

Factors Affecting The Choice Of Promotional Mix By Commercial Banks In Kenya: A Case Study Of Kenya Commercial Bank Limited

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Abstract: *Faced with intense competition in the market, commercial banks have engaged in aggressive marketing. This entails increased annual allocation for marketing promotion and competitive pricing of services. However, with reports indicating that less than 50% of Kenyans operate bank accounts; this is a likely indicator that promotional mix choices by commercial banks have not been very effective. This study sought to identify the factors that affect the choice of promotional mix decisions by commercial banks in Kenya. The study was based on the contingency theory. It adopted a case study approach. The marketing departments of KCB branches constituted the unit of analysis for the study. Stratified and random sampling techniques were used to select 118 branches from the 170 branches of KCB. This study relied on both primary and secondary data. Primary data was collected through questionnaires while secondary data was sourced through review of relevant records. The data analysis for the study was conducted through qualitative and quantitative methods. Regression analysis was used to analyze the degree of relationship between promotional mix decisions adopted by the bank and the factors that inform such decisions. The analyzed data was presented using frequency tables, proportions and percentages. The study findings revealed that availability of funds is the most important factor affecting the choice of promotional mix by commercial banks, with 60% of the respondents citing it as a very important factor affecting the choice of their promotional mix. The study also established that availability of funds has a strong positive relationship ($r=0.745$) with cost of promotion at 5% level of significance. The study recommended that the heads of marketing at the branches of commercial banks should consider the funds available to them before designing their promotional mix, and mainly use personal selling in their promotional campaigns. Additionally, the marketing staff at the branches should be regularly trained to improve their ability to design effective promotional mix. Study findings will provide the policy makers of commercial banks with a framework for making promotional mix decisions. The findings will also stimulate further academic research in the field of marketing promotion by commercial banks.*

Keywords: *Choice, Promotional-Mix, Commercial Banks*

I. INTRODUCTION

The banking industry which started in the olden days with merchants lending money has today developed to a great extent, leading to the emergence of numerous commercial

banks offering a wide range of financial services. However, the growth in the banking sector is characterized by intense competition among the banks. Pezzulo (1982) and Edgett and Thwaites (1990) cite four main factors as responsible for the intensive banking completion both in the developed and

developing world. First, was the expansion of international banks especially American banks which posed a threat to banks in other parts of the world. Secondly, the banking industry, despite the constraints of the law in many countries, began to diversify. Thirdly, competition began to affect the banking industry so that banks turned to plastic cards and electronic banking in an effort to manage the voluminous transactions and control costs. Finally, during the 1980's the banking industry had to deal with more knowledgeable customers who needed better quality services. According to Ananda and Murugaiah (2003) promotional activities are very important, and thus commercial banks should institute promotion with the focus on consumer and market needs.

With economies in Africa liberating, the banking industry has concurrently improved. Governments have licensed many privately owned banks and many barriers have been lifted and regulations improved. The banks are incorporating micro-finance (the provision of financial services to poor or low income clients, including consumers and the self employed), as a strategy to engage the huge numbers of Africans majority who fall under the below dollar bracket (Kimeu, 2008).

The Kenyan financial sector is composed of CBK, as the regulatory authority and the regulated Commercial Banks, Non-Bank Financial Institutions and Forex Bureaus. The banking sector comprises 46 institutions, 44 of which are commercial banks and 2 mortgage finance companies. The leading commercial banks in Kenya are either partially owned by the government or foreign owned. Most of the small banks are family owned.

Given the challenges that commercial banks face in promoting their services, it is important to analyse the factors that determine the choice of promotional mix by commercial banks with the aim of making recommendations for improving the performance of promotional campaigns of commercial banks. Baker (2007) examined the usage of marketing concepts and techniques and recommended that a well-structured marketing department is essential for profitability and effectiveness. According to Stanton (1981), the factors that should be considered when deciding on the promotional mix include: availability of funds, cost of promotion, customer information needs and the type of product or service.

Although some studies have been conducted on the marketing of financial services in Kenya, few of them have focused on the choice of promotional mix by commercial banks and the factors that affect promotional mix decisions. Bii J. (1992) investigated the extent to which commercial banks in Kenya use the promotion mix elements to market their services. Her findings were that 56.5% of commercial banks in Kenya rate personal selling as the most important promotion mix element. It should be noted that like other related studies, her study did not focus on the factors that affect the choice of promotion mix by commercial banks. This study attempts to fill this gap.

KCB was established 1970, when the government acquired 100% of the shares of the National and Grindlays Bank, and renamed it KCB. The bank has witnessed successful growth over the years and is currently among the leading banks in Kenya. KCB has the highest number of branches in Kenya with 170 branches. The bank engages in extensive promotion of its services. The bank's marketing

expenditure increased from KES.286 million in the year 2009 to KES. 310 million in the year 2010 (KCB 2010). This reflects an increase of 8.4%.

OBJECTIVES OF THE STUDY

The general objective of this study was to assess factors that affect the choice of promotional mix by commercial banks in Kenya.

The specific objectives included:

- ✓ To identify factors that determines the choice of promotional mix by KCB
- ✓ To determine the effect of availability of funds on advertising by KCB.
- ✓ To establish the extent to which KCB uses sales promotion to promote its services.
- ✓ To determine the effect of personal selling on the performance of KCB

II. LITERATURE REVIEW

PROMOTION MIX THEORIES

Promotion is part of 4Ps of marketing which is widely used by the companies to inform, influence, or persuade existing and potential customers about the company's products or services. Baker (2007), describe the promotion strategy as a controlled & integrated programme of communication methods and materials designed to present the organization and its products to customers, and to contribute to long run profits. A successful product or service means nothing unless the benefit of such a product or service can be communicated clearly to the target market.

According to Smith et al (2003), the theories on the promotion mix concern increasing short term sales revenue, and are classified into three categories namely: push theory, pull theory and combination theory. The push theory of marketing promotion advocates for the concentration of promotional activity on distribution channel. Using this theory, a company can increase sales by creating incentives to wholesalers or retailers to sell more of its products. In this strategy, a company would offer discounts to wholesalers or retailers who buy in bulk. This leaves them with more of the company's product. Giving them the discount "pushes" them to buy more of your product at a lower price to increase the amount of money they make. In turn they must push the company's products to customers because they will make a better return on them than on similar products supplied to them by the company's competitors. A push promotional strategy makes use of a company's sales force and trade promotion activities to create consumer demand.

The pull theory relies heavily on marketing communication to create awareness and desire, thus pulling customers into a store to purchase products. Advertising and tie-ins with other products or services is the key to this strategy. The theory argues that if you increase the demand for your products by consumers, they will in turn demand the product from retailers, retailers will demand more of your product from wholesalers and wholesalers will demand more

products from you. This is a way to increase your sales without decreasing the sales value of your merchandise.

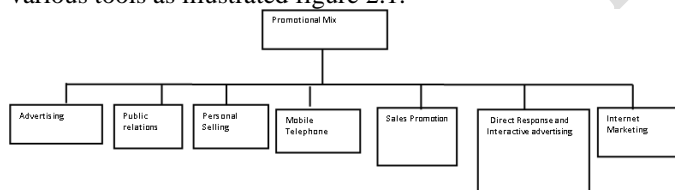
The combination theory advocates for the combination of the push theory and the pull theory. The theory holds that since both the “push” and “pull” theories have strengths and weaknesses, ideally, a combination of the two approaches are used to both pull and push demand. The “push” is used to get more products into the hands of retailers and wholesalers while advertising and product tie-ins with other products are used as a “pull” to get more people to want to buy the product.

In recent time, increasing competition in the business world has forced firms to become more aware of price and costs, which has resulted in a shift in the promotion mix to a greater use of promotion tools that are cost effective in reaching the customer (Kotler, 2003). According to Kuria (2008), promotion is used by organizations to communicate with customers regarding their product offerings, and also to ensure that customers are aware of the available products. The role of promotion has been redefined by Baker (2007) into managing long term relationship with carefully selected customers, including construction of a learning relationship where the marketer maintains a dialogue with an individual customer

According to Egan (2007), marketing promotion has today been redefined and the term ICM is being adopted by most institutions. ICM emphasizes using various promotion tools or disciplines and having one communications strategy or plan as the unifying theme and is best summed up by the mantra ‘one spirit, one voice, one look’.

III. THE ELEMENTS OF PROMOTION MIX

An organization’s promotional strategy can consist of various tools as illustrated figure 2.1.



Source: Modified from www.learnmarketing.net

Figure 2.1.: An organization’s promotional strategy

There is however, some debate by marketers as to what exactly constitute the promotion mix. Some marketers (Pezzulo, 1982) regard personal selling under place, while others also include packaging as part of promotion mix. This study ignores this debate and narrows down the promotion tools in figure 2.1 to advertising, personal selling, sales promotion and public relations.

Kuria (2008) defines advertising as, “A form of nonpersonal promotion based on mass communication.” Advertising takes place through newspapers, radio, television, magazines, booklets and bill boards. Advertising acts as a contributor to sales, a communication tool, establishment of customer preferences, reminder and reinforce of loyalty and a tool for increasing market share against competitors

The American Marketing Association (1960) defines sales promotion as, “Those activities other than personal selling, advertising and publicity that stimulate consumer purchasing

and dealer effectiveness such as displays, shows, exhibits, demonstrations and various non-recurring sales efforts not in the ordinary routine.” Some of the sales promotion items include: displays, coupons, sweepstakes, contests, statements, and branded wears. Personal selling is a form of communication that takes place on a face-to-face basis.

Kuria (2008) define personal selling as, “A face-to-face presentation and promotion of products and services.” Personal selling involves the company’s employee meeting individual or corporate customers with proposals of services the company can offer. The employee can then persuade the potential customer to try the service on offer.

The British Institute of Public Relations defines public relations as, “The deliberate, planned and sustained effort to establish and maintain mutual understanding between an organization and its public.” Public relations concentrates on giving information to ensure that organization’s motives and actions are popularly understood. It requires policy and strategy guidelines. Examples of public relations activities include: support for community projects, education activities and sponsorship for sports.

IV. PROMOTION MIX OF A COMMERCIAL BANK

One of the sectors within the service industry that has been influenced the most by the changes in the globalization process, and at the same time has been highly internationalized, is the banking sector (Sanchez-Peinado, 2003). So today most banks face a market that is extremely dynamic. Consequently, managers of commercial banks must remain alert to constant environmental changes, and be ready to redefine their corporate mission and reformulate their marketing policies, plans and strategies to meet needs of the evolving, complex marketplace (Alam and Samina, 2010). The marketing of financial services is further complicated by the intense competition in the financial sector. In this intense competitive market if a bank has to survive successfully it needs to attract and retain the customers by offering them wider range of services. The promotion mix of a commercial bank may include advertising, personal selling, sales promotion and public relations. The most effective advertising will be that which clearly relates to the potential customer needs or desires to specific services that a bank is able and anxious to provide (Grosse and Hampell; 1980). In the Kenyan banking sector, personal selling is now more popular because of increased competition. According to Bii (56.5%) of commercial banks in Kenya rate personal selling as the most important element of the promotion mix. Commercial banks also engage in sales promotion activities such as organizing cash deposit contests, printing of customers’ account statements and giving branded wears to customers. The key to bank marketing is the customer’s impression when he enters the bank (Gross and Hampell, 1980). Attractive decoration of the banking halls, accessible counters and spacious parking are all part of a good sales promotion strategy. Public relations is another important promotion element used by commercial banks. A good public relations program is that which is channeled to support the image of the bank. Examples of public relations activities undertaken by commercial banks

include: sponsoring sports, running of education foundations and support for community projects.

To promote its products and enlarge its market share, the individual bank should plan and carry out specific programmes based on sound and basic precepts of marketing research and product development (Grosse and Hempell, 1980). A bank's promotional activities will encompass most areas of direct competition with other institutions. To reach its target market, a bank must coordinate the elements in the promotion mix with other elements in the marketing mix (Stanton, 1981). As in the promotion of tangible goods, the promotion of bank services entails the use of promotion tools to influence the buying process by achieving cognitive, affective or behavioral outcomes in the target market. According to Jones (1989), promotion mix of bank services are not universal. Additionally, promotion campaigns of banks do not exclusively target external customers. Banks also target their employees as much as they target customers in promoting their services.

The promotion of bank services faces the challenges associated with service marketing which include: intangibility of the service, perishability, variability, and inseparability of service. West (1987) cites some specific challenges that a service provider such as a bank may encounter. One of the challenges is the difficulty in maintaining the standard quality of service. Firms will need to ensure that staff are continuously trained and evaluated to maintain consistency. They will also be required to develop operation manuals to ensure that standardization is maintained. While promoting their services, commercial banks are also faced with limited resources for expansion. Banking services are not transportable, making it difficult for banks to operate through third parties. However, opening new branches requires a lot of resources that may not be available. The difficulty in offering free samples is another challenge faced by commercial banks. It may not be possible for commercial banks to offer free service to potential customers to persuade them. Finally, lack of consumers' personal involvement with the company's service may mean a potential low level customer loyalty. The bank has to keep in touch with customers through telephone calls and e-mails. This represents extra costs.

V. FACTORS THAT DETERMINE THE CHOICE OF PROMOTIONAL MIX

Scholars have identified a number of factors that should be considered when deciding on the promotional mix as discussed below:

AVAILABILITY OF FUNDS (INCOME)

According to Kotler (2003) product promotion is a very costly activity. Consequently the choice of a promotion tool will depend on the resources allocated for promotion activities. He identifies the most popular approach as to spend what a firm can afford, to use a percentage of sales, to base a firm's promotion budget on competitors spending, or to base it on analysis of benefits and costs of the communication objectives and tasks. A wide promotion budget offers

marketers with the choice of a wide range of promotional activities.

COST OF PROMOTION

According to Stanton (1981), this is the cost of the promotion mix. Promotion activities constitute administrative expenses for the company which in the long run affect its profitability. As a result the costs of the various promotion tools should be considered in light of the company's objectives both in the short run and the long run.

CUSTOMER INFORMATION NEEDS.

Stanton (1981) asserts that some potential customers need to be provided with detailed, complex information to help them evaluate a purchase, for example buyers of a mortgage product. In this situation, personal selling is almost always required, often using selling teams rather than just one individual. By contrast, few consumers need much information about products such as baked beans or bread. Promotional tools such as brand advertising and sales promotion are more effective in this case.

TYPE OF PRODUCT OR SERVICE

Cavusgil et al. (1993), defines the type of product as the product's classification. During the study the type of product will be considered to constitute element such as the cost of the product, that is whether high or low, the stage of product life cycle, whether new, mature or declining and the level of complexity associated with the product purchase or acquisition. For example the purchase of a loan product is very involving and would require promotion tools that enable the marketer to persuade the prospective customer. The effect of the type of product on the choice of promotion mix can be illustrated by the Attention – Interest – Desire – Action (AIDA) communication model. For example when a product is launched the first goal is to grab attention. The product or service should be unique and conspicuous, and the promotional tool used should be able to bring out this attribute.

VI. DESIGNING THE PROMOTIONAL MIX

According to Kotler (2001), the process of designing the appropriate promotional mix involves seven steps. The first step entails determining the market segment, which can be achieved through market segmentation. The next step is to determine the objective of the promotional activity to be undertaken. The objective may include informing potential customers of the benefits of the product, persuading them or influencing them to a switch to the product or service. The third step is designing promotional message. The message should be able to achieve the desired objectives. After designing the message, the promotion tool is selected. This entails weighing the advantages and disadvantages of each promotional tool. The fifth step is to determine promotional budget. Common method of establishing the promotional

budget is to use the percentage of revenue method. The next step is to determine the promotional mix. The most common method for putting the promotional mix on paper is to express each communication tool as a percentage of the overall promotion budget. The final stage is to measure the results of the implemented program and adjust as needed. This involves comparing the actual result with the targets.

VII. EMPIRICAL REVIEW

A number of studies on promotion of services by commercial banks have been conducted. Additional information on the promotion mix of commercial banks is also incorporated in studies on the marketing mix of commercial banks. Some of the studies as reviewed in this paper are outlined below.

Alam and Samina (2010) conducted a study on promotional activity involvement of commercial banks in Bangladesh. Their finding was that the promotion activities of the selected commercial banks explain 62.4% of the average deposit collection.

Grankvist, Kollberg and Persson (2004) carried out a study on promotion strategies for banking services used by Nordic retail bank. They established that the external factors influencing the choice of promotion strategy are technology orientation of the industry, cultural aspects, competitiveness of the market, and economic factors.

In Kenya the studies that have been conducted on promotion mix of commercial banks include that of Okutoyi (1988) who investigated the use of strategic marketing in banking and found that there was a positive correlation between performance and strategic marketing. Bii (1992) investigated the extent to which commercial banks in Kenya use the promotion mix elements to market their services. Her findings were that personal selling was the most widely used element in the promotion of bank services, with 56.5% of the commercial banks rating it as the most important promotion mix element. Aliata (2011) conducted a study on the influence of promotional strategies on the performance of the National bank of Kenya limited. He established that there was a positive correlation between promotion and the bank's performance at 5% level of significance.

VIII. GAPS IN LITERATURE REVIEW

The review of the relevant literature has pointed out a number of gaps that this study will seek to fill. First, studies on promotional strategies by commercial banks in Kenya are incorporated in the studies on the marketing mix strategies used by the banks. Moreover in these studies, a lot of attention has been given to the banks' services and service delivery. This implies that an in-depth investigation of promotional activities by the commercial banks is lacking. Secondly, the available literature on the commercial banks highlights the extent of the usage of the various promotional tools. In my view, this is an analysis of the results of the promotional mix decision process rather than the process itself. This study sought to fill this gap by examining the

process of making promotional mix decisions and the choices that inform such decisions.

IX. DATA ANALYSIS AND PRESENTATION

The data obtained was subjected to both qualitative and quantitative analysis. The independent variables were assessed in a set of Lickert scale type of questions whose responses and score ranged from 1 to 4; Not important, Least important, Important and Very important. Descriptive analysis techniques were applied on the data and tables used to show the trends in customer base. Regression and correlation analysis were used to investigate the relationship between the dependent variable and the independent variables. The analysis involved the assessment of five year promotional budgets of KCB beginning the year 2006. This is the period that has witnessed heightened promotional activities by KCB. The findings were presented using frequency tables, proportions and percentages. The data on the annual targets for the bank's marketing promotion was not analyzed due to the high level of confidentiality which the bank accords such information.

X. FINDINGS AND DISCUSSIONS

A. INTRODUCTION

This chapter deals with the results obtained from the study, analysis and interpretation of the data in view of the objectives of the study.

B. RESEARCH FINDINGS

The findings of the research were analyzed as per the research objectives. Out of the 236 target respondents, 200 responded giving a response rate of 84.7% which was considered reasonable for providing data for the study.

a. FACTORS AFFECTING THE CHOICE OF PROMOTION MIX BY KCB

Descriptive Analysis Of Factors Affecting The Choice Of Promotion Mix By KCB

In this section, the researcher focused on the factors affecting the choice of promotion mix contained in the questionnaire and gave a descriptive analysis of the responses from the sample branches. The factors were measured on a Likert scale of 1 to 4, with 4 being very important and 1 being not important. The data relating to factors affecting the choice of promotion mix by KCB is presented in table 4.1.

Factor	Very Important		Important		Least Important		Not Important	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%
Availability Of funds	120	60%	70	35%	10	5%	0	0%
Cost of promotion	70	35	115	57.5	15	7.5	0	0

n		%		%		%		%
Customer information needs	5	2.5 %	80	40%	110	55 %	5	2.5 %
Type of product services	3	1.5 %	30	15%	160	80 %	7	3.5 %

$n=118$, Source: Field data 2011(responses from sample branches)

Table 4.1: Descriptive statistics of factors affecting the choice of promotional mix by KCB

As presented in table 4.1., availability of funds is regarded as the most important factor affecting the choice of promotional mix by KCB, with 60% of the 200 respondents citing it as a very important factor. The cost of promotion is regarded as the second most important factor, with 35% of the respondents pointing it as very important. Customer information needs is the third most important factor in determining the choice of promotional mix, with 5% of the respondents citing it as very important. Finally, the type of product/service is regarded as the least important factor with 3% of the respondents pointing it very important.

Correlation Analysis Of The Factors Affecting The Choice Of Promotional Mix By KCB

In order to establish the relationship between the factors affecting the choice of promotional mix at KCB, the data in table 4.1. was used to conduct correlation analysis. The results of the analysis are presented in table 4.2.

		Availability of funds	Cost of promotion	Customer information needs	Type of product/service
Availability of funds	Pearson Correlation	1	.745	-.301	-.476
	Sig. (2-tailed)	.	.255	.699	.524
	N	4	4	4	4
Cost of promotion	Pearson Correlation	.745	1	.142	-.335
	Sig. (2-tailed)	.255	.	.858	.665
	N	4	4	4	4
Customer information needs	Pearson Correlation	-.301	.142	1	.845
	Sig. (2-tailed)	.699	.858	.	.155
	N	4	4	4	4
Type of product/service	Pearson Correlation	-.476	-.335	.845	1
	Sig. (2-tailed)	.524	.665	.155	.
	N	4	4	4	4

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

Table 4.2: The relationship between factors affecting the choice of promotional mix by KCB

The correlation table 4.2., shows the relationship existing between the factors affecting the choice of promotional mix by KCB. Availability of funds has a strong positive relationship with cost of promotion ($r = 0.745$) at 5% level of significance. This conforms to the pull theory of promotion since commercial banks can only initiate promotion campaigns that they can afford.

Availability of funds has a negative relationship with both type of product ($r = -0.476$) and customer information needs ($r = -0.301$) at 5% level of significance.

Finally, customer information needs has a strong positive relationship with the type of product/service ($r = 0.845$). This supports the views of Kotler (2003), who argues that products are produced to satisfy customer needs and wants.

Regression Analysis Of Factors Affecting The Choice Of Promotional Mix By KCB

Before conducting the regression analysis, the researcher analysed the data on the promotional mix score of the respondents. It was established that the respondents had a mean promotional mix score of 29.4 out of the possible 70. Additionally, the researcher computed the indices of the various variables as shown in table 4.4. The criteria used to measure the variables are highlighted in appendix 2.

Promotion Index (Y_i)	Availability of funds (X_1)	Cost of Promotion (X_2)	Type of product/service (X_3)	Customer information needs (X_4)
.25	.02	.05	.58	.43
.50	.08	.10	.30	.37
.75	.15	.70	.08	.15
1.00	.75	.15	.04	.05

Source: Field data 2011

Table 4.3: The promotion mix index against the computed mean of frequencies of "Very Important" responses on factors affecting the choice of Promotional Mix by KCB

$Y = 0.25$ represents respondents with promotion index score; $0.00 \leq P_i \leq 0.25$

$Y = 0.50$ represents respondents with promotion index score; $0.26 \leq P_i \leq 0.50$

$Y = 0.75$ represents respondents with promotion index score; $0.51 \leq P_i \leq 0.75$

$Y = 1.00$ represents respondents with promotion index score; $0.76 \leq P_i \leq 1.00$

The data in table 4.3 was subjected to regression analysis to establish the relationship between variables as summarized in table 4.4 below

Model	Parameter	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	.693	.000		.762	.385
	Availability of funds	.436	.000	.456	4.21.	.032
	Type of product/Services	-.786	.000	-.603	.164.	.001
	Cost of promotion	.078	.000	.073	2.451	.015

Source: Field data 2011

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.721	.615	.485	.591

a Predictors: (Constant), X_1 , X_2 , X_3

Table 4.4: Coefficients of the regression model of factors affecting the choice of promotion mix by KCB

In conducting the regression analysis through SPSS, customer information needs was excluded. The researcher believed that this would not significantly affect the estimated model because the results of the descriptive analysis show that the variable is not very important in determining the choice of promotion mix.

The results of the regression analysis in table 4.4 were used to estimate the regression model as shown below:

$$Y_i = 0.693 + 0.436X_1 + 0.078X_2 - 0.786X_3$$

The coefficient of determination (R square) for the model is 0.615 indicating that availability of funds, cost of promotion and type of product/service were important in explaining 61.5% of the choice of promotion mix made by KCB. Therefore, the other 38.5% of the choice of promotion mix is explained by factors outside the model. These may include: market competition and the bank's policy.

The model shows that promotion mix is positively influenced by availability of funds and the cost of promotion. However, the type of product/service negatively affects the choice of promotion mix. This finding does not conform to available data, and may be attributed to the little weight that the respondents attached to the variable.

b. THE EFFECT OF AVAILABILITY OF FUNDS ON ADVERTISING BY KCB

In order to establish the effect of availability of funds on advertising, regression analysis of variables in table 4.5 was conducted. It was assumed that the bank utilizes all the funds allocated annually for marketing promotion. Based on this assumption, the annual promotion expenditure was presumed to be equivalent to the annual funds available for promotion. The annual bank's AVE estimates were used to measure the total annual spending on advertising by the bank.

Year	AVE KES(00,000) (Y)	Availability of Funds KES(00,000) (X)
2010	5940	31000
2009	3960	28000
2008	2540	40000
2007	1620	27000
2006	990	18000

Source: KCB reports

Table 4.5: Annual KCB marketing promotion allocation and advertising value equivalent

The results of the regression analysis of the two variables in table 4.5 are presented below

a Predictors: (Constant), X

b Dependent Variable: Y

ANOVA (b)

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	2440460.925	1	2440460.925	.551	.512(a)
	Residual	13280339.075	3	4426779.692		
	Total	15720800.000	4			

a Predictors: (Constant), X

b Dependent Variable: Y

Coefficients (a)

Model		Unstandardized Coefficients	Standardized Coefficients	T	Sig.
		B	Std. Error	Beta	
1	(Constant)	169.043	3940.241		.043
	X	.099	.133	.394	.512

a Dependent Variable: Y

Variables Entered/Removed(b)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				Sig. F Change
					R Square Change	F Change	df1	df2	
1	.394 (a)	.155	-.126	2103.991	.155	.551	1	3	.512

Table 4.6: Model Summary of effect of availability of funds on advertising by KCB

The table 4.6 gives us idea about the explanatory power of the independent variable. The value of R Square shows that availability of funds explains 15.5% of the average AVE of KCB between the year 2006 and 2010.

The values in the coefficients table were used to estimate a model that explains the relationship between availability of funds and the expenditure on advertising by KCB as shown below:

$$Y = 169.043 + 0.099X$$

The coefficient of determination for the model(R square) is 0.155 indicating that availability of funds was important in explaining 15.5% of the annual allocation for advertising by KCB.

The model shows that that the bank's AVE is positively influenced by availability of funds.

c. THE EXTENT TO WHICH KCB USES THE PROMOTION MIX ELEMENTS IN PROMOTING BANK SERVICES

The findings of the study revealed that the branches of KCB use the promotion mix elements in varying degree as shown in table 4.7

	Least Important	Moderately Important	Important	Very Important	Mode
Sales Promotion	98 (49%)	70 (35%)	28 (14%)	4 (2%)	Least important
Advertising	20 (10%)	111 (55.5%)	59 (29.5%)	10 (5%)	Moderately important
Personal Selling	0 (0%)	6 (3%)	69 (34.5%)	125 (62.5%)	Very important
Public relations	0 (0%)	8 (4%)	112 (56%)	80 (40%)	Important

Source: Field data 2011

Statistics

	Promotion Element	Least Important	Moderately Important	Important	Very Important
N	Valid	4	4	4	4
	Missing	0	0	0	0
	Mean	29.50	48.75	67.00	54.75

Median		10.00	39.00	64.00	45.00
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Table 4.7: Analysis of the promotion mix elements on the basis of their importance

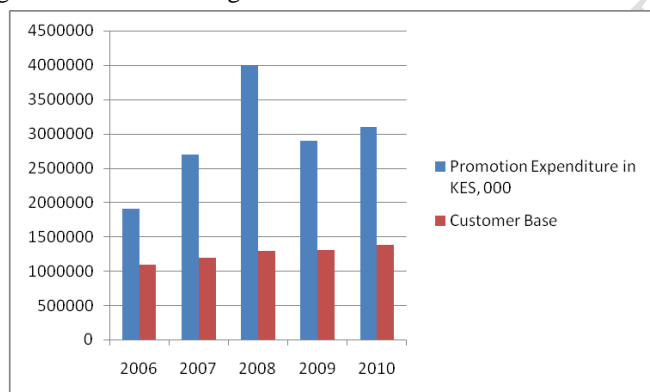
The data in table 4.7 indicates that personal selling is regarded as the most important element of the promotion mix of the bank, with 62.5% of the respondents ranking it as the most important. Public relations is the second most important element of the bank's promotion mix, with 40% of the respondents citing it as the second most important element. This is followed by advertising, with 5% of the respondents regarding it as the third most important element. According to the respondents, sales promotion is the least important, with 49% of the respondents citing it as the least important factor.

d. THE EFFECT OF MARKETING PROMOTION ON THE PERFORMANCE OF KCB

Since the researcher was not able to separate the effect of each element of the promotion mix on the performance of the bank, the study evaluated the performance of promotional campaigns at KCB against key marketing performance indicators.

Trends In Customer Base And Promotion Expenditure Of KCB

The findings of the study revealed that on average, the marketing expenditure of KCB has been increasing over the years but the customer base has registered a relatively slow growth as shown in figure 4.1.



Source: KCB reports

Figure 4.1: Trends in customer base and promotion expenditure of KCB

The data in figure 4.1. compares the changes in marketing expenditure with the changes in customer base of KCB, over a period of 5 years beginning the year 2006. During the period, there was an average increase of 20% in promotion expenditure, compared to the average increase of 16% in the bank's customer base. Additional data about the trend in the bank's customer base was compiled by analyzing the annual new account ratio over a period of 5 years as shown in table 4.8

Year	Number of new accounts (a)	Accounts closed	Total number of accounts (b)	New accounts ratio (a / b)	Percentage growth in accounts (%)	Market share (%)
2010	230000	4154	1500000	0.15	20	13

2009	172000	3805	1300000	0.13	13	11
2008	180000	6505	1150000	0.16	8.5	10
2007	195000	6431	980000	0.20	22.5	10
2006	120000	1865	870000	0.14	17	9

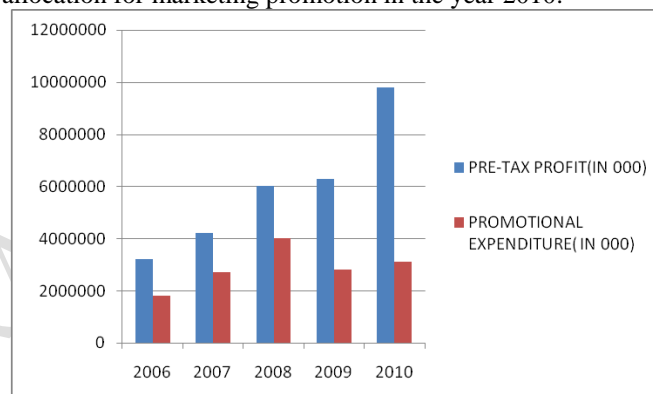
Source: Researchers' compilation (2011) based on KCB reports

Table 4.8: Annual new accounts ratio of KCB

According to table 4.8, there has been an overall increase in the total number of accounts of KCB. However, the new accounts ratio of the bank has fluctuated during the five year period of analysis. The results also reveal that the bank's market share increased by 4% between the year 2006 to 2010.

Analysis Of Annual Promotional Expenditure And Pre-Tax Profit Of KCB

According to the results of the study, the bank's promotional expenditure and pre-tax profit have grown over the five year period of analysis as shown in figure 4.1. However, 63% of the respondents were not satisfied with the allocation for marketing promotion in the year 2010.



Source: KCB reports

Figure 4.2: KCB pre-tax profit and promotional expenditure

The data in figure 4.2 compares the bank's pre-tax profit and the promotional expenditure over a period of 5 years beginning 2006. The data shows that both the pre-tax profit and the promotion expenditure increased during the period of analysis.

C. INTERPRETATION AND DISCUSSIONS OF RESULTS

This section highlights the interpretation and discussions of the results of the study in relation to the research objectives.

a. FACTORS AFFECTING THE CHOICE OF PROMOTION MIX BY KCB

The results of the study indicate that the factors affecting the choice of promotional mix by KCB include: availability of funds, cost of promotion, customer information needs, and the type of service. Availability of funds is regarded as the most important factor affecting the choice of promotional mix by KCB, with 60% of the respondents citing it as a very important factor. The regression analysis shows availability of funds affects promotional mix positively. If the availability of funds index is increased by 1 unit, the effectiveness of the promotion mix increases 0.436 times. This finding supports

the position of Kottler, who argues that a wide promotion budget offers marketers with the choice of a wide range of promotional activities (Kottler, 2003). The process of designing the promotional budget at the branches also supports this finding. It was established that the branches design their promotion budget based on the percentage of revenue method, and then forward it to the marketing division for approval. This implies that the branches choose their promotional mix based on the funds available to them. The type of product/service is regarded as the least important factor affecting the choice of promotional mix by KCB, with 80% of the respondents citing it as the least important. This can be attributed to two reasons. First, the intangible nature of services provided by commercial banks makes it difficult to use the type of product/service as a factor in determining the promotion mix. Secondly, the similarity of services offered by commercial banks significantly reduces the importance of the type of product or service as a factor in determining the choice of promotion mix.

The correlation analysis of the factors affecting the choice of promotional mix shows a strong positive correlation ($r = 0.745$) between availability of funds and the cost of promotion. Since the cost of promotion significantly affects promotion expenditure, this result conforms to theory because commercial banks cannot spend what they don't have.

b. THE EFFECT OF AVAILABILITY OF FUNDS ON ADVERTISING BY KCB

The results of the regression analysis show that availability of funds significantly determines the bank's annual allocation for advertising. The value of R Square shows that availability of funds explains 15.5% of the bank's annual allocation for advertising. These findings concur with theory because advertising is a very costly activity and depends mainly on the availability of funds. The estimated model for the relationship between availability of funds and advertising shows that there is a positive relationship between the variables. An increase in the bank's availability of funds by 1 unit causes the allocation for advertising to increase by 0.394 units. The study findings indicate that the bank's AVE has been increasing over the last 5 years. This can be attributed to the "pull" strategy adopted in the bank's 2010 – 2014 strategic plan. According to the plan, the bank intends to increase its market share in East Africa by engaging in aggressive marketing. According to Smith et al (2003), the pull theory relies heavily on marketing communication to create awareness and desire, thus pulling customers into a store to purchase products. Advertising and tie-ins with other products or services is the key to this strategy.

c. THE EXTENT TO WHICH KCB USES THE PROMOTION MIX ELEMENTS IN PROMOTING BANK SERVICES

The findings reveal that the bank uses the elements of promotion mix in varying proportion. Personal selling is the most widely used element of the promotion mix by the branches of KCB, with 62.5% of the respondents regarding it as a very important promotion mix element. This result

supports the findings of Bii, who established that personal selling is the most widely used element of the promotion mix by commercial banks in Kenya (Bii, 1992). This is also supported by the importance that the KCB attaches to this element of the promotion mix. The bank has more than 500 direct sales representatives spread out in all its 170 branches. In addition to the direct sales representatives, the branch marketing managers and the regional marketing managers also participate in the direct sale of the bank's services. The importance of personal selling as a promotion element for commercial banks can be attributed to the complexity associated with bank services. For example the purchase of a loan product is very involving and would require promotion tools that enable the marketer to persuade the prospective customer. This is only possible with face to face interaction with the customer which is commonly possible in personal selling. Public relation is regarded as the second most promotion element used by KCB, with 40% of the respondents of the respondents citing as very important. The common public relations tools used by the bank include: participation in annual sports, donations to organizations and sponsorship of events. Advertising is regarded as the third most important promotion mix 4% of the respondents regarding it as very important. This can be explained by the high costs associated with advertising. The branches of the bank opt for minimal advertising in form of brochures and bill boards, while leaving media advertisement to be undertaken by the marketing division at the headquarters. Finally, sales promotion is regarded as the least important element of the promotion mix, with only 2% of the respondents regarding it as very important. This can be explained by the bank's decision to reduce the production of sales promotion items such as calendars, t-shirts and corporate wears in an attempt to reduce its operating costs.

d. THE EFFECT OF MARKETING PROMOTION ON THE PERFORMANCE OF KCB

From the results, it was established that the respondents had a mean promotional index of 29.4, out of a possible 70. This average score can be attributed to inadequate training in designing effective promotional mix. The results indicate that the bank's customer base has experienced a relatively slow growth compared to the growth in its promotional expenditure over a period of 5 years beginning the year 2006. During the 5 year period, the customer base grew by 4%. The annual new accounts ratio shows that the bank's rate of creating new accounts has been fluctuating over the 5 year period of analysis. Currently, the bank has 1.8 million customers, which is less than 15% of the total market share despite having the widest branch network at 170 branches. This market share low compared to EBL that has 135 branches but controls about 35% of the market with over 5 million customers. A study by Meidan (1976) revealed that about 90% of the respondents banked at the branch nearest to their home place and place of work. The low market share is therefore a likely indicator that the promotion campaigns at KCB have not been very effective. However, the results show that the bank's revenue has been increasing over the 5 year period. This can be attributed to the bank's competitive pricing strategy and high

standards of service delivery, which has led to repeat purchases from loyal customers. The results of the study reveal an increase in both the bank's promotion expenditure and pre-tax profit. These results support the findings of a study by Aliata (2011), who established that the promotion expenditure of National Bank of Kenya increased beginning the year 2005.

XI. CONCLUSION AND RECOMMENDATIONS

A. CONCLUSION

Based on the findings of the study, the researcher concluded that availability of funds is the most important factor affecting the choice of promotional mix by commercial banks in Kenya, with 60% of the respondents regarding it as very important. Additionally, personal selling is the most widely used element of the promotion mix by the branches of commercial banks, with 62.5% of the respondents citing as a very important element. Finally, it can be concluded that although the annual revenue of KCB has been increasing, the bank's promotional campaigns have not been very effective in expanding its customer base.

B. RECOMMENDATIONS

The following recommendations were made based on the results of the study:

- ✓ The branch marketing managers of commercial banks should consider the funds available to them before designing their promotional mix, and mainly use personal selling in their promotional campaigns.
- ✓ The branch managers and the marketing managers of commercial banks should be regularly trained on marketing promotion to improve their ability to design effective promotional mix.
- ✓ The branch marketing managers of commercial banks should review their promotional campaigns in order to improve the impact of the promotional campaigns on the banks' customer base.

C. SUGGESTIONS FOR FURTHER RESEARCH

The following areas deserve further research

- ✓ The researcher did not explore the use of promotional mix by the agents of KCB. With the bank having recently embraced agency banking, a study should be conducted to investigate the role of marketing promotion on agency banking at KCB. This will provide a framework for extending the promotional campaigns of commercial banks to their agents.
- ✓ A comparative study can be conducted to find out if the findings of this study apply to other financial institutions.
- ✓ Since the study focused on the factors affecting the choice of promotional mix by commercial banks in Kenya, studies can be conducted to find out if there is reverse relationship among the variables. For example a study can be conducted to investigate the effect of promotion mix on

the availability of funds for marketing promotion by commercial banks.

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