



**St. Mary University**  
**School of Graduate Studies**

**THE EFFECTS OF MARKETING STRATEGIES ON FINANCIAL PERFORMANCE;  
IN CASE OF AWASH BANK**

BY:

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## Declaration

I, TENSAE TEFERA declare that this work entitled “THE EFFECTS OF MARKETING STRATEGIES ON FINANCIAL PERFORMANCE; IN CASE OF AWASH BANK” is outcome of my own effort and study and that all sources of materials used for the study have been duly acknowledged. I have produced it independently except for the guidance and suggestion of the Research Advisor. This study has not been submitted for any degree in this University or any other University. It is offered for the partial fulfillment of the degree of MA in Business Administration [GMBA].

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## Abstract

*The purpose of this study is to examine the effects of marketing strategies on financial performance a sample of 183 respondents was drawn from employees of AB found in Addis Ababa. To conduct the analysis exhaustively, the combination of both descriptive statistics like minimum, maximum, mean and standard deviation of the variables and inferential statistics like correlation analysis to examine direction and significant of the correlation of the variables considered under this study. A structured and unstructured questionnaire was distributed to these respondents. However, the response rate from among the intended samples was only 81.97%. SPSS V 20.0 was used to analyze the data. Four hypotheses were framed for this study. Cronbach's alpha coefficient for marketing strategies test shows 0.812; this indicates good internal consistency and reliability among the items within each strategy. Also, the results of the factor analysis generally support the assertion that the four marketing strategies in question are valid. The Pearson Correlation matrix indicates that Product development strategy affects the AB financial performance equity by highly influencing pricing strategy, placing strategy and promotion strategy. In the same way, placing strategy may affect highly by influencing Brand Product development strategy, pricing strategy, and promotion strategy. On the other hand, R-square value is 0.764, which means 76.4% of the variation in financial performance of Awash Bank are explained by the independent variables namely product development strategy, price strategy, place strategy and promotion strategy. Adjusted R-square of 0.704 reveals that model has accounted for 70.4% of the variance in the criterion variable. The findings of this study show that all four marketing strategies (product development strategy, price strategy, place strategy and promotion strategy), has a significant positive effect on financial performance of Awash bank, which led to, the acceptance of hypotheses.*

**Key Words:** product development strategy, price strategy, place strategy and promotion strategy, financial performance

## List of Abbreviations

AB = Awash Bank

FM = Financial Performance

GTP-2 = Growth and Transformation Plan

MoFED = Ministry of Finance and Economic Development

SPSS = Statistical Package for Social Science

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## CHAPTER ONE

### Introduction

This chapter introduces the concepts of marketing strategies and financial performance. Further, it identified the research problem therefore creating the research objective: to determine the effects of marketing strategies on financial performance in case of AB. Moreover, the chapter outlined the importance of the study by stating its benefits to different entities, banking as a sector of the economy, policy makers and to the existing literature.

#### 1.1 Background of the Study

Marketing is the direct way in which an organization tries to reach its public. This is performed through the five elements of the marketing mix. With the growing importance of the financial sector, pressures are escalating for more effective marketing management of the financial services. Effective marketing strategies are the key to frontline financial performance. Financial institutions typically use a variety of sales tools and processes to achieve their sales goals. Among the best practices of those with highly successful sales programs is having the marketing strategies provided to management and front-line staff at all branches that describes tools and processes in detail, helping to ensure that everyone involved in sales, no matter how remotely operates on a coordinated basis.

Marketing strategies and financial performance has been grounded on marketing mix theory and theory of push and pull. Marketing mix theory is still used today to make important decisions that lead to the execution of a marketing plan. The idea of a marketing mix theory is to organize all aspects of the marketing plan around the habits, desires and psychology of the target market (McCarthy, 2004). The theory of push and pull is applied in today's market; pushing solutions are sometimes seen by the customer as intrusive or overlooked by the customer as the solution gets lost due to information overload.

Pulling solutions has always been a part of most organizations. A customer would visit the organization and ask questions and someone would answer them. Financial institutions that emphasize the push theories often do so to increase efficiency. They believe that if, for instance, they create the penultimate user manual that will cover all the questions the customer might

have; they will limit the amount of contact the customer needs to make to the financial institutions (Richard, 2009).

Studies have been carried out on the significance of marketing in management, strategies to improve sales in organizations but there is no specific study done the effects of marketing strategies on banks profit in Ethiopia. This is the main reason behind the researcher's decision to study this area. The researcher is motivated by the fact that in Ethiopia, a wide market in the commercial banking industry has not been secured. The big fraction of persons, organizations remain unreached by the commercial banks in Ethiopia. Players in this sector have experienced increased competition over the last few years resulting from increased innovations among the players and new entrants into the market (NBE, 2014).

Due to this competition, banks in Ethiopia have tried to come up with new strategies so as to improve their performances. The Ethiopia Banking sector has demonstrated a solid growth over the past few years. The industry continues to offer significant profit opportunities for the major participants.

This has required banks to adopt new marketing strategies so as to diversify the bank products and services. As a way of expanding the market share and need to reach the unbanked in the local set up, banks in Ethiopia have adopted agency banking as one of the diversification strategies.

### 1.1.1 Ethiopian Banking Industry

Since economic reform of 1992 under the new government, the financial institutions have been re-organized so as to operate based on market-oriented policy framework. Moreover, monetary and banking proclamation No.83/1994 and the Licensing and Supervision of Banking Business No.84/1994 laid down the legal basis for investment in the banking sector. The following table shows the ownership and name of private banks that emerged in to the market after the declaration of proclamation No.83/1994 and the Licensing and Supervision of Banking Business No.84/1994, investment policies. After private banks allowed operating in the market, they increased their number from 1 in 1994 to 18 in 2015. The increase in numbers has also brought competition in the number of branches expansion, and this reduced the population to bank branch ratio. The expansion of private banks increased the service availability to the population

(NBE report, 2015). The population bank branch ratio reaches 41,088 in June 2016 report and this reduction happen due to the extensive branch expansion of Ethiopian banks and number of bank branch reach to 2,805 in June 2016 (Mo FED, 2016). In recent years, the domestic banks try hard to improve their services through investing on E-banking, promotion, prize linked deposit and using different marketing strategies. Banks in the industry are using different promotional and marketing strategies in order to remain competitive in the industry.

**Table 1 The existing Private and Public Banks in the market after 1991**

<b>Public Bank</b>	
	Commercial Bank of Ethiopia
	Development Bank of Ethiopia
<b>Private Banks</b>	
	Abay Bank
	Abyssinia Bank
	Addis International Bank
	Awash Bank
	Berhan International Bank
	Buna International Bank
	Cooperative Bank of Oromia
	Dashen Bank
	Debub Global Bank
	Enat Bank
	Lion International Bank
	Nib International Bank
	Oromia International Bank

	United Bank
	Wegagen Bank
	Zemen Bank

Source: - National Bank of Ethiopia, 2016

### 1.1.2 Awash Bank

Awash Bank S.C. (AB) is the pioneer private commercial bank in Ethiopia after the downfall of the military regime and introduction of market economic policy in 1991. It was established by 486 founder shareholders with a paid-up capital of Birr 24.2 million. Licensed on November 10, 1994, it started banking operations on February 13, 1995. It was named after the popular river “Awash” which is the most utilized river in the country especially for irrigation and hydroelectric power. Awash River plays a pivotal role in the economic development of the country. Currently AB has 250 branches all over the country and 6,003 talented and professional employees. (AB report, June 2016)

#### **VISION of the Bank**

“To be the most preferred Bank of the People.”

#### **MISSION of the Bank**

“To provide efficient, competitive, diversified and profitable banking services to a continuously growing number of customers in a socially responsible manner supported by appropriate modern banking technology as well as qualified, trained and motivated team of management and employees imbued with highly professional and ethical standards.”

#### **VALUES**

- Building public trust & confidence;
- Treating customers as guests of honor;
- Growing together with customers;
- Discharging social responsibilities;

- Developing competent leadership with the right vision as well as competent and qualified employees imbued with strong team spirit;
- Building a strong and healthy bank of which the current and future generations will be proud of.

## **OBJECTIVES**

- To meet the needs of the emerging private sector for quality and dependable domestic and international banking services;
- To expand and diversify commercial banking services in response to the growing demands of customers; and
- To contribute towards the economic and social development of the country and to operate profitably in a sustainable manner.

### **1.2 Statement of the Problem**

The current globalization market has made companies to see the internationalization and standardization of their activities as a way to remain competitive. Marketing strategy has become important tool for any organization to remain in competitive market environment. Aremu and Lawal (2012), sees strategy as a pattern of resource allocation decisions made throughout an organization. This encapsulates both desired goals and beliefs about what are acceptable and most critically unacceptable means for achieving them. Marketing strategy implies that the analysis of the market and its environment, customer buying behavior, competitive activities and the need and capabilities of marketing intermediaries.

The banking industry in Ethiopia faces the challenges of fluctuating demand and stiff competition. The competitive environment in the banking industry is widely recognized as being complex, dynamic, and highly segmented which gives different choice to customers so, the banks should work more today than tomorrow to retain and gain customers. Domestic banks are competing directly with one another in the same locations (Walsh & Lipinski, 2009). The banking industry in Ethiopia is characterized by price competition, customer sophistication, and perceived product equality.

Abdul (2009), did a research on marketing strategy of manufacturing firms in Malaysia he used the structured questionnaire method. The researcher found out that innovative differentiation

strategy which includes technological superiority of items and new items improvement and use of advanced communication strategies is most adopted by the SMEs exporters. It has been discovered to finally enhance their export performance.

Oyewale (2013), studied the impacts of marketing strategy on business performance, a study of selected Small and Medium Enterprises (SMES) in Oluyede local government, Ibadan, Kenya, the study found that, marketing strategies (product, place, price, packaging, and after sales service) were significantly independent and joint predictors of business performance. The study however, discovered that promotion has no positive significant effect on business performance.

Wanza (2010) conducted a survey of relationship marketing practices among commercial banks in Kenya and found that banks have applied products oriented Customer Relationship Marketing (CRM) practices to a great extent. The findings indicate that employee oriented CRM strategies are present and enhanced to a great extent.

From the local studies, little has been done on the effect of marketing strategies on financial performance so we can't be sure that the above findings are viable in our case. In this case, this study seeks to determine the effects of marketing strategies on financial performance; in case of Awash bank; therefore, the study tried to answer the following question;

- 1) Identify the marketing strategies that is adopted in Awash bank?
- 2) What are the effects of these marketing strategies on AB financial performance?

### 1.3 Research Objective

#### 1.3.1 General Objective

The general objective of this paper is to find out the effects of marketing strategies on financial performance; in case of Awash bank.

#### 1.3.2 Specific Objective

The Specific Objective of This Study Is

- To identify the marketing strategies that is adopted by AB
- To explore the effects of marketing strategies on banks' financial performance

## 1.4 Significance of the Study

Significant of the study summarized as follows:

1. Understanding the effect of marketing strategies on financial performance will play a crucial role to improve performance and competitiveness of AB in domestic bank industry.
2. To the academicians the study can contribute to the existing literature in the field of marketing and its effect on profit. It acts as a stimulus for further research to refine and extend the present study.
3. Findings of the study is useful to researchers and scholars as it contributes to the body of knowledge in the area of marketing. It also assists other researchers to further their studies on areas of interest not yet exploited. It also assists the management of Awash Bank to evaluate how effective they have been in adopting appropriate distribution channel strategies of their services and products. This may enable them identify gaps in their strategies which may enhance their strategic response as a result move to effectively manage the existing strategies which will improve their financial performance.
4. Also it is useful to the shareholders of the bank in evaluating the effectiveness of the banks distribution strategies as they cope with the increasingly competitive financial market locally. Other organizations can also use the distribution strategies employed by the bank to improve their performance. In addition, the study could be an invaluable source of material and information to the many other banks operating in the country since the banking industry has a great role to play in the country's quest to alleviate poverty and to achieve GTP-2.

## 1.5 Scope of the Study

The research tried to address the effects of marketing strategies on financial performance; increase of Awash bank. Primary data were collected from selected Addis Ababa branches.

## 1.6 Limitation of the Study

The outcome of the study entirely depends on responses of the respondents included in the study. Moreover, as the sample size was small considering the vast number of branches (currently AB

has 250 branches all over the country), the results might not be generalized beyond the specific population from which the sample is drawn.

### 1.7 Organization of the Study

This subsection outlines the entire study in a concise manner. The first chapter starts by giving an introduction and background of the study which is followed by a problem statement which identifies the gap between the current literatures the research questions which is followed by the objective of the study, the significance and scope of the study. The second chapter gives deeper insights on the subject matter under the study and finally conceptual framework was discussed. The third chapter deals with the methodology used in the study and the fourth chapter is data analysis and explained the major findings. The final chapter summarizes, and recommend based on the findings of data analysis.



## CHAPTER TWO

### Review of Related Literature

#### 2.1 Introduction

This chapter presents a review of the related literature on the effects of marketing strategies on financial performance as presented by various researchers, scholars, analysts and authors. The first one is theoretical literature review and the next part is the empirical literature of the study area.

#### 2.2 Theoretical Literature

##### 2.1.1 Marketing Strategies

Marketing strategy is the fundamental goal of increasing sales and achieving a sustainable competitive advantage (Silva, 2006). Marketing strategy includes all basic, short-term, and long-term activities in the field of marketing that deal with the analysis of the strategic initial situation of a company and the formulation, evaluation and selection of market-oriented strategies and therefore contributing to the goals of the company and its marketing objectives.

Market penetration strategy is also called the concentrated growth strategy because a firm thoroughly develops and exploits their knowledge and expertise in a specific market with known products (Ballowe, 2009). One of the goals is to increase present customers' rate of use. This can be achieved through increasing the size of the purchase, maximizing the rate of product obsolescence, finding new users for the product, advertising other uses and offering incentives for increased use.

Product development is due to changes in consumer preferences, increasing competition and advances in technology. These can be products that have never been introduced in the market, product innovations on new products or existing products that have been modified and improved. Successful product development strategies are as a result of leveraging three internal elements, technical advantage and experience, marketing savvy and better understanding of the customer (Ungvari, 1999).

Market development strategy for a current product is achieved through new users in new geographic segments, new demographic segments, new institutional segments or new psychographic segments (Weifels, 2002). Finally, Product diversification is a corporate strategy to enter into a new market or industry which the business is not currently in, whilst also creating a new product for that new market. This is the riskiest section as the business has no experience in the new market and does not know if the product is going to be successful.

One facet of marketing development that is critical for market penetration is convincing current customers to buy new products and services that they are not already purchasing (Stokes & Lomax, 2002). This is a great place to start because these clients already know and use the company's products and services, so a relationship that can be expanded has been established earlier.

Marketing strategy allows firms to develop a plan that enables them to offer the right product to the right market with the intention of gaining competitive advantage. A marketing strategy provides an overall vision of how to correctly position products in the market place while accounting for both internal and external constraints.

Marketing strategy research has primarily been focused in either one of two arenas: marketing strategy formulation or marketing strategy implementation. Marketing strategy formulation research examines the impact of certain variables on the development of marketing strategies themselves (Weifels, 2002).

### 2.1.2 Profit (Sales Performance)

As businesses grow more optimistic about opportunities for growth, the pressure is on for sales organizations to meet ever-higher revenue targets. For these reasons, optimizing sales performance in economy calls for a more rigorous and data-driven approach to foundational sales processes, including strategic planning, territory allocation, resource planning and compensation programming. Performance can be defined as the extent of actual work performed by an individual or to what extent the actual work is shown by an individual (Richard, 2009). In an era of intensifying competition and fierce negotiations with buyers, tactical selling approaches simply don't work. The key to sales success is creating value the buyer is not currently considering in their decision making.

Sales performance has been conceptualized to include both the outcome and behavioral dimensions. Sales outcomes have always been seen by performance oriented sales people as evidence to their behavioral performance and consequently a positive relationship has been found to exist between job involvement component of commitment and sales performance. In other words, committed sales people are expected to extend greater efforts on the job there by having a direct effect on job performance (Silva, 2006). Richard (2009) defines performance measures as the vital signs of the organization, which “quantify how well the activities within a process or the outputs of a process achieve a specified goal”.

Performance measures help us understand, manage and improve what our organizations do. Effective performance measures can let us know, how well we are doing, if we are meeting our goals, if our customers are satisfied, if our processes are in statistical control, and if and where improvements are necessary.

## 2.2 Banking Industry Reforms

Banking sector reforms and consolidation all over the world are predicted upon the need for repositioning of the existing state of affairs in the sector in order to attain an effective and efficient status. This is more so in the developing nations like Ethiopia where the banking sector has not been able to effectively provide the needed funds and services for the development of the real sector as expected. Hence, banking reforms become inevitable in the light of the global dynamic exigencies and emerging landscape. Consequently, the banking sector, as an important sector in the financial landscape, needs to be reformed in order to enhance its competitiveness and capacity to play a fundamental role of financing investments.

Bank consolidation is viewed as the reduction in the number of banks and other deposit-taking institutions with a simultaneous increase in size and concentration of the consolidated entities in the sector. It is mostly motivated by technological innovations, deregulation of financial services, enhancing intermediation and increased emphasis on shareholder value, privatization and international competition (Berger, N. Allen., (1998); De Nicolo and Gianni 2003; IMF, 2001).

The nexus between consolidation and financial sector stability and growth is explained by two polar views. Proponents of consolidation opine that increased size could potentially increase bank returns, through revenue and cost efficiency gains. It may also, reduce industry risks

through the elimination of weak banks and create better diversification opportunities (Berger, 2000,). On the other hand, the opponents argue that consolidation could increase banks' propensity toward risk taking through increases in leverage and off balance sheet operations. In addition, scale economies are not unlimited as larger entities are usually more complex and costly to manage.

Banking reforms involve several elements that are unique to each country based on historical, economic and institutional imperatives. For example, in the reforms in the banking sector proceeded against the backdrop of banking crisis due to highly undercapitalization of state owned banks; weakness in the regulatory and supervisory framework; weak management practices; and the tolerance of deficiencies in the corporate governance behavior of Banks (Gyargy Szapáry, 2001).

In the Yugoslav economy, banking industry restructuring was motivated by the need to establish a healthy banking sector that will carry out its financial intermediation role at a minimal cost; effectively provide services consistent with world standards and which will involve foreign financial institutions; and banks privatization as the ultimate goal. The central focus was to shore up the capital base of banks consolidated through mergers and takeovers of local banks and selection of strategic investors for additional capitalization. Specifically, foreign banks permeated the industry exclusively by providing additional capitalization through investment in the existing infrastructure, particularly new banking products and operating technologies and buying shares of the existing banks.

Also, the banking sector reforms and consolidation in Japan involved the reform of the regulatory and supervisory framework, the safety net arrangements, as well as mechanisms to speed up attempts at resolution of banks' non-performing loans. From the above, it is obvious that the fundamental objective of banks consolidation is the repositioning of the banking industry to attain an effective and efficient status that will promote economic development. Consequently, consolidation has increased the level of competition in the industry and this in turn has increased the marketing activities in the Ethiopian banking industry as well as other nations of the world.

Various models have been developed empirically to analyze the impact of marketing strategies on corporate performance.

### 2.2.1 The Resource Based View

This model recognizes the importance of a firm's internal organizational resources as determinants of the firm's strategy and performance (Grant 1991; Wernerfelt 1984.). Grant (1991) defines the term internal organizational resources as all assets, capabilities, organizational processes, firm attributes, information, knowledge, that are controlled by a firm and that enable it to envision and implement strategies to improve its efficiency and effectiveness.

Although the resource based view recognizes that a firm's physical resources are important determinants of performance, it places primary emphasis on the intangible skills and organizational resources of the firm (Collis, 1991). Some intangibles resources of the firm are the market-assets such as customer satisfaction and brand equity.

### 2.2.2 The Dynamic Capabilities Model

The Dynamic Capabilities view strengthens the RBV, it emphasis on how combinations of resources and competences (Teece et al., 1997) can be developed, deployed and protected. The factors that determine the essence of a firm's dynamic capabilities are the organizational processes where capabilities are embedded, the positions the firms have gained (e.g. assets endowment) and the evolutionary paths adopted and inherited.

Based on this perspective, the marketing factors that determine the competitive advantage are marketing efficiency resulting from the marketing organizational process and the endowments of market assets that has generated such as customer satisfaction and brand equity for example marketing positions. In the context of global competition, RBV and Dynamic capabilities theory suggest that historical evolution of a firm (accumulation of different physical assets and acquisition of different intangible organizational assets through tacit learning) constrains its strategic choice and so will affect market outcomes (Collis, 1991).

According to Douglas and Craig (1989), the development of a Marketing Strategy is carried out during the stage of global rationalization. It means that the firm has had to take the step of initial foreign market entry and expansion of national markets during its process of internationalization. Consequently, in the two previous stages, the firm learned and accumulated not only different physical assets but also different intangible organizational assets; likewise, it faced and took risks in different and complex market contexts. This process of learning affected its performance.

### 2.2.3 Marketing Impact Model

The need for measuring marketing impact is intensified as firms feel increasing pressure to justify their marketing expenditures (Gruca and Rego 2005; Rust et al., 2004; Srivastava et al., 2001). Accordingly, marketing practitioners and scholars are under increased pressure to be more accountable for showing how marketing activities link to shareholder value.

It is important to know that marketing actions, such as packaging, brand name, density of the distribution channel, advertising, permanent exhibitions, sponsoring, press bulletins, among others (Van Waters hoot and Van den Bullet, 1992) can help build long-term assets or positions as brand equity and customer satisfaction (Srivastava et al., 1998). These assets can be leveraged to deliver short-term profitability and shareholder value.

### 2.2.4 Marketing Efficiency Model/ Data Envelopment Analysis (Dea)

The other way by which research in Marketing has faced Marketing performance is related to efficiency. Charnes, Cooper and Rhodes (1978) define the efficiency as the comparison among firms of the ratio of outcomes over the inputs required to achieve them. On the other hand, Sheth et al. (2002) define marketing efficiency as the ratio of marketing output over input. Sheth and Sisodia (1995) in referring to their definition of marketing productivity, include two of the dimensions, efficiency as well as effectiveness, for instance getting loyal customers at low marketing costs.

On the other hand, Rust et al. (2004) use the term marketing productivity to refer to how marketing activities are linked to short-term and long-term profits. In reference to literature review, Charnes et al. (1985) first suggested applying DEA to gain insights into efficiency of marketing efforts. Since then, there have been some marketing studies that used the DEA as a methodology. Kamakura et al. (2002) used DEA to measure welfare loss and market efficiency. Mahajan (1999) studied a DEA model for assessing the relative efficiency of sales units that simultaneously incorporates multiple sales outcomes, controllable and uncontrollable resources, and environmental factors.

## 2.3 Marketing Mix Theory

According to Kotler and Keller (2006), the theory of Marketing Mix was coined by Borden. The theory is still used today to make important decisions that lead to the execution of a marketing

plan. The idea of a marketing mix theory is to organize all aspects of the marketing plan around the habits, desires and psychology of the target market (McCarthy, 2004). This orientation considers marketing as it applies to the theory of the "4 Ps." The first P is product, and takes into account its design, features and competitors.

The second P, price, is a factor that can be adjusted to manage demand, to determine profit margin, and to drive market share. Promotion is the third P. It seeks to find which media to engage in order to make the right people aware of the product's benefits, and which slogans, tag lines and logos will resonate with the target market. Placement, the fourth P, determines where and how potential customers can access the product. Young people may want to browse, buy and pay online. Others may prefer the personal service of a trained salesperson.

Later Robert (2000), proposed a four Cs classification in which is a more consumer-oriented version of the four Ps that attempts to better fit the movement from mass marketing to niche marketing. The Cs represents; Consumer, cost, communication and convenience. Firstly, a company will only sell what the consumer specifically wants to buy. So, marketers should study consumer wants and needs in order to attract them one by one with something he/she wants to purchase. Secondly, Price is only a part of the total cost to satisfy a want or a need.

The total cost will consider for example the cost of time in acquiring a good or a service, a cost of conscience by consuming that or even a cost of guilt "for not treating the kids. It reflects the total cost of ownership. Many factors affect cost, including but not limited to the customer's cost to change or implement the new product or service and the customer's cost for not selecting a competitor's product or service (Richard, 2009). Thirdly, while promotion is manipulative and from the seller, communication is cooperative and from the buyer with the aim to create a dialogue with the potential customers based on their needs and lifestyles; it represents a broader focus. Communications can include advertising, public relations, personal selling, viral advertising, and any form of communication between the organization and the consumer.

### 2.3.1 Theory of Push And Pull Customer Service

According to Hopp and Spearman (2013), the theory of push and pull was developed in 1911 by Fredrick Winslow Taylor during his work on 'The Principles of Scientific Management'. In today's market pushing solutions are sometimes seen by the customer as intrusive or overlooked

by the customer as the solution gets lost due to information overload. Pulling solutions has always been a part of most organizations.

A customer would visit the organization and ask questions and someone would answer them. In the case of "pull," the customer initiates the request for a solution rather than merely choosing a solution from the solutions offered by the organization (Richard, 2009).

## 2.4 Marketing Strategies And Financial Performance

According to Silva (2006), different marketing strategies have different effects on organizational financial performance, Kotler and Armstrong (2006), define a product as anything that can be offered to a market for attention, acquisition, use, or consumption that might satisfy a want or need. They further defined a consumer product as the product bought by the final consumer for personal consumption. Consumers buy products frequently, with careful planning, and by comparing brands based on price, quality and style. Cornish (2007), sees a product as about quality, design, features, brand name and sizes. Mohammad (2012), also say that product is the physical appearance of the product, packaging, and labeling Information, which can also influence whether consumers notice a product in-store, examine it, and purchase it. Past researchers have clearly suggested that product influences have a significant impact on business performance.

In regard to marketing, it has been argued that there are four different ways in which marketing strategies can enhance companies' value creation and that way increase performance. First, marketing can speed up cash flows through reducing customer risk and building strategic alliances. Second, marketing can increase cash flows through innovation and differentiation. Third, marketing can build assets like brand equity. Fourth, marketing can reduce risks in for example helping to increase customer retention. It is assumed that at least some of these issues are such that marketing and sales can affect them jointly. After all, marketing and sales are jointly responsible for generating revenue and profit for an organization (Smith, 2006).

According to Krohmer (2002), Marketing relates positively to some performance indicators including sales performance, business unit performance, profitability and both product development and product management performance. Cross-functional cooperation in arranging marketing activities so that various departments contribute to those activities usually increases



the performance of the company or a strategic business unit. Still, there are always both sides, for example inter-functional integration can make the decision making slower (Krohmer, 2002).

Moreover, empirical evidence exists considering particularly the collaboration between marketing strategies and financial performance and its effect on the overall business performance. Both qualitative and quantitative research has indicated that financial performance is positively affected by effective marketing and sales relationship (Guenzi & Troilo 2007). It is found in a qualitative study that a high level of collaboration between these two units is associated positively to business performance outcomes.

As Zubes (1999), states, the purpose of marketing in banking industry is Maximization of bank's profit alongside executing some additional functions. Zubes (1999) confirms that marketing in banking is powerful enough to differ from marketing existing in the field of commodities production. At first this is connected particularly with the banking business, surrounded by which main are: long period life of the amount banked, long term character of interaction banker and consumer, determined by validity of the contract, therefore in a number of cases, profitability, the properties and characteristic of the bank product become to be comprehensible through many years after its sale. Modern marketing strategies such as diversification in financial institutions are applicable in many countries in the world.

## 2.5 Marketing Mix Strategies

### **A) PRODUCT STRATEGY**

Kotler and Armstrong (2006) define a product as anything that can be offered to a market for attention, acquisition, use, or consumption that might satisfy a want or need. They further define a consumer product as the product bought by the final consumer for personal consumption. Consumers buy products frequently, with careful planning, and by comparing brands based on price, quality and style. Borden, (1984) sees a product as about quality, design, features, brand name and sizes. Mohammad *et al*, (2012) also say that product is the physical appearance of the product, packaging, and labeling Information, which can also influence whether consumers notice a product in-store, examine it, and purchase it. Past researchers have clearly suggested that product influences have a significant impact on business performance (Kazemand Heijden, 2006;

Kemppainen, Vepsäläinen, and Tinnilä, 2008; Ogunmokun and Esther, 2004; Owomoyela *et al.*, 2013),

## **B) PRICING STRATEGY**

Kotler (2007) defines price as a cost of producing, delivering and promoting the product charged by the organization. Zeithaml (1988) is of the view that monetary cost is one of the factors that influence consumer's perception of a product's value. Price can be stated as the actual or rated value of a valuable product which is up for exchange; some define it as amount of money paid for product (Kotler *et al.*, 2005). In the studies of Colpan (2006); Doole *et al.*, (2006) and Owomoyela *et al.*, (2013) they establish significant relationship between price and business performance. The price you set for your product or service plays a large role in its marketability.

Pricing for products or services that are more commonly available in the market is more elastic, meaning that unit sales will go up or down more responsively in response to price changes (Jones, 2007).

## **C) PROMOTION STRATEGY**

Zeithaml *et al.* (1995) describes promotion as part of specific effort to encourage customers to tell others about their services. According to Duncan (2005), promotion is the key to the market exchange process that communicates with present and potential stakeholders, and the general public. Every firm or store must cast itself into the role of communicator and promoter. Hakansson (2005) also reports that promotion appears as an issue of how to create an optimal mix of marketing communication tools in order to get a product's message and brand from the producer to the consumer. Borden, (1984) defines promotion as sales promotion, advertising, personal selling, public relations and direct marketing. Kotler, (2007) discovers that Promotions have become a critical factor in the product marketing mix which consists of the specific blend of advertising, personal selling, sales promotion, public relations and direct marketing tools that the company uses to pursue its advertising and marketing objective. Previous researches (Amine and Cavusgil, 2001; Francis and Collins-Dodd, 2004) have established significant relationship between promotion and business performance.

## **D) PLACE STRATEGY**

Jones, (2007) defines place as any way that the customer can obtain a product or receive a service. Bowersox and Closs (1996) give distribution as another name for place. According to them, it is the third element of the marketing mix, and it encompasses all decisions and tools which relate to making products and services available to customers. Kotler and Armstrong (2006), also define place or distribution as a set of interdependent organizations involved in the process of making a product available for use or consumption by consumers. Place strategy calls for effective distribution of products among the marketing channels such as the wholesalers or retailers (Berman, 1996). Owomoyela et al, (2013); Amine and Cavusgil, {2001}; and McNaughton, (2002) agree that place has significant effect on business performance.

### **2.6 Empirical Studies and Research Gap**

Abdul (2009), did a research on business strategy of manufacturing firms in Malaysia he used the structured questionnaire method. The researcher found out that innovative differentiation strategy which includes technological superiority of items and new items improvement and use of advanced communication strategies is most adopted by the SMEs exporters. It has been discovered to finally enhance their export performance. Similarly, Berheand JooH (2008) studied the impact of major marketing factors on firms accounting performance in the pharmaceutical industry. They used a research design called survey method. They discovered that there is a relationship between the firm size and the return on equity.

On the other hand, Heiner and Mühlbacher (2010), studied Strategic marketing and business performance in three European 'engineering countries, they used the survey research design. They found out that the key contradiction of the study is the low impact of market orientation on financial performance, which is not assumed, as several previous studies propose the link to be strongly positive. Also, this result is surprising in light of a recent, general development of increased customer focus. Nevertheless, it is characteristic to market orientation that it also contributes to the accumulation of other organizational resources and increases their value.

Farshid (2011) looked at the influence of export marketing strategy determinants on firm export performance between 1993 and 2010. They used the questionnaire research design. They discovered that it is possible to design export marketing strategy determinants of export

performance model, which may help firm to focus on export marketing strategy elements as one of important elements to enhance export performance in global markets.

Similarly, Kamau (2013) did a research on effects of differentiation strategy on financial performance in supermarkets in Nakuru town central business district. The research design employed was non experimental research survey design. The outcome was product differentiation strategy has a positive correlation with financial performance. In most supermarkets product selection, assortment and positioning is demand driven.

Kiprotich (2012), did a study on effects of 4ps marketing mix on financial performance of automotive fuels of selected service stations in Nakuru town. The research employed the research design called questionnaire design. The oil marketers' performance is significantly influenced by the 4 ps. Each of the elements however carries a unique contribution to financial performance of automotive fuels in the selected stations in Nakuru town.

Mokaya (2012) looked at the effect of market positioning on organizational performance in the airlines industry in Kenya; case of Kenya airways. They used the research design called explanatory design and they found the following. Within the general segmentation-targeting-positioning Framework in a company and positioning plays a pivotal role in marketing strategy, since it links market analysis, segment analysis and competitive analysis to internal corporate analysis. The measures of performance that affect marketing positioning strategies at the company include employee turnover, increase in assets, increase in products, increase in revenue/profitability.

On the hand, Karanja (2014) studied the effect of marketing capabilities and distribution strategy on performance of MSP intermediary organizations' in Nairobi County, Kenya. The researcher used the descript to-explanatory cross-sectional survey research design. In this case, the research found out that superior marketing capabilities and the choice of distribution strategy contributed significantly to the performance of MSP Intermediary organizations. Based on the results obtained, it was established that the composite effect of marketing capabilities and distribution strategy further enhanced the performance of MSP Intermediary organizations. From the above local studies little has been done on the effects of marketing strategies on financial performance; in case of Awash bank, hence the research gap.

## 2.7 Conceptual Framework of the Study

A conceptual framework for measuring effects of marketing strategy on AB financial performance is developed by using the marketing impact model and this model is modified and expressed in functional relationship to accommodate marketing strategies this include Product development strategies, Price strategies, place strategies and promotion strategy. This is summarized in the following diagram.

Figure 1. Summary of research model

The relationship between marketing strategies and AB financial performance is represented with respect to the following model:

$$FP = X + X1PD + X2PS + X3PL + X4PM + \epsilon$$

Where: FP = Financial Performance

PD = Product Development strategy

PS = Price strategy

PL = Place strategy

PM = Promotion strategy

$\varepsilon$  = Error term

X, X1, X2, X3, X4 = Coefficient of estimates

Accordingly, the following hypothesis is proposed:

**Hypothesis 1:** Product development strategy has a significant and positive effect on financial performance of Awash bank.

**Hypothesis 2:** Pricing strategy has a significant and positive effect on financial performance of Awash bank.

**Hypothesis 3:** Placing strategy has a significant and positive effect on financial performance of Awash bank.

**Hypothesis 4:** promotion strategy has a significant and positive effect on financial performance of Awash bank.

## CHAPTER THREE

### Research Methodology

#### 3.1 Introduction

This chapter provides a discussion of the outline of the research methodology that used in this study. It focuses on the research design, data collection methods also data analysis and data presentation methods that were used in this study.

#### 3.2 Research Design

Research design forms the blue-print or maps that details how the research collected information that is relevant to addressing the research questions. It is a general blue-print for the collection, measurement and analysis of data, with the central goal of solving the research problem. It includes the outline of what the research did, from writing the hypothesis and its operational application to final analysis of data (Creswell & Clark, 2007).

The function of a research design is to ensure that the data obtained during the data collection is adequate in answering the initial question(s) as unambiguously as possible (Muganda, 2010). According to Kothari (2004), a good research design must yield maximum information and provide an opportunity for considering many different aspects of the problem. The nature and the context of the study determine a research design since a good design for a certain study might be inappropriate for another study.

A research design is governed by the notion of “fitness” for the purpose and therefore the purpose of the research determines the methodology and the design of the research. The study employed a descriptive method as its research design. A descriptive survey enabled the researcher to describe the characteristics of the variables of interest. This study is about determining the effect of marketing strategies on financial performance; in case of Awash bank.

#### 3.3 Population and Sampling

Population refers to the entire group of people, events or things of interest that the researcher wishes to investigate (Sekaran, 2005). A study population can be defined as the entire collection of cases or units about which the researcher wishes to draw conclusions. One of the major steps

in formulating a research design is to define the population according to the objectives of the study.

Target population in statistics is the specific population about which information is desired. According to Ngechu (2004), a population is a well-defined or set of people, services, elements, and events, group of things or households that are being investigated. Accordingly this study focused on Awash Bank employees specifically focused on assistant branch managers, marketing officers and customer relation officers because in AB those employees are responsible for the branch marketing and or sales activities. In Addis Ababa AB has 113 branches and in each branch there is one assistant branch managers, one marketing officer and one customer relation officers. So the sample population was  $113 \times 3 = 339$ .

With respect to sampling techniques, the primary data were collected through probability sampling techniques. Along with this technique, simple random sampling techniques used to give an equal chance to be a selected as a respondent.

Research generality is highly affected by sample size. Hence determining the number of representative sample size is a pivotal concern of every researcher to a given population. The following sample size determination formula, by Yamane (1967) formula developed for sampling size, using 95% confidence level with 5% margin error, population 339; hence the sample size is 183.

$$n = \frac{N}{1 + N(e)^2}$$

Where **n** is the sample size,

**N** is the population size, and

**e** is the sampling error = ( 0.05)

$$n = \frac{339}{1 + 339(0.05)^2} = 183.49 \sim 183$$

### 3.4 Data Collection

Primary data were collected by means of a semi- structured and structured questionnaire. The questionnaire were self-administered via the use of email, drop and pick later method to the



respective AB assistant branch managers. The questionnaire allowed greater uniformity in the way questions asked to be ensuring greater compatibility in the responses. According to Cooper and Schindler (2006) the use of structured questions on the questionnaire allows for uniformity of responses to questions; while unstructured questions gave the respondent freedom of response which helped the researcher to gauge the feelings of the respondent, he or she used their own words. The structured questions in form of a five point Likert scale, whereby respondents required indicating their views on a scale of 1 to 5.

The structured questions used in an effort to conserve time and money as well as to facilitate in easier analysis as they are in immediate usable form; while the unstructured questions used so as to encourage the respondent to give an in-depth and felt response without feeling held back in revealing of any information.

### 3.5 Data Collection

The data for this study generated from both primary and secondary sources. This is to capture both the quantitative and qualitative aspect of marketing. The primary data sourced through structured questionnaire. Copies of the questionnaire administered to Awash Bank employees specifically focused on assistant branch managers, marketing officers and customer relation officers because in AB those employees are responsible for the branch marketing and or sales activities.

### 3.6 Data Analysis

Data analysis, according to Sekaran (2005), involves a number of closely related operations which are performed with the purpose of summarizing the collected data and organizing them in such a manner that they answer the research questions. The operations include editing, coding, classifying and tabulating. It also entails categorizing, ordering, manipulating and summarizing data, to find answers to the research questions. Before the actual analysis of data using SPSS, data is cleaned, edited, checked for accuracy and coded. These processes are essential to ensure that the collected data is systematically organized in a manner that facilitates analysis (Mugenda & Mugenda, 2003).

To conduct the analysis exhaustively, the data is analyzed with the combination of both descriptive statistics like minimum, maximum, mean and standard deviation of the variables and

inferential statistics like correlation analysis to examine direction and significant of the correlation of the variables considered under this.

The quantitative data generated analyzed with the help of Statistical Package for Social Sciences (SPSS) version 20. Product development strategy, Price strategy, Placing strategy and Promotion strategy

### **3.7 Research Measurements**

The instrument (a self-administered questionnaire) for marketing strategy variables contained 4 items for Product development strategy, 4 items for Price strategy, 3 items for place strategy and 4 items for promotion strategy also 4 items are used to measure the financial performance of AB . The items were assessed on a five-point Likert scale where 1 stands for “strongly disagree” and 5 for “strongly agree”. The measures for several constructs in the framework were derived and adopted from existing scales or studies in the literature.

### **3.8 Reliability and Validity Analysis**

Cronbach’s alpha is used to assess the internal consistency of variables in the research instrument. Cronbach’s Alpha is a reliability coefficient that indicates how well the items in a set are positively related to one another. In addition to these structured questionnaires with likert-scale would be used to remove unstructured answers. Cronbach’s alpha is a coefficient of reliability used to measure the internal consistency of the scale; it represented as a number between 0 and 1. According to Zikmundet al., (2000) scales with coefficient alpha between 0.6 and 0.7 indicate fair reliability.

### **3.9 Ethical Considerations**

In order to keep the confidentiality of the data given by respondents, the respondents not required to write their name and assured that their responses is treated in strict confidentiality. The purpose of the study disclosed in the introductory part of the questionnaire. Furthermore, the researcher tries to avoid misleading or deceptive statements in the questionnaire. Lastly, the questionnaires distributed only to voluntary participants.

## CHAPTER FOUR

### Data Presentation, Analysis and Interpretation

In this chapter data collected through questionnaire is presented, analyzed and interpreted in a brief and organized way. Among the distributed questionnaire, 150 have been collected and this makes the response rate to be 81.97%. The remaining thirty three were not returned or were defected.

#### 4.1 Demographic Profile of the Respondent

Demographic characteristics under the study include gender, level of education, and years of experience of respondents.

Among the total respondents i.e. 150, 91 (60.7%) of them were male and the remaining 59 (39.3%) were female. This shows that the number of female staff considered for this analysis is few from the number of male staff.

Concerning educational status of the respondents, staffs who are degree graduates have the largest portion which is around 126 (84%), among the total respondents, 16 (10.7%) of them have masters degree and the rest of the respondents which is 8 (5.3%) are graduated with college diploma. The fact that all of the respondents being educated in different levels it is believed that they can easily understand the questionnaire as desired by the researcher.

Based on the data collected through questionnaire, the large portion of respondents 80(53.3%) fall within the range of 6 to 9 years of experience in Awash, the second highest percent 35 (23.3%) of the respondents have one to five years of service, 19 (12.7%) respondents have greater than or equal to 10 year experience and the rest 16 (10.7%) respondents from the sample size have an experience of less than one year. It is the researcher believes that these combinations of the respondents were good enough in finding the accurate information because the majority of respondents have one to five years and six to nine years of experience in Awash.

**Table 4.1 Profile of Respondent**

<b>Respondent sex frequency</b>					
		<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Valid	Male	91	60.7	60.7	60.7
	Female	59	39.3	39.3	100
	Total	150	100	100	
<b>Respondent Education frequency</b>					
	College Diploma	8	5.3	5.3	5.3
	BA/BSC Degree	126	84	84	89.3
	MA/MSC Degree	16	10.7	10.7	100
	Total	150	100	100	
<b>Respondent experience frequency</b>					
	Below 1	16	10.7	10.7	10.7
	1 up to 5	35	23.3	23.3	34
	6 up to 9	80	53.3	53.3	87.3
	10 and Above	19	12.7	12.7	100
	Total	150	100	100	

Source: - SPSS output

Based on the data collected through questionnaire, the large portion of respondents 80(53.3%) fall within the range of one to five years of service in AB , the second highest percent 35 (23.3%) of the respondents have 6 to 9 years of experience, 19 (12.7%) respondents have greater than or equal to 10 year experience and the rest 16 (10.7%) respondents from the sample size have an experience of less than one year. It is the researcher believes that these combinations of the respondents were good enough in finding the accurate information because the majority of respondents have one to five years and six to nine years of experience in Awash.

## **4.2 Marketing Strategies Used To Improve Financial Performance**

The respondents' feedback on the effects and role marketing strategies have here been summarized and presented in tables illustrating their respective frequencies valid percentages and cumulative percentages as follows.

Table 4.2 Does the bank employ marketing strategies in order to improve financial performance?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	116	77.33	77.33	77.33
No	34	22.67	22.67	100
Total	150	100	100	

Source: - SPSS output

Table 4.2 shows the respondents opinions on whether AB had strategies used to improve sales performance/profit. Most of respondents (77.33%) agreed that AB had laid down strategies to improve sales performance/profit. This implies that the role of marketing strategies to improve profit is highly practical in Awash bank.

**Table 4.3** Marketing strategies that is adopted by AB

	Frequency	Percent
Valid Product development strategy	150	100
Pricing strategy	150	100
Placing strategy	150	100
Promotion strategy	150	100
<b>Total</b>	<b>150</b>	<b>100</b>

Source: - own computation

Table 4.3 shows the respondents' feedback on the Marketing strategies adopted by AB . All the respondents (100%) indicated that all the marketing strategies: product development strategy, pricing strategy, placing strategy and promotion strategy were adopted by Awash bank.

Table 4.4 shows the respondents' opinion on the effectiveness of marketing strategies in AB . 34.88% respondents were of the opinion that marketing strategies are highly effective, 46.51%

effective and 18.60%, moderately effective. This is attributed to marketing strategies being very vital in success of financial performance.

Table 4.4 To what extent are marketing strategies used by AB is effective

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Highly effective	23	15.33	15.33	15.33
Effective	88	58.67	58.67	74
Moderately effective	4	2.67	2.67	76.67
Little effective	15	10	10	86.67
No effective at all	20	13.33	13.33	100
Total	150	100	100	

Source: - SPSS output

### 4.3 Validity and Reliability of Measures

The validity of the instrument used to measure AB marketing strategies is justified because the measures were developed from a theoretical framework that was derived from an extensive literature review and with the serious stipulation and help of the researcher advisor.

On the other hand, in order to test the reliability of the AB marketing strategies, Cronbach's alpha was calculated. Cronbach's Alpha is a reliability coefficient that indicates how well the items in a set are positively related to one another. In addition to these structured questionnaires with likert-scale would be used to remove unstructured answers. Also Cronbach's alpha will be used to assess the internal consistency of variables in the research instrument. Cronbach's alpha is a coefficient of reliability used to measure the internal consistency of the scale; it represented as a number between 0 and 1. According to Zikmund et al., (2000) scales with coefficient alpha between 0.6 and 0.7 indicate fair reliability.

**Table 4.5; Cronbach's alpha**

No.	Measures	N of Items	Cronbach's Alpha
1	Product development strategy	4	0.803
2	Pricing strategy	4	0.783
3	Placing strategy	3	0.742
4	Promotion strategy	4	0.791
5	<b>Over all variables</b>	<b>15</b>	<b>0.812</b>

Source: - SPSS output

Accordingly, Cronbach's alpha test conducted for overall marketing strategies measurements and the result shows 0.812; this indicates good internal consistency and reliability among the items within each strategies. The Cronbach's alpha was also calculated based on standardized items and it shows 0.791. The alpha meets the recommended levels.

#### **4.4 Descriptive Statistics of the Marketing Strategies Variables**

For the purpose of measurement, a total of 15 questions on marketing strategies were asked to indicate the extent to which each respondent agrees to corresponding closed ended statements rated on a five-point Likert type scales ranging from '1' "Strongly Disagree" to '5' "Strongly Agree". Statistical results on the variables under the marketing strategies including the Mean and Standard Deviation of the data points. The "Valid" column shows the number of respondents who provided answer for each corresponding variables. On the other hand, the "Missing" column depicted the variables which were not answered by respondents. The mean tried to tell the averages where the data points fall for each specific variable while the standard deviation column showed the variability of the data points for each variable under consideration.

Accordingly, the researcher tried to interpret the mean of the data points. For analysis purpose marketing strategies are classified in to product development strategies, price strategies, place strategies and promotion strategies.

### 4.4.1 Product Development Strategy

Kotler (2001) defines a product as anything that can be offered in a market that is satisfying a want or need. Product could be physical goods, service, experience, event, ideas etc. New product development that satisfies needs will have great impact on banks profitability. Banks products or services include

- 1) Retail banking product such as current account and saving deposit.
- 2) Corporate banking products such as loan syndication, equipment leasing, treasury and foreign operation.

This research identifies product development strategy as one of marketing strategy used by AB and to measure product development strategy the researcher identifies four items and the result from the survey are presented here below in the table.

Table 4.6 product development strategy

No.	Product Development Strategy	N		Mean	Std. Deviation
		Valid	Missing		
1	AB timely eliminate the products/services that do not suit the needs and demands of the market.	150	-	4.72	0.532
2	AB develop and launch new products in order to satisfy the needs and wants of its customers.	150	-	4.51	0.608
3	AB frequently review product/service in comparison with customers' needs and if necessary the product/service will be modified.	150	-	4.07	0.642
4	AB is innovative to start new products/services.	150	-	3.82	0.854

Source: - SPSS output from Survey result

The survey result revealed that majority of the respondent strongly agreed that AB timely eliminate the products/services that do not suit the needs and demands of the market and AB develop and launch new products in order to satisfy the needs and wants of its customers. This is evidenced by the data collected from the respondents with mean score of 4.72 and 4.51 respectively.



The result further revealed that AB frequently review product/service in comparison with customers' needs and if necessary the product/service will be modified and AB is innovative to start new products/services. This agreement is based on the responses of the respondents with mean score 4.07 and 3.82 respectively.

#### 4.4.2 Price Strategy

A price means the value of a commodity or service expressed in monetary terms. Price in banks includes: interest charges on loans and advances, interest paid on deposits, commission and fees charge as well bank services. It is believed that banks fees and charges should not be exploitative but should reflect the true value of the service. Price as one of the marketing mix in banks is a major marketing strategy, because it has major impact on profit (Zethaml and Bittner, 2000).

Price strategy is one of marketing strategy in AB for the purpose of measuring price strategy, four items is selected through intensive literature and other research reviews. The respondents' survey result summarized as follows.

Table 4.7 Price strategy

No.	Price Strategy	N		Mean	Std. Deviation
		Valid	Missing		
1	AB fees and charges are reflecting the true value of the service.	150	-	4.21	0.626
2	AB pricing strategy is in line with the bank business goals.	150	-	3.61	0.956
3	When determining price of the product/service, AB consider the cost, corporate objectives & strategy, marketing mix, product life cycle of products demand, competition, positioning, etc.	150	-	4.57	0.452
4	The main objective of the pricing strategy of AB is matching to the one of the competitors or beating the competitors' prices	150	-	4.42	0.589

Source: - SPSS output from Survey result

According to the above survey result respondents give higher result for when determining price of the product/service, AB consider the cost, corporate objectives & strategy, marketing mix, product life cycle of products demand, competition, positioning, etc. and The main objective of the pricing strategy of AB is matching to the one of the competitors or beating the competitors'

prices with mean result of 4.57 and 4.42 respectively. AB fees and charges are reflecting the true value of the service and AB pricing strategy is in line with the bank business goals are the other items to measure AB price strategy and the survey shows 4.21 and 3.61 mean results which well above the average mean. So we can conclude that all items in price strategy are well exercised and used by AB.

### 4.4.3 Place Strategy

This is simply the distribution strategy. It is concerned with making the banking products and services available at the desired time and place (Abolaji, 2009). Channel of distribution in Nigeria banks have greatly increased since the consolidation agenda of the Central Bank of Nigeria. Channels of distribution in banks include Automated Teller Machine, Branch Network, Credit Cards, Mobile banking, Telephone Banking, and E-mail Banking among others. The more channels of distribution a bank has, the more customers it serves and the more returns it makes.

Place strategy is one of marketing strategy in AB for the purpose of measuring place strategy, three items is selected through intensive literature and other research reviews. The respondents' survey result summarized as follows.

Table 4.8 Place strategy

No.	Place Strategy	N		Mean	Std. Deviation
		Valid	Missing		
1	AB gives its products/services in convenient and accessible location to its customers.	150	-	4.71	0.336
2	AB is concerned with making the bank products and services available at the desired time and place	150	-	4.13	0.651
3	AB effectively and efficiently use Channels of service distribution which includes Automated Teller Machine, Branch Network, Credit Cards, Mobile banking, POS, Telephone Banking etc	150	-	4.63	0.415

Source: - SPSS output from Survey result

Respondents high score for price strategy then the other marketing strategies this shows with the mean result of 4.71 for AB gives its products/services in convenient and accessible location to its customers, 4.63 for AB effectively and efficiently use Channels of service distribution which

includes Automated Teller Machine, Branch Network, Credit Cards, Mobile banking, POS, Telephone Banking etc and 4.13 for AB is concerned with making the bank products and services available at the desired time and place.

#### 4.4.4 Promotion Strategy

This is regarded as the marketing function concerned with persuasive communication to target audience in order to facilitate exchange between banks and their customers. Promotion mix include –advertising, personal selling, sales promotion and public relations (Brassington and Pettitt, 2000). Promotional activities of banks in Nigeria have increased greatly because of the level of competition in the industry. Thus, promotional activities are believed to have great impact on banks returns.

Promotion strategy is one of marketing strategy in AB for the purpose of measuring promotion strategy, four items is selected through intensive literature and other research reviews. The respondents’ survey result summarized as follows.

Table 4.9 Promotion strategy

No.	Promotion Strategy	N		Mean	Std. Deviation
		Valid	Missing		
1	AB promotion strategy objective is positioning of the brand, creating high level of awareness about the products/services, information regarding changes to products/services and creating an interest and connection with the consumer with the ultimate goal of leading them to action.	150	-	4.15	0.655
2	AB message presented to consumers is clear and simple also it is consistent with consumer believes and perception.	150	-	4.41	0.588
3	AB give information about the product/service and support the customers so that they can easily adopt and use it.	150	-	4.59	0.423
4	AB use public relations effectively through sponsorship or participating in humanitarian actions as mode of promotion.	150	-	3.26	0.995

Source: - SPSS output from Survey result

According to the above survey result respondents give higher result for AB give information about the product/service and support the customers so that they can easily adopt and use it with mean value of 4.59, AB message presented to consumers is clear and simple also it is consistent with consumer believes and perception with mean value of 4.41 and AB promotion strategy objective is positioning of the brand, creating high level of awareness about the products/services, information regarding changes to products/services and creating an interest and connection with the consumer with the ultimate goal of leading them to action with mean value of 4.15. Low mean score is given by the respondent to AB use public relations effectively through sponsorship or participating in humanitarian actions as mode of promotion, but it is well average score so that the item can be used to explain promotion strategy of AB .

#### 4.5 Analysis of Financial Performance

Four items is selected to measure the dependent variable i.e financial performance of AB through intensive literature reviews and using other published researches as a bench mark. The respondents' survey result summarized as follows.

Table 4.10 financial performance measurements

Bank performance measurements		N		Mean	Std. Deviation
		Valid	Missing		
<b>Bank Profit (Financial Performance)</b>	Overall Profit Margin of AB is achieved related to other competitors in the industry.	150	-	3.67	1.082
	Market share growth of AB is achieved related to other competitors in the industry.	150	-	4.03	0.862
	Return on investment of AB is achieved related to other competitors in the industry.	150	-	4.09	0.834
	Return on equity of AB is achieved related to other competitors in the industry.	150	-	3.70	0.994

Source: - SPSS output from Survey result

Tables 4.6 shows that Return on investment of AB is achieved related to other competitors in the industry, market share growth of AB is achieved related to other competitors in the industry, return on equity of AB is achieved related to other competitors in the industry and overall profit margin of AB is achieved related to other competitors in the industry are well scored by the

respondents with mean score of 4.09, 4.03, 3.70 and 3.67. This result shows that all items are well scored so we can use them as a AB performance measurement.

## 4.6 Correlation Analysis

The most commonly used relational statistic is correlation (r) and is a measure of the strength of a relationship between two variables, but not causality. Interpretation of a correlation coefficient (A correlation coefficient is a number between -1 and 1 which measures the degree to which two variables are linearly related. If there is a perfect linear relationship with a positive slope between the two variables, it is a correlation coefficient of 1. If there is a positive correlation whenever one variable has a high (low) value, so does the other. If there is a perfect linear relationship with a negative slope between the two variables, there is a correlation coefficient of -1. If there is a negative correlation, whenever one variable has a high (low) value; the other has a low (high) value. A correlation coefficient of 0 means that there is no linear relationship between the variables (Valerie and McColl, 2005) does not even allow the slightest hint of causality. In statistics it is generally accepted that observational studies (e.g. counting the number of retailers performing badly) can provide hints, but can never establish cause and effect (Anonymous , 2005b). The more two things have certain characteristics in common, the more strongly they are related.

Table 4.11; Correlation between marketing strategies of AB

		Product Dev't Strategy	Pricing Strategy	Placing Strategy	Promotion Strategy
Product Development Strategy	Pearson Correlation Sig. (2-tailed) N	1  150			
Pricing Strategy	Pearson Correlation Sig. (2-tailed) N	.669** 0.002 150	1  150		
Placing Strategy	Pearson Correlation Sig. (2-tailed) N	.702** 0 150	0.533** 0.009 150	1  150	

Promotion Strategy	Pearson Correlation	.637**	.455**	.621**	1
	Sig. (2-tailed)	0	0	0	
	N	150	150	150	150

Source: - SPSS output

The Pearson correlation is used to measure the strength and direction of linear relationships between pairs of continuous variables.

The above Pearson Correlation matrix table depicts the strength of the association between marketing strategies of AB. Generally it indicates that marketing strategies of AB have strong and significant correlations except weak correlation exists between promotion strategy and pricing strategy compared with other strategies.

The above Pearson Correlation matrix reveals that there are strong inter correlation between product development strategy and placing strategy ( $r = 0.702$ ,  $p < 0.01$ ) and pricing strategy and Product development strategy ( $r = 0.669$ ,  $p < 0.01$ ) exists. Similarly, there are inter correlation between promotion strategy and placing strategy ( $r = 0.621$ ,  $p < 0.01$ ) and promotion strategy and Product development strategy ( $r = 0.637$ ,  $p < 0.01$ ). On the other hand moderate correlation and significant relationship exists between placing strategy and pricing strategy ( $r = 0.533$ ,  $p < 0.01$ ). This leads to the conclusion that Product development strategy affects the AB financial performance by highly influencing pricing strategy, placing strategy and promotion strategy. In the same way, placing strategy may affect highly by influencing Product development strategy, pricing strategy, and promotion strategy.

## 4.7 Regression Analysis

Regression analysis was performed in order to test the contribution of the Independent variables to financial performance of AB. The results are given in Table 4.12 and 4.13.

Table 4.12: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.835 <sup>a</sup>	0.764	0.704	0.41259

a. Independent: (Constant), Product development strategy, Pricing strategy, Placing strategy and Promotion strategy
b. Dependent: Variable: Financial Performance

Source: - SPSS output

This table shows that R-square value is 0.764 which is significant at 5% level. As we can see in table 4.8, P-value of this model is < 0.05. This explains that 76.4% of the variation in financial performance of Awash Bank are explained by the Independent variables namely product development strategy, pricing strategy, placing strategy and promotion strategy. Adjusted R-square of 0.704 reveals that model has accounted for 70.4% of the variance in the criterion variable.

According to table 4.9 the regression formula is given as under;

$$Y = 0.479 + 0.332PD + 0.893PS + 0.455PS + 0.298PS$$

Table 4.13: Coefficient of variables

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	0.479	0.235		1.213	0.002
Product development strategy	0.332	0.043	0.485	4.444	0
Pricing strategy	0.893	0.036	1.018	12.544	0.001
Placing strategy	0.455	0.066	0.606	5.735	0.001
Promotion strategy	0.298	0.052	0.425	3.867	0.003
a. Independent Variable; (Constant), Product development strategy, pricing strategy, Placing strategy and Promotion strategy					
b. Dependent Variable; Financial Performance					

Source: - SPSS output

## 4.8 Testing of Hypotheses

To test the hypothesis, a multiple regression was run on SPSS which gave the overall fitness of the model which was presented in the above table and the significances of each Independent variable in affecting the Dependent variable.

**Table 4.14: Result of hypothesis testing**

Hypotheses	Relationship	Coefficient	t - value	p - value	Results
H1	Product development strategy → FP	0.332	4.444	< 0.05	Accepted
H2	Pricing strategy → FP	0.893	12.544	< 0.05	Accepted
H3	Placing strategy → FP	0.455	5.735	< 0.05	Accepted
H6	Promotion strategy → FP	0.146	1.836	< 0.05	Accepted

Source: - Own summary from regression output      \*\* FP = Financial performance

**Hypothesis 1:** Product development strategy has a significant and positive effect on financial performance of Awash bank.

Based on the tables and justifications provided in this study, Product development strategy has a positive and significant relationship with the financial performance of Awash bank, where the t-statistic value was calculated to be 4.444 at p value < 0.05. The value of the coefficient of Product development strategy was also found to be 0.332 which means that, which indicates that keeping other factors constant, a unit change in Product development strategy causes a 33.2% increase in financial performance of Awash bank. Therefore, H1 is accepted.

**Hypothesis 2:** Pricing strategy has a significant and positive effect on financial performance of Awash bank.

As shown in the table above, the coefficient of pricing strategy was computed to be 0.893, which means that a unit change in pricing strategy has the influence to increase financial performance of Awash Bank by 89.3% assuming all other variables constant. The calculated t-statistic value of this Independent variable is 12.544 at p value < 0.05, which proves a positive and significant relationship with the financial performance of Awash bank. Therefore, H2 is accepted.

**Hypothesis 3:** Placing strategy has a significant and positive effect on financial performance of Awash bank.

Based on the tables and justifications provided in this study, placing strategy has a positive and significant relationship with the financial performance of Awash bank, where the t-statistic value



was calculated to be 5.735 at p value  $< 0.05$ . The value of the coefficient of Placing strategy was also found to be 0.455 which means that, which indicates that keeping other factors constant, a unit change in Placing strategy causes a 45.5% increase in financial performance of Awash bank. Therefore, H3 is accepted.

**Hypothesis 4:** promotion strategy has a significant and positive effect on financial performance of Awash bank.

Based on the tables and justifications provided in this study, promotion strategy has a positive and significant relationship with the financial performance of Awash bank, where the t-statistic value was calculated to be 1.836 at p value  $< 0.05$ . The value of the coefficient of promotion strategy was also found to be 0.146 which means that, which indicates that keeping other factors constant, a unit change in promotion strategy causes a 14.6% increase in financial performance of Awash bank. Therefore, H4 is accepted.

## CHAPTER FIVE

### Summary, Conclusion and Recommendations

This chapter summarizes the findings and discusses the conclusions drawn from the study also it provides recommendation.

#### 5.1 Summary of the Findings

The purpose of this study is to examine the effects of marketing strategies on financial performance. The research tries to answer the following question.

- Identify the marketing strategies that is adopted in Awash bank?
- What are the effects of these marketing strategies on AB financial performance?

A conceptual framework for measuring effects of marketing strategy on AB financial performance is developed by using the marketing impact model. A sample of 183 respondents was drawn from employees of AB found in Addis Ababa. A structured and unstructured questionnaire was distributed to these respondents. Primary data were collected by means of a semi- structured and structured questionnaire. The questionnaire was self-administered via the use of email, drop and pick later method to the respective AB assistant branch managers and marketing officers. The instrument (a self-administered questionnaire) for marketing strategy variables contained 4 items for Product development strategy, 4 items for Price strategy, 3 items for place strategy and 4 items for promotion strategy also 4 items are used to measure the financial performance of AB. The items were assessed on a five-point Likert scale where 1 stands for “strongly disagree” and 5 for “strongly agree”. However, the response rate from among the intended samples was only 81.97%. SPSS V 20.0 was used to analyze the data. Four hypotheses were framed for this study. Out of total respondents 34.88% of them have the opinion

that marketing strategies are highly effective, 46.51% effective and 18.60%, moderately effective. This is attributed to marketing strategies being very vital in success of financial performance. Cronbach's alpha coefficient for marketing strategies test shows 0.812; this indicates good internal consistency and reliability among the items within each strategy. Also, the results of the factor analysis generally support the assertion that the four marketing strategies in question are valid. The Pearson Correlation matrix indicates that Product development strategy affects the AB financial performance equity by highly influencing pricing strategy, placing strategy and promotion strategy. In the same way, placing strategy may affect highly by influencing Brand Product development strategy, pricing strategy, and promotion strategy. On the other hand, R-square value is 0.764, which means 76.4% of the variation in financial performance of Awash Bank are explained by the independent variables namely product development strategy, price strategy, place strategy and promotion strategy. Adjusted R-square of 0.704 reveals that model has accounted for 70.4% of the variance in the criterion variable. The findings of this study show that all four marketing strategies (product development strategy, price strategy, place strategy and promotion strategy), has a significant positive effect on financial performance of Awash bank, which led to, the acceptance of hypothesis.

## 5.2 Conclusion

Finally, the study answers the following research questions based on the survey result

- 1) Identify the marketing strategies that is adopted in Awash bank?

The survey result shows the respondents' feedback on the Marketing strategies adopted by AB. All the respondents (100%) indicated that all the marketing strategies: product development strategy, pricing strategy, placing strategy and promotion strategy were adopted by Awash bank.

- 2) What are the effects of these marketing strategies on AB financial performance?

The findings of this study shows that all four marketing strategies (product development strategy, price strategy, place strategy and promotion strategy), has a significant positive effect on financial performance of Awash bank, which led to, the acceptance of hypothesis. This shows in the following table.

<b>Hypothesis</b>	<b>Analysis Method</b>	<b>Result</b>
H1	Multiple Regression	Accepted
H2	Multiple Regression	Rejected
H3	Multiple Regression	Accepted
H4	Multiple Regression	Accepted

Source:-own summary

### **5.3 Recommendations**

In view of the above discussion and findings, the following recommendations will be useful to AB and other banks in the process of marketing their services for better delivery of services to their customers which will in turn increase financial performance.

1. Banks should embark, from time to time on marketing research. This is because effective marketing strategies are a product of marketing research. Thus, good and adequate marketing mix is a product of effective marketing research too. Marketing research will bring about innovation, better services for customer and better method of production and processing.
2. In adopting marketing strategies, AB should also compare different company's strategies and access the success and the failure of such strategies in the industry.
3. Banks should avoid unethical marketing behavior such as: dishonesty, unexpected price change, being rigid, abuse of position, misuse of information, violation of confidentiality, lack of equitable treatment, and poor product quality among others.

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## Annex

**St. Mary's University**  
**School of Graduate Studies**

Dear respondent,

This questionnaire is prepared to undertake a research on the effects of marketing strategies on financial performance in case of AB. The data will be used in writing research for partial fulfillment for the requirement of the post graduate general business administration by St. Mary University. Dear respondent your valuable response is vital for successful accomplishment of the study and you are kindly requested to respond as thoughtful and frankly as possible. Your responses are kept confidential and it will be used only for this research purpose. I am grateful to you for your co-operation.

- Answer all questions as indicated by either filling in the blank or ticking the option that applies.

### **Section A: Background Information**

1) Sex of respondents:        Male     (   )        Female (   )

2) Level of education

Diploma     (   )

BA Degree   (   )

MA Degree   (   )

3) For how long have you worked for AB ?

Less than 1 years     (   )

5 to 5 years            (   )

6 to 10 years           (   )



More than ten years ( )

**Section B: Marketing Strategies Used To improve financial Performance**

4) Does the bank employ marketing strategies in order to improve financial performance?

Yes ( ) No ( )

5) If your answer is “yes” kindly indicate them

---

6) Indicate some of the marketing strategies adopted by AB (you can choose more than one)

<b>Strategies</b>		<b>Yes</b>	<b>No</b>
<b>1</b>	Product development strategy		
<b>2</b>	Pricing strategy		
<b>3</b>	Placing strategy		
<b>4</b>	Promotion strategy		

7) If any, please mention some marketing strategies adopted by AB.

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8) To what extent are marketing strategies used by AB is effective

Highly effective ( )

Effective ( )

Moderately effective ( )

Little effective ( )

No effective at all ( )

9) Indicate your level of agreement with the following statements relating to marketing strategies

(Key 1= strongly disagree, 2= disagree 3 = moderately agree, 4 Agree and 5 = strongly Agree)

<b>Marketing Strategies</b>	<b>Marketing Strategy measurements</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>Product Development Strategy</b>	AB timely eliminate the products/services that do not suit the needs and demands of the market.					
	AB develop and launch new products in order to satisfy the needs and wants of its customers.					
	AB frequently review product/service in comparison with customers' needs and if necessary the product/service will be modified.					
	AB is innovative to start new products/services.					
<b>Pricing Strategy</b>	AB fees and charges are reflecting the true value of the service.					
	AB pricing strategy is in line with the bank business goals.					
	When determining price of the product/service, AB consider the cost, corporate objectives & strategy, marketing mix, product life cycle of products demand, competition, positioning, etc.					
	The main objective of the pricing strategy of AB is matching to the one of the competitors or beating the competitors' prices					
<b>Placing Strategy</b>	AB gives its products/services in convenient and accessible location to its customers.					
	AB is concerned with making the bank products and services available at the desired time and place					
	AB effectively and efficiently use Channels of service distribution which includes Automated Teller Machine, Branch Network, Credit Cards, Mobile banking, POS, Telephone Banking etc					
<b>Promotion Strategy</b>	AB promotion strategy objective is positioning of the brand, creating high level of awareness about the products/services, information regarding changes to products/services and creating an interest and connection with the consumer with the ultimate goal of leading them to action.					
	AB message presented to consumers is clear and simple also it is consistent with consumer believes and perception.					
	AB give information about the product/service and support the customers so that they can easily adopt and use it.					
	AB use public relations effectively through sponsorship or participating in humanitarian actions as mode of promotion.					

<b>Bank performance measurements</b>		<b>Much Better</b>	<b>Better</b>	<b>Moderate</b>	<b>Worse</b>	<b>Much Worse</b>
<b>Bank Profit (Financial Performance)</b>	Overall Profit Margin of AB is achieved related to other competitors in the industry.					
	Market share growth of AB is achieved related to other competitors in the industry.					
	Return on investment of AB is achieved related to other competitors in the industry.					
	Return on equity of AB is achieved related to other competitors in the industry.					

**Thank you for your time**