

**ADDIS ABABA UNIVERSITY SCHOOL OF COMMERCE  
DEPARTMENT OF MARKETING MANAGEMENT  
GRADUATE PROGRAM UNIT**



**THE IMPACT OF MARKETING STRATEGY ON A FIRM'S  
PERFORMANCE  
OPINION SURVEY ON EMPLOYEES OF DASHEN BANK S.C.**

**THESIS SUBMITTED TO ADDIS ABABA UNIVERISTY SCHOOL OF  
COMMERCE IN PARTIAL FULFILLMENT FOR THE AWARD OF  
MASTER OF ARTS (MA) IN MARKETING MANAGEMENT**

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**BY  
LIDIA SAMUEL**

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## DECLARATION

I, **Lidia Samuel Abebe**, hereby declare that the thesis work entitled “**The Impact of Marketing Strategy on a Firm’s Performance Opinion Survey on Employees of Dashen Bank S.C.**” submitted in partial fulfillment of the requirements for Master of Arts (MA) in Marketing Management to Addis Ababa University School of Commerce, is the outcome of my own effort and that all sources of materials used for the study have been duly acknowledged.

This study has not been submitted for any degree in this University or any other University.

Name *Lidia Samuel*

Signature \_\_\_\_\_

Date \_\_\_\_\_

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## **Abbreviations and Acronyms**

CBE	Commercial Bank of Ethiopia
CBB	Construction and Business Bank
AIB	Awash International Bank
DB	Dashen Bank
BOA	Bank of Abyssinia
WB	Wegagen Bank
NIB	Nib International Bank
UB	United Bank
LIB	Lion International Bank
OIB	Oromia International Bank
CBO	Cooperative Bank of Oromia
ZB	Zemen Bank
AdIB	Addis International Bank
DGB	Dehub Global Bank
ROA	Return on Assets
ROE	Return on Equity
EPS	Earning Per Share

## Abstract

*The purpose of this study is to: (a) examine the impact of marketing strategies (Service Marketing Mix) on the financial performance of Dashen Bank and b) identify the most influential elements of the Marketing Mix on Financial performance. Both quantitative and qualitative methods were adopted in this study. Quantitative data are collected using a structured questionnaire which has been developed and distributed to a sample of 234 managerial employees in Dashen Bank. With a response rate of 90.2%, 211 questionnaires have been returned and were valid for data analysis. The quantitative data have been analyzed using descriptive and inferential analysis (i.e. correlation analysis and multiple regression analysis). While qualitative data is collected through conducting a semi-structured interview with members of Top Management and Managers involved in marketing activities of the Bank. Moreover, secondary data analysis was done to assess the financial position of Dashen Bank among peer banks.*

*The correlation analysis revealed that price ( $r=0.546$ ,  $p<0.01$ ) and people ( $r=0.495$ ,  $p<0.01$ ) have a strong, positive and significant relation with financial performance while the rest have moderate but significant relation with financial performance. The empirical findings of the multiple regression indicated that only five of the predictor variables Price ( $\beta = 0.225$ ;  $P<.05$ ); Promotion ( $\beta = 0.181$ ;  $P<.05$ ); Place ( $\beta = 0.191$ ;  $P<.05$ ); People ( $\beta = 0.184$ ;  $P<.05$ ) and Physical evidence ( $\beta = 0.121$ ;  $P<.05$ ) have a positive and significant influence on the Banks' Financial Performance. The results also revealed that these independent variables are significant joint predictors of financial performance ( $F(7, 203) = 30.954$ ;  $Adj. R^2 = 0.500$ ;  $P < .05$ ). The independent variables jointly explained 50.0% of variance in financial performance. The findings also indicate that the strongest predictors of the 7Ps model on financial performance are price, place, people and promotion, respectively. The research model in this study is tested in the Ethiopian service organization's context, particularly in Dashen Bank, which may limit the generalizability to other service industries and other Countries without further examination. Finally, recommendations are made for the Bank based on the findings of the study.*

**Keywords:** *Service Marketing Mix, 7Ps, Services, Financial Performance, Correlation analysis, Regression analysis.*

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

With the growing competition in the domestic and international markets, more demanding and assertive customers, rapid advancement in technology, and changing government policies and laws, the marketing environment has changed dramatically and is becoming more turbulent. Marketing is a major stakeholder in new product development, customer management, and value/ supply chain management, and marketing strategy provides concepts and processes for gaining a competitive advantage by delivering superior value to the business's customers. Therefore, to deal with the current challenges, the businesses must have more distinctive and purposeful marketing strategies and they should be effectively implemented (Subhash, 1997).

According to Philip Kotler P., Armstrong, G., Saunders, J., and Wong, (1999), marketing strategy is the marketing logic by which the business unit hopes to achieve its marketing objectives. It is an endeavor by a corporation (or any organization) to differentiate itself positively from its competitors, using its relative corporate strengths to better satisfy customer needs in a given environmental setting (Subhash, 1999). For an organization, target consumers are at the centre of the marketing strategy. The company identifies the total market it wants to serve and divides it into smaller segments. It then selects the most promising segments and focuses on serving them. It designs a marketing mix using mechanisms under its control: product, price, place and promotion. It also engages in marketing analysis, planning, implementation and control in order to find the best marketing mix and to take action. The company uses these activities to enable it to watch and adapt to the marketing environment (Kotler et al, 1999).

According to Smith and Saker (1992), the marketing mix elements are considered an essential element of any marketing strategy. They argued that the traditional 4Ps model should be extended to include additional 3Ps (people, process and physical evidence) as strategic elements, which affect companies' performance in the service industry.

Financial services like any other services have a number of unique characteristics that set them apart from products. These unique characteristics create special marketing problems and opportunities to deal with, which calls for the addition of the extended 3Ps.

In the Ethiopian banking industry, the perception of banks about marketing had not shifted from mere advertising until recently which was the result of the competition being witnessed in the market. Nowadays, banks not only compete with each other but also have to contend with challenges from other types of organization in the market (Soyinbo, 1988). To do this successfully, bankers need an understanding of the process of marketing and marketing strategies which will aid in improving banks performance.

During the last two decades, the banking sector has witnessed major developments and tremendous growth. Following the liberalization of the banking sector, the market which was only occupied by state banks during the pre-1994 era has seen an influx of private banks. A total of sixteen private banks (AIB, DB, BOA, WB, UB, NIB, CBO, LIB, OIB, ZB, Bunna, Berhan, Abay, AdIB, DGB and Enat) have joined the market after the liberalization of the banking industry making the total number of banks eighteen including the two state owned banks, CBE and CBB. With the increasing number of banks, the Ethiopian Banking Industry landscape is departing from less competitive environment as competition for resources is becoming more stiff and cut-throat. In view of the intense competition in the market, and the need to stay ahead of the game and meet organizational objectives, performance and factors affecting it are now of great concerns to managers and practitioners.

Though there is increasing empirical evidence on the impact of marketing strategies and company performance in developed markets, much attention has not been given and there are few empirical evidence in developing economy such as Ethiopia to examine marketing strategy and its impact on companies financial performance specifically in the financial sector. Marketing managers develop and implement strategies with the intention to improve the performance of their company. Marketing academics study the relationships between strategies and performance with the aim of formulating guidelines about the effectiveness of strategies. Both managers and academics try to find out which strategies under which circumstances may improve to what extent the company's performance (Huzingh and Zengerink, 2001). Therefore, it would be of both theoretical and managerial interest to study

the impact of marketing strategy and see the relationship between marketing strategy and financial performance in the Ethiopian banking context.

Hence, this study attempts to examine the impact of marketing strategies on firms' financial performance in the case of Dashen Bank S.C.

## **1.2 Background of the Bank**

Dashen Bank is a privately owned financial service provider established in 1995 in accordance with the “Licensing and Supervision of Banking Service Business Proclamation No. 84/1994” of Ethiopia to undertake commercial banking activities. The Bank obtained its license from the National Bank of Ethiopia on September 20, 1995 and started normal business activities on January 1, 1996.

Dashen Bank coined its name from the highest peak in the Country, mount Dashen, and aspires to be unparalleled in banking. Headquartered in Addis Ababa, the Bank is one of the biggest private Banks in Ethiopia. As at June 30, 2014, the Bank operates through a network of 133 Area Banks, five dedicated Forex Bureaus, 170 ATMs and 827 plus Point-of-Sale (POS) terminals spread across the length and breadth of the nation. It has established correspondent banking relationship with 471 banks across the world. Dashen is one of the most reputable brands in the domestic banking market; a reputation earned through consistent delivery of values. The Bank also works in partnership with leading brands in the electronic payments industry (VISA, American Express, MasterCard & UnionPay) and prominent money transfer operators (Western Union, MoneyGram, Express Money, Dahabshell and Transfast).

The Bank, which was established with a paid up capital of Birr 14.9 million, has grown in leaps and bounds through the last eighteen years. The following figures indicate the position of the Bank as at June 30, 2014, the closing date of the last fiscal year.

- Total assets ETB 22.0 billion
- Deposits ETB 17.7 billion
- Loans & advances ETB 9.4 billion
- Profit before tax ETB 957. 6 million

Portfolio of Financial products and services offered by Dashen Bank include

- ⇒ Deposit
- ⇒ Loan
- ⇒ Local Fund Transfer
- ⇒ International Banking including international money transfer
- ⇒ E-Banking Services
- ⇒ Mobile and Internet Banking

### ***VISION***

In as much a Mount Dashen excels all other mountains in Ethiopia, Dashen Bank continues to prove unparalleled in banking services.

### ***MISSION***

Provide efficient and customer focused domestic and international banking services by overcoming the continuous challenges for excellence through the application of appropriate technology.

### ***VALUES***

- **Develop banking habit in the community**
- **Assist continuous growth of customers**
- **Sustainable growth and stability**
- **High integrity and accountability**
- **Esteemed customers satisfaction**
- **Non-stop openness for community access**
- **Brightened and trained employees**
- **Attend customers' constructive outlook**
- **Normative confidentiality**
- **Keen to build professionalism and service quality**

### 1.3 Problem Statement

Recently, the business world has been witnessing a huge revolution in all aspects of business. There are many forces that have emerged as critical challenges facing today's companies. Marketing is considered as a key element for any successful business, irrespective of its size, sector, the nature of its work and even its aims and objectives (Akroush, 2003).

The ultimate goal of any business is to be successful and remain in business, profitably. And It's a no hidden fact that the success or failure of an organization depends on its marketing strategies. Marketing is also a dynamic lesson, and not just stuck in one point, it's developing from time to time. So, marketers should be able to adjust to changing market condition through the major controllable and tactical elements of marketing mix product, price, place and promotion (Weldegebriel, 2011).

Literature reveals that, empirical support for the relationship between the marketing strategy and financial performance of a business has been provided by a number of studies. The majority of these studies have been based on the Profit Impact of Marketing Strategy and have focused on company performance in USA (Faria and Wellington, 2005; Kyle, 2004). Various researchers in the marketing field (Deshpande et al, 2003; Akroush, 2011) argue that one of the challenges facing the academic marketing research is that the generalizability of the marketing models, theories and concepts, which have been developed in the U.S and Western environments. Shoham (2002) argued that although companies' strategies may influence performance, the findings so far are not conclusive especially those that deal with the relationships between the marketing mix and performance. Therefore, there is a need for studying the relationship between marketing strategies and performance.

The relationship between marketing strategies and company performance in our Country is under researched. The meager amount of empirical evidence that exists about the marketing strategy-performance relationship mostly focus on the traditional 4ps of marketing mix model, which are used in the goods marketing, and hence this requires more investigation in the services marketing area.

Banks in Ethiopia face numerous challenges from both the domestic and international environment. In the domestic scene, the intensified competition among the banks, the increasing awareness and change in needs and wants of customers, the ever rising cost of

doing business and regulatory requirements such as the NBE Bill purchase requiring all private banks to set aside 27% of their fresh loan disbursements (which has a negative impact on the liquidity and revenue of the private banks) are some of the challenges that are affecting the performance of the banks. Hence to cope successfully with these challenges, the banks have to devise workable marketing strategies that will help them to beat the competition and enhance their performance.

This study therefore aims to answer the following research questions:

1. What are the marketing strategies used in the Bank?
2. What is the impact of the marketing strategies (7Ps of service marketing mix) on the financial performance of the firm?
3. What are the most influential elements of the services marketing mix elements on services financial performance?

#### **1.4 Research Framework and Hypothesis Development**

This part provides an explanation for building the research framework and developing hypothesis. It's primarily based on key findings from the literature review of the marketing strategy research.

Marketing strategies are concerned with taking decisions on a number of variables to influence mutually-satisfying exchange transactions and relationships. In the middle of 1990s, Day (1994) stated that it is almost an article of faith within marketing that superior business performance is the result of superior skills in understanding and satisfying customers.

The research framework includes two interrelated parts, which are marketing strategy and company's financial performance measurement. The marketing strategy components are investigated within the domain of the services marketing mix (7Ps) framework. According to Akroush (2003), the development of marketing strategy components is based on the marketing mix which outlines the major components of the marketing strategy in different businesses. The unique characteristics of services create special problems and challenges that require special marketing strategies to cope with them. As a consequence, the 7Ps of the service marketing mix framework should formulate the major components of the marketing strategy in services

companies. This statement has been supported by many marketing scholars including Greenley (1989), Ennew and Watkins (1992), Hooley et al (1998) and Menon et al (1999).

Moreover, Slater et al., (2010); Brodrechtova, (2008); Mavrogiannis, et al., (2008); Lee and Griffith (2004; Leonidou, et al., (2002); Thirkell and Dau, (1998) explained that generally, the concept of marketing strategy extensively embraces marketing mix elements.

Building on the company performance literature review, this study used financial criteria for measuring company performance. Financial performance in this study, comprised of four items to measure the financial position of the Dashen Bank including PAT, ROE, ROA and EPS of the Bank.

Based on the marketing strategy components and performance literature review, the following hypothesis have been stated;

The 7 P's of Service Marketing Mix Strategy

Company Performance

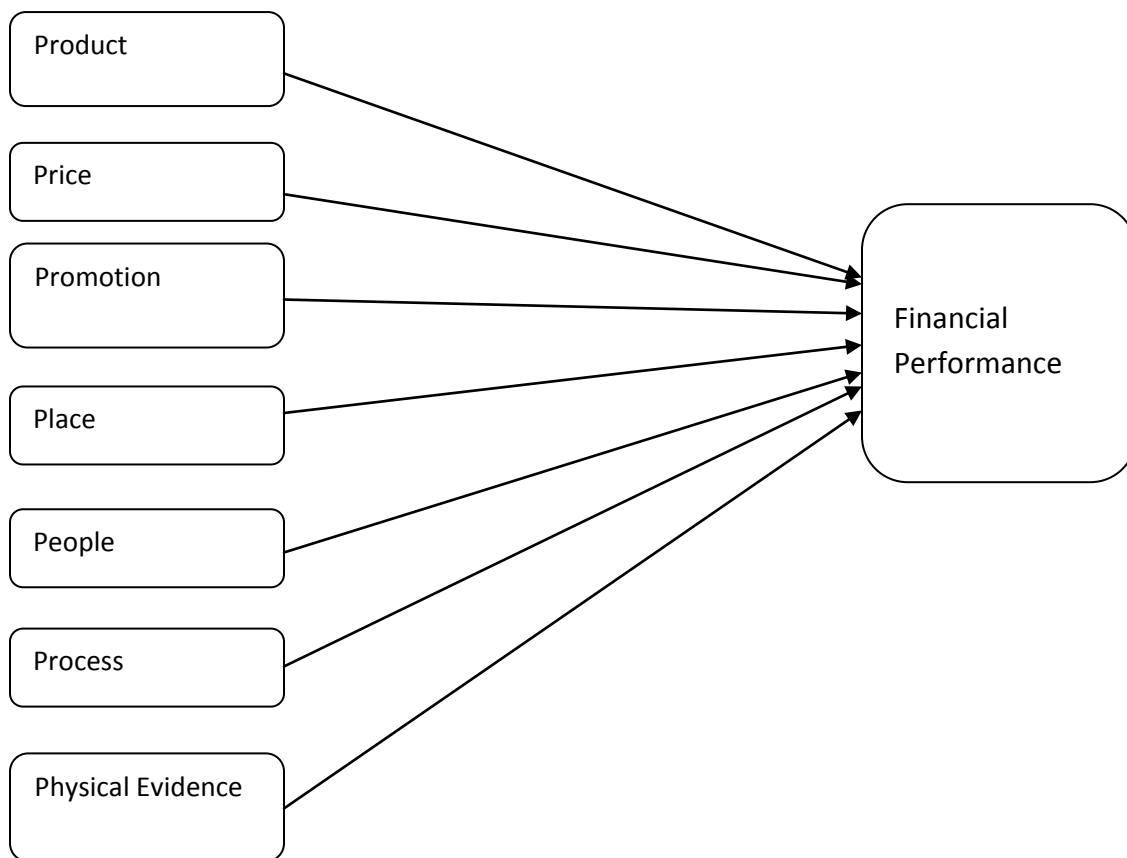


Figure 1: Conceptual Framework designed by the researcher

The general form of the model is as follows:  $FP = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \beta_6X_6 + \beta_7X_7$  Where, FP = Financial Performance, X1 = Product, X2 = Price, X3 = Promotion, X4 = Place X5 = People, X6 = Process, X7=Physical evidence. And  $\alpha$  is constant,  $\beta_1$ ,  $\beta_2$ ,  $\beta_3$ ,  $\beta_4$ ,  $\beta_5$ ,  $\beta_6$  and  $\beta_7$  are coefficient to estimate.

## **Hypothesis Development**

### **Product**

Service product is defined as the extent to which a service organization develops a comprehensive service offer to meet customers' needs and requirements in highly competitive markets (Doyle, 1999). Past researchers have clearly suggested that product influences have a significant impact on business performance (Kazem and Heijden, 2006; Owomoyela *et al*, 2013). Cavusgil and Zou, (1994) and Lee and Griffith, (2004) noted that better firm performance can be obtained via adapting the product to meet requirements of export customers. Thirkell and Dau, (1998) also found that service had significant and positive correlation with firm performance.

***H1: Product strategy adopted by the company has a positive and significant effect on the financial performance of the company***

### **Price**

Service Price is operationally defined as the extent to which a service organization practices pricing policies and activities in setting a service price (Zeithaml, 1988).

Kotler (2007) defines price as a cost of producing, delivering and promoting the product charged by the organization. Zeithaml (1988) is of the view that monetary cost is one of the factors that influence consumer's perception of a product's value. In the studies of Colpan, (2006) and Owomoyela *et al*, (2013) they establish significant relationship between price and business performance. The price you set for your product or service plays a large role in its marketability. According to Wruuck (2013), price plays a central role for Banks in that it impacts on customer satisfaction and profitability.

***H2: Pricing strategy adopted by company has a positive and significant effect on the financial performance of the company***

## **Promotion**

Promotion is defined as the extent to which a service organization uses the components of promotion activities and elements in formulating a service promotion strategy (Akroush, 2011).

Hakansson (2005), reports that promotion appears as an issue of how to create an optimal mix of marketing communication tools in order to get a product's message and brand from the producer to the consumer. Kotler, (2007) discovers that Promotions have become a critical factor in the product marketing mix which consists of the specific blend of advertising, personal selling, sales promotion, public relations and direct marketing tools that the company uses to pursue its advertising and marketing objective. Previous researches (Amine and Cavusgil, 2001; Francis and Collins-Dodd, 2004) have established positive and significant relationship between promotion and business performance. On the contrary, Adewale et al (2013) discovered that promotion has negative but significant impact on business performance which has contrary opinion to previous researches.

From all dimensions of the marketing mix, the most widely researched was advertising that examined advertising procedure the company can inform, introduce, remind or encourage consumer and, therefore, generated more sale and enhance profit (Leonidou et al., 2002).

***H3: Promotion strategy adopted by company has a positive and significant effect on the financial performance of the company***

## **Place**

Place, also known as distribution, is defined as the extent to which a service organization uses distribution channels and activities in setting a service distribution strategy (Friars et al., 1985; Easingwood & Storey, 1996). The place where customers buy a product and the means of distributing the product to that place must be appropriate and convenient for the customer. The product/service should be available in the right place and at the right time.

Jones, (2007) defines place as any way that the customer can obtain a product or receive a service. Kotler and Armstrong (2006), also define place or distribution as a set of interdependent organizations involved in the process of making a product available for use or consumption by

consumers. Owomoyela et al, (2013); Amine and Cavusgil, (2001); and McNaughton,( 2002) agree that place has significant effect on business performance.

In a competitive environment in market and similarity of the firm in services, the place strategy is a good strategy for differentiation. Lages et al., (2003) also revealed that distribution network/availability was important variable in place marketing strategy. This result previously obtained by Ambler, (2000) that found distribution channel relationship had a positive effect on market share and performance.

***H4: Place strategy adopted by company has a positive and significant effect on the financial performance of the company***

## **People**

People (the service providers), is defined as the extent to which a service organization is customer oriented in practicing its business; putting the customer at the heart of business activities (Zeithaml et al., 1985; Doyle, 1999). Lovelock (2001) argues that customer service program should be well planned and executed as well as people should be effectively trained, informed and supported to deliver excellent service. Human resources can be developed through education and training. Even incentives can inject efficiency and can motivate people for productive and qualitative work.

Akroush (2003) stated that carefully recruiting personnel who are customer oriented and motivated to perform jobs and training the personnel who interact with customers are important factors in internal marketing.

Anyone who comes into contact with customers will make an impression, and that can have a profound effect, positive or negative, on customer satisfaction. The reputation of a service brand rests in people's hands. They must therefore be appropriately trained, well motivated and have the right attitude (The Chartered Institute of Marketing, 2009).

***H5: People strategy adopted by company has a positive and significant effect on the financial performance of the company***

## **Process**

Process is the extent to which a service organization has set a customer oriented and systematic procedures for a successful service delivery process. The process dimension refers to the actual procedures, mechanisms and flow of activities by which the offering is delivered (Akroush, 2011).

Service delivery system is concerned with where, when, and how the service is delivered to the customer. Speed convenience, flexibility, quality, and customer satisfaction of the service delivery system are all crucial factors for competitive advantage (Lovelock 2001).

The process of giving a service and the behavior of those who deliver are crucial to customer satisfaction. Process is one of the 'P's that is frequently overlooked. There is no value in making the rest of the company run perfectly if this part is faulty. Hence, the process of a service organization could be a great source of competitive advantage if used wisely (The Chartered Institute of Marketing, 2009).

***H6: Process strategy adopted by company has a positive and significant effect on the financial performance of the company***

## **Physical evidence**

Physical evidence is the extent to which a service organization is interested in creating a customer friendly atmosphere in their working environment. The servicescape (physical evidence) is defined herein as everything that is physically present around the consumer during the service encounter transaction (Hightower, 1997).

The physical evidence includes many aspects; employees' appearance, décor design, internal layout, furniture, friendly atmosphere, and creating tangible issues (such as brochures). All of these aspects have an influential role on company performance through their crucial effect on delivery process and promotion during the service provision (Akroush, 2003).

***H7: Physical evidence strategy adopted by company has a positive and significant effect on the financial performance of the company***

## **1.5 Objective of the Study**

### **1.5.1 General Objective**

The general objective of the study is to conduct an investigation on the impact of marketing strategy on the financial performance of firms.

### **1.5.2 Specific Objective**

- To find out the marketing strategies employed by the Bank
- To identify the factors considered when designing the marketing strategy of the Bank
- To examine the impact of the marketing strategies (specifically the 7ps of service marketing mix) on the financial performance of the Bank
- To identify the most influential elements of the services marketing mix elements on financial performance
- To show the financial performance of the Bank relative to its competitors

## **1.6 Delimitation and Limitations**

This study tries to show the impact of marketing strategies on firm's financial performance in the case of Dashen Bank. The study focused only on managerial employees at selected branches and Head Quarters of Dashen Bank. The outcome of the study entirely depends on the responses of respondents included in the study. Hence, generalization to a wider population should be done with consideration.

Organizational performance is a multi dimensional construct, tapping financial, operational, and customer-related performance dimensions, which should be considered (Vorhies, Douglas, W., Harker, Michael and Rao, 1999). However, this study confines itself to showing impact of marketing strategies on the financial performance of the Bank and doesn't include other non-financial measures such as the market share, customer satisfaction and the like. Though financial performance measures of firms may be broad, for the purpose of this study, only Profit, ROA, ROE and Earning per share were employed. Another limitation of the study is geographical limitation. The sample population of this study is taken only from managers of Dashen Head Quarters and selected branches located in Addis Ababa.

## **1.7 Significance of the Study**

This study is useful to financial institutions, service firms, and managers who are constantly looking for marketing approaches practices and strategies that can be used to achieve organizational goals and objectives. Also, organizations, and individuals concerned with formulating banking policies and marketing strategies can benefit from this study. The study can also be used by other researchers who want to study further in this or related areas as a reference or serve as a reading material for anyone who is interested.

Finally, this research is expected to stimulate research interests among academics, and students to further investigate in the areas of marketing strategies and performance in service firms.

## **1.8 Organization of the Paper**

Generally the study was comprised of five Chapters.

Chapter one gave a brief introduction about the study: including background of the study, statement of the problem, objectives, significance, delimitation and limitation of the study.

Chapter two presented review of related literature and gave a comprehensive discussion of marketing strategies and financial performance.

Chapter three dealt with the research methodology employed in the execution of the study.

Chapter four focused on data analysis, interpretation and discussion of the data collected.

Finally, the summary of findings, conclusion and recommendation of the study was presented in Chapter five. It also addressed limitations and future research recommendations.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

This literature review examines the major issues regarding marketing strategy within the banking sector, what marketing strategy encompasses, how performance of firms is measured and the relationship between marketing strategy and financial performance of firms. The literature reviewed in this part, focuses on the objectives stated in Chapter One. The value of studying the aforementioned literature areas is to provide a meaningful discussion and analysis about the topic. At the end of this section it is hoped that a critical understanding of key issues is exhibited, that the reader is better informed and that there is a clear justification for the research in this area.

#### **2.1 Theoretical Review**

##### **2.1.1 Strategy Overview**

Different Scholars have given different definitions to strategy. According to Tony Proctor, a strategy is a plan that integrates an organization's major goals, policies, decisions and sequences of action into a cohesive whole. It can apply at all levels in an organization and pertain to any of the functional areas of management. Thus there may be production, financial, marketing, personnel and corporate strategies, just to name a few, if we look specifically at marketing then there may be pricing, product, promotion, distribution, marketing research, sales, advertising, merchandising, etc. strategies. Strategy is concerned with effectiveness rather than efficiency and is the process of analyzing the environment and designing the fit between the organization, its resources and objectives and the environment (Proctor, 2000).

Nickols (2011), asserted that strategy is the pattern of decisions in a company that determines and reveals its objectives, purposes or goals, produces the principal policies and plans for achieving those goals, and defines the range of businesses the company is to pursue, the kind of economic and human organization it is or intends to be, and the nature of the economic and non-economic contribution it intends to make to its shareholders, employees, customers, and communities.

Strategy is a coordinated plan that gives the outlines for decisions and activities of a firm and is focused on the application of the resources that a company has at its disposal in such a way that

the activities have an additional value to the environment so that the firm can achieve its own goals (P. Gibcus et al, 2003).

All good business performance requires a good strategy; sometimes that strategy is implicit, sometimes explicit; where possible it is always better to make it explicit (White, 2004).

### **2.1.2 Definition of Marketing Strategy**

Marketing strategy refers to an organization's integrated pattern of decisions that specify its crucial choices concerning products, markets, marketing activities and marketing resources in the creation, communication and/or delivery of products that offer value to customers in exchanges with the organization and thereby enables the organization to achieve specific objectives (Varadarajan, 2009).

According to Philip Kotler, marketing strategy is the marketing logic by which the company hopes to create customer value and achieve profitable relationships. The company decides which customer it will serve through segmentation and targeting. And then decides how, by differentiation and positioning. It identifies the total market, divides it into smaller segments, selects the most promising segments and, then focuses on serving and satisfying customers in that segment. It designs a marketing mix using mechanisms under its control: product, price, place and promotion. It also engages in marketing analysis, planning, implementation and control in order to find the best marketing mix and to take action. The company uses these activities to enable it to watch and adapt to the marketing environment (Kotler & Armstrong, 2011).

Subhash (1999), explains that within a given environment, marketing strategy deals essentially with the interplay of three forces known as the strategic three Cs which are: the customer, the competition, and the corporation. If what the customer wants does not match the needs of the corporation, the latter's long-term viability may be at stake.

For a longer lasting good relationship between customers and corporation there should be a positive matching of the needs and objectives of the customer and corporation. Matching the needs between the customer and the corporation should not only be positive but also it must be better and stronger than the match between the customer and the competitor. If the corporation's

approach to the customer is identical to that of the competition, then the customer can't differentiate between them.

Moreover, he states that formation of marketing strategy requires the following three decisions:

1. Where to compete: it requires a definition of the market (for example, competing across an entire market or in one or more segments).
2. How to compete: it requires a means for competing (for example, introducing a new product to meet a customer's need or establishing a new position for an existing product).
3. When to compete: it requires timing of market entry (for example, being first in the market or waiting until primary demand is established).

Thus, marketing strategy is the creation of a unique and valuable position, involving a different set of activities and development of marketing strategy requires choosing activities that are different from rivals (ibid).

Market research and segmentation underlie the market targeting decision. Market targeting implies major commitments to satisfying the needs of particular customer groups through the development of specific capabilities and investment in dedicated resources. These capabilities enable the organization to create a value proposition specific to the targeted segment utilizing the elements in the marketing mix (Slater & Olson, 2001).

According to Walker, the primary purpose of a marketing strategy is to effectively allocate and coordinate marketing resources and activities to accomplish the firm's objectives within a specific product market. Therefore decisions about the scope of a marketing strategy involve specifying the target-market segment(s) to be pursued and the product line to be offered. Then, firms seek a competitive advantage and synergy, planning a well-integrated program of marketing mix elements." (As cited by Boyd et al, 1998)

According to Slater and Olson (2001), marketing strategy is concerned with decisions relating to market segmentation and targeting, and the development of a positioning strategy based on product, price, distribution, and promotion decisions.

### 2.1.3 Marketing Strategies for Service Firms

Christopher Lovelock (2001) defined service as an act of performance offered by one party to another. Although the process may be tied to physical product, the performance is essentially intangible and does not normally result in ownership of any of the factors of production.

Until recently, service firms lagged behind manufacturing firms in their use of marketing. Service businesses are more difficult to manage when using only traditional marketing approaches. In a product business, mass produced products are fairly standardized and sit on shelves waiting for customers. But in a service business, the customer and frontline service employee interact to create the service. Thus service providers must work to interact effectively with customers to create superior value during service encounters. Effective interaction, in turn, depends on the skills of frontline service staff, and on the service production and support processes backing these employees (Kotler et al, 1999).

According to Akroush (2003), marketing strategies in service businesses are different from those that are being used in goods marketing. The literature on service marketing indicates that the unique characteristic of services creates special marketing problems and challenges, which need special marketing strategies to deal with them. Consequently, the marketing strategy in the services should include the 7Ps of the services marketing mix framework and service quality, which may have a crucial effect on companies' performance (ibid.). The 7Ps of the services marketing mix framework has been advocated the service marketing literature as a generic framework for services marketing management and, the 7Ps components are the major components to formulate a marketing strategy in service (Smith and Saker, 1992).

A company must consider four special service characteristics when designing marketing programs: intangibility, inseparability, variability, and perishability and these major characteristics are defined in the following manner (Kotler and Armstrong, 2006).

- Service intangibility means that services cannot be seen, tasted, felt, heard, or smelled before they are bought.
- Services inseparability indicates that services are produced and consumed at the same time and cannot be separated from their providers

- Services variability means that the quality of a service may vary greatly, depending on who provides them and when, where and how
- Services perishability means that services cannot be stored for later use or sale.

Marketing strategy includes market segmentation, positioning and, fully-integrated marketing mix strategies. Fully-integrated marketing mix strategies outline the major components of the marketing strategy in the service companies (Greenley 1989; Ennew and Watkins 1992; Hooley et al 1998; Menon et al 1999; Baker 2000).

#### **2.1.4 Segmenting, Targeting, and Positioning**

It is impossible for companies to be able to serve all consumers in the market due to the difference in consumers' characteristics and in their desire.

For this reason, the heart of modern strategic marketing should be applied to marketing segmentation, target markets (targeting) and market placement (positioning). Market segmentation is an act of identifying and forming groups of buyers or consumers, each with his/her own characteristics, desire, and hence requiring their own marketing mix (Kotler, 2005).

As per Alan Robert's observation, market segmentation is the strategy of dividing markets in order to conquer them, a continuous policy of looking for differences, geographical or otherwise in the total market and the continuous exploitation of these differences. Market segmentation differentiates customers with similar banking needs from those with dissimilar needs. In addition to that segmentation provides a solid basis upon which the marketing strategy of a bank can be designed. Furthermore, segmenting the market also helps to evolve a distinctive marketing package for each segment based on the needs of different customer segment (Muraleedhahan, 2010).

Targeting will be the next step once the company identified its market segment opportunities. The company then evaluates various segments to decide which segment suits the target market. In evaluating different market segments, the company must look at two factors: the overall market attractiveness and the company's objectives and resources (Kotler, 2005). Positioning is the act of designing products and marketing mix in order to create certain impression in the mind of consumers. This act will help consumers to recognize a definite difference between competing products so that they can choose the best one (ibid).

Positioning is an attempt to distinguish the bank from its competitors along real dimension in order to be the most preferred bank for certain market segment or prospect. A key way to build a strong competitive position is through management, IT and service quality and differentiation which creates a clear image of the bank and its products/services in the eyes and minds of customers and can lead to distinctive position in the market (Zineldin, 2002).

If a bank can position itself favorably within a particular marketplace, relative to competitors, it can earn high rates of market. Competition and profitability factors mean that banks, in terms of their positions, performances, their internal and external infrastructure and their use of information technology, must be increasingly responsive to marketing consideration (ibid).

### **2.1.5 7Ps of Service Marketing**

Brodrechtova (2008) explained that marketing strategy is a roadmap of how a firm assigns its resource and relates to its environment and achieves a corporate objective in order to generate economic value and keep the firm ahead of its competitors. The marketing strategies have a major impact upon the efficiency and cost structure of an enterprise.

The marketing mix has had a considerable support in the marketing literature either as its elements together or individually. The marketing mix elements have been used as the main components of marketing strategy in the marketing literature. This is supported by a number of studies that have been conducted in different markets (Akroush, 2003).

#### **a. Product/Service**

The first one among the services marketing mix is the product or the service offered to satisfy the needs of consumers. Like any other services, banking services are also intangible.

The service product is the central component of any marketing mix strategy. Kotler defines a product as ‘anything that can be offered to a market to satisfy a want or need.’ A product can include physical goods, services, experiences, persons or ideas. Products can be tangible or intangible (Akroush, 2003).

The unique characteristics of services that determine what constitutes components of the service product are generally a difficult task. Ennew (1998) argues that the key aspect of the

service product strategy in financial service organizations is to meet the problems, which are created by these characteristics. Therefore, when organizations move through these levels they are trying to differentiate themselves. This can be achieved by having a range of products or services, high quality of service, means of branding, new service development, after sales service, and customer service (Ennew and Watkins, 1992; Ennew, 1998; Baker, 2000).

Lovelock (2001) discusses the core service product, the core service delivery process and supplementary services, which enhance and facilitate the use of the core service. Supplementary services add value to the core service (Lovelock 2001).

In the case of bank products, the products can be categorized into three groups. They are Core products, Formal products, and augmented products. Core products are those products, which define the business. For a bank, some of the core products are Saving Account, Current Account, Fixed Time deposit, Term loan, overdraft loan and the like. This has two basic characteristics. These are the fact that core products define the business of a commercial bank and that they do not have strong marketing content, i.e. the product must be specifically designed in view of the needs of customers in well-defined homogeneous market segment (Seth, 1997).

Since core products, are used as basic tools of commercial banking and serve the full range of customer segments or at least a large number of them, their marketing content cannot be rated as very high. But these core products are indispensable to any business. Furthermore, these products provide a basis for the development of more sophisticated and marketing oriented products (ibid).

The next type of product is Formal product. Formal product is usually a combination of two or more core products and they have strong marketing content as they cater to some specific customer needs. Formal product will give right product with specific names as according to the requirements of customers to boost the banking business (Seth, 1997).

Augmented product is a further modification of formal product through value addition. The main advantage of an augmented product comes from its strong marketing content (Muraleedhraham, 2010).

Women's saving account: of Commercial Bank of Ethiopia, Student Account and Modified Youth saving account of Dashen Bank, Enat collateral saving account of Enat Bank, are some of the examples of augmented products.

According to Seth (1997), Customer needs are varied, complex and multidimensional needs. Banks should offer multidimensional products also called product package. Instead of offering one or two or a large number of products to the customers, it is through understanding all of the bank related needs of customers and then providing a comprehensive package which can take care of this entire spectrum of needs. Hence, once the bank gives a tailor-made product it will definitely cultivate a psychological ownership on the customers' mind.

#### **b. Price**

Pricing decisions are of major significance in services marketing strategy. The price of a service should achieve a number of marketing and organizational objectives and should be appropriate for the service company's marketing programme. Price is one of the central elements of the services marketing mix. It is a very complicated issue in which many variables have a significant role to play in a service price setting (Akroush, 2003).

Price is the value or sum of money at which a supplier of a product or service and a buyer agree to carry out an exchange transaction. Price represents a controllable variable which earns revenue for all other variables and this distinguishes price from all other variables (Ayanda & Tunbosum, 2012).

There are many variables that have important effects on service price setting which many of them are not seen under a service business control. These variables, which are exclusive rather than inclusive, are the unique characteristics of services, the supply and demand patterns in the market place, understanding the costs structure in the company, the ability of the company to have some elements (e. g. superior customer service) that differentiate itself from its rivals, competitors pricing strategies, and different environmental forces in the service business environment in which it operates (Akroush, 2003).

According to Wruuck (2013), pricing is currently more relevant for retail banks than ever before. Price plays a central role for Banks in that it impacts on customer satisfaction and profitability. Banks' clients have become more demanding and customers' willingness to switch to other providers has risen. It is against this background they need to set prices for their products and services at present. Analyses suggest that, prices for bank products play a central role in the consideration to switch banks. In recent surveys, roughly half of respondents state dissatisfaction with fees and partly also interest rates as a factor which influences their decision to switch. Furthermore, customers identify pricing as an area where they wish to see improvements and regard these as a suitable means of increasing satisfaction with their bank.

In the banking industry, price is the amount of money that will determine the exchange rate of bank product or services between the bank and customers. Price determination of the banking products or services in Ethiopia is subject to regulations from the regulatory body NBE. The main strategic pricing objective is maximization of profit, increasing rate of return on investment and obtaining large market share. (Solomon, 2013).

### **c. Place**

Distribution is another fundamental element in the financial services marketing mix by which financial service companies can cover target markets and gain access and deliver services to customers (Akroush, 2003).

Friars et al (1985) argued that when financial services companies formulate their distribution strategies they should choose distribution alternatives that are marketing focused and profit-based. Moreover, they argued that distribution strategy is a new strategic weapon to attract and retain customers and to generate revenue in today's competitive business environment.

Howcroft (1993) argued that financial service companies must consider four broad considerations in formulating the optimum mix of distribution channels; (a) Maintaining a strong market position through attracting and retaining a large, profitable customer base. (b) Introducing new distribution channels to counteract the cost-benefit characteristics of the branch network. (c) Building a distribution channel mix that can respond flexibly to changes

in competition and the marketplace. (d) Exploiting fully the benefits inherent in the existing infrastructure.

According to Devlin (1995), superior distribution strategies can provide financial institutions with competitive advantage in the marketplace. Distribution provides the basis of differentiation rather than the core service itself. Devlin argues that with increasing competitive pressures in a financial service environment, the issue of distribution will remain an important competitive variable that should focus on customer orientation.

Using multiple channels provide access to multiple market segments (Storey & Easingwood, 1996). When a Bank uses branch and non-branch channels, the important point is to use them in a way that each one complements the other one.

Some of the place strategies being used by banks today are: First, extending their reach through means other than branch expansion such as the concept of satellite office, and agent banking, which the Banks in Ethiopia are now rushing to commence following the approval by NBE to engage in same in 2012. Second, the concept of special counters for certain customer segments for example, for prominent customers such as in the case of CBE. Third, is the door-to-door service or the banker coming to the doorstep of the customers to provide service like that of Zemen Bank. Fourth, technology has also been deployed by banks for implementing place strategy for instance Internet and ATM Banking are good examples. The fifth one and a recent phenomenon is strategic alliance.

This trend has been set up in motion mainly by the newly set-up private banks in order to overcome the drawback arising out of the limited branch and ATM network. Some of these banks entered into strategic alliance with already established banks having wide branch network. One such alliance is between Dashen Bank and Zemen Bank's alliance in ATM banking.

#### **d. Promotion**

The benefits of a product or service should be clearly communicated to the target market.

Therefore, when companies are choosing their media strategy they have to consider who their target customers are and what their general behavior is (Kotler & Armstrong, 1996).

Kotler and Armstrong (1996) argued that when the target group is defined, an effective message should be formulated. This message should start with getting the customers attention, further making them interested and making them feel that they want this product and finally make them buy. An organizations promotional strategy can consist of: Advertising; any non-personal paid form of communication using any form of mass media, Sales Promotion; personal selling and developing relations with the organization media public to be able to get positive publicity and handle negative attention in a good way, and finally Direct Mail; sending publicity material to a named person, this allows the company to use their resources more effectively.

Promotion is the avenue by which financial service businesses provide information about services, prices, and different delivery channels to a wide range of audiences. Promotion can provide an opportunity to companies to differentiate themselves at corporate and brand levels (Thwaites, 1998).

The concept of promotion is to inform and remind individuals and persuade them to accept, recommend or use of a product service or ideas. Promotion is a demand stimulating aid through communication. Any marketing promotion campaign has two objectives. They are to inform the prospective customer and then to persuade him. Due to the inherent intangible nature of services, the customer of banking service relies more on subjective impression rather than concrete evidence (Seth, 1997). It may be in various forms such as press advertisement, sales campaign, word of mouth and so on. The fundamental objective of a promotion campaign next to informing is to persuade the customer to buy the product in preference to other similar products available in the market (ibid).

Banks should try to understand the real needs and aspirations of the society and provide such product or services which will satisfy their needs. Marketing strategy should be designed to suit not only the present marketing but also the potential future market (Muraleedhahan, 2010).

#### **e. People**

People have a central role to play in service businesses especially during the service delivery proves when people have interactions with customers. Customers view people (employees)

as a key part of the service or even the service itself in service companies. It is argued that people are seen as a distinctive dimension in the financial services marketing mix and must be an integral part of any marketing strategy, by which the company can gain a competitive advantage and distinguish itself (Akroush, 2003).

People, involves employees of the organization with whom customers come into contact with. Courteous employees with a mix of skills to handle customer complaints and give long term solutions are key resource to any competitive organization (Woodward, 2004).

Berry (1981) argued that one of the principal opportunities for a bank to distinguish itself, to be different and better than its competitors, lies in the quality of people.

Like any other service industry, banking is a labor intensive industry. The human factor plays a pivotal role in the running of the business men unlike machines have varying attitudes, moods, heterogeneous cultures, feelings and above all, different aspirations. With the presence of strong human content in banking business, no idea would even get implemented unless it is taken up wholeheartedly (Muraleedhahan, 2010)

People are very important to the success of any business. It is far more so in a service oriented industry like banking. The point here is not simply the need of human approach or involvement in banking service. Moreover, it is also not only about making available necessary knowledge and skill for serving the customer better, but the central point here is that there is a need to market banking products to own grass-root level people (also known as internal marketing) before marketing these products effectively to customers (ibid).

According to Seth (1997), each employee in a bank irrespective of his or her position in the bank hierarchy is both a recipient and provider of service. Unless each employee extends support to his colleagues and also receives support from them, workflow will get obstructed and the victim will be the customer. In other words to satisfy a customer, people who participate in the provision of service must be the right and apt ones.

#### **f. Process**

Process is one of the crucial elements of the expanded services marketing mix framework that should be a distinct strategic element. This is because process may influence the initial

customer decision to purchase a service and affect the level of customer satisfaction (Akroush, 2003).

Service delivery system is concerned with where, when, and how the service is delivered to the customer. Speed convenience, flexibility, quality, and customer satisfaction of the service delivery system are all crucial factors for competitive advantage (Lovelock 2001).

Zairi (2001) argues that using the service delivery process strategy may enable financial service companies to provide value for the customers. This value can be provided through achieving speed, quality, low cost, and customer satisfaction through the service delivery process which should start and finish with the customer standpoint.

The responsibility of creating and delivering services to customers does not lie within the marketing department, but rather it is a shared responsibility between marketing management, operations management, and human resources management which should integrate together to deliver the service to the customer (Lovelock 2001). Shostack (1984) argues that better service design provides the key to market success and growth. Due to the involvement of the human element in the service delivery process, service companies need to recognize the importance of the management and control of the service delivery process. Shostack suggested a blueprint in designing services, which should be customer oriented. A service blueprint allows a company to explore all issues inherent in creating or managing a service.

According to (Seth, 1997), the process is crucial to the bank marketing strategy. It gives value to the buyer and an element of uniqueness to the product. It is very significant because it provides competitive advantage to the bank. The importance of process in bank marketing strategy is based on 'value chain concept' given by Michael Porter. The value chain concept basically stresses close attention to all the organizational activities which go into marketing the final product to the customer.

In the banking context, a typical value chain encompasses all activities right from the product conceptive stage down to its marketing at branch level. All of which ultimately leads to the customer's satisfaction with the product s/he has purchased. The value chain concept emphasizes that all these organizational activities have to be closely monitored and

reviewed as an ongoing basis and all those activities which do not add value to the product have to be reviewed and modified. It is also useful in focusing attention on those organizational activities or processes which give uniqueness to the product. And the element of uniqueness in the product is a basic condition for acquiring competitive advantage (ibid).

#### **g. Physical Evidence**

Physical evidence is one of the central components of the new expanded service marketing mix and is a vital element in the service marketing strategy. Service businesses can use physical evidence in order to provide tangible clues to service quality, send consistent messages, and improve their images (Akroush, 2003). It involves elements within the store, the store front, the uniforms employees wear, and sign boards that assure customers about quality services provided by the organization. The physical layout and appearance of employees of an organization service as evidence to potential prospects of goods and services in a market (Woodward, 2004).

Berry (1980) identified that the intangibility of services prompts the customer to be attentive to tangibles associated with the service for clues of the service's nature and quality. The prime responsibility of the service marketer is to manage these tangibles in order to convey signals about the service. There are ways by which the service business can manage the physical element; (a) service physical environment, (b) appearance of the service provider, and (c) making the service tangible.

Kotler (1973) argued that one of the important features of the total product is the place where it is bought or consumed. In some cases, the atmosphere is more influential than the product itself in the purchasing decision. He put forward some propositions in which he argued that the atmospherics are important (a) Atmospherics is a relevant marketing tool mainly where the product is produced or consumed. (b) Atmospherics becomes a more relevant marketing tool as the number of competitive outlets increases. (c) Atmospherics becomes a more relevant marketing tool where product and /or price differences are small.

The intangibility of service products makes it difficult for consumers to evaluate service offerings, particularly quality and value for money, prior to purchase. In view of this, marketers often need to "tangibilize" the service offering through the way they manage the

physical evidence that accompanies the service. Physical evidence includes aspects such as the service provider's building/facilities and staff appearance; other aspects are personal hygiene and uniforms. In addition, promotional materials and branding strategies are all elements of physical evidence that serve to tangibilize a service offering to a customer. These physical evidence cues are what potential customers use to evaluate accurately or inaccurately things like service quality (Asiegbu I.F et al, 2012).

The physical evidence includes many aspects; employees' appearance, décor design, internal layout, furniture, friendly atmosphere, and creating tangible issues (such as brochures). All of these aspects have an influential role on company performance through their crucial effect on delivery process and promotion during the service provision (Akroush, 2003). Due to the intangible nature of banking products, they pose a major challenge to bank marketers. One important method of providing tangible cues about the service of the Bank is the upkeep of branch premises and interior décor.

### **2.1.6 Company Performance**

The literature on performance revealed that there is neither one single criterion nor a set of criteria approved between marketing strategy scholars for performance assessment (Venkatraman and Ramanujam, 1986). Performance can be determined in various ways such as financial performance, market performance, customer performance or overall performance. Financial performance literally refers to financial measures, such as profit margin and return on investment (ROI) (Jaakkola, 2006). However for the purpose of this study, only the financial performance of the company will be taken into consideration.

Deshpande' et al (1993) found that performance is a complex, multi-causal matter that depends on internal factors of the organization as well as strategy.

There are number of indicators for evaluating financial performance of banks on the basis of the financial measures. Usually the financial performance of the institutions has been measured by using a combination ratio analysis, benchmarking, and measure performance against budget or a mix of these methods. (Munir et al, 2012)

The performance indicators of an organization have little meaning unless they are seen in the context of economic and industrial developments and benchmarked against a peer group or past performance (Krishnan, 2009).

According to literature reviews, it is explained that bank performance is represented mainly by quantifiable financial indicators. The literature on the determinants of bank performance has closely tied bank performance with profitability measures such as Return on Assets, Return on Equity, Net interest margin and the like (Smirlock (1985); Chirwa (2001). Gilbert (1984) in a survey of literatures argued that bank profit is an appropriate measure of bank performance.

***Profit after tax (PAT)***- The difference between revenues or operating incomes and operating costs is called Gross Profit. When all expenses and taxes are deducted from Gross Profit we obtain profit after tax. Profit after tax is generally regarded as a traditional measure of performance.

***Return on Assets (ROA)*** = *net income/total assets* shows the ability of management to acquire deposits at a reasonable cost and invest them in profitable investments (Ahmed, 2009). This ratio indicates how much net income is generated per Birr of assets. The higher the ROA, the more the profitable the bank is.

***Return on Equity (ROE)*** = *net income/ total shareholders' equity*. ROE is the most important indicator of a bank's profitability and growth potential. It is the rate of return to shareholders or the percentage return on each dollar of equity invested in the bank (Ahmed, 2009).

***Earnings per Share (EPS)*** = *Net Earnings / Average number of Shares*. Earnings per share, serves as an indicator of a company's profitability.

## 2.2 Empirical Review

The evidence of the impact of marketing strategy on the performance of corporate ventures is mixed. In some studies, individual elements of the marketing mix are shown to have a significant effect on market share and profitability (Miller and Camp, 1985; MacMillan and Day, 1987; Tsai, MacMillan and Low, 1991). In another study using the same database, marketing had no significant effect on corporate venture performance (Robinson, 1990). However, in these previous studies, their operationalization of marketing was inconsistent with the very definition of the marketing mix as well as previous research on the marketing strategies of mature firms.

A research conducted in Nigeria by Ojo Oke (2012), revealed an overall significance of the marketing mix variables adopted although not much effect is seen when a marketing variable is compared with bank performance in isolation of other variables which helped to conclude that the marketing strategies techniques must be adequately combined in order to bring about improved performance.

Akroush (2012) on his study targeting Jordanian organization's marketing managers and their customers, found that external and internal marketing orientations (IMOs) exerted a positive and significant effect on marketing strategy components, namely: product, price, promotion and distribution strategies which in turn exerted a positive and significant effect on customer satisfaction. The findings also indicate that product and price strategies are the strongest drivers of customer satisfaction. Customer satisfaction has a positive and significant effect on financial performance. More importantly, financial performance has a strong positive contribution to shareholder value measured by market value added and earnings per share.

Empirical evidence on export marketing strategy and firm export performance reveals that, Marketing strategy is one of the major elements of export performance and one of the key factors impacting export performance. Researches on the significance of the marketing showed a strong association between export marketing strategy and export performance; a positive and direct impact of marketing strategy on export performance of the firms in question (Mavrogiannis et al., 2008; Lages and Lages, 2003; Julian and O'Cass, 2003; Cavusgil and Zou, 1994). Salavou and Halikias (2008), in their study, also found that the majority of exporter companies that obtained higher profitability, was due to their marketing-based

strategies. In contrast, researchers such as Julian and O’Cass, (2003) concluded that export marketing strategies had no effect onto export performance. Also in the research by Abdul Adis and Md.Sidin,(2010) revealed that there were no direct or significant relationship between export marketing strategy (concluding product adaption, promotion adaption, distribution strategy, design strategy, price competitiveness, support to foreign distributor, target market specification) and export performance of Malaysian wooden furniture industry. In brief, although a few studies mention there is not any relationship, most of researchers concluded that marketing strategy had significant positive effects on export performance and it was an important part of studies that had been evaluated many times previously.

Empirical support for the relationship between the marketing strategy and financial performance of a business has been provided by a number of studies. The majority of these studies have been based on the Profit Impact of Marketing Strategy and have focused on company performance in USA (Faria and Wellington, 2005; Kyle, 2004). Various studies, Shim et al., (2004) and Patterson and Smith (2001), have suggested that overall business performance is influenced by the marketing strategy. However, there are a number of reasons that the results of the aforementioned studies are inconclusive (Chiliya, 2009).

A research conducted by Adewale et al (2013) on SME’s in Nigeria found that marketing strategies (product, place, price, packaging, and after sales service) were significantly independent and joint predictors of business performance. The study however, discovered that promotion has no positive significant effect on business performance. The study conforms to the positions of Sajuyigbe et al (2013); Francis & Collins-Dodd, (2004); Shamsuddoha and Ali (2006); Chiliya et al (2009) and Owomoyela et al (2013) except the result of promotion which has contrary opinion to the previous researches. All of these researchers agreed that marketing mix strategy is the blood of business organization.

## **CHAPTER THREE**

### **METHODOLOGY**

In this chapter the methods to be used in this thesis paper are discussed. The chapter describes the detailed research methodology adopted to address issues identified earlier, together with the means of collecting data for analysis, and the analysis approach.

#### **3.1 Research Design**

The type of research was a cross-sectional research survey in which the collection of information from the respondents was carried out at a single-point in time.

The study is explanatory in that it tries to explain the relationship between the independent variable (marketing mix strategies) and the dependent variable (financial performance).

Both qualitative and quantitative methods were employed to obtain the data needed for the study. The unit of observation for this study was managerial level employees as respondents.

#### **3.2 Sample Size and Sampling Procedure**

The target population of this study included employees of Dashen Bank at Managerial level at the Head Quarters and selected branches located in Addis Ababa. According to the information obtained from Corporate Planning and Development Department of the Bank, the Bank has more than 843 employees at various levels of management as at February 28, 2015. Among which, 568 (67.4%) of them are in Area Banks located in Addis Ababa and at the Head Quarters which comprise the target population of this study.

From a population of 568 employees at various levels of management in Addis Ababa, a sample size of 234 was taken for this study. The sample size was determined by using the table developed by Krejcie and Morgan (1970) using the formula for sample size determination when the population size is known (Refer to Annex I).

The sample respondents for the interview were selected using non probability technique called purposive sampling. The purposive sampling technique, also called judgment sampling, is the deliberate choice of an informant due to the qualities the informant possesses. For the questionnaire, a sample size of 15 managerial employees at Corporate Planning & Development Department (the Department responsible for marketing activities of

the Bank and also plays a major role in the crafting of the Bank's strategic plan) were selected purposively while the rest 219 managerial employees were selected using convenience sampling, this is a technique in which a sample is drawn from that part of the population that is close to hand, readily available, or convenient.

### **3.3 Source Data and Data Collection**

For the purpose of this study both quantitative and qualitative data was employed to answer the research questions and meet the objectives of the study. Data was collected by using both primary and secondary sources of data.

Primary data is important for this study and was gathered through a set of self-administered structured questionnaire and through semi-structured interview. On the other hand, the secondary sources of data were gathered from books, annual reports and journals.

For the purpose of administering the questionnaire, 20 branches in Addis Ababa which have been operating for 10 or more years and 12 Departments at Head Office were selected. The branches considered in this study included Main, Kera, Kality, Tana, Golla, Yerer Ber, Africa Andinet, Messalemia, Bole, Lideta, Megenagna, Piazza, Gullele, Lagar, Sebategna, Saris, Gurdsholla, Abakoran, Goffa and Tikur Anbessa. All in all, 234 questionnaires were distributed to the respondents.

The measurement used in the questionnaire is the Likert Scale Method of summated ratings. It consists of statements where respondents indicate their degree of agreement or disagreement on a five-point scale: Strongly Disagree, Disagree, Neutral, Agree, and Strongly Agree. Moreover, a semi-structured interview was held with members of the Top Management (including the three Vice-Presidents), the Manager and the Deputy Manager of Corporate Planning and Development Department.

### **3.3.1 Structure of the Questionnaire**

The final design of the questionnaire included three parts (refer to Annex IV). Within each section complete instructions and guidance was provided to respondents on how to answer the section.

For the second and the third parts of the questionnaire, respondents were asked to tick their level of agreement or disagreement on each statement included in the section by using a five point Likert scale ranging from “Strongly disagree” to “Strongly agree”. The questions for each variable were adopted from various sources with some modifications.

#### **Part I: Profile of the Respondents**

The first part of the questionnaire was concerned with obtaining some demographic data about the respondents to present the research respondents’ characteristics. There were four questions asking respondents about their sex, age, educational level and number of years of experience in managerial position.

#### **Part II: Marketing Strategy Issues**

This part was concerned with investigating the marketing strategy of the Bank in relation to the 7Ps of marketing mix. This section was divided into seven subsections as follows:

##### **Subsection One: Product Related Questions**

This part was concerned with strategic issues related to service/product offering. There are five statements measuring this variable which included having a comprehensive range of services; brand reputation; developing new services; quality of customer service and usage of technology. This part of the questionnaire was adopted from Joseph and Stone (2003) and Akroush (2003).

##### **Subsection Two: Price Related Questions**

In this subsection, issues concerning the pricing strategy of the firm are included. There are five statements measuring this variable such as the acceptability, competitiveness, fairness, justifiability and clarity of price & understandability. The questions in this part were adopted from Joseph and Stone (2003) and Wruuck (2013).

### **Subsection Three: Promotion Related Questions**

This part of the questionnaire was concerned with investigating the promotion strategies of the Bank. Five statements including usage of advertising medias, sales promotion, sponsorships, publicity & public relations and effectiveness & adequacy of promotion were stated. The source used for this part was from Akroush (2003).

### **Subsection Four: Place Related Questions**

This part was concerned with strategic issues related to place or distribution strategy. There are five statements measuring this variable which included accessibility of branches, usage of multiple channels, convenience of branch locations, ATM accessibility and convenience and provision of service 24/7. Questions were adopted from Suresh Hander et al (2002).

### **Subsection Five: Process Related Questions**

There were five statements measuring strategic issues in relation to process which encompassed usage of standard procedures, preparation of flowcharts to facilitate smooth workflow, application of IT, flexible systems and procedures and systems facilitating efficient service delivery. Questions were adopted from Akroush (2003).

### **Subsection Six: People Related Questions**

In this subsection, issues concerning the people strategy of the firm are included. There are five statements measuring this variable such as carefully choosing and training staffs, motivating and rewarding service staff, customer contact staff attitude, improving employee capabilities, the courtesy and competency of service staff. The questions in this part were adopted from Akroush (2003).

### **Subsection Seven: Physical Evidence Related Questions**

This part of the questionnaire was concerned with investigating the physical evidence related strategies of the Bank. Five statements were used to measure this variable including friendly and welcoming ambience, comfortable physical environment,

provision of tangible cues to customers, customer service staff appearance and design of facilities and layout. The source used for this part was from Akroush (2003).

## **Part II: Company Performance Issues**

This part was concerned with investigating the financial performance of the Bank. Respondents were asked to give their agreement or disagreement on the financial status of the Bank in relation to competitors. This variable was measured by four set of questions asking about the Profit, Return on Asset, Return on Equity and Earning per share of the Bank which was adopted from Akroush (2011).

### **3.4 Ethical Considerations**

Brief description of the central objectives or purpose of the study was clearly stated in the introductory part of the questionnaire to be filled by respondents.

To maintain the confidentiality of the information provided by the respondents, the respondents were assured that the responses would be used only for academic purpose and kept confidential. Finally, respondents were included in the study based on their voluntariness and free will.

### **3.5 Validity and Reliability of Instruments**

Pilot testing was done to check the validity and reliability of the instrument of data collection before using it. Validity is concerned with the extent to which an instrument measures what it is supposed to measure (Kothari, 2004). Reliability on the other hand is concerned with consistency in measurement and can be examined through assessing the degree of consistency between multiple measures of a latent variable (Hair et al, 2006).

Content validity was achieved by the procedures that are used to develop the research instrument including conducting a thorough examination of the previous empirical and theoretical work of the marketing strategy and financial performance, upon which the operational definition for each variable was made, using multiple items to capture all its attributes; and conducting the pilot study before starting the fieldwork.

The questionnaire was tested with a sample of 23 managerial employees of Dashen Bank, among which most of them were drawn from the Department responsible for the Marketing

activities of the Bank and Dashen Main Area Bank. The pilot testing has also enabled the researcher to identify and amend problematic questions and refine the questionnaire.

The reliability of the items in the instrument was measured using Cronbach's alpha which is the most frequently used reliability test to measure internal consistency when using Likert scale. The overall Cronbach's alpha result of the 39 items was 0.878 which is higher than the minimum alpha value set as acceptable (i.e. 0.70). The Cronbach alpha result of each item used in the questionnaire is shown on the following table.

**Table 1: Cronbach's Alpha Test result for Reliability**

Items	Cronbach's Alpha if Item Deleted
Product wide range of services	.876
Product better quality service compared to competitors	.874
Product most advanced technology	.878
Product introduce new services	.877
Product brand reputation	.871
Price acceptable fees	.881
Price L&A fair and satisfactory	.874
Price commensurate to the quality of service	.869
Price competitive	.880
Price well communicated	.875
Promotion use advertising media	.879
Promotion use sales promotion	.875
Promotion sponsor events	.879
Promotion Publicity & Public relations	.877
Promotion adequately and effectively	.869
Place Branch accessible	.875
Place multi-distribution channels	.875
Place Branch convenience	.873
Place ATM accessible and convenient	.877
Place obtain service 24/7	.872
Process standard procedure	.875
Process prepares "flowcharts" or "diagrams"	.877
Process use IT	.877
Process flexible system & procedure	.874
Process facilitate efficient service delivery	.872
People carefully choose and train	.872
People motivated and rewarded	.873
People enthusiastic, positive, caring	.875

People use training and development	.869
People courtesy and competency	.879
Physical evidence friendly and welcoming ambience	.871
Physical evidence comfortable physical environment	.874
Physical evidence employees appearance	.880
Physical evidence use tangible cues	.878
Physical evidence layout communicate quality	.874
Financial performance Profit	.877
Financial performance ROA	.876
Financial performance ROE	.877
Financial performance EPS	.878
<b>Total</b>	<b>.878</b>

Source: Survey Data, 2015

### 3.6 Data Analysis Method

The primary data collected from interview was summarized and presented. The data collected from the questionnaire was analyzed using both descriptive and inferential analysis. In order to do so, Statistical Package for Social Sciences (SPSS) software was employed.

Descriptive statistics are statistical computations describing either the characteristics of a sample or the relationship among variables in a sample. It merely summarizes a set of sample observations, whereas inferential statistics move beyond the description of a specific observation to make inferences about the larger population from which the sample observations were drawn (Babbie, 1998).

Descriptive statistics includes analysis of data using frequencies, dispersions and measures of central tendency. In this study, frequencies and percentages were used to describe the demographic characteristics of the respondents based on the frequencies and percentages obtained from the responses regarding the characteristics of respondents.

Inferential statistics is closely tied to the logic of hypothesis testing. The inferential statistical methods to be employed in this study are correlation analysis and multiple regression analysis to determine the relationship between marketing strategy and financial performance. Secondary data analysis was also done based on data collected from annual reports of private banks regarding the financial performance of Dashen Bank against peer banks.

## CHAPTER FOUR

### DATA ANALYSIS AND INTERPRETATIONS

This chapter presents the results of the study. Detailed analysis of the results derived from the questionnaire analysis and results from the interview conducted are presented in this chapter. Moreover, secondary data analysis of the performance of Dashen Bank and competitor peer banks in relation to the financial parameters used in the study are also discussed here.

#### 4.1 Primary Data (Quantitative Analysis)

Among the 234 questionnaires that were distributed 215 were returned but 4 of them were rejected due to so many omissions in filling. Overall, 211 questionnaires (90.2%) with complete responses were returned and used in the analysis.

##### 4.1.1 Profile of the Respondents

The demographic backgrounds of the sample respondents in four parameters are presented to understand the customer profiles i.e., gender, age, education and years of experience in managerial position.

Table 2 Profile of the respondents

Parameters	Frequency	Percent	
<b>Gender</b>	Male	134	63.5
	Female	75	35.5
	Missing	2	.9
<b>Age</b>	20-29	11	5.2
	30-39	130	61.6
	40-49	50	23.7
	>50	17	8.1
	Missing	3	1.4
<b>Educational Status</b>	Diploma	0	0
	1st Degree	161	76.3
	2nd Degree	47	22.3
	Others	0	0
	Missing	3	1.4
<b>Years of Service in the managerial position</b>	1-5 Years	75	35.5
	5-10 Years	108	51.2
	>10 Years	27	12.8
	Missing	1	0.5
<b>Total</b>	211	100	

Source: Survey Results, 2015

Table 2 above, depicts the sample profile of respondents of the Bank. Accordingly, 134 (63.5%) of the respondents are males and the rest 75 (35.5%) are females. This shows that majority of the respondents are male.

It is clear from the table that majority of the respondents fall within the 30-39 age range accounting for 61.6% or 130 of the total population. Respondents with age group of 40-49 totaled 50 making up 23.7% of the total respondents. The rest went to the age ranges of above 50 and 20-29 comprising 8.1% and 5.2% of the respondents, respectively.

With respect to the educational status of the respondents, 161 or 76.3% of them are First Degree holders while the rest (47 or 22.3%) are Masters Degree holders.

Taking into account the number of service years or experience, more than half (51.2%) of the respondents indicated that they have 5-10 years of experience working in their managerial position. While, 75 (35.5%) and 27 (12.8%) of them have 1-5 years experience and more than 10 years of experience, respectively. The demographic results indicate that most of the respondents are well experienced and educated and almost certainly have a good understanding of the issues included in the study.

#### **4.1.2 Relationship between Marketing Strategies and Financial Performance**

##### **a. Correlation Analysis**

Correlation analysis was used to examine the associations between each of the 7Ps of marketing mix and financial performance measures.

A correlation refers to a quantifiable relationship between two variables, and the statistic that provides an index of that relationship is called a correlation coefficient  $r$ , which is a measure of relationship between two interval or ratio variables (Akroush, 2003).

The correlation coefficient is scaled so that it is always between -1 and +1. When  $r$  is close to 0 this means that there is little relationship between the variables and the farther away from 0  $r$  is, in either the positive or negative direction, the greater the relationship between the two variables. If there is perfect linear relationship with positive slope between the two variables, we have a correlation coefficient of 1; if there is positive correlation, whenever one variable has a high (low) value, so does the other. If there is a perfect linear relationship with negative

slope between the two variables, we have a correlation coefficient of -1; if there is negative correlation, whenever one variable has a high (low) value, the other has a low (high) value. A correlation coefficient of 0, means that there is no linear relationship between the variables (Valerie and McColl, 2005).

Table 3: Correlations matrix of Marketing strategies and Financial Performance

	Product	Price	Promot	Place	Process	People	Phy evid	FinP
Pdt	1							
Price	.387**	1						
Promot	.423**	.364**	1					
Place	.349**	.412**	.287**	1				
Process	.404**	.350**	.352**	.215**	1			
People	.355**	.363**	.330**	.351**	.365**	1		
Phy	.221**	.416**	.420**	.254**	.301**	.380**	1	
Fin P	.450**	.546**	.493**	.480**	.381**	.495**	.448**	1

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Source: Survey Results, 2015

The results of the correlation analysis indicate that all of the marketing mix variables are positively related to the financial performance. According to Cohen (1998), strength of correlations can be interpreted as follows:

#### Strength of correlation

- $r = + .10$  to  $- + .29$  small effect (weak)
- $r = + .30$  to  $- + .49$  medium effect (moderate)
- $r = + .50$  to  $- + 1.0$  large effect (strong)

Hence, price and people (service providers) have a strong, positive and significant correlation with financial performance ( $r=0.546$ ,  $p<0.01$  and  $r=0.495$ ,  $p<0.01$ ). These results imply how important the pricing of banking services is and how important role service providers play on the financial performance of the organization.

On the other hand, promotion, product, place, physical evidence and process have moderate yet significant correlation with financial performance ( $r=0.493$ ,  $p<0.01$ ,  $r=0.450$ ,  $p<0.01$ ,  $r=0.480$ ,  $p<0.01$ ,  $r=0.448$ ,  $p<0.01$  and  $r=0.381$ ,  $p<0.01$  respectively).

The results indicate that the independent variables (predictor variable) have correlation with the dependent variable. To check whether there is severe multicollinearity in the model, the correlation coefficients between the explanatory variables have been examined. As shown in Table 3, the values of all the correlation coefficients between the explanatory variables are lower than 0.80 which implies that the test does not detect the existence of severe multicollinearity of explanatory variables in the model.

### **b. Multiple Regression Analysis**

Multiple regression is an extension of simple linear regression. It is used when we want to predict the value of a variable based on the value of two or more other variables. The variable we want to predict is called the dependent variable (or sometimes, the outcome, target or criterion variable). The variables we are using to predict the value of the dependent variable are called the independent variables (or sometimes, the predictor, explanatory or regressor variables). Multiple regression, also allows you to determine the overall fit (variance explained) of the model and the relative contribution of each of the predictors to the total variance explained (Laerd Statistics, 2013).

To examine the impact of the marketing strategy variables on the financial performance of the company, multiple regression is applied to the data set. The main aim here is to see the extent to which financial performance is affected by the marketing mix variables shown in terms of the Adjusted R-squared value, the regression coefficients (Beta coefficient) and the p-values for the significance of each relationship.

Table 4: Multiple Regression Analysis between Marketing Strategies and Financial Performance

Predictor Variables	Beta Coefficients	t	Sig.
Product	.108	1.814	.071
Price	.225	3.732	.000
Promotion	.181	3.068	.002
Place	.191	3.406	.001
Process	.050	.873	.383
People	.184	3.168	.002
Physical evidence	.121	2.071	.040

**R=.719<sup>a</sup>**  
**R<sup>2</sup>= .516**  
**Adj. R<sup>2</sup>= .500**  
**P=0.000<sup>b</sup>**  
**F (7, 203)=30.954**  
 Dependent Variable: Financial Performance

Source: Survey Results, 2015

In multiple regression analysis, the adjusted r-square indicates the proportion of the variation in the dependent variable accounted by the explanatory variables.

As can be inferred from Table 4, the independent variables (price, promotion, place, people and physical evidence) were significant joint predictors of financial performance ( $F(7, 203) = 30.954$ ;  $\text{Adj. } R^2 = .500$ ;  $P < 0.05$ ). The Adjusted  $R^2$  results of 0.500 shows that 50.0% of the variation in the firm performance is explained by the changes in the aforementioned independent variables while the rest 50% is explained by other factors.

All of the regression coefficients (Beta Coefficients) between the 7Ps and financial performance have positive values. Hence, there are no inverse relationships between the marketing mix variables and financial performance.

The findings revealed that only five of the independent variables Price ( $\beta = 0.225$ ;  $P < .05$ ); Promotion ( $\beta = 0.181$ ;  $P < .05$ ); Place ( $\beta = 0.191$ ;  $P < .05$ ); People ( $\beta = 0.184$ ;  $P < .05$ ) and Physical evidence ( $\beta = 0.121$ ;  $P < .05$ ) have a positive as well as significant relationship with

the independent variable, i.e. financial performance. Consequently, these findings provide support for H2, H3, H4, H5 and H7. Surprisingly, Product and Process failed to show significant relationships with the company's financial performance but maintained positive ones. Based on this result the hypothesis testing and findings can be summarized as follows:

Table 5: Summary of Hypothesis Testing

Hypothesis	Analysis Used	Findings	Result
H1	Multiple Regression	Positive Insignificant	Rejected
H2	Multiple Regression	Positive Significant	<i>Accepted</i>
H3	Multiple Regression	Positive Significant	<i>Accepted</i>
H4	Multiple Regression	Positive Significant	<i>Accepted</i>
H5	Multiple Regression	Positive Significant	<i>Accepted</i>
H6	Multiple Regression	Positive Insignificant	Rejected
H7	Multiple Regression	Positive Significant	<i>Accepted</i>

Source: Survey Results, 2015

The empirical findings also indicated that Price is the strongest predictor or has the most significant impact in the Bank's financial performance because it has the highest Beta coefficient result ( $\beta = 0.225$ ;  $p < .05$ ). The Beta Coefficient result of 0.225 signifies that for a 1 unit change in the independent variable (price), the dependent variable (financial performance) will change 0.225 units. It is apparent from this result that price is a decisive factor that affects financial performance.

The second strongest predictor is Place ( $\beta = 0.191$ ;  $P < .05$ ). Distribution creates convenience for customers and achieves basic, yet significant, benefits such as time, place, form and delivery benefits for service organizations customers. Especially in the Banking industry where the services provided are mostly similar the importance of factors such as accessibility and convenience in location and the availability of multiple channels are very crucial.

The findings revealed that the 'People' factor ( $\beta = 0.184$ ;  $P < .05$ ) is the third strongest predictor of financial performance. This variable is very important as the behavior and competence of the employees can have a direct influence on the quality of the service. Employees represent the face and the voice of the organization to the customers. Therefore,

the customer service staffs' motivation, competence and attitude in serving customers determine how well the company performs financially.

Promotion ( $\beta = 0.181$ ;  $P < .05$ ) is the fourth strongest predictor of financial performance identified in this study. Promotion is the direct way an organization tries to reach its publics. Hence from the results, it can be said that effective promotion and communications of financial services can improve the organization's financial performance.

#### 4.1.3 Comparison of Findings with Previous Studies

In this part, a comparison is done between the findings of this study and previous empirical evidence. As can be observed from the table below, some of the results obtained in this study are in line with the previous empirical findings while some are different.

Table 6: Comparison between findings in this study and previous empirical evidence

Author(s)	Results	Results of this Study
Kazem and Heijen (2006); Owomoyela et al (2013)	Product influences have a <i>significant</i> impact on business performance.	Unlike the previous researches, Product has <i>no significant</i> yet a <i>positive</i> relationship with firm financial performance
Cavusgil and Zou (1994); Lee and Griffith (2004)	Better firm performance can be obtained via adapting the product to meet requirements of export customers	
Thirkell and Dau (1998)	Service/product has <i>significant</i> and <i>positive</i> correlation with firm performance	
Colpan (2006); Owomoyela et al (2013)	Price has a <i>significant</i> relationship with business performance	Price has a <i>positive &amp; significant</i> relationship with firm performance. It is the strongest predictor among the marketing mix elements.
Wruuck (2013)	Pricing in banks has impact on customer satisfaction and profitability	
Amine and Cavusgil (2001); Francis and Collins-Dodd (2004)	Promotion has a <i>positive</i> and <i>significant</i> relationship with business performance	Promotion has a <i>positive &amp; significant</i> relationship with financial performance.
Adewale et al (2013)	Promotion has a <i>negative</i> but <i>significant</i> impact on business	
Owomoyela et al (2013); Amine and Cavusgil (2001)	Place has <i>significant</i> effect on business performance	Place has a <i>positive</i> and <i>significant</i> relationship

Ambler (2000)	Distribution channel relationship has a <i>positive</i> effect on market share and performance	with financial performance
Akroush (2011)	A well designed service delivery process and customer oriented business atmospherics are major determinants of customer satisfaction.	Unlike previous researches, Process has a <i>positive</i> but <i>no significant</i> relationship with financial performance.
Asiegbu et al (2012)	Physical evidence <i>affects</i> marketing performance of airlines industry in Nigeria, Specifically ambience, personnel competence, & service systems design <i>positively</i> correlate with their profitability.	Physical evidence has a <i>significant</i> and <i>positive</i> relationship with financial performance
Julian and O’Cass (2003)	Export marketing strategies have <i>no effect</i> on export performance	Five of the 7Ps (price, promotion, place, people & physical evidence
Adis and Md.Sidin (2010)	There is <i>no direct or significant</i> relationship between export marketing strategy and export performance	have a <i>positive &amp; significant</i> relationship with financial performance
Akroush (2011)	The strongest predictors of financial performance are people, price and distribution respectively. Marketing mix have a <i>positive</i> and <i>significant</i> influence on Jordan's service firm performance	The strongest predictors of financial performance are price, place, people & promotion, respectively. These elements have a <i>positive &amp; significant</i> influence on firm financial performance

#### 4.2. Primary Data (Qualitative Analysis)

After discussions with the interviewees the following points have been gathered.

##### Regarding the marketing strategies of the Bank:

- The Bank positions itself as a forerunner in adopting state-of-the-art technology in the minds of customers.
- The Bank doesn't have a definite segmentation strategy so far but it has a plan to segment its market based on different criteria and to serve its customers better by giving value added and tailored services to its customers according to their needs.

- With respect to products and services, though the Bank basically provides undifferentiated products there are wide range of services provided by the Bank. In addition to the basic banking services customers can obtain additional services such as ATM service, mobile banking and internet banking service. In the outgoing strategic plan period, one of the strategic focus of the Bank had been on new product development. In line with this, six new deposit products have been introduced to the market in the previous fiscal year.
- In relation to pricing the informants stated that the major products in the Ethiopian banking industry, deposits and loans & advances are barely offered with material price differentiation from one bank to the other. Normal savings deposit usually pays the minimum set by the NBE which is set at 5% as is the case in Dashen Bank. However, variants of the normal saving account that set minimum deposit levels pay higher interest rates in some banks. Dashen Bank also pays marginal interest rate on current account. However, nowadays as more and more banks are taking up the card banking business in the industry, price competition is now being observed in this product. All in all, Dashen Bank charges fair and competitive prices on commissions and interest charges.
- According to the interviewees, the bank puts emphasis on its brand. Dashen Bank uses various methods to promote its products and services. It runs ads on mass media, uses press advertising, sponsors various events, engages in publicity and sales promotion activities. The Bank also gives emphasis for public relations through branch inauguration ceremonies, donations and contributions. In the last five years, our Bank's spending on advertising and promotion (including donation and contribution) has been the highest among the peer banks. Spending on advertising and promotion could be considered as one of the contributing factors for the bank to get where it is currently.
- In relation to place, Dashen Bank's channel strategy encompasses the right mix of high-tech and high-touch outlets such as branch, ATM, POS, Internet and Mobile. Branches come in three forms in Dashen Bank: full-fledged branch, sub-branch and Forex bureaus. Most of our bank branches are full-fledged ones. In the outgoing strategic plan period, branch expansion strategy has been aggressively pursued by the Bank especially since the

fiscal year 2012 to increase accessibility to customers. Moreover, the Bank is finalizing preparations to commence third party or agent banking. The Bank has been operating with 154 branches, 170 number of ATMs and 861 number of POS machines distributed across the Country as at March 31, 2015.

- The informants stated that among the key factors that determine competitiveness in the service sector is process management. Among the key factors the Bank has been in a better position since it joined the sector, is in terms of streamlining operational areas through deployment of technological infrastructure and core banking system including upgrading of the system as the volume and scope of business demand so. In relation to the banking system, the interconnection of Area Banks through wide area network (WAN) could also be mentioned. In the outgoing strategic plan period, system up-grading and implementation of One-Window-Service at prioritized Area Banks have been the major preoccupations of the Bank within the framework of process management.
- According to the informants, the customers' perceived quality of the service will depend among other things on their experience with the people who provide service. Taking this into account, the Bank gives much heed to staff recruitment, training and development, motivation and compensation. The front line staffs attending financial needs of customers are well trained.
- The interviewees stated that, the importance of physical evidence is paramount to build trust and confidence of the public. Dashen Bank has been investing huge sums of money on own building construction. The Bank designs its layout in a comfortable and appealing way to customers. Moreover, it requires its frontline staffs to dress appropriately according to bank standards.

**Regarding factors were considered in developing the marketing strategies of the bank**

- According to the response obtained from the respondents, among the factors considered in developing the marketing strategies of the Bank were Macro and Micro environmental analysis such as PESTEL, Competitors Analysis and SWOT Analysis. In doing so, the Bank analyzes its core competencies and tries to capitalize on its strengths while improving its weakness. Moreover, it will be informed of threats and take precautions

while will be able to grab on arising opportunities. The Bank's competitive position in the industry based on Porter's five competitive forces is also taken into consideration. The Bank also takes important feedback from managers by using focus group discussions. Last but not least, lessons learned from the past marketing strategies of the Bank are taken into consideration in developing the marketing strategies of the Bank.

### **Regarding the impacts of the marketing strategies of the Bank on its financial performance**

- The informants asserted that, the company's financial performance is affected by numerous internal and external factors. The marketing strategy followed by a Bank is one of the definite factors that have impact on an organization's financial performance. Marketing is important to the survival of any business not only the banking industry. It is at the core of every organization. It encompasses what a company is all about, what it offers, what it stands for, and how it presents itself. They added that, Dashen Bank is one of the leading private banks in various financial parameters in the industry and this is partly attributable to the marketing strategy that the Bank pursues among other factors.

### **Regarding the position of the Bank among competitors in terms of financial performance**

- According to the informants, the bank is a leader among its peers in terms of operational performance (i.e. deposit mobilization and credit disbursement) and financial performance such as revenue and profit generation and in other major financial ratios. The Bank has maintained its leading position among private banks throughout the years. All in all, the Bank has gained favorable results so far.

## **4.3. Secondary Data Analysis**

### **4.3.1 Financial Performance of Dashen Bank against Peer Banks**

In this part of the study, secondary data analysis on the performance of Dashen Bank against other private banks (with respect to financial measures used in this study) is done based on data collected from the Annual Reports of the respective Banks. This helps to ascertain results obtained from interview about the financial position of the Bank.

## Profit After Tax

A scrutiny into the performance of the private banks regarding net profit revealed that, DB had remained a clear leader during the past five fiscal years covering the period 2009/10 up to 2013/14. During the fiscal year 2013/14, the Bank recorded an all time high net profit of Birr 712 million. The net change observed in DB's profit (106) during the last fiscal year, however, was lower than that of AIB (180) and CBO (154). AIB has been closely following Dashen Bank throughout the years and stood second with a net profit of Birr 618 million in 2013/14. The third place was taken by CBO in the last fiscal year, whose net-profit jumped by 81% to Birr 344 million, allowing it to move up 4 places surpassing WB which had been placed in third place for the previous four consecutive years.

Table 7: Net Profit after Tax of Private Banks

In Millions Birr

S/N	Bank	Review Period					Growth for Prev. Year	
		2009/10	2010/11	2011/12	2012/13	2013/14	Absolute	%
1	DB	324	451	652	607	712	106	17.4
2	AIB	248	361	394	439	618	180	41.0
3	CBO	25	48	102	190	344	154	81.4
4	WB	223	323	336	340	318	(22)	-6.4
5	NIB	201	246	286	286	314	28	9.6
6	UB	174	232	298	282	278	(4)	-1.3
7	BOA	141	178	216	265	271	6	2.2
8	OIB	19	44	50	78	154	76	97.7
9	ZB	42	85	86	94	128	34	36.4
10	LIB	50	62	75	111	97	(15)	-13.2
11	Birhan	(6)	21	34	52	89	37	70.8
12	Bunna		19	30	59	80	21	35.1
13	AdIB			7	27	60	33	120.9
14	AB		4	24	38	58	20	51.4
15	EB					30	30	
16	DGB				(14)	18	32	-228.6
<b>Total</b>		<b>1,441</b>	<b>2,073</b>	<b>2,591</b>	<b>2,854</b>	<b>3,570</b>	<b>716</b>	<b>25.1</b>
<b>Average</b>		<b>120</b>	<b>159</b>	<b>185</b>	<b>190</b>	<b>223</b>	<b>45</b>	<b>17.3</b>

Source: Annual Reports of the Respective Banks

## Return on Assets (ROA)

The return on assets (ROA) ratio illustrates how well management is employing the company's assets to make a profit. The higher the return, the more efficient management is in utilizing its asset. The ROA of the Banks is calculated as:

$$\text{Return on Asset} = \text{Net-income} / \text{Assets}$$

AdIB and CBO have outperformed the rest of the private banks with regards to converting their assets into net earnings with a ROA of 5.5% and 5.0%, respectively followed by EB 4.2%. DB's ROA has gone up from 2.9% to 3.4% during the past five fiscal years. However, DB's position with respect to ROA was fourth place with a ROA of 3.4% during the last fiscal year. During the past five fiscal years, DB's ROA stayed within the peer group average.

Table 8: Return on Assets

S/N	Bank	Review Period				
		2009/10	2010/11	2011/12	2012/13	2013/14
1	AdIB			3.3%	4.1%	5.5%
2	CBO	1.4%	2.2%	3.3%	3.7%	5.0%
3	EB					4.2%
4	DB	2.9%	3.3%	4.1%	3.3%	3.4%
5	AIB	3.1%	3.6%	3.2%	2.8%	3.1%
6	BOA	2.4%	2.6%	2.8%	2.9%	2.5%
7	WB	4.1%	4.7%	4.1%	3.6%	2.9%
8	UB	3.3%	3.4%	3.6%	3.0%	2.5%
9	NIB	3.7%	3.8%	3.7%	3.3%	3.2%
10	LIB	4.3%	3.9%	3.5%	4.1%	2.9%
11	ZB	5.5%	6.4%	4.3%	3.3%	3.6%
12	OIB	2.7%	2.9%	2.1%	2.3%	3.1%
13	Bunna	0.0%	3.0%	2.8%	3.4%	3.1%
14	Birhan	-1.6%	3.4%	3.2%	3.0%	3.6%
15	AB		1.4%	2.7%	2.4%	2.2%
16	DGB				-7.5%	2.9%
	<b>Private</b>	<b>3.1%</b>	<b>3.5%</b>	<b>3.6%</b>	<b>3.1%</b>	<b>3.2%</b>

Source: Annual Reports of the Respective Banks and Author Computations

## Return on Equity (ROE)

This ratio indicates how profitable a company is by comparing its net income to its shareholders' equity. The higher the ratio, the more efficient the management is in utilizing its equity and the better return is to investors. Return on Equity is calculated as:

$$\text{Return on Equity} = \text{Net-income} / \text{Average Stockholders' Equity}$$

As can be inferred from the table below, it is exhibited that DB has been quite successful in recording above average return on equity. The ratio which was 37.7% in 2009/10 has picked up to reach 52.8% in 2011/12. However, it has been declining thereafter and reached 40.0% in 2013/14. On the other hand, CBO, registered a hefty increase in ROE to 50.0% in 2013/14 from 42.7% a year ago, overtaking DB's leading position. However, DB's ROE remains by and large above the peer group averages.

Table 9: Return on Equity

S/N	Private Bank	Review Period				
		2009/10	2010/11	2011/12	2012/13	2013/14
1	CBO	14.8%	25.4%	37.4%	42.7%	50.0%
2	DB	37.7%	43.3%	52.8%	43.0%	40.5%
3	AIB	32.8%	40.1%	33.5%	29.3%	33.0%
4	BOA	31.2%	37.2%	35.4%	33.0%	24.8%
5	WB	28.1%	32.7%	27.5%	23.2%	18.3%
6	UB	36.4%	37.7%	37.6%	31.1%	24.3%
7	NIB	29.0%	28.5%	25.6%	21.5%	20.6%
8	LIB	24.5%	23.5%	21.9%	27.2%	19.7%
9	ZB	36.1%	53.6%	44.1%	30.4%	26.7%
10	OIB	11.6%	18.6%	15.0%	17.5%	27.5%
11	Bunna	0.0%	9.8%	12.4%	19.7%	20.0%
12	Birhan	-5.6%	16.9%	19.4%	19.0%	21.6%
13	AB		4.7%	11.7%	13.6%	16.0%
14	AdIB			8.9%	15.0%	24.7%
15	DGB				-22.4%	11.9%
16	EB					22.1%
	<b>Private Banks</b>	<b>29.0%</b>	<b>33.8%</b>	<b>32.4%</b>	<b>28.2%</b>	<b>27.3%</b>

Source: Annual Reports of the Respective Banks and Author Computations

## Earnings per Share (EPS)

Earnings per share, is the portion of a company's profit allocated to each outstanding share of stock. Earnings per share, serves as an indicator of a company's profitability. Earnings per share, is calculated as follows:

$$\text{Earnings per share} = \text{Net-profit} / \text{Average Number of Shares}$$

After witnessing a continuous upsurge, DB's EPS plummeted from Birr 926 in 2011/12 to Birr 823 in 2012/13 and further to Birr 670 in 2013/14. Nonetheless, DB remains to be at the top of the table with the highest EPS among private banks. DB's EPS during 2013/14 was substantially high, Birr 670 against the peer group average of Birr 338. DB is followed by CBO (Birr 610) and AIB (Birr 475).

Table 10: Earning Per Share

S/N	Bank	Review Period				
		2009/10	2010/11	2011/12	2012/13	2013/14
1	DB	609	753	926	823	670
2	CBO	170	290	450	520	610
3	AIB	493	560	469	456	475
4	BOA	447	566	544	502	381
5	WB	380	448	378	330	261
6	UB	477	528	528	477	341
7	NIB	376	380	344	294	286
8	LIB	-	110	244	315	236
9	ZB	-	581	577	411	321
10	OIB	123	205	148	192	310
11	Bunna	-	-	133	211	228
12	Birhan	-	-	-	205	239
13	AB	-	-	122	144	174
14	AdIB	-	-	57	159	196
15	DGB	-	-	-	-	91
16	EB	-	-	-	-	-
	<b>Peer Group</b>	<b>384</b>	<b>442</b>	<b>378</b>	<b>360</b>	<b>338</b>

Source: Annual Reports of the Respective Banks and Author Computations

## CHAPTER FIVE

### SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

The researcher tried to assess the impact of marketing strategy on firm's financial performance in this study. This chapter presents, major findings, conclusions and recommendations based on the analysis and interpretations made at the pervious chapter.

#### 5.1 Summary of Findings

##### Primary Data (Quantitative Analysis)

The demographic background of the sample respondents revealed that,

- Majority of the respondents are males (63.5%) and the rest females (35.5%).
- Out of the total respondents, more than half of them (61.6%) were aged in the range of 30-39. Respondents with the age group of 40-49 accounted 23.7%.
- Majority (76.3%) of the respondents are First Degree holders while the rest are Master's Degree holders.
- Most (51.2%) of the respondents have 5-10 years of experience in their managerial position, 35.5% of them have 1-5 years of experience and 12.8% have greater than 10 years of experience in the managerial position.

The empirical results from correlation and regression analysis show that,

- Price ( $r=0.546$ ,  $p<0.01$ ) and People ( $r=0.495$ ,  $p<0.01$ ) have a strong, positive and significant correlation with financial performance. While, Promotion ( $r=0.493$ ,  $p<0.01$ ), product ( $r=0.450$ ,  $p<0.01$ ), place ( $r=0.480$ ,  $p<0.01$ ), physical evidence ( $r=0.448$ ,  $p<0.01$ ) and process ( $r=0.381$ ,  $p<0.01$ ) have moderate and significant correlation with financial performance.
- The multiple regression results revealed only five of the predictor variables Price ( $\beta = 0.225$ ;  $P<.05$ ); Promotion ( $\beta = 0.181$ ;  $P<.05$ ); Place ( $\beta = 0.191$ ;  $P<.05$ ); People ( $\beta =$

0.184;  $P < .05$ ) and Physical evidence ( $\beta = 0.121$ ;  $P < .05$ ) had a positive and significant influence on the Banks' Financial Performance.

- The five independent variables were significant joint predictors of financial performance ( $F(7, 203) = 30.954$ ; Adj.  $R^2 = 0.500$ ;  $P < .05$ ). The independent variables jointly explained 50.0% of variance in the financial performance.
- The findings also indicated that Price ( $\beta = 0.225$ ;  $p < .05$ ) is the strongest predictor of financial performance followed by Place ( $\beta = 0.191$ ;  $P < .05$ ), People ( $\beta = 0.184$ ;  $P < .05$ ) and Promotion ( $\beta = 0.181$ ;  $P < .05$ ), respectively.

### **Primary Data (Qualitative Analysis)**

- The Bank positions itself as a forerunner in adopting state-of-the-art technology in the minds of customers.
- Dashen Bank doesn't have a definite segmentation strategy so far.
- The Bank provides wide range of services in addition to the basic ones such as ATM service, mobile banking and internet banking service. The Bank gives focus to new product development.
- Dashen Bank sets and charges fair and competitive prices on its products and services.
- The bank puts emphasis on its brand. It uses various methods to promote its products and services such as media advertising, sponsorships, publicity, public relations and sales promotion. Dashen Bank is the highest spender in the industry in terms of advertising and promotion.
- Dashen Bank's channel strategy encompasses using various channels such as branches (full-fledged, sub-branch and forex bureaus), ATM, POS, Internet and Mobile. The Bank pursues aggressive branch expansion strategy.
- Dashen Bank has been streamlining operational areas through deployment of technological infrastructure and core banking system. Its Area Banks are interconnected

through wide area network (WAN) and offers efficient service using One-Window-Service.

- The Bank gives much heed to staff recruitment, training and development, motivation and compensation. The front line staffs attending financial needs of customers are well trained.
- Dashen Bank has been investing huge sums of money on own building constructions. The Bank designs its layout in a comfortable and appealing way to customers and requires its frontline staffs to dress appropriately according to bank standards.
- In developing the marketing strategy the Bank, various macro and micro environmental factors are considered and various studies including SWOT, PESTEL and Competitors analysis are done. Feedback from managers and lessons learned from previous marketing strategies are also considered.
- The Bank is a leader among peers in various operational and financial parameters and this is partly attributable to the Bank's marketing strategies.

### **Secondary Data (Quantitative Analysis)**

- The Bank is a leader among peer banks in terms of PAT and EPS and is also in a good standing with respect to ROA and ROE from the industry.

## **5.2 Conclusions**

Marketing is a key element for the success of businesses regardless of their size, sector, nature of work and even their aims or objectives. Companies today operate in an increasingly turbulent and very dynamic environment. The banking sector has witnessed major developments and growth following the liberalization of the sector. However, there are also numerous challenges that are arising by the day. To mention a few, heightened competition not only from banks but also from other financial institutions, increasing awareness and change in needs and wants of customers and the increasing regulatory pressures are some of them.

To overcome the mounting challenges and ensure sustainable growth and profitability, there is an urgent need to adopt purposeful marketing strategies that are focused around customers' needs and there is a need to implement them effectively. Customers nowadays have become very specific and demanding about their financial needs. They expect quick cash accessibility, money transfer, financial advice, speedy customer service and so much more. In order to satisfy customers, gain competitive advantage and improve performance, the prime key is found to be adopting successful marketing strategies.

Financial services like any other services have a number of unique characteristics that distinguish them from physical goods. These unique characteristics of services create special marketing problems and challenges to deal with. Therefore, the marketing strategy in the service industry should expand to include 3 more elements (people, process and physical evidence) on the traditional 4Ps of the marketing mix framework.

The findings reveal that Dashen Bank has adopted these marketing strategic elements and is utilizing them to serve the market but the Bank doesn't have segmentation strategies which enable it to give tailored service and to serve its customers according to their special needs.

Empirical findings in the study revealed that five of the marketing mix variables have made impact on the financial performance of the Bank. However, the impact that each of these variables have on financial performance varies. Some variables such as price, place, people and promotion are stronger predictors. The results also showed that the marketing mix variables only explained part of the financial performance of the Bank and the rest are due to other factors which are beyond the scope of this study.

Dashen Bank is at the forefront from peer banks in terms of various financial parameters which is partly the effect of the marketing strategies adopted by the Bank.

### 5.3 Recommendations

In today's business environment where there is increasing competition, globalization pressures, increasing customers needs and wants, and the edge of information technology, organizations have to respond radically and adjust themselves by coming up with marketing strategies that set them apart from the competition and ensure their success. In light of the findings of this study the following recommendations are suggested as being valuable to the Bank.

- Pricing strategy has been identified as one of the major predictors of financial performance. Bank customers today are more demanding and willing to switch to other providers due to price. Therefore, the Bank should set its prices against this background and charge acceptable and competitive service fees, charge reasonable interest charges and communicate same to customers in an easily understandable way.
- Distribution strategy is also another important element which strongly predicts financial performance. Hence, the company should increase the accessibility and convenience of its location and ensure availability of multiple distribution options.
- The people element in the service organization is found to be very important. Employees represent the company in the eye of the customers. Hence, the Bank should make sure that the right customer service staffs are recruited, that they are well trained, motivated and competent to provide service.
- The Bank should also ensure that the Bank's products and services are effectively and adequately communicated to the public using the right mix of promotion strategies because promotion is also found to strongly predict the financial performance of the Bank.
- Dashen Bank should develop a market segmentation strategy so that it can give tailored service to its customers and serve them better according to their special needs.
- Nowadays customers have become more demanding and more particular about what they want. Therefore during the marketing strategy planning process the needs and wants of current and potential customers should be considered.
  - To keep its financial leadership among peers, the Bank should devise marketing strategies that make it stand out from the competition and increase its performance.

### 5.3.1 Future Research and Limitations

The approach and empirical findings of this study provide a platform for a variety of future research efforts. In this study only one financial institution, i.e. Dashen Bank, is taken into consideration. It is recommended that a similar study may be undertaken using a bigger population of companies in the same sector and make a comparative analysis.

It is also fruitful to examine the research model in this study in a wide range of service businesses which will be helpful for generalization purposes. Hence, a potential area of future research is to examine the research model among and between several services industries to examine the relationship between marketing strategy (7Ps) and performance.

This research is also limited in that it only focused on performance of firms measured on financial parameters. Future researches could also study the effect of marketing strategies on both financial and non-financial measures.

Moreover, mediating factors affecting the relationship between marketing strategies and financial performance are not included in this study. According to Akroush (2003), company marketing assets and capabilities and company marketing experience are found to have the most influential effect, and are the master moderators on the relationships between the marketing strategy components and the company performance. This provides an opportunity for a research endeavor including these moderators.

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**Annex I- Sample Size Determination Table**

Population Size	Sample Size	Population Size	Sample Size	Population Size	Sample Size
10	10	220	140	1200	291
15	14	230	144	1300	297
20	19	240	148	1400	302
25	24	250	152	1500	306
30	28	260	155	1600	310
35	32	270	159	1700	313
40	36	280	162	1800	317
45	40	290	165	1900	320
50	44	300	169	2000	322
55	48	320	175	2200	327
60	52	340	181	2400	331
65	56	360	186	2600	335
70	59	380	191	2800	338
75	63	400	196	3000	341
80	66	420	201	3500	346
85	70	440	205	4000	351
90	73	460	210	4500	354
95	76	480	214	5000	357
100	80	500	217	6000	361
110	86	550	226	7000	364
120	92	600	234	8000	367
130	97	650	242	9000	368
140	103	700	248	10000	370
150	108	750	254	15000	375
160	113	800	260	20000	377
170	118	850	265	30000	379
180	123	900	269	40000	380
190	127	950	274	50000	381
200	132	1000	278	75000	382
210	136	1100	285	100000	384

## Annex II- Correlation Results

		Pdt	Price	Promotion	Place	Process	People	Phyevidenc e	FinP
Pdt	Pearson	1	.387**	.423**	.349**	.404**	.355**	.221**	.450**
	Correlation								
	Sig. (2-tailed)		.000	.000	.000	.000	.000	.001	.000
	N	212	211	211	211	211	211	211	211
Price	Pearson	.387**	1	.364**	.412**	.350**	.363**	.416**	.546**
	Correlation								
	Sig. (2-tailed)	.000		.000	.000	.000	.000	.000	.000
	N	211	211	211	211	211	211	211	211
Promotion	Pearson	.423**	.364**	1	.287**	.352**	.330**	.420**	.493**
	Correlation								
	Sig. (2-tailed)	.000	.000		.000	.000	.000	.000	.000
	N	211	211	211	211	211	211	211	211
Place	Pearson	.349**	.412**	.287**	1	.215**	.351**	.254**	.480**
	Correlation								
	Sig. (2-tailed)	.000	.000	.000		.002	.000	.000	.000
	N	211	211	211	211	211	211	211	211
Process	Pearson	.404**	.350**	.352**	.215**	1	.365**	.301**	.381**
	Correlation								
	Sig. (2-tailed)	.000	.000	.000	.002		.000	.000	.000
	N	211	211	211	211	211	211	211	211
People	Pearson	.355**	.363**	.330**	.351**	.365**	1	.380**	.495**
	Correlation								
	Sig. (2-tailed)	.000	.000	.000	.000	.000		.000	.000
	N	211	211	211	211	211	211	211	211
Phyevidence	Pearson	.221**	.416**	.420**	.254**	.301**	.380**	1	.448**
	Correlation								
	Sig. (2-tailed)	.001	.000	.000	.000	.000	.000		.000
	N	211	211	211	211	211	211	211	211
FinP	Pearson	.450**	.546**	.493**	.480**	.381**	.495**	.448**	1
	Correlation								
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.000	
	N	211	211	211	211	211	211	211	211

\*\* . Correlation is significant at the 0.01 level (2-tailed).

## Annex III- Regression Results

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.719 <sup>a</sup>	.516	.500	.35583

a. Predictors: (Constant), Phyevvidence, Pdt, Place, Process, People, Promotion, Price

**ANOVA<sup>a</sup>**

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	27.434	7	3.919	30.954	.000 <sup>b</sup>
Residual	25.702	203	.127		
Total	53.136	210			

a. Dependent Variable: FinP

b. Predictors: (Constant), Phyevvidence, Pdt, Place, Process, People, Promotion, Price

**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	-.438	.353		-1.241	.216		
Pdt	.135	.075	.108	1.814	.071	.674	1.483
Price	.261	.070	.225	3.732	.000	.657	1.522
Promotion	.220	.072	.181	3.068	.002	.681	1.468
Place	.218	.064	.191	3.406	.001	.754	1.326
Process	.071	.081	.050	.873	.383	.735	1.361
People	.199	.063	.184	3.168	.002	.709	1.410
Phyevvidence	.131	.063	.121	2.071	.040	.700	1.428

a. Dependent Variable: FinP

## Annex IV: Questionnaire

**Addis Ababa University**  
**College of Business and Economics**  
**School of Commerce Graduate Studies Program**  
**Questionnaire for Employees at Managerial Level**

Dear Respondents,

My name is Lidia Samuel. I am a post graduate student at Addis Ababa University School of Commerce and an employee of the Bank. This questionnaire is prepared to collect data for my dissertation on the topic of *“The Impact of Marketing Strategies on firms’ performance: A case study on Dashen Bank”* in partial fulfillment of the requirement for *MA in Marketing Management*. If you choose to participate in this survey it will not take more than 10 minutes of your time. I kindly implore you to respond to the questions as accurately and honestly as possible. It will be of great importance if you complete all the items covered in the questionnaire since your opinion is of utmost importance. Your responses are strictly confidential and will be used only for academic purposes.

***Thank you in advance for your time and cooperation!***

*Lidia Samuel*

If you have any inquiries, feel free to contact me through my E-mail: [lidusam@gmail.com](mailto:lidusam@gmail.com)

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### Part I: Profile of Participants

Please answer by putting a tick mark (√) in the box provided.

1. Sex:  Male  Female
2. Age group:  20-29  30-39  40-49  >50
3. Educational Status:  Diploma  1<sup>st</sup> Degree  2<sup>nd</sup> Degree  Others
4. Number of service years of the participant in the managerial position?  
 1-5 Years  5-10 years  >10 Years

## Part II: Marketing Strategy Issues

This part of the questionnaire covers items related to Marketing strategy of the Bank. Please indicate how much you agree or disagree with each of the following statements by circling the number that best represents your opinion. 1 indicates *strongly disagree (SDA)*, 2 indicates *disagree (DA)*, 3 indicates *neutral (N)*, 4 indicates *agree (A)* and 5 indicates *strongly agree (SA)*.

### A) Product Related Questions

S/N	Issues	SDA	DA	N	A	SA
1	The Bank offers wide range of services	1	2	3	4	5
2	The Bank provides better quality service compared to competitors	1	2	3	4	5
3	The Bank employs the most advanced technology	1	2	3	4	5
4	The Bank develops and introduces new services based on customers' needs	1	2	3	4	5
5	The Bank builds its brand reputation by providing a distinctive service quality	1	2	3	4	5

### B) Price Related Questions

S/N	Issues	SDA	DA	N	A	SA
1	The Bank charges acceptable fees	1	2	3	4	5
2	Interest charges on loans and advances are fair and satisfactory	1	2	3	4	5
3	The price charged are commensurate to the quality of service offered	1	2	3	4	5
4	The service charges measure up to competitors' offers or are competitive	1	2	3	4	5
5	The prices are well communicated and easily understandable	1	2	3	4	5

### C) Promotion Related Questions

S/N	Issues	SDA	DA	N	A	SA
1	The Bank uses different advertising media such as TV, newspaper, magazines to promote its products	1	2	3	4	5
2	The Bank offers various sales promotions such as gifts, discounts etc	1	2	3	4	5
3	The Bank sponsors special events such as sports, charities and the like	1	2	3	4	5
4	The Bank uses publicity and public relations to enhance its image	1	2	3	4	5
5	The Bank promotes its services adequately and effectively	1	2	3	4	5

D) Place Related Questions

S/N	Issues	SDA	DA	N	A	SA
1	The Bank's branches are easily accessible	1	2	3	4	5
2	The Bank provides service using multi-distribution channels (such as ATM, POS, internet etc)	1	2	3	4	5
3	The branches are conveniently located	1	2	3	4	5
4	The ATMs of the Bank are accessible and conveniently located	1	2	3	4	5
5	Customers can obtain service 24/7	1	2	3	4	5

E) Process Related Questions

S/N	Issues	SDA	DA	N	A	SA
1	The Bank uses standard procedures in all its branches in delivering service	1	2	3	4	5
2	Prepares "flowcharts" or "diagrams" which describe the steps and activities required, to facilitate smooth workflow	1	2	3	4	5
3	Uses information technology in processing work such as computerizing the work processes	1	2	3	4	5
4	The Bank uses flexible systems and procedures in responding to customers' needs	1	2	3	4	5
5	The systems and processes of the Bank facilitate efficient service delivery	1	2	3	4	5

F) People Related Questions

S/N	Issues	SDA	DA	N	A	SA
1	The Bank carefully chooses and trains the personnel who interact with customers	1	2	3	4	5
2	The service staff are adequately motivated and rewarded to provide effective customer interactions	1	2	3	4	5
3	The customer contact staff exhibit enthusiastic, positive and caring attitude	1	2	3	4	5
4	The Bank uses training and development programs to improve employees capabilities	1	2	3	4	5
5	The service staff have courtesy and are competent to handle customer service	1	2	3	4	5

### G) Physical Evidence Related Questions

S/N	Issues	SDA	DA	N	A	SA
1	The overall facility layout, décor, lighting, etc have a friendly and welcoming ambience	1	2	3	4	5
2	There is comfortable physical environment such as furnishings, colors etc	1	2	3	4	5
3	Customer service employees are required to dress (appearance) in a way that shows the company image	1	2	3	4	5
4	The Bank uses signs, symbols, artifacts and decors that provide tangible cues to customers	1	2	3	4	5
5	The facilities and layout of the organization are designed in a way that communicates service quality	1	2	3	4	5

### Part III: Company Performance

This part of the questionnaire covers items related to *financial performance* of the Bank. Please evaluate the performance of your bank over the past year relative to your competitors by circling the number that best represents your opinion. 1 indicates *strongly disagree (SDA)*, 2 indicates *disagree (DA)*, 3 indicates *neutral (N)*, 4 indicates *agree (A)* and 5 indicates *strongly agree (SA)*.

S/N	Financial performance	SDA	DA	N	A	SA
1	Profit of the Bank is better as compared to competitive banks	1	2	3	4	5
2	Return on Asset of the Bank is better in comparison to competitive Banks	1	2	3	4	5
3	Return on Equity of the Bank is better as compared to competitive Banks	1	2	3	4	5
4	Earnings per share of the Bank is better as compared to competitive Banks	1	2	3	4	5

**Thank you!!!**

## **Annex V- Interview Questions**

1. What are the marketing strategies of the Bank?
  - Please explain in connection with the 7Ps? (Product, Price, Place, Promotion, People, Process and Physical evidence)
2. What factors were considered in developing the marketing strategies of the bank?
3. Do you believe that the marketing strategies of the Bank have impact on its financial position?
4. What is the position of the Bank among competitors in terms of financial performance?