers and acquisition on bank competitiveness. To future researchers and academicians, this study recommends that more advanced methodological approaches such as considering mediation and moderating variables in the relationship between positioning strategies and competitive advantages of commercial banks.

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