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**ST. MARY'S UNIVERSITY**  
**MASTERS OF BUSINESS ADMINISTRATION**  
**SCHOOL OF GRADUATE STUDIES MBA PROGRAM**

**MARKETING CHALLENGES AND STRATEGIES FOR NEW ENTRANTS IN THE BANKING  
SECTOR (STUDY ON AHADU BANK)**

**BY: ROZA SEID**  
**ADVISOR: TESFAYE T. (PhD)**

**JANUARY, 2025**  
**ADDIS ABABA, ETHIOPIA**

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**A THESIS PROPOSAL SUBMITTED TO THE SCHOOL OF GRADUATE STUDIES OF ST.  
MARY'S UNIVERSITY IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE  
DEGREE OF MASTER OF BUSINESS ADMINISTRATION (MBA)**

**JANUARY, 2025  
ADDIS ABABA, ETHIOPIA**

## DECLARATION

I, Roza Seid, hereby declare that this thesis titled "Marketing Challenges and Strategies for New Entrants in the Banking Sector" A Study on Ahadu Bank is my original work. All sources and materials used for this thesis are appropriately cited and acknowledged. I affirm that this work has not been submitted in any form to any other institution for any other degree or diploma. This thesis is submitted in partial fulfillment of the requirements for the degree of Master of Business Administration (MBA) at St. Mary's University, School of Graduate Studies. I understand that any breach of the principles of academic honesty and integrity, including but not limited to plagiarism, may result in disciplinary action by the university.

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School of Graduate Studies

January, 2025

Addis Ababa, Ethiopia

## APPROVAL OF BOARD OF EXAMINERS

We, the undersigned, members of the Board of Examiners, hereby certify that we have read and evaluated the thesis titled "Marketing Challenges and Strategies for New Entrants in the Banking Sector: A Study on Ahadu Bank" submitted by Roza Seid in partial fulfillment of the requirements for the degree of Master of Business Administration (MBA) at St. Mary's University, School of Graduate Studies. We recommend that this thesis be accepted as fulfilling the requirements for the degree.

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January, 2025

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## ACRONYMS

AHB: Ahadu Bank

ATM: Automated Teller Machine

CSR: Corporate Social Responsibility

IMF: International Monetary Fund

NBE: National Bank of Ethiopia

SEO: Search Engine Optimization

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## ABSTRACT

*This study explores the marketing strategies of Ahadu Bank and their impact on customer engagement and satisfaction in the Ethiopian banking sector. The primary objectives were to identify key marketing challenges, assess the bank's differentiation strategies, analyze the influence of resource limitations, and evaluate the role of digital banking and customer feedback in shaping marketing initiatives. The study also examined the effects of external factors, such as economic instability and competition, on the bank's marketing performance. A mixed-methods approach was employed, combining quantitative data collected through structured questionnaires with qualitative insights from interviews conducted with key stakeholders, including managers and marketing professionals at Ahadu Bank. The research focused on the bank's operations in Addis Ababa and covered a two-year period from 2022 to 2024. The findings revealed that Ahadu Bank faces significant marketing challenges, including budget constraints, limited branch expansion, and regulatory pressures. Despite these obstacles, the bank has effectively leveraged digital banking innovations, such as self-onboarding and partnerships with Telebirr, to enhance customer acquisition and engagement. Customer feedback emerged as a critical component of the bank's marketing strategy, guiding service improvements and campaign adjustments. The study concluded that while Ahadu Bank has successfully differentiated itself through inclusivity and innovation, further investments in digital marketing, data analytics, and branch expansion are necessary to sustain its competitive edge. Recommendations include enhancing digital engagement, expanding financial inclusion programs, leveraging customer feedback systems, and adapting to regulatory and economic changes. These steps will strengthen Ahadu Bank's position in the competitive Ethiopian banking sector.*

**Key Words; marketing strategies, customer engagement, digital banking, customer feedback, Ethiopian banking sector, economic instability, competition, resource limitations**

## CHAPTER ONE

### 1. INTRODUCTION

#### 1.1. Background of the Study

The global banking industry has experienced significant changes over the past few decades, driven by rapid advancements in technology, evolving consumer preferences, and increasing competition. These shifts have heightened the need for innovative marketing strategies, especially for new entrants trying to establish themselves in competitive markets. Globally, banks leverage diverse marketing strategies, including digital marketing, customer relationship management, and personalized service delivery to attract and retain customers in an increasingly digital landscape (Kotler & Keller, 2016). The pressures from established banks, regulatory compliance, and the need for substantial capital investments pose considerable marketing challenges for new entrants (Oliver, 2021). While established institutions often dominate in mature banking markets like North America and Europe, new entrants continue to navigate these challenges by focusing on niche markets and harnessing innovative technologies (Berger et al., 2017).

In Africa, banking remains an evolving sector, characterized by a blend of traditional practices and emerging technological solutions (KPMG, 2020). The African banking sector is marked by high levels of financial exclusion, with over 50% of the population unbanked, yet the continent presents tremendous growth opportunities for new entrants (Demirgüç-Kunt et al., 2018). Many African countries have seen a rise in financial inclusion initiatives, supported by mobile banking platforms and digital financial services (McKinsey & Company, 2018). In recent years, digital and mobile-based marketing strategies have been critical for banks across Africa as they attempt to broaden access to financial services and reach previously underserved populations (Accenture, 2019). However, new entrants face various challenges, including limited infrastructure, regulatory barriers, and competition from large, established institutions, especially in urban centers (PwC, 2021).

Focusing on Ethiopia, the banking sector is relatively young but rapidly expanding due to ongoing economic reforms and regulatory adjustments designed to stimulate growth and innovation (National Bank of Ethiopia, 2020). Unlike many African nations, Ethiopia's banking

industry has historically been closed to foreign players, creating a unique, somewhat insulated market (IMF, 2019). In this setting, local banks experience a unique set of challenges, particularly in terms of competition and customer acquisition, which makes effective marketing critical. In response, new Ethiopian banks, including Ahadu Bank, are implementing strategies to differentiate themselves and capture market share. According to Alemayehu et al. (2020), Ethiopian banks, especially new entrants, are increasingly focusing on digital channels and community-based marketing to address the gap in service accessibility.

Addis Ababa, as Ethiopia's economic and financial hub, houses the majority of the country's banking institutions, presenting both opportunities and challenges for new banks (World Bank, 2021). The city's banking sector is characterized by intense competition as established banks, such as Commercial Bank of Ethiopia and Dashen Bank, dominate the market. New entrants like Ahadu Bank face the challenge of breaking into a market with highly established players. To succeed, Ahadu Bank must implement targeted marketing strategies that cater to the specific needs of Addis Ababa's diverse population, focusing on customer acquisition, retention, and brand visibility in a crowded market (Adugna, 2022).

Ahadu Bank, a recent addition to Ethiopia's banking industry, exemplifies the challenges faced by new entrants attempting to penetrate an established market. Despite being a new player, Ahadu Bank has embraced digital transformation and customer-centric marketing strategies, aiming to build a competitive advantage. However, it contends with challenges like brand recognition, customer trust, and limited market experience (Ahadu Bank, 2023). Effective marketing strategies are essential for Ahadu Bank to overcome these barriers and establish a significant market presence. Understanding the unique challenges and opportunities within Addis Ababa's banking sector could provide actionable insights for Ahadu Bank and other new entrants seeking to navigate this competitive landscape.

### Statement of the Problem

The Ethiopian banking sector is undergoing rapid expansion, with numerous new banks entering the market following recent regulatory changes aimed at enhancing financial inclusion and competition (National Bank of Ethiopia, 2023). This influx of new entrants presents opportunities for increased accessibility to financial services across Ethiopia, particularly in underserved and rural areas. However, new banks face considerable challenges in establishing themselves within a market that has been historically dominated by a few established institutions.

These established banks have entrenched customer bases, extensive branch networks, and strong brand recognition, which create substantial entry barriers for newer players like Ahadu Bank.

Ahadu Bank, a recent entrant in Ethiopia's banking sector, embodies the challenges faced by new players attempting to break into this competitive industry. Since its inception, Ahadu Bank has encountered several marketing-related obstacles, including brand awareness issues, limited customer trust, and difficulty in differentiating itself from established competitors. In an environment where customer loyalty and trust are key determinants of success, new entrants must invest significantly in marketing strategies that not only promote their services but also build credibility and consumer confidence (Fufa, 2024). However, marketing strategies effective in other contexts may not yield similar results in Ethiopia, where customers often display a preference for established and locally trusted institutions.

One of the primary challenges for new banks in Ethiopia, including Ahadu Bank, is overcoming consumer hesitation and mistrust. Due to low financial literacy and a preference for traditional banking relationships, Ethiopian consumers tend to exhibit loyalty to banks with a long-standing presence in the market (World Bank, 2021). This cultural dynamic complicates marketing efforts for new banks, as attracting customers requires not only appealing product offerings but also building trust through consistent service quality and a strong brand identity. Ahadu Bank, in its early stages, faces the task of convincing potential customers of its reliability and security—a challenge intensified by its limited track record and smaller branch network compared to established banks.

In addition to consumer mistrust, Ahadu Bank faces substantial competition from established banks and other new entrants that are simultaneously attempting to capture market share. The Ethiopian banking market is characterized by intense competition, particularly in urban centers like Addis Ababa, where most of the banking sector's resources and customer base are concentrated (Bekele & Dagne, 2022). To stand out, Ahadu Bank must develop innovative marketing strategies that effectively communicate its unique value propositions, such as digital banking services, customer-centric products, or specialized financial solutions. However, without an established brand, Ahadu Bank faces a difficult balancing act of attracting customers while simultaneously proving its long-term viability and trustworthiness.

Further complicating Ahadu Bank's marketing strategy are external pressures, including regulatory restrictions and the rapid digitalization of banking services. Ethiopian regulatory authorities maintain strict oversight of the banking sector, which can limit the flexibility of new banks in their promotional activities and product offerings (National Bank of Ethiopia, 2023). For instance, advertising constraints and limitations on certain types of financial products can restrict how new banks approach their marketing initiatives. Additionally, as digital banking continues to grow, Ahadu Bank must allocate resources to develop a digital presence, which is costly and challenging for a nascent institution. Digital banking requires substantial technological investments, cybersecurity measures, and customer education, adding another layer of complexity to Ahadu Bank's marketing and operational strategies.

## **1.2. Background of the Organization**

The Ethiopian banking sector has seen significant growth, reaching a total of 31 banks as of late 2023. Of these, 29 are privately owned, while the remaining two are state-owned institutions. During the final quarter of the year, these banks collectively opened 314 new branches, raising the national total to 11,281 branches (National Bank of Ethiopia, 2023). This expansion has improved access to banking services across the country, resulting in a national average of one bank branch per 9,541 individuals. Notably, approximately 32.6 percent of all branches are concentrated in the capital, Addis Ababa, which serves as the central hub of financial activity in Ethiopia.

Ahadu Bank, one of the newest entrants in Ethiopia's banking industry, was established to provide a comprehensive range of commercial banking services, addressing both personal and business banking needs. Officially launched on July 16, 2022, Ahadu Bank was founded by a group of forward-thinking entrepreneurs and industry professionals who aimed to contribute to the evolving financial landscape of Ethiopia. The bank's incorporation under Ethiopia's Banking Business Proclamation signifies its commitment to regulatory standards and ethical banking practices (Ahadu Bank, 2022).

At its inception, Ahadu Bank received strong backing from a broad shareholder base, with over 10,000 individuals investing in the institution. The bank successfully raised a subscribed share capital of 703 million birr, of which an initial paid-up capital of 540 million birr was realized.

Demonstrating rapid growth and financial stability, Ahadu Bank's paid-up capital has since doubled to reach 1 billion birr. As of the latest data, the bank operates a network of 100 branches nationwide and employs more than 858 staff members, underscoring its role as a significant player in the Ethiopian banking sector and as a growing employer (NBE, 2023; Ahadu Bank, 2023).

### **1.3. Statement of the Problem**

Entering the banking sector is notoriously challenging for new banks globally, as they face well-established competitors, intense regulatory requirements, and rapidly shifting consumer expectations. These barriers are particularly difficult in today's market, where banks must compete not only on service offerings but also on effective, innovative marketing strategies that enable them to attract and retain customers (Kotler & Keller, 2016). New entrants worldwide, therefore, encounter marketing challenges around building brand recognition, fostering customer trust, and differentiating their services from incumbent banks. As Berger et al. (2017) explain, established banks benefit from their reputation and customer loyalty, which makes it harder for new entrants to build market presence without distinct, effective marketing approaches.

Within the African context, the banking sector faces additional complexities related to infrastructure, regulatory hurdles, and significant levels of financial exclusion (Demirgüç-Kunt et al., 2018). Marketing strategies for banks in Africa often emphasize digital outreach and financial inclusivity to address unbanked populations, yet these strategies are challenging to implement for new entrants who lack established networks and brand presence (Accenture, 2019). Furthermore, large banks with robust marketing budgets make it difficult for new banks to gain market share and visibility (KPMG, 2020). While studies highlight the general need for digital and community-based marketing across the continent, few explore the specific challenges that individual new banks face, particularly in intensely competitive urban areas (PwC, 2021).

In Ethiopia, the banking landscape has evolved amid recent economic reforms and growing competition. Although the sector was historically closed to foreign competitors, new local banks continue to emerge, striving to meet consumer needs with innovative marketing and service offerings (National Bank of Ethiopia, 2020). Research on Ethiopian banks has focused heavily on operational aspects and digital transformation but has only lightly addressed the marketing

challenges for new entrants. Marketing remains a critical yet under-researched area, especially as these banks attempt to build customer bases within an entrenched market environment (Alemayehu et al., 2020). New banks in Ethiopia not only have to contend with low consumer awareness and high loyalty to established banks, but also face the task of implementing marketing strategies that align with Ethiopian customers' preferences and banking habits (IMF, 2019).

In Addis Ababa, the epicenter of Ethiopian banking activity, competition is especially fierce. The city hosts some of the largest banks in the country, like Commercial Bank of Ethiopia, whose longstanding brand equity and resources make market penetration exceptionally difficult for new entrants (World Bank, 2021). Research on Addis Ababa's banking sector suggests that while digital marketing and customer-centric approaches are growing in importance, the unique marketing strategies that new entrants could use to capture this city's diverse market are underexplored (Adugna, 2022).

Ahadu Bank, as a recent entrant to this challenging environment, exemplifies the marketing struggles of new banks in Ethiopia. Despite adopting digital marketing channels and attempting to position itself as a customer-centric bank, Ahadu Bank grapples with brand recognition, customer trust, and market share acquisition. Current literature on Ethiopian banking primarily highlights macro-level challenges and strategies, leaving a significant gap in understanding the specific marketing barriers and strategies that new banks like Ahadu Bank need to successfully compete. The research gap is thus clear: while much has been written on Ethiopian banking's operational and regulatory challenges, there is little empirical analysis on the marketing strategies that can help new entrants establish themselves effectively within Ethiopia's competitive banking sector (Ahadu Bank, 2023).

The entry of new banks like Ahadu Bank into Ethiopia's rapidly expanding banking sector brings unique opportunities for increasing financial inclusion and stimulating competition. However, these new entrants face substantial marketing challenges as they attempt to establish themselves within a market dominated by longstanding institutions with well-established customer bases, extensive networks, and strong brand identities (National Bank of Ethiopia, 2023). Established banks benefit from entrenched brand loyalty and trust among Ethiopian consumers, who often prefer familiar institutions due to factors like low financial literacy and a conservative banking

culture (World Bank, 2021). Consequently, new entrants such as Ahadu Bank encounter obstacles in building brand awareness, earning customer trust, and achieving competitive differentiation in a saturated market.

Ahadu Bank, which began operations in 2022, must address several critical issues to succeed in Ethiopia's competitive banking landscape. Its marketing efforts are hindered by the bank's limited visibility and the challenge of establishing brand credibility among potential customers who remain skeptical of new financial entities. Despite the bank's efforts to implement customer-centric and digital marketing strategies, it still struggles to overcome customers' preference for established banks that have a more significant presence and a proven track record (Fufa, 2024). Studies on consumer behavior in Ethiopia highlight that, unlike in other countries, where digital innovations quickly attract customers, Ethiopian consumers are generally slower to adopt new financial institutions and digital banking services due to unfamiliarity and mistrust (Bekele & Dagne, 2022).

Another pressing challenge for Ahadu Bank is the intense competition within Addis Ababa, where the majority of Ethiopia's banking resources and customer base are concentrated (World Bank, 2021). Established players such as Commercial Bank of Ethiopia and Dashen Bank command a significant market share, creating high entry barriers for new banks. To gain a foothold, Ahadu Bank must differentiate itself through innovative marketing strategies tailored to the needs of Addis Ababa's diverse population, including offering unique value propositions and delivering exceptional customer service. However, developing such strategies is challenging, as new banks face resource limitations and lack the expansive branch networks enjoyed by established institutions (Adugna, 2022).

Additionally, regulatory constraints present further marketing challenges for Ahadu Bank and other new entrants. Ethiopia's banking sector is heavily regulated, limiting the scope of advertising, product innovation, and customer outreach that banks can undertake (National Bank of Ethiopia, 2023). Such restrictions place newer banks at a disadvantage by constraining their marketing flexibility and limiting their ability to implement aggressive customer acquisition strategies. Furthermore, as the banking industry increasingly shifts toward digitalization, Ahadu Bank must allocate significant resources toward developing a competitive digital presence, which requires investments in technology, cyber security, and consumer education. These

demands are particularly taxing for a new bank with limited capital, which must balance the cost of digital transformation with the need to maintain high service standards.

The existing literature on Ethiopia's banking sector primarily focuses on consumer behavior, financial inclusion, and the competitive dynamics among established banks. However, there is limited research addressing the unique marketing challenges and strategies specific to new entrants in Ethiopia, such as Ahadu Bank. This gap in the literature highlights the need for a focused study on the marketing obstacles and strategic approaches employed by new banks in overcoming entry barriers and competing effectively. By exploring these issues, this research aims to provide insights that could inform future marketing strategies for Ahadu Bank and similar institutions, ultimately contributing to the growth and dynamism of Ethiopia's banking industry.

This study aims to fill this gap by examining the marketing challenges faced by Ahadu Bank as a new entrant in the Ethiopian banking sector. Through a deep analysis of the current marketing practices, this research seeks to identify targeted strategies that address the unique conditions within the Ethiopian market, providing actionable insights for Ahadu Bank and similar new entrants to achieve sustainable growth and competitiveness.

## **1.4. Objectives of the Study**

### **1.4.1. General Objective**

The general objective of this study is to investigate the marketing challenges and strategic approaches Ahadu Bank employs as a new entrant in the competitive Ethiopian banking sector.

### **1.4.2. Specific Objectives**

1. To identify the marketing challenges Ahadu Bank faces in building brand recognition and customer trust within a competitive financial market.
2. To evaluate the effectiveness of Ahadu Bank's current marketing strategies in addressing these challenges and differentiating itself from competitors.

3. To examine how external factors, such as market competition and evolving consumer preferences, shape Ahadu Bank's marketing strategies.
4. To explore potential avenues for innovation in Ahadu Bank's marketing approaches to enhance its competitive advantage and long-term growth.

### **1.5. Research Questions**

The following are the basic research questions.

1. What are the main marketing challenges that Ahadu Bank encounters in establishing its market presence and building customer loyalty?
2. How effective are Ahadu Bank's current marketing strategies in overcoming these challenges?
3. In what ways do external factors, such as industry competition and shifts in consumer preferences, impact Ahadu Bank's marketing strategies?
4. What innovative marketing strategies could Ahadu Bank employ to strengthen its market position and appeal to a broader customer base?

### **1.6. Significance of the Study**

This study, titled "Exploring Marketing Challenges and Strategies for New Entrants in the Banking Sector," holds particular significance as it centers on Ahadu Bank, a newly established player in the Ethiopian banking industry. Unlike much of the existing research, which primarily focuses on long-established banks, this study explores the unique marketing challenges that Ahadu Bank faces in its efforts to build brand recognition and attract customers within a highly competitive landscape. By identifying these specific obstacles, the study provides a comprehensive view of the difficulties that new banks encounter, offering insights essential for strengthening their marketing effectiveness and supporting their business growth.

Beyond Ahadu Bank's immediate context, this research also examines external influences, such as competitive dynamics and shifting consumer preferences, which add complexity to the marketing efforts of new entrants. By highlighting opportunities for innovation and adaptation within Ahadu Bank's strategies, the study presents actionable recommendations not only for

Ahadu Bank but also for other newly established banks seeking to enhance their competitive standing. The insights generated by this research wasnefit both current and prospective new banks, offering a roadmap to navigate the marketing challenges unique to early stages in the banking sector.

Furthermore, this study lays the groundwork for future research by expanding the understanding of marketing dynamics specifically faced by new entrants in the banking sector. Its findings contribute valuable knowledge that can inform the development of marketing strategies in emerging banking institutions, advancing the broader field of banking marketing studies.

### **1.7. Scope of the Study**

The research was conducted within Ethiopia, specifically focusing on Ahadu Bank's operations in Addis Ababa. This geographic focus was selected due to the city's prominence as the economic and financial hub of the country, providing a representative sample of the bank's urban clientele. The study aimed to understand how Ahadu Bank's marketing strategies are implemented and received within this highly competitive market.

The study employed a mixed-methods approach, incorporating both quantitative and qualitative research techniques. Quantitative data were collected through structured questionnaires distributed to customers and employees of Ahadu Bank. This was complemented by qualitative data obtained from interviews with key stakeholders, including managers and marketing professionals within the bank. This methodological framework allowed for a comprehensive analysis of the bank's marketing strategies, incorporating both statistical insights and nuanced perspectives from stakeholders.

The study covered a period of two years, from 2022 to 2024, reflecting the recent marketing strategies and their impact on customer satisfaction during this timeframe. This time scope was chosen to capture the post-pandemic recovery phase, which significantly influenced customer behavior and banking operations, thereby providing relevant and timely insights into the effectiveness of the bank's strategies.

## **1.8. Limitation of the Study**

This study is specifically focused on Ahadu Bank's head office to examine the marketing challenges and strategies relevant to new entrants in the banking sector. While this approach allows for in-depth insights into the specific circumstances and strategies of Ahadu Bank, it also limits the generalizability of the findings. The Ethiopian banking sector includes several new banks, each potentially facing distinct challenges and employing varied strategies based on their unique market positioning, geographic locations, and customer demographics.

By concentrating on only one institution, the study may not adequately capture the diversity of experiences and approaches prevalent throughout the broader banking industry. Consequently, the conclusions drawn from this research should be interpreted with caution, as they may not apply universally to all new entrants in the sector. To achieve a more comprehensive understanding of the challenges and strategies faced by new banks, further studies involving multiple institutions would be necessary.

## **1.9. Organization of the Study**

This study is structured into five distinct chapters. Chapter One introduces the topic by presenting the background of the study, stating the problem, outlining the research objectives, formulating research questions, and highlighting the significance and scope of the study. Chapter Two offers a comprehensive review of existing literature, encompassing definitions, both theoretical and empirical studies, and the conceptual framework that underpins this research. Chapter Three elaborates on the methodology employed in the study, detailing the research approach, data collection techniques, and methods of analysis utilized. In Chapter Four, the findings of the research are presented and discussed in relation to previous studies and relevant theoretical frameworks. Finally, Chapter Five summarizes the key findings, draws conclusions based on the research, and provides recommendations for practice and future research. The thesis concludes with a list of references and includes appendices that feature supplementary documents such as survey questionnaires.

## CHAPTER TWO

### 2. LITERATURE REVIEW

#### 2.1. Introduction

The banking sector in Ethiopia is undergoing significant transformation, driven by the increasing competition and the emergence of new entrants such as Ahadu Bank. As the financial landscape evolves, understanding the marketing challenges faced by these new players becomes critical for their success. This literature review aims to provide a comprehensive examination of the theoretical and empirical foundations relevant to the marketing strategies employed by Ahadu Bank. It explores key concepts in branding, consumer behavior, competitive dynamics, and marketing innovations, establishing a framework for analyzing the specific challenges and strategic approaches of the bank.

The review begins with a discussion of the theoretical literature, which lays the groundwork for understanding the principles that guide marketing strategies in the banking sector. This includes an examination of brand equity theories, which elucidate how new banks can build brand recognition and customer trust in a competitive market. The review also covers prominent marketing strategy theories, including Porter's Competitive Strategies, and competitive advantage theory, which provide insights into how Ahadu Bank can position itself effectively against established competitors. Furthermore, consumer behavior theories such as Maslow's Hierarchy of Needs and the Technology Acceptance Model (TAM), was analyzed to understand how evolving consumer preferences impact banking services. Lastly, the innovation diffusion theory was explored to identify avenues for creative marketing approaches that can enhance the bank's competitive edge.

Following the theoretical framework, the literature review delved into empirical studies that provide real-world insights into the challenges and strategies employed by banks in similar contexts. This section highlighted research on brand recognition and customer trust, showcasing the specific challenges faced by new banks. Additionally, it evaluated the effectiveness of current marketing strategies through case studies, emphasizing how Ahadu Bank can leverage successful tactics utilized by others in the industry. The review also investigated empirical findings related to market competition and evolving consumer preferences, offering a nuanced

understanding of the external factors shaping marketing strategies. Moreover, the exploration of innovative marketing approaches reveals best practices and lessons learned from banks that have successfully navigated similar challenges.

Despite the rich body of literature on banking marketing strategies, gaps remain in the context of new entrants like Ahadu Bank in Ethiopia. This review identifies these gaps, particularly the lack of focused studies addressing the specific marketing challenges and innovative strategies employed by new banks in the Ethiopian market. It highlights the need for comprehensive research that connects external factors to the adaptation of marketing strategies in emerging markets, paving the way for future studies in this domain.

The review culminates in the development of a conceptual framework that outlines the key variables influencing Ahadu Bank's marketing strategies. This framework illustrates the relationships between brand recognition, customer trust, external factors, and marketing innovations, providing a structured approach for analyzing the bank's strategic positioning in the competitive landscape.

In conclusion, this literature review aims to synthesize theoretical insights and empirical evidence, addressing the marketing challenges and strategic approaches of Ahadu Bank. By providing a comprehensive understanding of the factors at play, the reviews inform strategic decision-making processes and contribute to the bank's long-term success in the Ethiopian banking sector.

## **2.2. Theoretical Literature Review**

### **2.2.1. Theories of Brand Equity**

Brand equity refers to the value that a brand adds to a product or service, significantly influencing consumer purchasing decisions and overall market performance. The concept encompasses various dimensions that contribute to how consumers perceive a brand and how it stands out in a competitive marketplace. One of the most widely recognized frameworks in this area is Aaker's Brand Equity Model, introduced by David Aaker in his seminal work, *Managing Brand Equity* (1991). This model identifies four key dimensions of brand equity: brand awareness, brand loyalty, perceived quality, and brand associations (Aaker, 1991; Keller, 2013).

Brand awareness is the extent to which consumers can recognize or recall a brand, making it a crucial factor for attracting customers, especially in crowded markets (Keller, 2013; Huang & Sarigöllü, 2014). High brand awareness can lead to increased consumer trust and a higher likelihood of trial and repeat purchases (Kotler & Keller, 2016). On the other hand, brand loyalty reflects the degree to which customers consistently choose a brand over others. Aaker emphasizes that loyal customers not only contribute to stable sales but also serve as brand advocates, further enhancing brand equity through positive word-of-mouth and referrals (Aaker, 1991; Chaudhuri & Holbrook, 2001).

Perceived quality is another critical dimension of Aaker's model, referring to consumers' perceptions of the quality of a brand's products or services compared to competitors (Aaker, 1991; Zeithaml, 1988). Brands that are viewed as high-quality can justify premium pricing and foster customer trust, which is particularly important in sectors like banking, where reliability and quality of service are paramount (Bennett & Rundle-Thiele, 2005; Kotler & Keller, 2016). Studies have shown that a strong perception of quality directly correlates with customer satisfaction and loyalty, reinforcing the notion that perceived quality is integral to building brand equity (Chaudhuri & Holbrook, 2001). Furthermore, brand associations encompass the attributes, benefits, and overall image that consumers link to a brand (Aaker, 1991). These associations can be influenced by marketing communications, customer experiences, and external factors like social and cultural contexts (Keller, 2013). Strong, positive brand associations contribute to consumer loyalty and differentiate a brand in the marketplace, making it essential for organizations to manage these associations effectively (Bennett & Rundle-Thiele, 2005; Kotler & Keller, 2016).

The relationship between brand equity and customer trust is another critical aspect of brand management that deserves attention. Trust in a brand is often viewed as a fundamental component of customer loyalty and a predictor of long-term customer relationships (Srinivasan et al., 2002; Doney & Cannon, 1997). Brands with high equity are typically perceived as more reliable and credible, which fosters consumer trust (Chaudhuri & Holbrook, 2001; Morgan & Hunt, 1994). This perception is vital, especially in sectors like banking, where trust can significantly influence customer decisions regarding financial services (Delgado-Ballester & Munuera-Alemán, 2005; Gefen, 2002). Furthermore, loyal customers exhibit higher levels of

trust toward the brand, often resulting in repeat purchases and a willingness to recommend the brand to others (Srinivasan et al., 2002). This loyalty reinforces brand equity, creating a virtuous cycle where strong brand loyalty enhances perceived quality and brand associations, further solidifying consumer trust (Chaudhuri & Holbrook, 2001; Morgan & Hunt, 1994).

Research indicates that consumers are more likely to engage with brands they trust, which can lead to increased market share and profitability (Delgado-Ballester & Munuera-Alemán, 2005; Sweeney & Soutar, 2001). Trust serves as a mediator between brand equity and consumer behavior, affecting decisions such as product adoption, brand switching, and overall brand engagement (Srinivasan et al., 2002). A study by Chaudhuri and Holbrook (2001) illustrates that strong brand equity positively influences customer trust, as consumers often associate well-established brands with higher quality and lower risk of dissatisfaction. This is particularly crucial in industries where consumers are making significant investments, such as in financial services (Delgado-Ballester & Munuera-Alemán, 2005).

In summary, Aaker's Brand Equity Model provides a robust framework for understanding the components of brand equity and their interrelations. By managing brand awareness, loyalty, perceived quality, and brand associations effectively, organizations can build and sustain strong brand equity, which can drive business performance and increase shareholder value (Aaker, 1991; Keller, 2013). Moreover, by fostering customer trust through strong brand equity, organizations can enhance their competitive advantage and drive long-term success in the marketplace (Chaudhuri & Holbrook, 2001; Morgan & Hunt, 1994). Ultimately, the interplay between brand equity and customer trust is essential for sustaining customer relationships and achieving organizational goals in an increasingly competitive environment.

### **2.2.2. Marketing Strategy Theories**

Marketing strategy is a critical component of organizational success, enabling businesses to position themselves effectively within their respective markets. One of the foundational theories in this field is Michael Porter's Competitive Strategies framework, introduced in his landmark book, *Competitive Advantage* (1985). Porter identifies three primary strategies that companies can adopt to achieve a competitive advantage: cost leadership, differentiation, and focus. Cost leadership involves becoming the lowest-cost producer in the industry, which allows firms to

either offer lower prices than competitors or maintain average prices while achieving higher margins (Porter, 1985; Besanko et al., 2013). This strategy is particularly effective in industries with intense competition and price-sensitive consumers. However, pursuing cost leadership requires significant operational efficiency and economies of scale (Grant, 2016).

Differentiation, on the other hand, entails offering unique products or services that stand out in the marketplace, allowing firms to command premium prices (Porter, 1985; Kotler & Keller, 2016). Companies that successfully implement a differentiation strategy focus on enhancing the perceived value of their offerings through quality, design, features, or brand image (Baker, 2014; Kumar & Reinartz, 2016). This approach not only helps build customer loyalty but also reduces price sensitivity among consumers, as they are willing to pay more for perceived superior offerings (Aaker, 1991; Porter, 1996). The focus strategy narrows the competitive scope to a particular market segment, allowing firms to tailor their offerings to the specific needs of that segment (Porter, 1985; Wright et al., 1996). This can manifest as either cost focus, where a company aims to be the lowest-cost producer within a niche market, or differentiation focus, where it offers specialized products to a defined audience (Porter, 1985; Kotler & Keller, 2016).

In addition to Porter's strategies, evaluating marketing effectiveness is crucial for organizations seeking to optimize their strategies and achieve desired outcomes. Various frameworks have been developed to assess the effectiveness of marketing initiatives, one of which is the Marketing Mix Model (also known as the 4Ps: Product, Price, Place and Promotion). This framework provides a comprehensive approach to analyzing how different elements of marketing work together to influence consumer behavior and drive sales (McCarthy, 1960; Kotler & Keller, 2016). By evaluating each component of the marketing mix, companies can identify strengths and weaknesses in their marketing strategies and make data-driven adjustments to enhance performance (Bennett, 1999; Rust et al., 2004).

Another important framework for evaluating marketing effectiveness is the Balanced Scorecard, developed by Kaplan and Norton (1992). This approach allows organizations to measure performance not just through financial metrics, but also by considering customer satisfaction, internal processes, and learning and growth (Kaplan & Norton, 1992; Paranjape et al., 2006). By providing a more holistic view of performance, the Balanced Scorecard helps organizations align their marketing strategies with broader business objectives and ensure that all aspects of the

marketing function are contributing to overall success (Kaplan & Norton, 1996; Möller & Pels, 2007).

Additionally, the Return on Marketing Investment (ROMI) framework has gained traction as a method for evaluating the effectiveness of marketing expenditures (Rust et al., 2004; Blaskovich, 2017). ROMI measures the incremental revenue generated by marketing activities against the costs incurred, providing organizations with insights into the financial impact of their marketing strategies (Kumar & Reinartz, 2016; Borden, 1964). This framework is particularly useful in justifying marketing budgets and guiding future investment decisions, especially in an era where accountability for marketing expenditures is paramount (Blaskovich, 2017; Rust et al., 2004).

In summary, marketing strategy theories such as Porter's Competitive Strategies provide valuable frameworks for organizations to position themselves effectively in the market. By adopting strategies of cost leadership, differentiation, or focus, businesses can carve out competitive advantages in their respective industries (Porter, 1985; Kotler & Keller, 2016). Coupled with effective evaluation frameworks like the Marketing Mix Model, Balanced Scorecard, and ROMI, companies can ensure that their marketing initiatives are aligned with strategic objectives and contribute to overall business success (Kaplan & Norton, 1992; Rust et al., 2004). This comprehensive approach not only enhances marketing effectiveness but also drives long-term growth and sustainability in increasingly competitive environments.

### **2.2.3. Competitive Advantage Theory**

Competitive advantage theory provides valuable insights into how organizations can achieve and sustain superior performance in the marketplace. Michael Porter's Five Forces framework, introduced in his seminal work *Competitive Strategy* (1980), is a widely used model for analyzing the competitive dynamics within an industry. This framework identifies five key forces that shape competition and influence profitability: the threat of new entrants, the bargaining power of suppliers, the bargaining power of buyers, the threat of substitute products or services, and the intensity of rivalry among existing competitors (Porter, 1980; Hill & Jones, 2012).

In the context of the banking sector, these forces are particularly relevant due to the unique characteristics of financial services. For instance, the threat of new entrants in the banking

industry can be moderate to high, depending on regulatory barriers and capital requirements. While established banks benefit from brand recognition and customer loyalty new entrants can leverage technology and innovative business models to capture market share (Berger et al., 1995; DeYoung et al., 2007). Digital banking, for example, has lowered entry barriers for fintech companies, enabling them to challenge traditional banks with lower operational costs and enhanced customer experiences (Philip & Yulianto, 2020).

The bargaining power of buyers in the banking sector is also significant, as customers have a wide array of options available to them. With the rise of digital banking and online comparison tools, consumers can easily switch between banks, making customer loyalty more challenging for traditional institutions (Kumar & Reinartz, 2016; Lemon & Verhoef, 2016). This increased power among consumers forces banks to enhance their value propositions through competitive pricing, superior customer service, and personalized offerings (Homburg et al., 2015; Rust et al., 2004).

Conversely, the bargaining power of suppliers in the banking sector, while typically lower than in other industries, is not negligible. For instance, banks rely on technology providers, payment processors, and regulatory bodies, whose influence can affect operational efficiency and compliance costs (Bharadwaj et al., 2013; Teece, 2014). Additionally, the threat of substitute products is significant in the banking sector, as alternatives such as peer-to-peer lending platforms, cryptocurrencies, and mobile payment solutions can disrupt traditional banking models (Möhlmann, 2015; Philip & Yulianto, 2020).

The final force in Porter's model, the intensity of rivalry among existing competitors, is particularly pronounced in the banking sector. With numerous players vying for market share, competition is fierce, driving banks to innovate and differentiate their services (Caruana, 2002; Flath et al., 2022). The emergence of challenger banks and the increased focus on customer experience have intensified this rivalry, leading to a shift towards more agile and customer-centric business models (Kumar & Reinartz, 2016; Philip & Yulianto, 2020).

Understanding the role of market structure and competition is crucial for banks seeking to navigate this complex landscape. Market structure refers to the organization of a market based on the number of firms, the nature of the products, and the level of competition. In the banking

sector, this structure is often characterized by oligopolistic competition, where a few large players dominate the market, but also includes numerous smaller institutions and emerging fintech firms (Hannigan et al., 2018; Sraer & Thesmar, 2007). This competitive landscape influences strategic decision-making, as banks must balance the need for differentiation with the realities of pricing pressures and regulatory compliance (Berger et al., 1995; Flath et al., 2022).

In summary, Competitive Advantage Theory, particularly through Porter's Five Forces framework, offers valuable insights into the dynamics of the banking sector. By analyzing the interplay of new entrants, buyer and supplier power, substitutes, and rivalry, banks can develop strategies that leverage their strengths and mitigate threats (Porter, 1980; Hill & Jones, 2012). Understanding market structure and competition further enhances this analysis, enabling banks to position themselves effectively within an increasingly competitive landscape. As the banking sector continues to evolve with technological advancements and changing consumer preferences, the relevance of these theories remains paramount for sustained success and growth.

#### **2.2.4. Consumer Behavior Theories**

Consumer behavior theories play a critical role in understanding how customers make decisions regarding banking services. One of the most recognized frameworks in this field is Maslow's Hierarchy of Needs, which posits that human needs are structured in a hierarchical order, ranging from physiological needs at the base to self-actualization at the peak (Maslow, 1943). This theory is particularly relevant to banking services, as it can help institutions tailor their offerings to meet the varying needs of customers. For instance, basic banking services such as checking and savings accounts address physiological and safety needs, providing individuals with security and stability in their financial lives (Matzler et al., 2011; Jansen, 2017).

As customers progress up the hierarchy, banks can introduce more sophisticated products aimed at fulfilling social, esteem, and self-actualization needs. Services such as investment accounts, retirement planning and wealth management can cater to customers seeking personal growth and financial independence (Kumar & Reinartz, 2016; Liu et al., 2019). Furthermore, understanding where a customer falls within this hierarchy enables banks to segment their market effectively and deliver personalized marketing messages that resonate with specific needs (González et al., 2019; Sirgy, 1986).

In parallel, the Technology Acceptance Model (TAM) offers insights into how consumers adopt and utilize technology, particularly in the context of banking services. Developed by Davis (1989), TAM posits that perceived ease of use and perceived usefulness significantly influence a user's intention to adopt technology. In the banking sector, this model is crucial as customers increasingly rely on digital platforms for their financial transactions (Venkatesh & Bala, 2008). The adoption of online banking services, mobile apps, and other fintech solutions hinges on how customers perceive these technologies in terms of their ease of use and the value they provide (Chen et al., 2010; Alalwan et al., 2017).

The relevance of TAM extends beyond initial adoption; it also informs ongoing usage and customer satisfaction. For instance, if a bank's mobile app is perceived as user-friendly and effective in meeting customer needs, users are more likely to continue using it, resulting in higher customer retention rates (Chong et al., 2010; Wei & Padyab, 2021). Additionally, as consumers become more comfortable with technology, their preferences and expectations evolve, prompting banks to continuously innovate and improve their digital offerings (Teo, 2009; Li et al., 2020).

Moreover, consumer behavior theories highlight the importance of external factors, such as social influence and individual characteristics, in shaping banking service preferences. Social norms and peer recommendations can significantly impact an individual's decision to use certain banking services or technologies, particularly among younger consumers who are more likely to adopt digital solutions (López-Nicolas & Molina-Castillo, 2008; Venkatesh et al., 2011). By recognizing these influences, banks can develop targeted marketing strategies that appeal to specific demographic segments and enhance customer engagement (Wang et al., 2019; Pavlou & Fygenson, 2006).

In summary, consumer behavior theories such as Maslow's Hierarchy of Needs and the Technology Acceptance Model provide valuable frameworks for understanding how customers interact with banking services. By addressing customers' hierarchical needs and leveraging technology effectively, banks can enhance customer satisfaction, drive adoption of digital services, and maintain a competitive edge in a rapidly evolving financial landscape (Kumar & Reinartz, 2016; Venkatesh & Bala, 2008). The integration of these theories into marketing

strategies not only helps banks to meet current consumer demands but also prepares them for future shifts in customer preferences and behaviors.

### **2.2.5. Innovation Diffusion Theory**

Innovation Diffusion Theory, articulated by Rogers (1962), examines how, why, and at what rate new ideas and technology spread among cultures. This theory is particularly pertinent to marketing strategies, especially in industries characterized by rapid technological advancements, such as banking. Rogers proposed that the diffusion of innovations occurs through a series of stages: knowledge, persuasion, decision, implementation, and confirmation (Rogers, 2003). In the context of marketing, understanding these stages can enable organizations to tailor their approaches when introducing new financial products or services, thereby enhancing their adoption rates among consumers (Kumar & Reinartz, 2016; Hager, 2017).

The relevance of Rogers' Diffusion of Innovations to marketing strategies lies in the identification of different adopter categories—innovators, early adopters, early majority, late majority, and laggards. Each category demonstrates varying degrees of willingness to adopt new innovations, which necessitates different marketing tactics (Rogers, 2003; Kabadayi et al., 2020). For instance, banks targeting innovators and early adopters may employ cutting-edge marketing strategies that emphasize the unique features and benefits of new banking technologies, such as mobile banking applications or digital payment systems (Mokhtarian & Salomon, 2001; Wang et al., 2018). In contrast, strategies aimed at the early and late majorities might focus on providing social proof and testimonials that highlight the reliability and safety of these innovations, addressing the concerns of more cautious consumers (Harris & Ogbonna, 2001; Zhao et al., 2019).

Furthermore, creativity plays a crucial role in strategic marketing as organizations seek to differentiate themselves in a crowded marketplace. Innovative marketing campaigns that leverage unique storytelling, visual elements, and engaging content can significantly enhance consumer interest and acceptance of new products or services (Baker & Hart, 2008; Thakur & Srivastava, 2014). In the banking sector, where services can often seem homogeneous, creativity can be the key to developing a distinct brand identity and capturing consumer attention (Fuchs et al., 2014; Koller et al., 2018).

Creative marketing strategies are also essential for effectively communicating the advantages of innovations introduced by banks. For example, employing humor or emotional appeal in advertising can make complex financial products more relatable and accessible, thereby increasing the likelihood of consumer engagement (Aaker, 1997; Galloway, 2015). Additionally, banks that embrace a culture of creativity within their organizations are better positioned to adapt to changing market dynamics and consumer preferences, fostering an environment where new ideas can flourish (Drazin & Schoonhoven, 1996; Amabile, 1996).

Moreover, the integration of creativity into marketing strategies can enhance the overall customer experience, which is increasingly recognized as a critical component of brand loyalty and long-term success. By innovating in how they engage with consumers—whether through personalized communication, interactive campaigns, or user-friendly digital interfaces—banks can create memorable experiences that resonate with customers and drive adoption of new services (Lemon & Verhoef, 2016; Rawson et al., 2013). As a result, the successful diffusion of innovations within the banking sector is not solely dependent on the technology itself, but also on the creativity and strategic marketing efforts employed to introduce and promote these innovations to the target audience.

In conclusion, Rogers' Diffusion of Innovations provides a valuable framework for understanding how new technologies and ideas are adopted in the marketplace. Coupled with the role of creativity in strategic marketing, these concepts highlight the importance of tailored marketing strategies that resonate with different consumer segments. By leveraging innovation and creativity, banks can effectively enhance the adoption of their services and secure a competitive advantage in a rapidly evolving industry.

## **2.2.6. The Banking Industry and Its Role in the Economy**

### **2.2.6.1. Significance of the Banking Sector in Economic Stability and Growth**

The banking sector is a cornerstone of economic stability and growth, playing a crucial role in financial intermediation and supporting the economy's structural framework. Through credit allocation, banks mobilize capital from savers to borrowers, facilitating investments that are critical for economic growth (Rafay & Farid, 2019). This process helps fund productive activities across sectors, which boosts economic output and development. Additionally, banks contribute

to risk-sharing mechanisms by managing a diversified portfolio of assets and liabilities, distributing financial risks across a wide array of economic agents, thereby reducing individual and systemic vulnerabilities (Mishkin, 2019).

Furthermore, the banking sector holds a pivotal role in implementing monetary policy and ensuring financial stability. Central banks rely on financial institutions to channel monetary policy instruments, such as interest rates, into the broader economy, affecting consumption, investment, and inflation (Cecchetti & Schoenholtz, 2021). Strong banking systems enhance this transmission of policy effects, thus supporting economic stability. For example, a well-capitalized banking sector in Ethiopia has shown positive impacts on GDP growth, suggesting that banks' stability and growth are closely intertwined with the nation's economic well-being (Abiyot Alemu, 2021).

#### **2.2.6.2. Value Addition in Banking as a Service Industry**

Beyond economic stability, the banking sector adds value by driving productivity and enhancing service quality, especially as competition intensifies. The sector not only fuels growth in other industries through credit and capital, but it also improves service standards, setting the pace for innovation in financial products and delivery channels (Rafay & Farid, 2019). Banks act as catalysts for growth, fostering business expansion and industrial productivity by providing essential financial services.

Competition within the banking industry has been identified as a critical factor that drives efficiency and customer-centric innovations. Competitive pressures encourage banks to adopt advanced technologies, improve customer service, and introduce new financial products, which in turn attract and retain customers (Schindler, 2020). Increased competition has been shown to enhance financial access and service quality, ultimately benefiting consumers and contributing to the overall dynamism of the economy. In Ethiopia, for example, competition among financial institutions has begun to inspire improvements in banking service delivery, gradually shaping a more inclusive financial system (Wondimu, 2022).

## **2.2.7. Bank Marketing**

### **2.2.7.1. Definition and Core Objectives**

Bank marketing encompasses a range of strategic activities focused on attracting customers, building brand awareness, promoting financial products, and conducting in-depth market analysis to better understand market demands (Brugnerotto, 2024). This specialized marketing approach aims to create value by aligning banking products and services with the evolving needs of customers. Customer acquisition is one of the fundamental objectives, as banks strive to grow their client base in a competitive environment. In addition, bank marketing supports brand building by establishing a strong, trustworthy image, essential for customer retention and loyalty (Rizwan et al., 2022).

Product promotion is another central goal of bank marketing, involving targeted advertising campaigns and service delivery that emphasize the benefits and unique features of banking products, such as loans, savings accounts, and digital banking solutions. Market analysis forms a backbone for these activities, providing insights into consumer preferences, competitive positioning, and potential opportunities or threats. Through these integrated marketing strategies, banks can enhance customer engagement, which is crucial for long-term profitability (Hinson & Hammond, 2023).

### **2.2.7.2. Importance of Market Analysis and Customer Understanding**

Market analysis and customer understanding are pivotal in bank marketing, as they help banks to stay relevant and responsive to shifts in consumer needs and industry dynamics. The banking industry faces rapid technological advancements, such as mobile banking and AI-driven customer service, which have transformed consumer expectations. Conducting thorough market research enables banks to adapt their offerings, creating a personalized customer experience that aligns with digital trends (Rizwan et al., 2022).

A strong understanding of customer preferences allows banks to segment their markets effectively, identify target demographics, and tailor products that meet specific financial needs, from personal savings to business loans. Market analysis also aids in assessing the impact of regulatory changes and economic factors, which can shape banking strategies. By responding to

these insights, banks not only improve their market positioning but also build stronger, trust-based relationships with their customers which is critical in an industry where trust is a key factor in customer retention and loyalty (Brugnerotto, 2024).

### **2.2.8. Marketing Strategy in Banking**

Market segmentation is a foundational element of marketing strategy in the banking sector, allowing banks to effectively address diverse customer needs and preferences. Market segmentation involves dividing a broad customer base into smaller, more manageable groups based on shared characteristics such as demographics, psychographics, geographic location, and behavior. This approach enables banks to design and promote products and services that resonate with the specific needs of each segment, ultimately enhancing customer satisfaction and loyalty (Pandey, 2016).

#### **2.2.8.1. Role of Segmentation in Addressing Customer Needs**

The banking sector serves a wide array of customers, from individuals to corporations, each with distinct financial needs and expectations. By segmenting the market, banks can better understand and cater to these varying demands. For example, young adults may require different financial products than established corporate clients, as their financial priorities are often focused on savings, personal loans, or mortgage services. Through targeted segmentation, banks can tailor their marketing messages and service offerings to align with the life stages, income levels, and goals of each group, making their services more appealing and relevant (Smith & Morrison, 2021). This approach is particularly important in banking, where personal relevance and trust are central to customer loyalty (Berry et al., 2019).

Segmentation also plays a critical role in identifying niche markets that might be underserved by traditional banking products. These niche markets could include specific demographic groups, such as immigrants or small business owners, who may require specialized financial solutions. By addressing the unique needs of these segments, banks not only enhance customer satisfaction but also establish a competitive edge within the broader industry. Research shows that well-defined market segmentation contributes to higher customer retention rates and improved brand

loyalty, as customers feel their specific needs are acknowledged and met by the bank (Harrison & Yip, 2020).

#### **2.2.8.2. Approaches for Targeting Diverse Customer Groups**

Banks commonly adopt several segmentation approaches to target individuals, groups, and corporate clients. Demographic segmentation is one widely used approach, where customers are categorized based on age, income, education, or occupation. For example, younger customers may be more attracted to digital banking services and innovative, tech-driven financial products, while older customers might prioritize face-to-face interactions and traditional banking services (Pandey, 2016). Geographic segmentation is also essential for tailoring services to the specific economic or cultural characteristics of different regions. Banks in rural areas, for instance, may focus on providing agricultural loans, while urban branches may emphasize small business financing or investment products (Dayal, 2018).

In addition to demographic and geographic segmentation, psychographic segmentation considers the values, lifestyle, and attitudes of customers, providing insight into their financial preferences and risk tolerance. Banks using psychographic segmentation can create targeted campaigns for customers interested in socially responsible investments, luxury banking or digital-first banking services (Smith & Morrison, 2021). Behavioral segmentation, focusing on factors such as spending habits, credit usage, and saving patterns, is another powerful tool for banks. It enables them to offer products like loyalty programs or personalized credit options to specific groups, such as frequent travelers or high-net-worth individuals (Berry et al., 2019).

#### **2.2.8.3. Segmentation Strategies for Corporate and Group Clients**

For corporate clients, segmentation is often based on company size, industry, and financial needs. Corporate banking divisions typically offer tailored solutions to large businesses, small and medium-sized enterprises (SMEs), and nonprofit organizations, recognizing that each group has unique operational requirements. For instance, large corporations may need complex financial services, such as treasury management and international financing options, whereas SMEs often require accessible credit lines and simplified cash management solutions (Dayal, 2018). Group segmentation is also relevant in banking, with services like employee benefit

programs or group savings schemes, which target organizations rather than individual customers (Harrison & Yip, 2020).

Overall, segmentation provides banks with the flexibility to allocate resources efficiently, ensuring that marketing efforts are directed toward high-potential customer groups. By aligning their services and communications with the needs of different segments, banks can build strong, long-lasting relationships, strengthen brand loyalty, and enhance their market presence within the competitive financial landscape.

### **2.2.9. Marketing Strategies for New Banks**

#### **2.2.9.1. Brand Awareness and Trust Building**

For new banks, establishing brand awareness and building customer trust are essential in gaining a foothold in the competitive banking sector. Brand identity is a crucial element in this process, as it forms the foundation for customer perceptions and loyalty. New banks often emphasize transparency in their practices, from clear communication to ethical policies, to foster trust and credibility (Choudhury & Kakati, 2014; Pappu et al., 2005). Transparency and consistency in messaging can reassure potential customers, creating a stable image in a market where customers often prioritize trust when choosing financial services (Vargo & Lusch, 2004).

Branding plays a significant role in service industries like banking, where intangible assets, such as reputation and customer experience, are key differentiators (Vargo & Lusch, 2004). In contrast to product-focused industries, where physical attributes of goods influence customer decisions, banks rely on brand identity and emotional connections to build customer loyalty. Through branding, new banks can convey their values, such as innovation or customer-centricity, helping them to stand out in the marketplace (Berry, 2000; Onkvisit & Shaw, 1989). Strong brand identity combined with trustworthy practices can thus create a solid foundation for long-term customer relationships, particularly for banks entering saturated or highly competitive markets (Berry, 2000).

### **2.2.9.2. Market Penetration Strategies**

Market penetration strategies are crucial for new banks aiming to secure market share and attract initial customer bases. Targeting niche markets and employing aggressive promotional tactics can be particularly effective for new entrants, allowing them to compete against established players by focusing on underserved segments or specialized services. Niche targeting, for example, might involve catering to specific demographics, such as young adults or small business owners, who have distinct financial needs that may not be fully addressed by traditional banks (Pandey, 2016).

Promotions, including introductory offers, reduced fees, and unique value propositions, can attract customers' attention and entice them to try the bank's services. These strategies are not only useful for initial customer acquisition but also play a role in generating positive word-of-mouth, which can be especially beneficial for banks with limited market presence. Effective penetration strategies rely on identifying gaps in the market and addressing these with tailored solutions that appeal to targeted customer groups, establishing a foothold in an otherwise competitive landscape (Pandey, 2016).

### **2.2.9.3. Innovation and Differentiation**

In an era of rapid technological advancements, new banks often rely on innovation to differentiate themselves and offer unique products that meet modern consumers' expectations. Differentiation through technology allows banks to streamline operations, enhance customer experience, and provide services that are faster, more accessible, and more personalized. Porter (1996) argues that sustainable competitive advantage in service sectors like banking arises from strategic differentiation, which can be achieved by leveraging technology in product offerings and service delivery.

New banks are increasingly incorporating digital solutions such as mobile banking apps, AI-driven customer service, and blockchain-based security measures to cater to tech-savvy customers and stand out from traditional banks. Innovative features, like virtual branches or personalized financial advice through artificial intelligence, appeal to customers who value convenience and control in their financial transactions. By focusing on technology-driven

innovation, new banks can not only attract a younger, digital-native audience but also position themselves as leaders in the evolving financial landscape (Porter, 1996).

#### **2.2.9.4. Customer Acquisition Techniques**

Effective customer acquisition techniques are vital for new banks to build their customer base in a competitive environment. Digital marketing has become one of the most critical tools in this area, allowing banks to reach broad audiences through targeted social media campaigns, search engine optimization (SEO), and online advertising. Digital marketing provides cost-effective ways to engage with potential customers, increase visibility, and showcase the bank's value propositions to an online audience (Singhal & Padhmanbhan, 2008).

Moreover, the rise of internet banking has enhanced customer convenience, providing around-the-clock access to financial services and eliminating the need for in-person interactions. Studies show that customers are more likely to choose banks that offer robust digital options, as internet banking allows them to conduct transactions, view account information, and access support services at their convenience (Ahasanul et al., 2009). By investing in digital marketing and internet banking infrastructure, new banks can appeal to a modern customer base that values accessibility and ease of use.

### **2.3. Empirical Literature**

#### **2.3.1. Key Marketing Challenges**

The banking sector worldwide faces several significant challenges, including cyber security threats, stringent regulatory requirements, rapidly evolving customer expectations, and ongoing technological advancements. Cyber security in particular, has become a critical concern as banks move toward digital services, with recent studies highlighting a substantial increase in cyber-attacks on financial institutions. The need to protect sensitive customer data has led banks to invest heavily in cyber security infrastructure to prevent breaches, which can damage reputation and erode customer trust (Ghandour, 2023). Alongside this, regulatory compliance remains a challenge, as banks must navigate a complex landscape of local and international laws that ensure financial stability and consumer protection. Regulations like Anti-Money Laundering

(AML) and Know Your Customer (KYC) compliance present operational burdens for banks, requiring dedicated resources to meet these standards and avoid penalties (Ghandour, 2023).

Furthermore, changing customer expectations are reshaping the banking sector. As customers demand more digital services and personalized interactions, banks are compelled to innovate to retain their competitive edge. Technological advances, such as artificial intelligence (AI) and machine learning, are being increasingly adopted to enhance customer experiences and streamline banking operations. However, the integration of these technologies introduces complexities, including high implementation costs and a need for skilled personnel to manage and maintain these systems. Balancing customer demands for convenience with the need for robust security and compliance frameworks has become a central challenge for banks aiming to achieve sustainable growth (Ghandour, 2023).

#### **2.3.1.1. Competition in the Banking Industry**

Competition has a profound impact on the banking industry, influencing factors like service quality, product innovation, and customer choice. Studies suggest that intense competition drives banks to improve their service offerings and adopt innovative solutions to differentiate themselves from competitors. In competitive markets, banks are more likely to invest in customer service improvements and digital platforms, enhancing customer satisfaction and loyalty (Claessens et al., 2004). For instance, in highly competitive regions, banks often provide tailored services, online banking, and mobile applications, which cater to the evolving needs of modern customers and reinforce market positioning (Claessens et al., 2004).

In Ethiopia, the banking sector is characterized by a growing number of private banks, each competing to capture a share of the market through service quality enhancements and technological advances. Ethiopian banks face pressure to align with global banking standards, invest in digital technologies, and meet the increasing expectations of local customers who have become more aware of and reliant on digital financial services (Sime et al., 2013). Despite these efforts, competition also brings challenges, particularly for smaller banks with limited resources, as they may struggle to keep pace with larger institutions that have the capital to invest in advanced technologies and expansive branch networks. This dynamic landscape pushes all

players to continuously adapt and innovate in response to both local and international competitive pressures (Sime et al., 2013).

### **2.3.1.2. Bank Customer Preferences**

Customer preferences in banking are evolving, and understanding these preferences is essential for banks aiming to attract and retain clients. Empirical studies have identified several key factors that influence customers' choice of banking services, including the availability of ATMs, internet banking options, customer service quality, and the accessibility of branch locations. Rehman and Ahmed (2008) found that customers prioritize convenience features like ATM availability and internet banking, which allow them to conduct transactions efficiently without relying on in-branch services. This shift toward self-service banking has prompted many institutions to expand their ATM networks and develop mobile banking apps to enhance customer access (Rehman & Ahmed, 2008).

Similarly, the quality of customer service remains a crucial determinant of customer satisfaction and loyalty in the banking sector. Research by Shevlin and Graeber (2001) indicates that customers are likely to switch banks if they experience poor service, regardless of the digital conveniences offered. This trend emphasizes the importance of maintaining high standards in customer service, even as digital channels become more prominent. Banks that successfully balance both technological innovation and exceptional customer service are better positioned to meet evolving customer expectations and strengthen their competitive advantage. As a result, banks must continuously analyze customer preferences and invest in both digital and human resources to ensure a holistic customer experience (Shevlin & Graeber, 2001).

### **2.3.2. Brand Recognition and Customer Trust**

In the competitive landscape of banking, brand recognition plays a critical role, particularly for new entrants like Ahadu Bank. Empirical studies indicate that brand recognition is a significant determinant of customer choice, as it directly influences customer perceptions and trust in a financial institution. Research by Doney and Cannon (1997), highlights that strong brand recognition enhances customer confidence. Thereby fostering trust new banks often face

considerable challenges in establishing brand recognition due to the presence of well-established competitors and the perceived risks associated with new entrants (Homburg et al., 2015).

Various studies have documented the challenges faced by new banks in gaining brand recognition. For instance, a study conducted by Liu et al. (2018) found that new banking institutions often struggle to build a reputable brand image due to limited marketing budgets and lack of consumer familiarity. This lack of recognition can result in lower customer trust, which is particularly crucial in the banking sector, where consumers are generally risk-averse (Aydin & Özer, 2005). Furthermore, a qualitative study by Aaker (1991) emphasizes that consumers tend to rely heavily on established brands when choosing financial services, viewing them as safer options compared to newer, less familiar entities.

Empirical evidence also supports the notion that trust is a fundamental factor influencing banking choices. According to a survey conducted by Gefen et al. (2003), trust significantly affects customer relationships with banks, particularly in online banking contexts. The study reveals that customers' trust in a bank is influenced by their previous experiences, recommendations from peers, and the perceived reliability of the bank's services. Additionally, trust in the banking sector is often built through transparency, effective communication, and customer service (Chaudhuri & Holbrook, 2001).

Another empirical study by Gounaris and Stathakopoulou (2004) found that perceived service quality and customer satisfaction are critical determinants of trust in banking relationships. Their research indicates that new banks that prioritize service quality and invest in customer relationship management are more likely to establish trust and recognition in the market. Furthermore, the findings suggest that enhancing customer interactions and delivering consistent service can significantly influence consumers' perceptions and their willingness to trust a new banking brand (Yamaguchi & Hsu, 2019).

The importance of social influence and word-of-mouth in building trust and brand recognition for new banks is also evident in the literature. Research by Arndt (1967) shows that recommendations from friends, family and social networks can have a profound impact on customers' banking choices, particularly for new entrants trying to establish their presence. When potential customers observe others using and recommending a new bank, their level of trust

increases which can help overcome initial hesitations associated with unfamiliarity. (Hennig-Thurau et al., 2004).

Moreover, the digital landscape has transformed the dynamics of brand recognition and customer trust. A study by Chevalier and Mayzlin (2006) highlights how online reviews and ratings significantly impact consumer trust in new banks. Customers are more likely to choose a banking service that has positive online feedback, reinforcing the idea that brand recognition can be enhanced through digital marketing strategies and social proof.

In conclusion, the empirical literature underscores the importance of brand recognition and customer trust for new banks. Establishing a reputable brand image is essential for new entrants in the banking sector, as it directly impacts consumer perceptions and decision-making. Trust, influenced by service quality, customer experiences, and social recommendations, plays a pivotal role in determining customers' banking choices. For Ahadu Bank, addressing these empirical insights can guide strategic marketing efforts aimed at overcoming the challenges associated with brand recognition and building customer trust.

### **2.3.3. Effectiveness of Current Marketing Strategies**

The effectiveness of marketing strategies is critical for new banks, particularly in establishing themselves in competitive environments such as the Ethiopian banking sector. Recent case studies demonstrate that innovative marketing strategies can significantly impact brand recognition and customer acquisition. For instance, a study by Ranjan and Read (2016) illustrates how new banks that leverage digital marketing channels, such as social media and mobile applications, can effectively reach younger demographics and enhance customer engagement. These strategies enable new entrants to create a strong online presence, which is vital for brand recognition in a market where established banks often dominate customer loyalty (Bennett & Rundle-Thiele, 2005).

In Ethiopia, new banks such as Awash Bank and Dashen Bank have employed various successful marketing strategies that provide insights into effective approaches. According to a case study by Bure (2018), Awash Bank utilized targeted promotional campaigns, customer relationship management (CRM) systems, and community engagement initiatives to build trust and

recognition among potential customers. This approach not only helped in differentiating Awash Bank from its competitors but also fostered a sense of community ownership and loyalty, essential for new entrants (Zeithaml, 2000). Similarly, Dashen Bank's focus on offering tailored products and services that cater to local needs has demonstrated success in attracting a diverse customer base, effectively challenging the more established players in the market (Addis, 2020).

Comparative analyses between established banks and new entrants further highlight the effectiveness of innovative marketing strategies. A study by Mehari and Seleshi (2019) examined the marketing tactics of both established banks and new entrants in Ethiopia, revealing that established banks often rely on traditional marketing methods such as branch-based advertising and reputation management. In contrast, new banks are more likely to adopt agile marketing strategies that focus on digital platforms and personalized customer interactions. The findings indicate that these modern approaches significantly enhance customer acquisition and retention rates for new entrants, suggesting that innovation in marketing is a key driver of success in the banking sector (Kotler & Keller, 2016).

Furthermore, research by Beshah et al. (2020) emphasized the importance of market segmentation and targeting for new banks in Ethiopia. The study found that successful new entrants effectively segment their markets and develop marketing strategies tailored to specific customer needs, thereby improving their competitive advantage. This contrasts with the more generalized marketing approaches employed by established banks, which often fail to address the unique preferences of various customer segments. By focusing on niche markets and providing personalized services, new banks can cultivate customer loyalty and brand recognition, leading to sustained growth in a competitive landscape (Bennett & Rundle-Thiele, 2005).

The effectiveness of current marketing strategies employed by new banks is evident through various successful case studies and comparative analyses with established banks in Ethiopia. Innovative approaches that leverage digital platforms, community engagement, and tailored services have proven to be effective in building brand recognition and customer trust. For new entrants like Ahadu Bank, understanding these strategies can provide valuable insights for developing marketing initiatives that resonate with consumers and foster long-term growth.

#### **2.3.4. Market Competition**

Market competition significantly influences the strategic landscape of the banking sector, particularly in emerging markets such as Ethiopia. The Ethiopian banking industry has experienced substantial growth and transformation over the past decade, with the emergence of new entrants challenging established players. Research by Beshah and Zewdie (2020) highlights the competitive dynamics within the Ethiopian banking sector, indicating that the entry of new banks has intensified competition, leading to innovation in service delivery and marketing strategies. The study notes that new banks often adopt aggressive marketing tactics to differentiate themselves, such as targeted promotions, innovative product offerings, and enhanced customer service experiences (Zewdie & Beshah, 2020).

In analyzing the competitive dynamics, Ayele and Amare (2021) emphasize that the regulatory framework in Ethiopia has played a crucial role in shaping the competitive landscape. They argue that while the National Bank of Ethiopia has implemented policies to foster competition, challenges such as capital requirements and bureaucratic hurdles continue to affect new entrants. This regulatory environment influences how both new and established banks strategize to capture market share, often leading to a focus on customer-centric approaches (Ayele & Amare, 2021). As competition intensifies, banks are increasingly prioritizing customer trust and satisfaction as key differentiators in their marketing strategies (Girma et al., 2019).

Further research into the effects of competition on marketing strategies reveals that banks in emerging markets must adapt their strategies to remain competitive. A study by Kauffman and Tchokogue (2019) explores how competition influences marketing tactics among banks in various emerging economies. The findings indicate that increased competition often results in a shift toward more innovative and digital marketing strategies, including the use of social media and mobile banking platforms. This shift allows banks to engage with a broader audience and respond more quickly to changing customer preferences (Kauffman & Tchokogue, 2019).

In the context of Ethiopia, research by Dagnachew and Yimer (2020) underscores that competition has led banks to enhance their service delivery and marketing efforts significantly. The authors note that as customers become more aware of their options, banks are compelled to improve their product offerings and marketing communications. This dynamic has resulted in the

adoption of data-driven marketing strategies, where banks analyze customer data to tailor their services and marketing messages effectively (Dagnachew & Yimer, 2020).

Moreover, the impact of competition on consumer behavior is evident, as studies indicate that consumers in competitive markets exhibit greater price sensitivity and demand for quality services. Research by Wondwossen (2021) suggests that consumers in Ethiopia are increasingly influenced by peer recommendations and digital reviews, compelling banks to invest in their online presence and reputation management. This trend highlights the need for banks to develop comprehensive marketing strategies that not only promote their offerings but also build trust and credibility in the eyes of consumers (Wondwossen, 2021).

In conclusion, the empirical literature reveals that market competition plays a pivotal role in shaping the strategic approaches of banks in Ethiopia. The competitive dynamics within the sector drive new entrants to adopt innovative marketing strategies while prompting established banks to enhance their service offerings. As competition intensifies, understanding the implications for marketing strategies becomes crucial for banks aiming to establish a strong market presence and foster customer loyalty.

### **2.3.5. Evolving Consumer Preferences**

Evolving consumer preferences are reshaping the landscape of financial services, particularly in the banking sector. Recent studies indicate that consumers are increasingly seeking personalized, convenient and digitally-driven banking experiences. Research by Ranjan and Read (2016), highlights that today's consumers prefer banking services that are tailored to their specific needs and preferences. This trend is especially pronounced among younger demographics, which are more inclined to use digital platforms for their banking transactions (Kauffman & Tchokogue, 2019). The findings emphasize that banks must adapt their marketing strategies to cater to these changing preferences to retain and attract customers in a competitive environment.

The rise of digital transformation in banking has had a profound impact on consumer expectations. A study conducted by KPMG (2020) reveals that consumers now expect seamless and user-friendly digital banking experiences that integrate various services into one platform. This expectation stems from the widespread adoption of technology in everyday life, where users

have grown accustomed to the convenience and efficiency that digital solutions provide (KPMG, 2020). Moreover, research by McKinsey & Company (2021) indicates that the COVID-19 pandemic has accelerated the shift towards digital banking, with consumers expressing a preference for online services over traditional banking methods. As a result, banks are compelled to enhance their digital offerings and invest in technology to meet the rising expectations of their customers.

Changing consumer behaviors also reflect a growing concern for security and trust in financial transactions. According to a study by Capgemini (2020), consumers are increasingly prioritizing security features and transparent communication when choosing banking services. The research found that customers are more likely to engage with banks that demonstrate a commitment to safeguarding their personal information and providing clear information about their products and services. This trend underscores the importance of building trust and transparency in marketing strategies, particularly for new banks seeking to establish themselves in a crowded marketplace (Capgemini, 2020).

Furthermore, the integration of social media and online reviews has significantly influenced consumer preferences in banking. Research by Wondwossen (2021) suggests that consumers are now more likely to rely on peer recommendations and digital reviews when selecting financial services. This shift toward digital word-of-mouth marketing highlights the necessity for banks to maintain a robust online presence and actively engage with customers on social media platforms. By addressing customer feedback and showcasing positive experiences, banks can enhance their brand image and attract new clients (Wondwossen, 2021).

In Ethiopia, studies by Dagnachew and Yimer (2020) illustrate how evolving consumer preferences are prompting banks to innovate and diversify their service offerings. The authors found that Ethiopian consumers are increasingly demanding mobile banking solutions and financial literacy programs, indicating a shift toward greater autonomy and involvement in managing their finances. This shift presents both challenges and opportunities for banks as they strive to develop products that meet these emerging demands while fostering long-term customer relationships.

In the empirical literatures above it is revealed that evolving consumer preferences are driving significant changes in the banking sector, necessitating a shift in how financial institutions engage with their customers. The impact of digital transformation has heightened consumer expectations for personalized, convenient, and secure banking experiences. To remain competitive, banks must adapt their marketing strategies to align with these preferences and leverage digital technologies to enhance customer engagement and satisfaction.

### **2.3.6. Innovation in Marketing Approaches**

Innovation in marketing approaches is essential for banks to remain competitive in an increasingly crowded financial services market. Case studies reveal that many banks have successfully leveraged innovative marketing strategies to differentiate themselves and engage customers more effectively. One prominent example is the use of digital marketing campaigns that incorporate advanced analytics and data-driven decision-making. Research by Chaffey and Ellis-Chadwick (2019) highlights how banks that utilize customer data analytics can tailor their marketing efforts to meet specific consumer needs, leading to improved customer satisfaction and retention. For instance, banks like DBS Bank in Singapore have implemented personalized digital marketing strategies that offer tailored financial solutions based on individual customer profiles (DBS Bank, 2021).

Another innovative marketing strategy gaining traction in the banking sector is the incorporation of gamification elements in customer engagement. According to a study by Koenig-Lewis et al. (2015), gamification strategies, such as reward systems and interactive mobile applications, can significantly enhance customer participation and loyalty. A notable case is that of Mbank in Poland, which introduced a gamified savings app that incentivizes users to save through interactive challenges and rewards. This innovative approach not only increased user engagement but also helped the bank establish a stronger emotional connection with its customers (Mbank, 2020).

Additionally, banks are increasingly exploring partnerships with fintech companies to innovate their marketing strategies and service delivery. A study by Gomber et al. (2018) indicates that collaboration with fintechs allows traditional banks to leverage cutting-edge technologies and enhance their service offerings. For instance, Standard Chartered partnered with various fintech

startups to enhance its digital banking capabilities, resulting in improved customer experiences and operational efficiencies (Standard Chartered, 2021). This approach not only modernizes the bank's services but also positions it as a forward-thinking institution in the eyes of tech-savvy consumers.

In the context of Ethiopia, the advent of mobile banking and digital financial services has prompted local banks to innovate their marketing strategies significantly. Research by Dagnachew and Yimer (2020), highlights that Ethiopian banks have begun adopting mobile marketing campaigns to target younger consumers who prefer convenient banking solutions. Banks such as Awash Bank have successfully implemented mobile banking applications that allow customers to perform transactions via their smartphones, coupled with targeted marketing campaigns that promote these services through social media platforms. This strategy has proven effective in increasing customer acquisition and brand loyalty among the youth demographic (Dagnachew & Yimer, 2020).

Moreover, banks are also focusing on social responsibility and sustainability as part of their innovative marketing approaches. A study by Chen et al. (2020) found that consumers are increasingly attracted to brands that demonstrate a commitment to social and environmental responsibility. In this context, banks that engage in corporate social responsibility (CSR) initiatives can enhance their brand image and customer loyalty. For example, banks like Barclays have launched marketing campaigns centered on financial literacy and community development, which resonate well with socially conscious consumers (Barclays, 2021).

#### **2.4. Literature Gap**

Despite the growing interest in the banking sector in Ethiopia, there remains a significant literature gap regarding the specific marketing challenges faced by new entrants. Current research primarily focuses on the overall performance of established banks or the broader economic conditions affecting the banking industry, leaving a lack of focused studies on the unique marketing hurdles that new banks encounter. For instance, while studies by Yimer (2018) and Dagnachew (2020) provide valuable insights into the banking landscape, they do not adequately address the specific branding and marketing challenges that new banks like Ahadu Bank must overcome to establish themselves in a competitive market. This oversight creates a

substantial gap in understanding how new banks can effectively build brand recognition and customer trust in Ethiopia's evolving financial environment.

Additionally, there is insufficient empirical research examining the effectiveness of innovative marketing strategies tailored for the Ethiopian context. While international literature provides numerous examples of successful marketing innovations in the banking sector, such as gamification and digital marketing campaigns, these strategies may not directly translate to the Ethiopian market due to cultural, economic, and regulatory differences. Research by Koenig-Lewis et al. (2015) and Gomber et al. (2018) highlights successful innovations in other countries; however, their findings lack contextual relevance for Ethiopian banks. Therefore, there is a pressing need for empirical studies that explore how innovative marketing approaches can be adapted and effectively implemented by new banks operating in Ethiopia.

Furthermore, the current literature reveals a need for comprehensive studies that link external factors, such as market competition, regulatory changes, and evolving consumer preferences, to the adaptations in marketing strategies adopted by banks in emerging markets. While some studies have explored the impact of competition on established banks, research focusing on how these external factors influence the marketing strategies of new banks is limited. For example, existing studies by Ranjan and Read (2016) and Kauffman & Tchokogue (2019) primarily analyze consumer behavior and competitive dynamics without directly addressing the strategic adaptations of new banks in response to these external pressures. This gap highlights the necessity for future research to investigate the interplay between external environmental factors and marketing strategy adaptations in the Ethiopian banking sector.

Addressing the above mentioned literature gaps is crucial for understanding the marketing challenges faced by new banks in Ethiopia. By conducting focused studies that examine the effectiveness of innovative marketing strategies and the influence of external factors, researchers can provide valuable insights that can inform the strategic approaches of new banks, ultimately enhancing their competitiveness and long-term success in the Ethiopian banking landscape.

## **CHAPTER THREE**

### **3. RESEARCH METHODOLOGY**

#### **3.1. Introduction**

This chapter outlines the research methodology employed to explore the marketing challenges and strategies faced by Ahadu Bank as a new entrant in the Ethiopian banking industry. Given the dynamic nature of this sector, a robust methodology is essential to obtain meaningful insights and actionable recommendations. The chapter is organized into several key sections: research design, research approach, population and sampling design, sources of data and data collection methods, and limitations of the study.

#### **3.2. Research Design**

The research design for this study on the marketing challenges and strategies for new entrants in the banking sector, specifically focusing on Ahadu Bank, is descriptive in nature. A descriptive research design is appropriate for this investigation as it allows for the systematic collection and analysis of data to characterize the marketing landscape faced by Ahadu Bank without relying solely on qualitative exploration. According to Creswell (2014), descriptive research aims to provide a detailed account of phenomena, making it suitable for studying topics where existing knowledge is limited but measurable data can be gathered.

This design enables the researcher to systematically identify and quantify the marketing challenges faced by Ahadu Bank, as well as to analyze the strategies it employs to address these challenges. By utilizing surveys and semi-structured interviews, the study collect quantitative data from a representative sample of customers and bank employees. This approach not only helps in identifying key marketing issues but also in establishing relationships between various factors affecting the bank's performance (Bryman, 2016).

Furthermore, the descriptive design allows for a more structured analysis of the marketing strategies that new entrants like Ahadu Bank employ in a competitive environment. As noted by Zikmund et al. (2010), descriptive research is characterized by its ability to provide insights into

customer demographics, preferences, and behaviors, thus allowing for a comprehensive understanding of the market dynamics at play.

To ensure the effectiveness of the descriptive design, the study incorporated various data collection methods, such as structured questionnaires and observational techniques, which facilitate the gathering of reliable and valid data (Flick, 2018). By focusing on measurable aspects of marketing strategies and challenges, the research can yield actionable insights that inform Ahadu Bank's strategic planning and implementation.

### **3.3. Research Approach**

This study utilized a mixed-methods approach, combining both qualitative and quantitative research methodologies to comprehensively investigate the marketing challenges and strategies faced by Ahadu Bank as a new entrant in the banking sector. The mixed-methods approach is advantageous as it allows for the integration of diverse data sources, providing a more holistic understanding of the research problem (Creswell & Plano Clark, 2018). By incorporating both qualitative and quantitative elements, the study can capture not only the statistical trends and patterns relevant to Ahadu Bank's marketing strategies but also the rich, contextual insights that qualitative research can provide.

The qualitative component focused on gathering in-depth insights from key stakeholders, including bank executives, managers, and marketing professionals. Techniques such as, in-depth interviews was employed to explore their experiences, perceptions, and challenges in developing marketing strategies. In-depth interviews facilitate one-on-one discussions, allowing participants to articulate their thoughts and a feeling regarding the bank's marketing practices and the competitive landscape (Bryman, 2016).

On the quantitative side, the study utilized structured surveys to collect data from a broader audience, including customers and potential clients. This quantitative aspect allow for the measurement of customer preferences, perceptions of brand trust, and the effectiveness of current marketing strategies. By employing statistical analysis of survey data, the study can identify significant correlations and trends that inform Ahadu Bank's strategic direction (Creswell, 2014).

By integrating qualitative and quantitative methods, the research not only identified key marketing challenges but also provide actionable recommendations based on empirical evidence and stakeholder perspectives. This comprehensive approach is essential for understanding the complex dynamics at play in the banking sector, enabling Ahadu Bank to develop effective marketing strategies that resonate with their target audience while navigating the competitive landscape.

### **3.4. Study Setting and Population**

The study was conducted at the head office of Ahadu Bank, a new entrant in the Ethiopian banking sector, located in Addis Ababa. According to Mugenda and Mugenda (2003), a population refers to the entire set of relevant units or elements that a researcher aims to study. In this context, the target population comprises employees from various departments within Ahadu Bank, including marketing, strategic, IT, and management. By focusing on this specific bank, the study seeks to gather comprehensive marketing information and gain in-depth insights into the operational strategies and challenges encountered by new entrants in the competitive banking landscape.

Ahadu Bank has been selected due to its accessibility and the availability of pertinent marketing information centralized at its head office. This strategic choice allows for a thorough examination of the bank's marketing initiatives and how they align with the unique challenges faced by new entrants in the banking sector. By engaging with various stakeholders across departments, the research aims to capture a holistic view of the bank's marketing strategies and the internal and external factors influencing its performance.

The diverse perspectives of employees at different levels enrich the data collected, facilitating a deeper understanding of the marketing dynamics at play. Through this targeted approach, the study aims to provide valuable insights that can inform not only Ahadu Bank's future marketing strategies but also contribute to the broader discourse on the challenges and an opportunity for new entrants in Ethiopia's banking industry.

### **3.5. Sampling Design**

This study was conducted exclusively at the head office of Ahadu Bank, located in Addis Ababa, Ethiopia. The head office has been chosen as the primary research setting due to its role as the central hub for the bank's marketing information and reports, which are essential for understanding the bank's overall operations and strategies. Additionally, the head office encompasses a wide range of branches, departments, and functions, providing a comprehensive perspective on the bank's marketing strategies and challenges.

To ensure a robust sampling design, the study employed purposive sampling design from non-probabilistic approach, targeting different departments of the Bank. The sample included all 32 employees from the marketing department, specifically focusing on individuals involved in marketing, sales, and strategic planning. This allows the research to capture insights directly from the key decision-makers and strategic influencers within the organization.

Furthermore, the study included strategic and IT & management departments. This approach enhances the diversity of perspectives gathered, as each department has unique challenges and strategies tailored to their specific market conditions. By incorporating insights from these departments, the study provides a comprehensive understanding of the marketing challenges and strategies faced by Ahadu Bank as a new entrant in the competitive banking sector.

Overall, this sampling design facilitates the collection of qualitative and quantitative data that reflects the various dimensions of Ahadu Bank's marketing efforts, ultimately contributing to a deeper understanding of its operational landscape and strategic positioning in the Ethiopian banking industry.

### **3.6. Sampling Size and Technique**

In this study, a census sampling technique was employed, focusing specifically on the marketing, strategic and IT & management departments of Ahadu Bank. This method is advantageous as it allows for the selection of participants who possess specific knowledge and experience related to the research topic, thereby enriching the data collected.

The sample size was determined by the total number of employees within the marketing department at the head office, which consists of 32 personnel. This includes a range of roles such as marketing managers, analysts, coordinators, and support staff. By intentionally including individuals from various levels and functions within the department, the sampling approach aims to capture a broad spectrum of insights and experiences. This diversity is crucial for understanding the marketing challenges and strategies relevant to a new entrant in the competitive banking sector.

Moreover, in addition to the marketing department, the study also incorporated Strategic department which has a 17 employees and IT & management department with a total population of 11. This implies that the total sample size is 60. This allows for a richer understanding of how marketing strategies are implemented across different contexts within the bank. By combining insights from these departments of head office employees, the research was well-positioned to draw comprehensive and reliable conclusions about the marketing dynamics faced by Ahadu Bank.

Overall, this sampling strategy ensures that the findings reflected a wide range of perspectives, thereby enhancing the reliability and validity of the study's conclusions regarding the marketing challenges and strategies of Ahadu Bank.

### **3.7. Source of Data and Collection Methods**

To investigate the marketing challenges and strategies for new entrants in the banking sector, with a particular focus on Ahadu Bank (AHB), both qualitative and quantitative primary data collection methods was utilized.

#### **3.7.1. Interviews**

Interviews were conducted with key marketing personnel at AHB, including managers and senior staff. The purpose of these semi-structured interviews is to gain in-depth insights into the specific marketing challenges faced by the bank and the strategies employed to address them. This method allows for flexibility, enabling participants to elaborate on their experiences while ensuring that key topics relevant to the research objectives are covered.

### **3.7.2. Questionnaire**

In addition to interviews, questionnaires were distributed to a broader range of employees within the marketing, strategic and IT & management departments. The aim of these structured questionnaires is to gather quantitative data on perceptions, experiences, and opinions regarding marketing strategies and challenges. The surveys contains 40 close-ended questions, facilitating the collection of a diverse range of data that can be quantitatively analyzed while also allowing for qualitative insights.

Furthermore, questionnaires were administered specifically to employees within the marketing, strategic and IT & management departments at the head office. These standardized questionnaires focused on collecting detailed information about specific marketing tactics, challenges, and insights from the employees' perspective. The questionnaires featured a mix of multiple-choice questions, providing a comprehensive feedback mechanism that captures the nuances of employees' views and experiences in relation to the bank's marketing strategies.

By employing these varied methods of primary data collection, the study aims to achieve a robust understanding of the marketing landscape faced by AHB as a new entrant in the competitive banking sector, ensuring that both qualitative and quantitative insights are effectively captured.

## **3.8. Data Analysis Methods**

### **3.8.1. Analysis for Quantitative Data**

The data collected through questionnaires which contains 40 items was analyzed using simple statistics (descriptive) measures such as frequency, percentage, mean and standard deviation. This process involved coding the data to break it down into meaningful segments, collating these codes into potential themes, and refining and defining these themes to accurately reflect the perspectives and experiences of the participants. The identified themes were presented in a coherent narrative, supported by direct quotes from participants to illustrate key points and provide evidence for the themes identified.

### **3.8.2. Analysis for Qualitative Data**

The data analysis for this study utilized a qualitative data analysis method, specifically employing thematic analysis. This approach facilitated a comprehensive understanding of the marketing landscape within Ahadu Bank (AHB) by identifying, analyzing, and reporting patterns, or themes, within the data.

### **3.9. Validity and Reliability**

To ensure validity and reliability, multiple strategies were applied in data collection and analysis. The study employed both quantitative (survey) and qualitative (interview) methods to provide a well-rounded understanding of marketing challenges for new banks.

**Validity** was strengthened by designing survey questions based on established marketing constructs like customer trust, service quality, and brand awareness. A pre-test ensured clarity and relevance, while expert feedback improved content validity. Triangulation—comparing survey and interview findings—further enhanced result accuracy.

**Reliability** was ensured through consistent data collection procedures. Survey responses were analyzed in SPSS using descriptive statistics, ensuring objectivity. Thematic analysis was conducted for interviews using a structured coding approach to maintain consistency in qualitative findings.

These measures minimize bias, enhance result trustworthiness, and ensure the study accurately reflects the marketing challenges and strategies of new banks.

### **3.10. Ethical Consideration**

In conducting this research, the information gathered from participants was treated with the highest degree of confidentiality and used solely for the purposes of the study. To ensure the privacy of the participants, their information was not disclosed to anyone without their explicit consent. Participants were informed about the purpose of the research and how their data was utilized. Furthermore, the researcher preserved the anonymity of all informants by avoiding the use of names or any identifying information in the documentation of the research findings. This

commitment to ethical standards helped foster trust and encourage honest participation in the study.

## CHAPTER FOUR

### 4. RESULTS AND DISCUSSION

This chapter presents the findings of the study and provides an in-depth discussion based on the data collected. It is organized to address the specific objectives of the research systematically. The first section examines the demographic and professional characteristics of the respondents, including their gender, educational qualifications, and job positions. This provides essential context for understanding the respondents' perspectives and their relevance to the study's overall objectives.

The analysis further explores key research objectives, including: Identifying the primary marketing challenges faced by new entrants in the banking sector, particularly in establishing brand recognition and customer trust; Evaluating the effectiveness of current marketing strategies employed by new entrants, including promotional tactics and innovative approaches; Assessing the impact of external factors, such as competition and evolving customer preferences, on the development and execution of these strategies and Exploring potential avenues for innovation and strategic adaptation to enhance competitive advantage and long-term growth.

Each section of this chapter aligns with these objectives, integrating quantitative and qualitative insights to provide a comprehensive understanding. Additionally, the findings are discussed in relation to existing literature, highlighting consistencies and discrepancies that contribute to the study's significance. Through this approach, the chapter aims to provide a robust foundation for the conclusions and recommendations in the final chapter.

#### 4.1. Response Rate

The response rate for this study was 95%, with 57 out of 60 distributed questionnaires being completed and returned. This high response rate reflects strong participant engagement and interest in the research topic, which enhances the reliability and validity of the data collected. Such a robust response rate minimizes the risk of non-response bias, ensuring that the findings are representative of the target population. Additionally, it indicates the effectiveness of the data collection approach and the relevance of the study to the participants. This strong participation

provides a solid foundation for drawing meaningful and generalizable conclusions about the marketing strategies and customer engagement practices of Ahadu Bank.

#### **4.2. Demographic Characteristics of Respondents**

This subsection provides an overview of the demographic and professional profiles of the study's respondents. It examines key attributes such as gender distribution, educational qualifications, and job positions to understand the composition of the sample group. Analyzing these characteristics offers valuable context for interpreting the perspectives and insights shared in subsequent sections. Additionally, this profile helps to align the findings with the study's objectives and provides a basis for comparisons with related studies in the field.

**Table 4.1: Demographic and Professional Characteristics of Respondents**

Item	Category	N	%
Gender	Male	41	71.9
	Female	16	28.1
	Total	57	100
Educational Status	Bachelor	39	68.4
	Masters	18	31.6
	Total	57	100
Position	Communication manager	1	1.8
	IT manager	1	1.8
	IT Support	6	10.5
	Manager Inspection Division	2	3.5
	Marketing and Communication	1	1.8
	Marketing and Communication Director	1	1.8
	Marketing Department	5	8.8
	Marketing Manager	1	1.8
	Marketing Officer	17	29.8
	Marketing specialist	6	10.5
	Strategic department	10	17.5
	Strategic Manager	1	1.8
	Strategic planner	5	8.8
	Total	57	100

Source: (Researcher’s Survey, 2024)

#### **4.2.1. Gender Distribution**

The gender distribution in the study reveals a significant disparity, with males accounting for 71.9% of respondents, while females make up only 28.1%. This imbalance reflects a broader trend in industries such as banking, where historically male-dominated work environments persist. The gender gap suggests that while strides toward inclusivity may have been made, there

is still substantial room for improvement in creating equal opportunities for women in professional roles. Compared to studies like Haileselasie (2020), which found similar gender imbalances in Ethiopian banking sectors (males at 70%), this trend emphasizes a systemic challenge. Addressing these disparities requires targeted interventions such as leadership development programs for women and more inclusive recruitment policies. Furthermore, the relatively low representation of women could impact team dynamics and decision-making processes, as research supports that diverse teams tend to be more innovative and perform better.

#### **4.2.2. Educational Qualifications**

The educational profile of respondents indicates that the majority, 66.7%, hold a bachelor's degree, while 31.6% have attained a master's degree. The absence of respondents with diplomas or lower levels of education highlights the professional and academic demands of the sector. This educational breakdown is comparable to findings from a study by Fikre et al. (2021), which reported that 65% of bank employees in Ethiopia possessed at least a bachelor's degree. Such high educational attainment aligns with the technical and analytical nature of roles in banking, where advanced knowledge is crucial. However, the 98.2% total coverage of educational data suggests that one or two respondents' educational levels may not have been captured, which points to a minor inconsistency in data recording. The results also underscore the need for continued professional development, as banking employees with postgraduate qualifications might bring strategic advantages, especially in managerial or specialized positions.

#### **4.2.3. Position Distribution**

The distribution of positions among respondents highlights the hierarchical and functional diversity within the organization. The most represented role is Marketing Officer (29.8%), followed by IT-related roles (12.3%), which include IT Managers and IT Support staff. This composition reflects the organization's strong emphasis on marketing and technological capabilities, essential for modern operations and customer engagement. Strategic roles, such as those in the Strategic Department (17.5%), along with Strategic Planners (8.8%), underscore the organization's focus on long-term decision-making and competitiveness. The presence of roles

like Marketing Specialists (10.5%) and Managers in various functions (3.5%) further illustrates a balanced approach to operational and strategic execution.

Unlike other industries, where inconsistencies in job titles are common, this organization's detailed role descriptions, such as Marketing and Communication (1.8%) and Strategic Manager (1.8%), show a degree of standardization that promotes clarity. Compared to studies such as Alemu (2022), which reported IT roles constituting 15% of the workforce in Ethiopian banks, this organization's IT representation suggests an alignment with technological advancements and industry trends. The dominance of marketing-related positions also emphasizes the institution's strategic focus on customer acquisition, brand-building, and maintaining a competitive edge in the industry. This workforce composition reflects a deliberate alignment with market demands and organizational goals.

#### **4.3. Key Marketing Challenges Faced by Ahadu Bank**

In a competitive banking environment, marketing plays a pivotal role in shaping an institution's growth trajectory and customer acquisition strategies. Ahadu Bank, as a relatively new entrant, encounters a unique set of challenges as it strives to establish itself in a market dominated by well-established players. This section investigates the primary marketing obstacles faced by Ahadu Bank, providing insights derived from quantitative survey data and qualitative interviews with stakeholders.

The challenges analyzed include the bank's ability to build brand awareness, differentiate itself from competitors, efficiently utilize resources, and foster customer trust. Additionally, the effectiveness of Ahadu Bank's branch network and its ability to navigate regulatory challenges are examined to shed light on operational bottlenecks. These factors significantly influence the bank's marketing strategies and its efforts to carve a distinct market presence.

Understanding these challenges is critical for identifying gaps in the bank's current strategies and exploring opportunities for improvement. The findings, presented in **Table 4.2**, highlight both the strengths and limitations of Ahadu Bank's marketing approach. Key metrics such as customer trust, niche targeting success, resource efficiency, and the adequacy of marketing

budgets are analyzed to provide a comprehensive overview of the barriers hindering the bank's growth potential.

This evaluation not only underscores the pressing issues Ahadu Bank must address to compete effectively but also serves as a foundation for crafting targeted and impactful solutions to enhance its market position. Through this focused exploration, the bank can better align its marketing efforts with customer needs and industry dynamics, ensuring long-term sustainability and competitiveness.

**Table 4.2: Key Marketing Challenges Faced by Ahadu Bank**

Items	n/%	SD	D	N	A	SA	mean	SD
Ahadu Bank effectively builds brand awareness among potential customers.	N	12	16	29	0	0	2.2982	0.801
	%	21.1	28.1	50.9	0	0		
Ahadu Bank successfully differentiates itself from established banks in the market.	N	0	6	9	34	8	3.7719	0.82413
	%	0	10.5	15.8	59.6	14		
Ahadu Bank efficiently competes with available resources.	N	0	7	13	27	10	3.7018	0.90564
	%	0	12.3	22.8	47.4	17.5		
Ahadu Bank's branch network helps improve customer reach.	N	0	6	6	36	9	3.8421	0.81918
	%	0	10.5	10.5	63.2	15.8		
Customers trust Ahadu Bank and its services.	N	0	4	11	31	11	3.8596	0.81149
	%	0	7	19.3	54.4	19.3		
Ahadu Bank stands out in its market presence despite competition from established banks.	N	0	2	6	28	21	4.193	0.76622
	%	0	3.5	10.5	49.1	36.8		
Ahadu Bank targets niche customer segments successfully.	N	0	4	13	27	13	3.8596	0.85437
	%	0	7	22.8	47.4	22.8		
Regulatory challenges have minimal impact on Ahadu Bank's growth.	N	2	9	11	17	18	3.7018	1.17966
	%	3.5	15.8	19.3	29.8	31.6		
Ahadu Bank has sufficient marketing budgets to execute effective promotional strategies.	N	2	26	17	8	4	2.7544	0.98707
	%	3.5	45.6	29.8	14	7		
Attracting new customers has been easier than anticipated for Ahadu Bank.	N	0	10	14	29	4	3.4737	0.86819
	%	0	17.5	24.6	50.9	7		

Source: (Researcher's Survey, 2024)

The marketing challenges faced by Ahadu Bank, as illustrated in Table 4.2, reveal several areas where the bank is striving to establish itself within a highly competitive sector. One of the most pressing issues identified is the difficulty in building brand awareness, with 21.1% of respondents strongly disagree on the effectiveness of the brand building while 28.1% respondent disagree and 50.9% of respondents neutral. This indicates that the bank is not effectively creating brand recognition among potential customers. This result highlights a significant challenge for new entrants in the banking sector, particularly in an environment where established players dominate the market. Previous studies, such as those by Bekele and Dagne (2022), found that new banks in Ethiopia struggle with brand awareness due to the entrenched loyalty of consumers to older, more established banks. Ahadu Bank's difficulty in this area is consistent with these findings and underscores the importance of focused marketing campaigns and branding strategies tailored to increase visibility in a crowded market.

Another notable challenge is Ahadu Bank's ability to differentiate itself from established competitors. While 59.6% of respondents feel that the bank has made some progress in differentiating itself, 14% strongly disagreed, and 15.8% were neutral, suggesting that the bank still faces hurdles in distinguishing itself from the competition. The challenge of differentiation is widely recognized in the literature, with banks often needing to provide unique value propositions to stand out in a saturated market. This is reflected in a study by Alemayehu et al. (2020), which found that differentiation is crucial for new banks to gain a foothold in markets where customer loyalty to established players is high. In Ahadu Bank's case, the bank appears to be facing difficulty in clearly defining what sets it apart from the more well-established institutions in Ethiopia.

Ahadu Bank's ability to compete with available resources is another challenge, with 47.4% of respondents agreeing that the bank struggles with this issue. This result suggests that Ahadu Bank, like many new entrants, faces resource constraints that limit its ability to implement effective marketing strategies. Resource limitations are a common challenge for new banks, as they often lack the extensive budgets and operational infrastructure of their larger competitors. As noted in studies like those by Alemu (2022), new entrants typically struggle with resource

constraints, making it harder to scale marketing efforts and gain market share. In Ahadu Bank's case, this challenge may require the bank to focus on more cost-effective marketing strategies, such as digital marketing, to maximize the impact of its available resources.

Despite these challenges, the bank's branch network is perceived to be a significant asset, with 63.2% of respondents agreeing that it helps improve customer reach. The importance of an expansive branch network in improving customer accessibility is well-documented in the literature, with physical presence often being a key driver of customer engagement in the banking sector (McKinsey & Company, 2018). However, as digital banking continues to grow, it is essential for Ahadu Bank to complement its branch network with strong digital services. The increased reliance on digital platforms in Ethiopia, especially in urban areas like Addis Ababa, makes it imperative for banks to adapt and integrate online services to meet customer demands.

In terms of customer trust, Ahadu Bank has made significant progress, with 54.4% of respondents indicating that their customers trust the bank and its services. Trust is a critical factor in the banking sector, and studies have consistently shown that customers are more likely to engage with financial institutions they trust (Chaudhuri & Holbrook, 2001). Ahadu Bank's relatively high level of customer trust is a positive sign, but it needs to continue building this trust through consistent service quality and transparent communication, especially given the competition from well-established banks.

Finally, Ahadu Bank's regulatory challenges were perceived as minimal by most respondents. With 31.6% strongly disagreeing with the statement that regulatory challenges hinder growth, it appears that the bank has managed to navigate the regulatory environment more effectively than anticipated. However, this could be due to the relatively recent regulatory reforms in Ethiopia, which have created opportunities for new entrants. According to the National Bank of Ethiopia (2023), these reforms have aimed to enhance financial inclusion and ease market entry for new players. The challenge for Ahadu Bank, however, was to maintain its competitive edge while complying with evolving regulations.

#### 4.4. Effectiveness of Ahadu Bank's Current Marketing Strategies

This section examines the effectiveness of Ahadu Bank's current marketing strategies, utilizing insights from survey data and interviews to assess how well these strategies address customer acquisition, engagement, and retention. Key areas of focus include the bank's use of digital marketing, social media engagement, and customer feedback mechanisms. Evaluating the strengths and limitations of these approaches provides a comprehensive understanding of their impact on the bank's overall performance and highlights areas where further enhancements could be made.

**Table 4.3: Effectiveness of Ahadu Bank's Current Marketing Strategies**

Items	n/%	SD	D	N	A	SA	mean	SD
Ahadu Bank's promotional campaigns effectively attract new customers.	N	0	24	16	15	2	2.9123	0.91184
	%	0	42.1	28.1	26.3	3.5		
The digital marketing efforts of Ahadu Bank effectively reach the intended audience.	N	0	12	12	27	6	3.4737	0.9469
	%	0	21.1	21.1	47.4	10.5		
Ahadu Bank's competitive interest rates are successful in attracting new customers.	N	0	22	14	10	11	3.1754	1.15144
	%	0	38.6	24.6	17.5	19.3		
The brand messaging of Ahadu Bank clearly reflects its unique offerings.	N	0	13	21	19	4	3.2456	0.89204
	%	0	22.8	36.8	33.3	7		
Social media has been an effective tool for Ahadu Bank to reach potential customers.	N	0	14	6	27	10	3.5789	1.05131
	%	0	24.6	10.5	47.4	17.5		
Ahadu Bank's marketing initiatives have successfully built substantial brand awareness.	N	0	9	6	31	11	3.7719	0.94524
	%	0	15.8	10.5	54.4	19.3		
Customer feedback significantly informs improvements in Ahadu Bank's marketing strategies.	N	0	10	15	26	6	3.4912	0.90874
	%	0	17.5	26.3	45.6	10.5		
Promotional discounts and offers have been effective in customer acquisition.	N	2	6	16	28	5	3.4912	0.92819
	%	3.5	10.5	28.1	49.1	8.8		
Ahadu Bank's advertising strategies successfully highlight its strengths.	N		15	19	20	3	3.193	0.8952
	%	0	26.3	33.3	35.1	5.3		
Overall, Ahadu Bank's marketing approaches have met its business goals.	N	0	12	13	26	6	3.4561	0.94624
	%	0	21.1	22.8	45.6	10.5		

Source: (Researcher's Survey, 2024)

Ahadu Bank's current marketing strategies, as outlined in Table 4.3, show both strengths and areas for improvement in attracting new customers, building brand awareness, and leveraging digital tools. The bank's promotional campaigns, with a mean score of 2.91, are perceived as moderately effective in attracting new customers, with 42.1% of respondents disagreeing with the statement. This result suggests that while Ahadu Bank's promotional efforts have some reach, they may not be fully resonating with potential customers. Similar findings were noted in a study by Alemayehu et al. (2020), where promotional efforts from new banks in Ethiopia were often found lacking the necessary appeal to differentiate them in a competitive market. Therefore, Ahadu Bank might need to refine its promotional strategies by ensuring they are tailored to the specific needs of its target demographic and are supported by more personalized marketing messages.

The bank's digital marketing efforts show a mixed response, with a mean score of 3.47, indicating that while 47.4% of respondents believe the bank is effectively reaching its intended audience through digital channels, there is still room for improvement. Previous research, such as the study by McKinsey & Company (2018), highlighted that digital marketing is crucial for banks in Ethiopia, particularly as younger, tech-savvy customers increasingly turn to online platforms for financial services. Ahadu Bank's digital marketing might need to be further optimized, potentially by increasing its online presence across social media platforms and enhancing the user experience on its digital banking services. This could involve targeted ads, interactive content, and a greater focus on mobile banking solutions to increase engagement.

When it comes to competitive interest rates, Ahadu Bank is moderately successful, with a mean score of 3.18. Although 38.6% of respondents believe that competitive interest rates play a role in attracting new customers, there is a significant portion of customers who remain neutral or disagree. This suggests that while interest rates are a valuable component of Ahadu Bank's strategy, they may not be sufficient on their own to attract a large customer base in a competitive market. This finding aligns with studies by Haileselasie (2020), which indicated that interest rates, while important, may not be the sole driver of customer acquisition. Therefore, Ahadu

Bank may benefit from combining competitive rates with other incentives, such as value-added services or financial education, to better capture and retain customers.

Ahadu Bank's efforts in using social media as a marketing tool are somewhat effective, with a mean score of 3.58. The use of social media has shown to be successful in reaching potential customers, with 47.4% of respondents agreeing with the statement. This result is consistent with trends in the Ethiopian banking sector, where social media has emerged as an important channel for customer engagement (Accenture, 2019). However, Ahadu Bank's strategy could benefit from increasing its presence on platforms like Facebook, Instagram, and LinkedIn, and integrating customer feedback directly into campaigns. The bank could also explore influencer marketing or collaborate with local businesses to further enhance its social media outreach.

Ahadu Bank's brand messaging is moderately effective, with a mean score of 3.25. The bank is making some progress in communicating its unique offerings, but there remains room for clarity and refinement. This echoes findings from studies such as those by Kotler and Keller (2016), which emphasize the importance of clear, consistent brand messaging in establishing differentiation, especially in highly competitive markets like banking. For Ahadu Bank, strengthening its brand narrative and aligning it with customer needs and aspirations could help build stronger emotional connections with its target audience.

#### **4.5. External Factors Influencing Ahadu Bank's Marketing Strategies**

This section explores the external factors that shape Ahadu Bank's marketing strategies, drawing on survey and interview findings to analyze their impact. Key influences include economic conditions, regulatory policies, competitive pressures, and technological advancements. These factors present both challenges and opportunities for the bank, affecting its ability to implement effective marketing campaigns and reach its target customers. Understanding these external dynamics is critical for identifying adaptive strategies that enable the bank to navigate a complex and competitive environment.

**Table 4.4: External Factors Influencing Ahadu Bank’s Marketing Strategies**

Items	n/%	SD	D	N	A	SA	mean	SD
Changing customer preferences positively influence Ahadu Bank’s marketing efforts.	N	4	14	10	24	5	3.2105	1.12974
	%	7	24.6	17.5	42.1	8.8		
Ahadu Bank successfully competes with other new banks in the market.	N	0	6	17	30	4	3.5614	0.7796
	%	0	10.5	29.8	52.6	7		
Ahadu Bank is positively responding to economic stability in Ethiopia.	N	0	2	8	29	18	4.1053	0.77192
	%	0	3.5	14	50.9	31.6		
Technological advancements have helped Ahadu Bank keep up in the market.	N	0	5	20	22	10	3.6491	0.8761
	%	0	8.8	35.1	38.6	17.5		
Ahadu Bank’s competitors offer digital banking solutions that enhance competition.	N	0	15	10	12	20	3.6491	1.2173
	%	0	26.3	17.5	21.1	35.1		
Regulatory requirements allow Ahadu Bank to adapt its marketing strategies.	N	0	2	17	26	12	3.8421	0.79708
	%	0	3.5	29.8	45.6	21.1		
The geographic distribution of branches is helping expand Ahadu Bank's customer base.	N	2	2	18	28	7	3.6316	0.87895
	%	3.5	3.5	31.6	49.1	12.3		
Customer expectations for digital banking are being successfully met by Ahadu Bank.	N	2	6	9	29	11	3.7193	1.01338
	%	3.5	10.5	15.8	50.9	19.3		
External economic conditions are positively influencing Ahadu Bank’s marketing strategies.	N	6	16	8	21	6	3.0877	1.22883
	%	10.5	28.1	14	36.8	10.5		
Seasonal fluctuations in the economy are providing opportunities for customer acquisition.	N	5	11	10	22	9	3.3333	1.21499
	%	8.8	19.3	17.5	38.6	15.8		

Source: (Researcher’s Survey, 2024)

Table 4.4 illustrates the external factors that influence Ahadu Bank's marketing strategies, highlighting the impacts of changing customer preferences, competition, economic conditions, technology, and regulation on the bank's operations and growth.

One of the most significant external factors identified is changing customer preferences, with a mean score of 3.21. This result indicates that 42.1% of respondents believe that shifts in customer preferences positively influence Ahadu Bank's marketing efforts. As customer expectations evolve, especially with the increasing demand for digital services and personalized banking, Ahadu Bank must adapt its marketing strategies accordingly. The importance of adapting to consumer behavior is supported by studies such as those by Haileselasie (2020), which highlight that understanding and responding to customer preferences is critical for new entrants in competitive markets like banking. Ahadu Bank's ability to align its services with customer preferences can provide a strategic advantage, especially in a market where digital banking and convenience are key drivers of customer loyalty.

Ahadu Bank's ability to compete with other new banks in the market received a favorable response, with a mean score of 3.56. Although 29.8% of respondents felt neutral about this statement, 52.6% agreed that the bank is successfully competing. This finding suggests that while Ahadu Bank faces considerable competition from other new entrants, it is carving out a niche in the market. Previous studies, like those from Bekele & Dagne (2022), underscore the challenges that new banks face in competing with other startups. However, Ahadu Bank's ability to differentiate itself and respond to market demands, including digital offerings and customer service innovations, is key to maintaining its competitive edge.

The economic stability in Ethiopia is another external factor influencing Ahadu Bank's marketing efforts, with a high mean score of 4.11. This suggests that respondents believe the bank is effectively leveraging positive economic conditions to enhance its marketing strategies. Economic stability can create a favorable environment for business growth, particularly in emerging markets like Ethiopia. Research by the International Monetary Fund (2023) has shown that periods of economic stability often lead to increased consumer confidence and spending, which could support Ahadu Bank's customer acquisition and retention efforts. During such times, the bank can implement marketing strategies focused on capitalizing on increased disposable income and consumer optimism.

Technological advancements are also identified as an important external factor with a mean score of 3.65, indicating that Ahadu Bank is leveraging technological innovations to keep pace with competitors. This is consistent with findings from Accenture (2019), which highlight the growing importance of technology in the African banking sector. New technologies, such as mobile banking platforms and AI-driven customer service, offer new ways for Ahadu Bank to engage with customers. However, there is still a need to ensure that these technological solutions are accessible to all customer segments, particularly in rural areas where digital literacy and access to technology might be limited.

Regarding competitors' digital banking solutions, 36.8% of respondents agreed that these solutions are enhancing competition in the market, with a mean score of 3.65. As digital solutions become more prevalent, the need for Ahadu Bank to enhance its digital offerings is more pressing. This is echoed in studies by McKinsey & Company (2018), which suggest that successful banks in emerging markets must embrace digital banking to stay competitive. For Ahadu Bank, investing in innovative digital banking features and ensuring seamless integration of these services could prove vital in attracting and retaining a tech-savvy customer base.

#### **4.6. Opportunities for Innovation and Adaptation in Ahadu Bank's Marketing Strategies**

This section identifies the opportunities available for Ahadu Bank to innovate and adapt its marketing strategies to enhance competitiveness and customer engagement. Insights from surveys and interviews highlight areas such as leveraging digital platforms, expanding personalized services, enhancing rural outreach, and integrating advanced technologies. These opportunities align with evolving customer preferences and industry trends, providing a pathway for the bank to strengthen its market position and address existing challenges effectively. Understanding and capitalizing on these opportunities was crucial for sustained growth and innovation in the dynamic Ethiopian banking sector.

**Table 4.5: Opportunities for Innovation and Adaptation in Ahadu Bank’s Marketing Strategies**

Items	n/%	SD	D	N	A	SA	mean	SD
New marketing technologies have greatly benefited Ahadu Bank’s strategies.	N	7	11	22	17	0	2.8596	0.98992
	%	12.3	19.3	38.6	29.8	0		
Expanding digital offerings has successfully attracted younger customers for Ahadu Bank.	N	0	4	19	26	8	3.6667	0.80917
	%	0	7	33.3	45.6	14		
Offering personalized services has differentiated Ahadu Bank from competitors.	N	0	10	11	26	10	3.6316	0.97526
	%	0	17.5	19.3	45.6	17.5		
Partnerships with local businesses have effectively enhanced Ahadu Bank’s market reach.	N	4	10	14	24	5	3.2807	1.08157
	%	7	17.5	24.6	42.1	8.8		
Expanding to rural areas has successfully brought in a new customer base.	N	0	7	13	20	17	3.8246	1.00219
	%	0	12.3	22.8	35.1	29.8		
Ahadu Bank uses customer data effectively to tailor services to individual needs.	N	2	5	11	27	12	3.7368	1.00935
	%	3.5	8.8	19.3	47.4	21.1		
Improving online banking services has attracted more customers.	N	0	8	10	27	12	3.7544	0.9502
	%	0	14	17.5	47.4	21.1		
Digital customer engagement (e.g., chatbots) has significantly improved service.	N	2	4	10	23	18	3.8947	1.04684
	%	3.5	7	17.5	40.4	31.6		
Providing community-focused services has helped build brand loyalty for Ahadu Bank.	N	2	7	19	20	9	3.4737	1.01955
	%	3.5	12.3	33.3	35.1	15.8		
Leveraging social media has greatly enhanced Ahadu Bank’s brand visibility.	N	0	9	8	20	20	3.8947	1.06376
	%	0	15.8	14	35.1	35.1		

Source: (Researcher’s Survey, 2024)

Table 4.5 provides valuable insights into the opportunities for innovation and adaptation that Ahadu Bank could explore in its marketing strategies. These opportunities are essential for the bank to stay competitive, attract new customers, and enhance its service offerings in a rapidly evolving financial landscape.

One of the key areas identified for innovation is expanding digital offerings, which has successfully attracted younger customers, as indicated by a mean score of 3.67. With 45.6% of respondents agreeing with this statement, it is clear that digital services resonate strongly with younger demographics. This aligns with trends observed in global banking sectors, where digital banking solutions such as mobile banking apps, online loan services, and e-wallets have become essential tools for customer engagement (Accenture, 2019). By continuing to expand its digital offerings, Ahadu Bank can capitalize on the increasing reliance of younger customers on digital platforms for financial transactions, thereby improving customer acquisition and retention rates.

Offering personalized services also stands out as a crucial factor for differentiation, with a mean score of 3.63. Personalized services, such as tailored financial products or customer-specific loan offerings, are seen as an effective way to differentiate Ahadu Bank from its competitors. As 45.6% of respondents agreed that personalized services have helped set the bank apart, this reflects a broader trend where personalization is becoming a key competitive advantage in the banking sector (Kotler & Keller, 2016). Ahadu Bank can further enhance this by leveraging customer data to offer even more customized services, thus fostering greater customer loyalty and satisfaction.

Another promising opportunity lies in expanding to rural areas, which has successfully brought in a new customer base, as shown by a mean score of 3.82. This indicates that the bank's efforts to extend its reach to underserved rural regions have been successful. The importance of rural expansion is highlighted by studies such as those by Demirgüç-Kunt et al. (2018), which emphasize that financial inclusion is crucial for economic development, particularly in emerging economies like Ethiopia. By focusing on expanding its physical presence and digital banking solutions in rural areas, Ahadu Bank can tap into a largely untapped market segment, thus contributing to its long-term growth and market penetration.

The use of customer data to tailor services to individual needs, with a mean score of 3.74, also presents a significant opportunity for Ahadu Bank. The ability to analyze customer behavior and preferences allows the bank to offer more relevant products and services, which can significantly enhance customer satisfaction and loyalty. This finding is consistent with the global trend of data-driven decision-making in banking, where customer insights are used to create personalized marketing campaigns and product offerings (Bennett & Rundle-Thiele, 2005). By investing in advanced analytics and data processing technologies, Ahadu Bank can further enhance its ability to meet the specific needs of its diverse customer base.

Digital customer engagement tools, such as chatbots, are also noted as significant improvements to Ahadu Bank's service, with a mean score of 3.89. This reflects the growing importance of automation and artificial intelligence in customer service, particularly in the banking sector. Digital engagement tools not only improve efficiency but also provide a more seamless experience for customers, which is critical in today's fast-paced, digital-first environment. Research by Kumar and Reinartz (2016) highlights that investing in such technologies can enhance customer interaction, reduce operational costs, and improve overall customer satisfaction.

Leveraging social media to enhance brand visibility, with a mean score of 3.89, is another opportunity for Ahadu Bank. Social media platforms like Facebook, Twitter, and Instagram are essential tools for brand engagement and awareness, especially among younger, tech-savvy customers. The bank can use social media to promote its digital services, engage with customers directly, and build a community around its brand. According to studies by McKinsey & Company (2018), social media plays an increasingly pivotal role in customer decision-making processes, making it an indispensable tool for brand visibility and customer acquisition.

#### **4.7. Interview Analysis**

Based on the provided interviews, the following sections delve deeper into the marketing challenges, differentiation, resource limitations, current strategies, and opportunities for Ahadu Bank. By triangulating these findings with the results from the questionnaire and comparing them with existing studies, we gain a comprehensive understanding of the bank's strategic landscape.

#### **4.7.1. Marketing Challenges**

Ahadu Bank's marketing challenges primarily stem from budget limitations, resource constraints, and external factors. According to the interviews, the bank's marketing budget is insufficient to carry out large-scale campaigns, and its resource limitations in human capital and branch networks further exacerbate this issue. The National Bank of Ethiopia's regulations, such as limiting loan caps, have also restricted the bank's ability to execute aggressive marketing initiatives. This aligns with the questionnaire results, where respondents noted that resource constraints (e.g., insufficient funding and manpower) hindered the bank's marketing effectiveness. Previous studies on Ethiopian banks suggest that such limitations often prevent banks from fully capitalizing on market opportunities. For instance, a study by Muluye and Assefa (2019) highlighted that financial institutions in Ethiopia frequently struggle with inadequate marketing budgets, limiting their competitiveness and brand recognition.

#### **4.7.2. Differentiation and Strategy Effectiveness**

Ahadu Bank's strategic differentiation lies in its inclusive approach, targeting underserved markets such as rural areas, startups, and small enterprises. The interviews emphasize that this differentiation is core to the bank's value proposition. Ahadu Bank aims to provide accessible banking services where traditional financial institutions have limited reach. Moreover, the bank has prioritized digital banking, with systems such as self-onboarding and partnerships with platforms like Telebirr. These efforts are crucial for staying competitive, especially as digital services become an essential part of customer acquisition strategies. The results from the questionnaire mirror these findings, revealing that respondents view Ahadu Bank's focus on inclusivity and digital banking as key strengths. Studies like those by Kassa (2020) further support this, noting that banks that embrace digital platforms not only gain a competitive edge but also foster customer loyalty, as they meet the growing demand for digital banking solutions.

#### **4.7.3. Impact of Resource Limitations**

Resource limitations have a significant impact on the bank's ability to fully execute its marketing strategies. The interviews indicate that while the bank is actively exploring digital marketing channels such as social media, its efforts are often constrained by the budget and human

resources available. Digital marketing is seen as a vital tool for increasing reach and engagement, yet the bank struggles to allocate sufficient resources for large-scale campaigns. The questionnaire results support this, showing that marketing efforts are often underfunded, which limits the bank's potential to scale its digital outreach. Previous studies on Ethiopian banks suggest that resource constraints significantly impede marketing effectiveness. For example, Fufa (2021) found that many Ethiopian banks face challenges in leveraging modern marketing technologies due to a lack of financial and technological investment, resulting in underdeveloped digital engagement.

#### **4.7.4. Current Marketing Strategies**

Ahadu Bank's current marketing strategies heavily emphasize digital platforms, with a strong focus on social media engagement. The interviews highlight that digital marketing plays a crucial role in the bank's customer acquisition and retention efforts, especially in the context of its limited branch network. The bank has also invested in CRM systems to collect and analyze customer feedback, which helps to refine marketing strategies. These findings align with the questionnaire results, where digital marketing and customer feedback systems were identified as central to the bank's marketing efforts. Studies on banking sector marketing, such as those by Dereje (2018), reveal that customer relationship management is increasingly important in building long-term customer loyalty. The ability to adapt to customer feedback is crucial in competitive markets, and Ahadu Bank's use of CRM systems shows its commitment to aligning marketing strategies with customer needs.

#### **4.7.5. External Influences**

The bank's marketing strategies are significantly influenced by external factors, including regulatory pressures and competition from established players. The interviews indicate that new regulations from the National Bank of Ethiopia, especially those limiting loan caps, have affected the bank's ability to expand its services and allocate sufficient resources to marketing. Additionally, competition from larger, more established banks remains a persistent challenge. The questionnaire results also revealed concerns about the competitive landscape, with respondents noting that Ahadu faces intense rivalry in the banking sector. Research on the

Ethiopian banking sector, such as the study by Tadesse (2020), highlights that regulatory constraints and the dominance of larger banks often stifle smaller institutions' marketing efforts, leaving them with limited space to grow their brand visibility.

#### **4.7.6. Digital Banking Demand and Innovation**

Digital banking presents both a challenge and an opportunity for Ahadu Bank. The increasing demand for digital banking services, driven by tech-savvy customers, offers a significant growth opportunity. According to the interviews, Ahadu Bank's digital banking services, such as self-onboarding and partnerships with Telebirr, are crucial to its future success. The questionnaire responses echo this, emphasizing the importance of digital services in attracting and retaining customers. Studies like those of Solomon and Hassen (2019) demonstrate that the shift toward digital banking is a critical factor for growth in the Ethiopian banking sector, with customers increasingly expecting easy, accessible banking solutions. Ahadu's innovation in digital services is expected to strengthen its market position, especially as digital banking becomes a dominant trend across Africa.

#### **4.7.7. Opportunities for Improvement**

Despite the challenges, there are significant opportunities for Ahadu Bank to enhance its marketing strategies. The interviews suggest that expanding the digital presence and engaging more effectively with customers through digital platforms was key to its growth. Respondents from the questionnaire further indicated that Ahadu Bank could improve its customer engagement through more personalized digital marketing campaigns. Ahadu Bank is also considering increasing its capital to expand its branch network and technological infrastructure, which would help alleviate some of its resource limitations. Previous studies support these conclusions. For example, Girma (2019) found that investment in digital marketing tools and infrastructure is essential for Ethiopian banks to stay competitive in an increasingly digital financial environment. Additionally, investments in technology and human resources are seen as necessary to expand market reach and improve customer engagement.

Ahadu Bank's marketing strategies are significantly shaped by its resource limitations, external factors, and focus on digital banking. While the bank has made strides in differentiating itself

through inclusive services and innovative digital solutions, challenges related to budget, competition, and regulatory constraints persist. By leveraging opportunities in digital banking and customer feedback integration, Ahadu Bank can enhance its marketing efforts and strengthen its position in the competitive Ethiopian banking market.

#### **4.8. Discussion**

In this section, the main results from the tables and interviews are discussed, with a particular focus on how they relate to the initial objectives of the study. The discussion triangulates the findings with previous studies, providing a comprehensive analysis that not only reflects the key results but also compares them to relevant literature.

The results of both the questionnaire and the interviews highlight that Ahadu Bank faces significant marketing challenges due to resource limitations. The questionnaire respondents noted that the bank's marketing efforts were constrained by its budget and limited human resources, which aligns with the findings from the interviews. Interviewees pointed out that these resource limitations significantly hamper the bank's ability to execute large-scale marketing campaigns, leaving it with a reliance on small-scale digital marketing strategies. These challenges are consistent with previous studies on the Ethiopian banking sector. For instance, Muluye and Assefa (2019) found that financial institutions in Ethiopia often face budgetary constraints that limit their marketing effectiveness. Similarly, Fufa (2021) highlighted that resource limitations, both in terms of budget and human capital, significantly affect the marketing potential of banks in Ethiopia. The results from this study corroborate these findings, confirming that Ahadu Bank's limited financial resources and manpower hinder its ability to fully engage in extensive marketing activities.

In contrast, some studies suggest that banks can overcome such resource limitations through innovative marketing techniques, such as leveraging digital platforms and customer relationship management systems (Kassa, 2020). Ahadu Bank's reliance on digital marketing strategies and CRM tools reflects an attempt to overcome these limitations and engage customers in a cost-effective manner, aligning with the trends observed in these studies.

Ahadu Bank's differentiation strategy, as revealed in the interviews, centers around targeting underserved markets, such as rural areas and small enterprises, while emphasizing the importance of digital banking services. This is a key finding from both the questionnaire and the interviews. The bank's strategy of inclusivity, particularly in underserved areas, has allowed it to carve out a niche in the competitive Ethiopian banking sector. Respondents from the questionnaire noted that Ahadu's focus on digital services, such as self-onboarding and partnerships with platforms like Telebirr, has helped it differentiate itself from other financial institutions.

This aligns with findings from Kassa (2020), who emphasized the importance of inclusivity and digital banking in differentiating smaller banks in Ethiopia. Digital banking, in particular, offers a competitive edge in an increasingly tech-savvy market. Similarly, Tadesse (2020) found that banks in Ethiopia that invest in digital services are better positioned to expand their customer base and enhance customer loyalty. The effectiveness of Ahadu Bank's differentiation strategy is further supported by the questionnaire results, which highlighted digital banking as one of the most significant factors driving customer engagement.

However, there is a contrasting viewpoint from Girma (2019), who argued that while digital banking provides growth opportunities, its effectiveness depends on the scale of investment in technology and infrastructure. Ahadu Bank's current resource limitations may hinder its ability to fully capitalize on this opportunity, as reflected in the interviewees' concerns about the bank's technological infrastructure. Thus, while the bank's differentiation strategy is effective, it may require further investment in digital technologies to remain competitive in the long term.

Digital banking is a central theme in both the interviews and the questionnaire results. Ahadu Bank's emphasis on digital services, such as self-onboarding and digital payment systems, was identified as a key strength in the bank's marketing strategy. The interviews revealed that digital platforms, particularly social media, have become an essential tool for customer engagement, especially given the limited branch network. These findings are consistent with the literature on digital banking. Studies such as those by Solomon and Hassen (2019) suggest that digital banking is increasingly seen as a vital tool for enhancing customer engagement and satisfaction. This aligns with the questionnaire results, where respondents identified digital services as a significant driver of customer satisfaction.

However, the literature also presents a cautionary note. According to Dereje (2018), while digital platforms are valuable for engaging customers, their success depends on the level of investment in both technology and customer service. Ahadu Bank's efforts in this area, though commendable, are limited by resource constraints, which may impact the bank's ability to scale its digital services effectively. This aligns with the interviewees' concerns that, while digital banking is crucial, limited financial resources may slow down the expansion of these services.

Ahadu Bank operates in a competitive and highly regulated environment, as noted in both the interviews and the questionnaire results. Interviewees highlighted that competition from larger, more established banks poses a significant challenge, especially in urban areas where the competition is intense. The findings align with previous studies, such as those by Tadesse (2020), which indicated that smaller banks in Ethiopia often face stiff competition from established players. The regulatory environment also poses challenges, with interviewees citing the National Bank of Ethiopia's loan caps as a significant constraint on the bank's ability to execute large-scale marketing campaigns.

The results also suggest that despite these challenges, there are significant opportunities for Ahadu Bank to improve its competitive positioning. The questionnaire responses highlighted the bank's potential to expand its customer base through more targeted marketing efforts, particularly in digital spaces. This is supported by the findings of Muluye and Assefa (2019), who argue that while competition is a significant barrier, banks that invest in digital innovation and customer-centric strategies can overcome these challenges.

The final area of discussion pertains to the opportunities for improvement that emerged from the study. Both the questionnaire results and the interviews point to the need for Ahadu Bank to invest further in its digital infrastructure and human resources. Interviewees emphasized the importance of expanding the bank's digital marketing efforts and improving customer engagement through personalized campaigns. The questionnaire respondents also suggested that the bank could improve its outreach by leveraging social media more effectively and by increasing its customer base in rural areas.

These findings are in line with studies that suggest Ethiopian banks must increase investment in technology and human resources to remain competitive (Girma, 2019). Moreover, studies on

customer relationship management, such as those by Dereje (2018), argue that personalized marketing efforts are key to improving customer loyalty and engagement. Ahadu Bank's focus on digital banking and customer feedback mechanisms is a step in the right direction, but further investments are needed to fully capitalize on these opportunities.

## CHAPTER FIVE

### 5. SUMMARY, CONCLUSION AND RECOMMENDATIONS

#### 5.1. Summary

Ahadu Bank faces several marketing challenges that influence its ability to establish a competitive presence in the Ethiopian banking sector. One of the most significant issues is building brand awareness, with 50.9% of respondents disagreeing that the bank is effectively creating recognition among potential customers. This aligns with findings from previous studies which indicate that new banks struggle to gain visibility in a market dominated by well-established players. Additionally, while 59.6% of respondents believe Ahadu Bank is making progress in differentiating itself from competitors, 15.8% remain neutral, and 14% strongly disagree. These figures highlight the need for the bank to refine its unique value proposition to stand out in the competitive landscape.

Resource efficiency is another area of concern, with 47.4% of respondents agreeing that the bank struggles to compete effectively with the resources available. This limitation impacts the bank's ability to scale its marketing initiatives. On a positive note, 63.2% of respondents agree that the bank's branch network helps improve customer reach, showing that physical presence remains a valuable asset in fostering customer accessibility. Similarly, trust in Ahadu Bank's services is relatively high, with 54.4% of respondents indicating that customers trust the bank.

Despite regulatory challenges being a common issue for new entrants, 31.6% of respondents strongly disagree that such challenges have significantly hindered the bank's growth. However, only 7% of respondents believe Ahadu Bank has sufficient marketing budgets, which underscores a critical barrier to the implementation of impactful promotional strategies. Moreover, 50.9% of respondents find it challenging for the bank to attract new customers, reflecting the need for improved marketing tactics.

Ahadu Bank's current marketing strategies yield mixed results. For instance, its promotional campaigns have a mean score of 2.91, with 42.1% of respondents disagreeing that these efforts effectively attract new customers. On the other hand, the bank's digital marketing strategies show moderate success, with 47.4% of respondents agreeing that they effectively reach the intended

audience, achieving a mean score of 3.47. Social media, in particular, has been a relatively effective tool, as highlighted by 47.4% of respondents. However, the bank's advertising strategies require refinement, as only 5.3% of respondents strongly agree that these strategies successfully highlight its strengths.

Ahadu Bank's use of competitive interest rates to attract customers has also seen moderate success, with a mean score of 3.18. While 38.6% of respondents agree that these rates contribute to customer acquisition, they are not a standalone solution in a highly competitive market. Finally, customer feedback plays a significant role in shaping the bank's marketing strategies, with 45.6% of respondents agreeing that feedback informs improvements. However, further enhancements are needed to ensure the bank's marketing approaches align with its business goals, as indicated by a mean score of 3.45 for overall effectiveness.

## **5.2. Conclusion**

This study has explored the impact of marketing strategies on customer engagement and satisfaction at Ahadu Bank, focusing on how the bank has managed to navigate the challenges of limited resources, competition, and regulatory constraints while maintaining customer loyalty and expanding its market share. The research has shown that Ahadu Bank's marketing strategies, although affected by various internal and external factors, have been instrumental in its growth and success in the Ethiopian banking sector.

A key finding of the study was that Ahadu Bank's marketing efforts are heavily influenced by the bank's strategic positioning within the market. Despite operating with limited financial resources compared to established competitors, Ahadu Bank has successfully differentiated itself through its focus on innovation, particularly its digital transformation. The introduction of self-onboarding systems, its collaboration with Telebirr, and efforts to enhance financial inclusion have allowed the bank to provide accessible and affordable services to underserved segments, particularly in rural areas and among startups. This focus on digital services has not only allowed Ahadu Bank to reach new customers but has also enabled the bank to engage with existing customers in more efficient and personalized ways, ultimately driving customer satisfaction.

The study also highlighted that customer feedback plays a central role in Ahadu Bank's marketing strategies. The bank's emphasis on customer-centric services, where feedback is actively sought through surveys and other engagement channels, has helped it maintain a high level of satisfaction. This customer feedback loop has allowed the bank to continuously adapt its service offerings, improving areas such as customer support, ease of use, and product features. However, while the feedback system is essential, the study also pointed out that the bank could benefit from integrating more sophisticated data analytics tools to better analyze customer preferences and enhance its marketing campaigns.

External factors, such as economic instability and government regulations, have also played a significant role in shaping Ahadu Bank's marketing strategies. The research found that the bank has faced considerable challenges related to the current regulatory framework, which has impacted its ability to expand its physical presence and scale its marketing efforts. Despite this, Ahadu Bank has shown resilience by adjusting its marketing strategies to respond to these changes. The bank has also displayed flexibility in adapting to external economic challenges, utilizing its innovative approaches and customer-focused services to stay competitive in a fluctuating market.

Ahadu Bank's marketing strategies, driven by digital transformation, customer feedback, and a focus on financial inclusion, have allowed it to overcome resource constraints and competitive pressures. The bank's success in building a loyal customer base and differentiating itself from larger competitors underscores the importance of innovation, adaptability and customer-centric approaches in the highly competitive banking sector. However, to further enhance its marketing strategies and ensure sustained growth, the bank must continue to invest in data analytics and digital marketing efforts. By doing so, Ahadu Bank can maintain its competitive edge and further strengthen its position in the Ethiopian banking market.

### **5.3. Recommendations**

Based on the findings of this study, the following actionable recommendations are proposed to enhance Ahadu Bank's marketing strategies and drive its growth in the competitive Ethiopian banking sector.

To enhance its digital presence, Ahadu Bank should invest in advanced digital marketing tools, such as search engine optimization (SEO), targeted social media campaigns, and pay-per-click advertising. These tools will help maximize the bank's online visibility and improve customer acquisition. Additionally, integrating customer analytics platforms will allow the bank to track customer behavior, segment audiences, and personalize marketing efforts. Regular monthly reviews of the insights from these analytics will help continuously refine marketing strategies and improve customer engagement.

Regarding financial inclusion, Ahadu Bank should broaden its product offerings to include microloans, flexible savings plans, and other services tailored to low-income groups and micro-enterprises. The bank could also collaborate with government and NGO-led financial literacy programs to educate underserved populations while promoting Ahadu Bank's services. A target should be set to increase rural customer acquisition by 20% in the coming fiscal year through mobile banking and tailored product offerings, thus expanding its reach to a broader demographic.

To improve customer feedback systems, Ahadu Bank should implement quarterly customer satisfaction surveys and introduce interactive feedback channels, such as chatbots or in-app surveys. A dedicated Customer Feedback Action Team (CFAT) should be established to review and address customer concerns within 48 hours. Tracking feedback trends monthly will help identify recurring issues, allowing the bank to address them systematically and improve overall customer satisfaction.

To strengthen its brand positioning, Ahadu Bank should launch a nationwide marketing campaign that highlights its digital innovations and commitment to customer service. Collaborating with well-known brands or sponsoring community events could further enhance public perception and visibility. Additionally, the bank should adopt storytelling techniques in its advertisements to create an emotional connection with customers, particularly targeting millennial and rural communities.

Given the regulatory challenges and economic instability faced by the bank, Ahadu Bank should establish a Regulatory Response Task Force that will closely monitor and quickly adapt to any new policies or market changes. The bank should also diversify its revenue streams by

introducing services such as insurance-linked products or investment accounts to attract middle-income earners. Moreover, marketing budgets should be reviewed and adjusted quarterly to ensure that resources are allocated efficiently and effectively in response to shifting economic conditions.

Lastly, investing in employee training is essential to maintaining high levels of customer satisfaction. Ahadu Bank should conduct bi-annual training programs focused on digital banking tools, customer relationship management, and marketing practices for its frontline staff. Incentives should be introduced for employees who excel in implementing marketing strategies and achieving customer satisfaction goals. Additionally, role-playing scenarios and workshops should be incorporated into the training sessions to enhance employees' skills in handling customer interactions.

By implementing these recommendations, Ahadu Bank can address its current marketing challenges, leverage its strengths, and offer enhanced services that meet the evolving needs of its customers. This will lead to increased customer satisfaction, a larger market share, and long-term sustainability in the highly competitive Ethiopian banking sector.

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## **APPENDICES**

### **6. APPENDIX A: QUESTIONNAIRE**

**St. Mary's UNIVERSITY  
SCHOOL OF GRADUATE STUDIES  
MASTERS OF BUSINESS ADMINISTRATION (MBA) PROGRAM**

**Marketing Challenges and Strategies for New Entrants in the Banking Sector  
(A Study on Ahadu Bank)**

Dear Participant,

Thank you for agreeing to take part in this study, which forms part of my MBA thesis research at St. Mary's University. This research, titled "Marketing Challenges and Strategies for New Entrants in the Banking Sector: A Study on Ahadu Bank", aims to explore the unique challenges and effective marketing strategies for new entrants in the Ethiopian banking sector. Your participation in this questionnaire is invaluable to the success of this research. Please be assured that all responses were treated confidentially and used solely for academic purposes. The survey will take approximately 10-15 minutes to complete, and your honest responses will greatly contribute to the depth and validity of the findings.

Thank you for your time and insights.

Sincerely,  
Roza Seid  
MBA Candidate

## Demographic Profile Items

Item	Options
1. Position in the Bank	1) Marketing Manager
	2) District Manager
	3) District Sales
	4) Assistant Marketing Manager
	5) Senior Accountant
	6) Other (please specify): _____
2. Highest Level of Education	1) High School
	2) Diploma
	3) Bachelor's Degree
	4) Master's Degree
	5) Doctorate
	6) Other (please specify): _____
3. Work Experience in the Bank (Years)	1) Less than 1 year
	2) 1 year
	3) 2 years

## Key Objective Related Items

Statement	SD	D	N	A	SA
<b>Key Marketing Challenges Faced by Ahadu Bank</b>					
Ahadu Bank effectively builds brand awareness among potential customers.	1	2	3	4	5
Ahadu Bank successfully differentiates itself from established banks in the market.	1	2	3	4	5
Ahadu Bank efficiently competes with available resources.	1	2	3	4	5
Ahadu Bank's branch network helps improve customer reach.	1	2	3	4	5
Customers trust Ahadu Bank and its services.	1	2	3	4	5
Ahadu Bank stands out in its market presence despite competition from established banks.	1	2	3	4	5
Ahadu Bank targets niche customer segments successfully.	1	2	3	4	5
Regulatory challenges have minimal impact on Ahadu Bank's growth.	1	2	3	4	5
Ahadu Bank has sufficient marketing budgets to execute effective promotional strategies.	1	2	3	4	5
Attracting new customers has been easier than anticipated for Ahadu Bank.	1	2	3	4	5
<b>Effectiveness of Ahadu Bank's Current Marketing Strategies</b>					
Ahadu Bank's promotional campaigns effectively attract new customers.	1	2	3	4	5
The digital marketing efforts of Ahadu Bank effectively reach the intended audience.	1	2	3	4	5
Ahadu Bank's competitive interest rates are successful in attracting new customers.	1	2	3	4	5
The brand messaging of Ahadu Bank clearly reflects its unique offerings.	1	2	3	4	5
Social media has been an effective tool for Ahadu Bank to reach potential customers.	1	2	3	4	5
Ahadu Bank's marketing initiatives have successfully built substantial brand awareness.	1	2	3	4	5
Customer feedback significantly informs improvements in Ahadu Bank's marketing strategies.	1	2	3	4	5
Promotional discounts and offers have been effective in customer acquisition.	1	2	3	4	5
Ahadu Bank's advertising strategies successfully highlight its strengths.	1	2	3	4	5

Overall, Ahadu Bank’s marketing approaches have met its business goals.	1	2	3	4	5
<b>External Factors Influencing Ahadu Bank’s Marketing Strategies</b>					
Changing customer preferences positively influence Ahadu Bank’s marketing efforts.	1	2	3	4	5
Ahadu Bank successfully competes with other new banks in the market.	1	2	3	4	5
Ahadu Bank is positively responding to economic stability in Ethiopia.	1	2	3	4	5
Technological advancements have helped Ahadu Bank keep up in the market.	1	2	3	4	5
Ahadu Bank’s competitors offer digital banking solutions that enhance competition.	1	2	3	4	5
Regulatory requirements allow Ahadu Bank to adapt its marketing strategies.	1	2	3	4	5
The geographic distribution of branches is helping expand Ahadu Bank's customer base.	1	2	3	4	5
Customer expectations for digital banking are being successfully met by Ahadu Bank.	1	2	3	4	5
External economic conditions are positively influencing Ahadu Bank’s marketing strategies.	1	2	3	4	5
Seasonal fluctuations in the economy are providing opportunities for customer acquisition.	1	2	3	4	5
<b>Opportunities for Innovation and Adaptation in Ahadu Bank’s Marketing Strategies</b>					
New marketing technologies have greatly benefited Ahadu Bank’s strategies.	1	2	3	4	5
Expanding digital offerings has successfully attracted younger customers for Ahadu Bank.	1	2	3	4	5
Offering personalized services has differentiated Ahadu Bank from competitors.	1	2	3	4	5
Partnerships with local businesses have effectively enhanced Ahadu Bank’s market reach.	1	2	3	4	5
Expanding to rural areas has successfully brought in a new customer base.	1	2	3	4	5
Ahadu Bank uses customer data effectively to tailor services to individual needs.	1	2	3	4	5
Improving online banking services has attracted more customers.	1	2	3	4	5
Digital customer engagement (e.g., chatbots) has significantly improved service.	1	2	3	4	5
Providing community-focused services has helped build brand loyalty for Ahadu Bank.	1	2	3	4	5
Leveraging social media has greatly enhanced Ahadu Bank’s brand visibility.	1	2	3	4	5

## **7. APPENDIX B: INTERVIEW**

### **Interview**

1. What are the primary marketing challenges Ahadu Bank faces as a new entrant, particularly in building brand awareness and gaining customer trust?
2. How does Ahadu Bank differentiate itself from established banks, and what aspects of its strategy are most effective?
3. In what ways do resource limitations (e.g., budget, technology, branch network) impact Ahadu Bank's ability to compete effectively?
4. How well do you feel Ahadu Bank's current marketing strategies (e.g., digital campaigns, social media) are helping it reach and retain customers?
5. What role does customer feedback play in shaping Ahadu Bank's marketing initiatives, and how is it integrated into strategy adjustments?
6. To what extent have external factors, such as economic instability, competitive pressures, and regulatory policies, influenced Ahadu Bank's marketing challenges?
7. How has the increasing demand for digital banking services affected Ahadu Bank's approach to customer acquisition and retention?
8. What opportunities for innovation do you see in Ahadu Bank's marketing strategy that could enhance its competitive position?
9. How does Ahadu Bank plan to leverage digital platforms and new technologies to reach a broader customer base?
10. In your opinion, what are the top three areas where Ahadu Bank could improve or adapt its marketing efforts to better meet customer expectation