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   STATEMENT OF THE PROBLEM

   OBJECTIVES

   HYPOTHESES

   RESEARCH METHODOLOGY

   RESULTS & DISCUSSION

   FINDINGS

   RECOMMENDATIONS/SUGGESTIONS

   CONCLUSIONS

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STRATEGIC POSITIONING AS A GROWTH STRATEGY IN COMMERCIAL BANKS IN KENYA

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ABSTRACT

Strategic positioning is about defining how an organization differentiates its offering and creates value for its market. It's about carving out a spot in the competitive landscape and focusing the organization to deliver on that strategy. A good strategy includes: Market profile; Customer segments; Competitive analysis; Value proposition and positioning strategy,(Porter,2000). Competition within the banking sector is not a new phenomenon. Parallel to the emergence of new banks, the incumbent large banks have expanded operations in neighboring countries. Sometimes new banks adopt strategies of constituting a complement to the customers' regular bank, for instance by offering competitive fund management to certain customer categories. The banking sector is, however, particularly prone to the risk of restrictions on competition (Carter, 1981). This paper analyzes how positioning can enhance business growth as a strategy to remain competitive. The mainstream banks being key players in the financial sector have adopted product and market differentiation, cost leadership ,service diversification and market focus strategies to acquire strategic positioning in the financial industry hence growth. The conclusion is that, through strategic positioning many banks have managed to acquire a national identity, hence increasing their market share, capital and customer base, raise the liquidity levels as well as upgrading the personnel skills to remain competitive and increase their business volume. The major recommendation is that the banks need to provide more competitive and affordable financial products and services, concentrate more on creating awareness of the service and widen their market scope through research and innovation to avoid customer desertion and to remain competitive.

KEYWORDS
Strategic positioning, commercial banks.

1.1 INTRODUCTION

Strategic positioning is the positioning of an organization (unit) in the future, while taking into account the changing environment, plus the systematic realization of that positioning. It includes the devising of the desired future position of the organization on the basis of present and foreseeable developments, and the making of plans to realize that positioning. The strategic positioning method is derived from the business world. The method is aimed at ensuring the continuity of the organization. The strategy determines the contents and the character of the organization's activities. It is a marketing strategy that aims to make a brand or an organization occupy a distinct position, relative to competing brands or organizations in the mind of the customer. Companies apply this strategy either by emphasizing the distinguishing features of their brand (what it is, what it does and how, etc.) or they may try to create a suitable image (Ansoff, 2001).

1.2 GLOBAL TRENDS IN BANKING

Trends affecting banks comprise privatization, regulation and supervision, demographic factors, technological innovations in the global market, Keasey (2003). The privatization of banks is high on the agenda in France, Germany and Italy. As the influence of government continues, competitive relationship in the financial sector and in the banking industry particularly has undergone considerable change. Development in regulation and supervision influence the banking industry via various channels. White (1998) argues that technological developments fundamentally alter the cost structure, output mix and distribution channels of banks, he goes further to say that the developments in information technology are the most fundamental forces for change in the financial sector. There is increased competition among banks and other new financial intermediaries in the world. In order to stay competitive and achieve their goals and objectives, banks are periodically re-evaluating their positioning strategies. Most banks strive towards achieving an integrated banking business which is operationally efficient (Pearce, 2004). Generally, banks aim to achieve strong organic revenue growth, improve customer loyalty, improve productivity and realize growth in retail market share and corporate banking market share (Pearce, 2004).

1.3 COMMERCIAL BANKS IN KENYA

The banking system in Kenya is regulated by the Central Bank of Kenya (CBK) Act Cap 491 and the Banking Act Cap 488. These Acts are intended primarily to facilitate the development and maintenance of a sound monetary policy (GoK, 1989). The industry comprises of financial institutions, among them commercial banks. Others are either non-bank financial institutions (NBFIs) or Mortgage finance companies. According to the Commercial Banks Directory (2007), Kenya has a well developed financial sector, particularly for the region, but it is vulnerable to government influence and inadequate supervision. The central issue of interest by the central bank to the commercial banks is how best to promote access to the financial system by a wider segment of the Kenyan populace. Commercial banks' expansionary strategy targets Small and Medium enterprises (SME's). The future of the industry looks promising with financial and legal sector restructuring (CBK, 2005). According to the Commercial Banks Directory of 2007 provided by the Central Bank of Kenya, the peer grouping of this sector has been categorized into small, medium and large banks. The various banks compete for customers and as service providers direct selling forms an integral part of their day to day marketing activities geared towards attainment of superior financial performance, market share growth and customer retention.

1.4 STATEMENT OF THE PROBLEM

Competition within the financial sector can be viewed as the extent to which financial markets are contestable and the extent to which consumers can choose a wide range of financial services from a variety of providers. Competition is a desirable feature because it normally leads to increased institutional efficiency, lowers costs for clients, and ensures improvement in the quality and range of financial services provided. Some measures of competition include total number of financial institutions, changes in market share, ease of entry and price of services according to (World Bank and International Monetary Fund, 2010). In Kenya there are forty four commercial banks licensed by Central Bank to carry out banking activities. Out of these fourteen are foreign owned, six have government participation and twenty are privately owned.

Competition between banks is problematic when it includes communicating on practices which may directly or indirectly affect the competitive conduct of a bank. Financial institutions have different shapes and sizes (Ansoff, 1999). On one side of the spectrum are diversified banking conglomerates with global presence; on the other side are local niche players. This means that all banks have to deal with competition. Due to this, it is imperative for commercial banks to adopt the survival strategies through strategic positioning in the financial sector. This entails a need for common views – in so far as law, regulation and local circumstances permit. Where the views of competition diverge significantly the promotion of competition amongst banking institutions is impeded. This would be a harmful and unnecessary obstacle in view of the integration of financial markets (Barth, Caprio, and Levine, 2004).

Zineldin (2009), attests that in the global scene the banking industry did well before the global financial crunch which saw collapse of banks in developed world like USA and Japan. The aftershocks of the melt down continued to be experienced with slow recovery in the world economy a phenomenon which slightly affected banks in Africa. This scenario brought challenges due to slowness of credit flow to Africa as the developed economies tried to fix the problem by billing out their ailing financial institutions.

1.5 COMPETITIVENESS

Competitiveness pertains to the ability and performance of a firm, sub-sector or country to sell and supply goods and services in a given market, in relation to the ability and performance of other firms, sub-sectors or countries in the same market. Company's competitiveness depends on the nature of the industry that

the company is doing their businesses. Porter (2004) sees the competition as the core to firm's success or failure and highlights the importance of having a competitive strategy to successfully position against the forces that determine industry competition.

2. LITERATURE REVIEW

2.1 STRATEGIC POSITIONING STRATEGY

Strategic positioning from a global perspective looks at more than just a particular product. It entails positioning the business or brand in the global marketplace to the company's best advantage. It is more comprehensive than product positioning. Procter & Gamble is one of the best examples of a company famous for their product positioning in the global market. For example Sony has positioned the company as a provider of innovative and higher quality (higher priced) entertainment electronics.

Apple has strategically repositioned the company as a provider of leading edge technology that is easy to use and redefines the market. Hence they transformed from selling "a computer for artistic people" to developers of iTunes, iPod, iPhone and the iPad.

Strategic positioning also involves entrenching that position clearly in the minds of the leaders and staff of the business. That motivates them and guides their decision making.

Strategic positioning is not just about marketing although it determines marketing. Strategic positioning will drive every aspect of the business from operations to financial decisions.

When you know what you want to do, you will recognize the opportunities as they present themselves.

Porter (2004) argues that superior performance can be achieved in a competitive industry through the pursuit of a generic strategy, which he defines as the development of an overall cost leadership, differentiation, or focus approach to industry competition. If a firm does not pursue one of these strategy types, it will be stuck-in-the-middle and will experience lower performance when compared to firms that pursue a generic strategy (Porter, 2004).

2.1.1 PORTER'S FIVE FORCES MODEL OF INDUSTRY

Porter's Five Forces model is a very popular way of looking at the industry in which a firm operates. An understanding of the theoretical heritage of the Five Forces model makes it more meaningful to researcher. The S-C-P (Structure, Conduct and Performance) framework from industrial organization economics is the economic tradition from which Porter developed the Five Forces. The S-C-P framework was originally developed with the intent of helping economists and policy makers understand when an industry was likely not to be competitive.

2.2 COMPETITIVE STRATEGIC POSITIONING FORCES

The strongest competitive forces determine the profitability of an industry and so are of great importance in business operations. Different forces take on prominence in shaping competition in each industry. Every industry has an underlying structure, or a set of fundamental economic and technical characteristics, that gives rise to these competitive forces.Michael porters' "Five competitive forces" can be used to gain insight into competitive positioning in an industry. It offers a richer view of competition by capitalizing on the interrelationships of the five powerful and dynamic forces. The five forces are: potential entry, the power of buyers, the power of suppliers, substitute products and rivalry among existing competitors. (Porter, 1980; Pearce and Robinson, 1994; Thompson and Strickland, 1987)

2.2.1 APPLICABILITY OF THE MODEL

A high threat of entry makes an industry unattractive because any above normal profits will be quickly dissipated. Barriers to entry help create the cost disadvantages necessary to minimize the threat of new firms entering the industry. The threat of rivalry depends on firms' willingness to engage in competitive practices like price wars, adding product features, offering credit terms, etc. Substitutes meet the same consumer need but do it in a different way whereas rivals meet the need in the same way. They create a ceiling on prices and profits. If the substitute is close (in terms of filling the customer need) to the focal firms product, then customers may switch because of relatively small price differences. Suppliers pose a threat to firm and industry profits to the extent that the market in which the focal firm buys from suppliers is not competitive. Market imperfections may allow suppliers to extract above normal profits from the focal firm.

Just as powerful suppliers may be able to limit firm and industry economic returns, powerful buyers may also extract above normal returns by exploiting market imperfections. Michael Porters' competitive forces can be used to gain insight into competitive dynamics in an industry. It offers a richer view of competition by capitalizing on the interrelationships of five powerful and dynamic forces.

2.3 PORTER'S GENERIC AND POSITIONING STRATEGIES

According to Porter (2004), Industrial attractiveness alone ensures no survival of the organization. For this reason porter developed three positioning strategies that create sustainable competitive advantage. Organizations can use their resources to create and sustain a competitive advantage that is to provide greater value for customers than competitors can. A competitive advantage becomes sustainable when other companies cannot duplicate the benefits it provides and have. To compete effectively and achieve the sustainable competitive advantage, the Commercial Banks need to employ the porter's generic strategies namely; the cost leadership strategy, differentiation strategy and focus strategy.

2.3.1 COST LEADERSHIP STRATEGY

This strategy emphasizes on organizational efficiency so that the overall cost of providing products and services are lower than those of competitors. This low-cost approach entails careful attention to minimizing cost in every aspect of the business. For effectiveness of this strategy, a business must be a cost leader. The management should as well consider making at least those products or services that are very important to customers depending on their desired needs. The cost advantage may help to neutralize threats in the external environment. A cost advantage presents a barrier to entry because would-be entrants face the investment cost of matching an incumbent's cost position.

2.3.2 DIFFERENTIATION STRATEGY

This Strategy attempts to develop products and services that are viewed as unique in the industry. Differentiation allows the business to charge premiums or prices above average profits. Differentiation takes many forms such as design or brand image, technology, and customer care. Due to changes in customer tastes and needs, businesses following differentiation strategy must carefully assess the customers' shifting requirements. This strategy is more relevant to the current study since the commercial banks regularly repackage the existing products; adopt new technology as well as segmenting their customers to the respective needs.

2.3.3 MARKET FOCUS STRATEGY

This Strategy entails specializing by establishing a position of overall cost leadership, differentiation or both; but only within a particular portion or segment of an entire market. The rationale is that by specialization, the organization can serve the market segment more effectively than can competitors who cover the entire market. The business segment may be a particular group of customers, a specific geographic area, or a certain part of the product or service line.

2.4 SUMMARY OF THE STRATEGIC POSITIONING MODEL

Financial service firms employ competitive methods to support Porter's (2004) generic strategy types and how this influences firm performance. A study on competitive advantage Robinson,(1988) revealed critical competitive methods to be those emphasized at an above average level by more than half of the banks pursuing a particular generic strategy. The results indicate that firms operating in the banking segment of the financial service industry pursue cost leadership, product differentiation, customer service differentiation, and focus strategies using competitive methods.

3.0 COMPETITIVE STRATEGIES AND PERFORMANCE OF COMMERCIAL BANKS IN KENYA

The choice of a competitive strategy is critical for the survival and success of any company. Therefore, successful survival of any bank depends on production, packaging and delivery of products to those of competitors. Consequently, Commercial banks in Kenya have adopted strategies aimed at assisting them to maintain their competitive position in the market and improve their corporate performance. Commercial banks in Kenya have moderate usage of low-cost leadership strategy with significant variations in its adoption. The use of cost cutting measures, improved business efficiencies and maximization of economies

are the most popular positioning strategies amongst the banks. Due to the competitive nature of the industry, most banks aim at being the low-cost leadership in the market to gain a competitive edge. For example Equity Bank of Kenya operate accounts with no service charge and they almost offer free service to some category of customers. It is also evident that most of them also use the differentiation strategy especially introduction of unique features to a product or service and unique products and services. The greatest impact was on internal business processes and customer perspective which had marked impact on strengthening internal control and higher levels of customer satisfaction as well as improving profit levels of the banks.

3.0.1 DIRECT SALES STRATEGY

Besides adoption of the Porter's generic strategies, the banks also use the marketing strategies to position themselves such as the direct sales strategy which is geared towards customer focus.

Direct sales involve the direct personal presentation, demonstration, and sale of products and services to consumers, usually in their homes or at their jobs (Michael et al, 2006) and (Xardel, 1993). Glenn (2009), argues that direct selling provides important benefits to individuals who desire an opportunity to earn an income and build a business of their own; to consumers who enjoy an alternative to shopping centers, department stores or the like; and to the consumer products market. It offers an alternative to traditional employment for those who desire a flexible income earning opportunity to supplement their household income, or whose responsibilities or circumstances do not allow for regular part-time or full time employment. Almost all Commercial Banks in Kenya use this strategy to tap new customers. The banks have established customer care desks to have a physical interaction with the customer. They have also engaged sales representatives who use the personal selling approach. For example Barclays Banks, Kenya Commercial Bank and National Bank of Kenya have sales people engaged on contract basis whose main concern is to market the banks products and services to the existing and potential markets.

3.0 PORTER'S GENERIC STRATEGIES AND COMMERCIAL BANKS

In the recent past, Commercial Banks have witnessed stiff competition leading to innovativeness and invent ness in their services and products. As a result the banks have adopted some strategic positioning strategies as stipulated here below;

3.1 PRODUCT DIFFERENTIATION

Product differentiation is a business level strategy in which firms attempt to create and exploit differences between their products and those offered by competitors. These differences may lead to competitive advantage if customers perceive the difference and have a preference for the difference. A product differentiation strategy requires that a firm be able to effectively communicate with customers through advertising, public relations, sponsoring of events, etc. Due to increasing competition in the financial sector the commercial banks are aggressively and continuously advertising their products where they have engaged the sales force who embarks on personal selling of the products. The banks have differentiated their products making them attractive to the consumers. The products are tailor made to suit the various categories of the customers based mostly on the income levels. The banks continuously repackage the already existing products and services to make them more appealing to cope with the customers changing needs. This assists the banks shift from the traditional to modern products resulting to customer retention. Through product differentiation strategy, the banks have also demonstrated a lot of creativity and innovativeness hence development of new products and markets. The banks capabilities lie primarily in design and marketing.

3.2 MARKET FOCUS

Commercial Banks in Kenya focus their efforts and resources to serving few market segments well rather than capturing the whole market. Customized services to cater for disabled, women, youth, athletes and students in higher institutions of learning, salaried employees and farmers to mention just a few ensures that the banks have continuous supply of customers. In market focusing, involvement in MSEs through product suitable for a particular group of people ensures a niche approach to competition. Business club participation, unsecured personal loans for salaried customers are also used as other strategic positioning strategies by some commercial banks.

3.3 LOW COST LEADERSHIP

A cost leadership strategy is intended to generate competitive advantage by achieving costs that are lower than all competitors. A firm with lower costs than competitors creates more value because of the greater difference between the firm's costs and the price the firm is able to charge (i.e., higher profit margins).The commercial banks apply this strategy in the sense that they price their products differently from the competitors to the extent that they render some of the services free. On the other hand, as a result of market segmentation and product differentiation, the transaction costs are also minimal while some accounts are serviced free of charge. The banks use this strategy to attract more customers but they charge more on the credit facilities extended to the borrowers since the borrowers have no choice since the difference in interest rates margins charged by the competitors seems negligible. As a result the customers are not in a position to migrate to the competitors .The low cost strategy encourages more investments inform of deposits and savings which the banks pay a return on and this enables the banks to position themselves better than the competitor. Commercial Banks are able to offer low prices and still make profits because of its low costs achieved though automation of the service delivery modes hence reducing drastically the operational costs. The banks have wide branch networks operated online hence reducing the number of employees required to physically serve the customers. The banks thus appear to have achieved strategic positioning hence competitive advantage with its low cost leadership strategy. For example, Equity Bank started out with a sharp focus on cost leadership. This strategy allowed it to gain market share and become very profitable. In time, the bank could afford to advertise heavily to convince customers that they had the low price. This heavy advertising is indicative of a product differentiation strategy.

3.4 SERVICE DIVERSIFICATION

Diversification is Strategic action aimed at creating value for the organization. Commercial banks have created value through service diversification by spreading core competencies that are generating competitive advantage in one business to other businesses. The banks have engaged themselves into Mortgage services as well as the Insurance agency and the Stock markets brokerage services. The financial advantages of diversification include; capital allocation efficiency, risk reduction and tax advantages. Instead of leveraging scope economies across businesses, some commercial Banks like Kenya Commercial Bank have decided to grow and develop its Savings and Loan Service separately. Other banks consequently have opted for mergers and strategic alliances being another substitute for growth through diversification.

4.0 CHALLENGES OF STRATEGIC POSITIONING

Strategic positioning challenges refer to those pressures that exert a decisive influence on an organization's likelihood of future success. These challenges frequently are driven by an organization's future competitive position relative to other providers of similar products. These challenges generally are externally driven. However, in responding to externally driven strategic challenges, an organization may face external and internal strategic challenges. External strategic challenges relates to customer or market needs or expectations; product or technological changes; or financial, societal, and other risks or needs while Internal strategic challenges relates to an organization's capabilities or its human and other resources, (Baldrige, 2002)

Competition forces Commercial Banks to constantly engage in offensive and defensive marketing strategies. The competitive moves by some commercial bank have noticeable effects on its competitors and, thus, invite retaliation or efforts to counter the move (Porter 1980).For example, Equity Bank of Kenya adopted strategic positioning strategies such as free accounts and all category banking services which made its competitors respond by counterattacking with increasing advertising expenditures, cutting prices, increasing innovation, and introducing new products, and repacking as well rebranding the existing ones. The bank grew by taking market share from rivals and creating new markets. The incumbents prepared for attacks by defending their market share and strengthening their position through repositioning themselves in other segments within the industry. The commercial banks improved their position, by engaging in competitive battles and adopting offensive strategies. According to Porter (2000), successful use of offensive strategies can help a firm improve its competitive position, gain market share, and increase profits.

The banks also adopted the defensive marketing strategies such as the pre-entry and post-entry marketing strategies by setting the entry and exit barriers. Pre-entry defensive strategies are actions taken by firms intended to persuade potential entrants to believe that market entry would be difficult or unprofitable. Such actions include signalling, fortify and defend, covering all bases, continuous improvement, and capacity expansion. Post-entry defensive strategies are

actions taken by firms intended to protect their market position from companies that have already entered the market or incumbents that are threatening to take away market share. Such actions include defending position before competitors become established, introducing fighting brands among others.

4.1 BENEFITS OF STRATEGIC POSITIONING

4.1.1 CONTINUOUS PROCESS IMPROVEMENT

This means that commercial banks should be constantly analyzing how they communicate, perform and add value to their organizations. This further implies the banks need to have an intimate knowledge of their core competencies, and should have an understanding of how their work contributes to the core competencies, and the environmental factors that are related to those core competencies.

4.1.2 EMPLOYEES' LEVEL OF UNDERSTANDING ABOUT THE ORGANIZATION'S CORE COMPETENCIES IS INITIATED AND REINFORCED BY LEADERSHIP MESSAGES

When leaders communicate how the organization's core competencies are linked to the activities of different organizational subunits, then employees will understand how their daily efforts are translated into organizational capability. Moreover, when bank managers communicate the organization's vision, and the values and ideology that support the organizational culture, they enhance employees' understanding of the organization's strategic objectives.

4.1.3 INSTITUTIONALIZING THE PROCESSES OF KNOWLEDGE ACQUISITION.

Knowledge acquisition includes activities such as customer surveys, research and development programs, demonstration projects, performance reviews, and the analysis of competitors' products. Informal sources for knowledge acquisition activities include trade publications, televised news and print media.

4.1.4 ESTABLISHMENT OF INTERDEPARTMENTAL WORKING GROUPS

Commercial Bank managers establishes interdepartmental working groups that have the assigned purpose of sharing acquired information to solve problems or develop strategies related to core competencies. Through this the bank managers have made investments in human capital via training and development programs to standardize and improve information-distribution skills. The banks have as well invested in physical capital and have created company-wide information systems that increase the ease and rate of information sharing among branches and customers.

4.2 RELEVANT CASE STUDIES ON STRATEGIC POSITIONING

4.2.1 NOKIA AND SAMSUNG

In the Communication Industry market surveys of 2012 have indicated that Samsung surpassed Nokia for the top position in the global handset market in the first quarter of 2012. The Korean company (Samsung) shipped 93.5 million handsets in the first quarter for a 25 percent share of the market, even as global handset shipments grew a little over 3 percent annually. In contrast, Nokia's handset shipments were down 24 percent year-on-year to 82.7 million units, giving it a 22.5 percent share. According to market research firm Strategy Analytics, only 14% of Nokia's shipments were Smartphone's, in contrast to 34% for Samsung. This marks the first time since 1998 that Nokia has not been number one in the cell phone market (Market Survey Report,2012)

4.2.2 CASE STUDY OF DELL

Business activities of Dell are organized in each region incorporating different customer segments. Which includes the following; Large corporate (Relationship) customers, Home and small business (Transaction) customers and Public sector (government and educational) customers. Dell segments its customers into Relationship, Transaction, and Public/International customers. Dell's segmentation of customers helps it respond to changes in demand among different customers, to develop new customer segments. Relationship customers are Fortune 1000 companies such as; Microsoft, Mobil, Procter &Gamble, Shell Oil, Toyota, and Wal-Mart. Transaction customers, which represent 30% of U.S. sales, are small and medium-sized enterprises (about 20%) and Individual Customers and consumers (about 10%). Transaction customers are served by several thousand inside sales representatives who can call up historical sales records to assist the customers in choosing systems that match their prior purchase pattern.

4.2.2.1 BASIC STRATEGIES IN DELL'S MARKETING COMMUNICATIONS

SIMPLIFY TECHNOLOGY FOR CUSTOMERS

Making quality personal computers, servers, storage, and services affordable is Dell's legacy. They are focused on making information technology affordable for millions of customers around the world. As a result of direct relationships with customers they are best positioned to simplify how customers implement and maintain information technology and deliver hardware, services, and software solutions tailored for their businesses and homes.

CUSTOMER'S CHOICE AND CUSTOM-TAILORED SERVICES

Dell's systems & services can be accessed easily by customer via telephone and purchase from website www.dell.com, where they may review, configure, and price systems within entire product line. Although the focus of Dell's business strategy has been selling directly to its customers, it also uses some indirect sales channels when there is a business need. Dell began offering Dimension desktop computers and Inspiron notebook computers in retail stores in the Americas and announced partnerships with retailers in the U.K., Japan, and China. Dell first steps in retail strategy, which will allow extending business model and reaching customers that have not been able to reach directly.

Dell's business base has been built on direct sales, build-to-order strategy for producing and selling PCs. Dell offered competitive prices, high levels of support, and a focus on selling and supporting PCs without the distraction of offering a number of hardware and services. Dell has made the most of the inherent advantages of its business model to grow rapidly and profitably. A key advantage of direct sales and build-to-order production is that expensive inventory does not build up in the channel and lose value before it can be sold.

ENVIRONMENT FRIENDLY

They built environmental consideration into every stage of the Dell product life cycle - from developing and designing energy-efficient products, to reducing the footprint of manufacturing and operations, to customer use and product recovery.(Source: Scribd.com)

5.0 CONCLUSION

Positioning strategies is a vital tool to confront competitive pressures in a market environment and also improve the performance of the commercial banks. Commercial banks needs to develop a distinctive image by which consumers will be able to identify them with, and provide a combination of features perceived to be desirable by the target market.

Competition within the banking sector is not a new phenomenon. Parallel to the emergence of new banks, the incumbent large banks have expanded operations in neighboring countries. Sometimes new banks adopt strategies of constituting a complement to the customers' regular bank, for instance by offering competitive fund management to certain customer categories. The banking sector is, however, particularly prone to the risk of restrictions on competition (Carter, 1981). This increased risk relates partly to the economic characteristics of the sector, like the generally high degree of concentration and the existence of network effects and entry barriers. Customers often do not possess sufficient countervailing power to balance the economic weight of financial institutions. Switching costs and a general lack of transparency are two major reasons for this imbalance. Also, specific regulation exists for the banking sector which affects the behavior of market players (Child, 1990).

Commercial banks are critical for increased investment, economic growth, employment and poverty alleviation. The recent globalization of competition has caused many Commercial Banks to re-look into competitive strategies of positioning themselves in the financial sector. The Stiff competition in banking industry has forced banks to move into mortgage finance and back to core business of lending to customers due to low interest rates accruing from government securities. Banks commenced giving personal loans and credit cards ,hence they have adopted strategic positioning strategies which may take the form of overall cost leadership, product differentiation, market focusing and diversification of services to suit the diverse needs of the customers. According Porter, (2004), organizations need to protect themselves against the negative effects of industry- wide competition and to create a sustainable competitive advantage. This would only happen if organizations strategically position themselves in the competitive sectors as well as adopting the positioning strategies.

6.0 RECOMMENDATIONS

Commercial banks need to enhance the performance by increasing the level of significance of positioning strategies adopted in order to distinguish themselves from its competitors, create an image relative to competitors and be identified in the minds of targeted customers for their product and services. Position

management, market strategies, internal and external infrastructure, use of information technology, ability to innovate and differentiate would be necessary for the banks as it would enable them to increasingly respond to market considerations therefore enhance competition , profitability and business growth.

6.1 OTHER RECOMMENDATIONS

1. PROFITABLE MARKETS

The banks should identify the most profitable markets now and in future, assessing the present and future needs of customers, setting business development goals, making plans to meet them and managing the various services and promoting them to achieve the plans - all in the context of changing environment in the market.

2. RESPONSIVE MARKETING STRATEGIES

The commercial banks should adopt responsive marketing strategies which suggest an attuning or responding to the changing needs of customers, society and environment. Marketing leads to the creation of new products and services and promotes new ideas to the society which is being served and since marketing involves an important persuasive role in the formation of public opinion it is unavoidable.

3. MARKET SEGMENTATION

The customer of a bank today is most discerning. With banks operating in a buyer's market, the customer looks for a bank which can meet all his present and future requirements at an affordable competitive cost. The customer is also increasingly quality-conscious. Almost everyone would appreciate that no two classes of customers are alike. Therefore in any environment relating to a banks branch or region, the potential clientele can always be classified into different homogeneous segments. Market segmentation differentiates customers with similar banking needs from those with dissimilar needs. It also provides a solid basis upon which the marketing strategy of a bank can be designed. Segmenting the market also helps to evolve a distinctive marketing package for each segment based on the needs of different customer segment. This in turn helps the marketer to cultivate in the customer's mind a perception of psychological membership of banks offerings. This will result in greater satisfaction of customer needs which will in turn result in to higher returns.

4. BENEFIT SEGMENTATION

The banks should also adopt the strategy of benefit segmentation where segmentation is on the basis of the benefit that a customer seeks from purchasing a given bank product. For instance, going for a 'credit card' is seeking the benefit of status. Another going for a loan to a particular bank is seeking the benefit of economy. Similarly, a third customer is seeking the benefit of convenience and prepared to pay a price for prompt, efficient and courteous service. Thus benefits like status, economy and convenience could be the basis for segmenting the market.

5. PRODUCT DIFFERENTIATION

In the highly regulated banking industry all offer the same type of products. The bank products can be categorised into three groups namely Core products, Formal products, and augmented products. Some of the core products of commercial banks are Savings Bank Account, Current Account, Term deposit, Recurring deposit, Cash credit, Term loan, overdraft and the like. The products define the business of commercial bank as well as designing the product in view of the needs of customers in well defined homogeneous market segment. This may increase the product and customer loyalty.

6. PROMOTION CAMPAIGNS

Due to the inherent intangible nature of services, the customer of banking service relies more on subjective impression rather than concrete evidence. When a bank comes out with a new product, it makes its target customer segment aware of it only through marketing promotion. The fundamental objective of a promotion campaign is to persuade the customer to buy the product in preference to other similar products available in the market.

7. PHYSICAL IMAGE

Physical image is the strategic tool for the banks. Banking products are intangible. The intangible nature of the products and services offered by the banks is a major challenge to the banks in the competitive industry. One among the important strategies that banks need to adopt is the upkeep of branch premises and interior decor. Packaging in banking products should also be emphasized for instance an attractively designed product brochure or a catchy brand name which a customer can easily understand or a pictorial design which can represent a particular product.

8. MODERN TECHNOLOGY

Total Branch Automation would enable customers to transact all their banking needs through a single counter instead of going to different counters in the premises. This would help significantly in improving the efficiency of operations. Automated Teller Machines are capable of performing the function of a bank-teller or a cashier that is dispensing cash, answering account related enquiries, ordering a new cheque book and providing statements of account among others. The ATM facilities enable customers to transact with the bank anytime of the day all through the 24 hours. This would reduce the turnaround time of customer service and as well can be used as a strategy for queue management. Banks through the technique of net-working are able to transmit messages at the push of a button. Now the mail transfers and telegraphic transfers are effected within a matter of seconds. Technology has also the networking and computerisation of branches by some banks. This makes it possible for customers to operate their accounts through any branch of the bank once they become the account holder of a branch. This would increase efficiency and effectiveness of the banks and as well increase customer satisfaction.

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