

Influence of Promotional Strategies on Banks Performance

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Abstract

This paper examines the nature and influence of the relationship between the bank's promotional strategies and its performance and seeks to determine the importance of promotional strategies in explaining the bank's performance. The study location was at the National Bank of Kenya. A descriptive research design employing a simple random sampling technique selected 88% of the bank branches whose managers were contacted using questionnaires. The data collected were analyzed using the SPSS software. Correlation analysis was conducted to establish the nature of the relationship between the bank's promotional strategies and its performance while regression analysis used to explain its performance. Positive relationship was found to exist between promotional strategies expenditure and bank performance. Spending on promotional mixes individually had little effect on bank performance.

Keywords: Promotional Strategies, Bank Performance, Kenya

Introduction

Promotion is the direct way an organization attempts to reach its publics and is performed through the five elements of promotion mix including advertising, sales promotion, personal selling, public relations, and direct marketing (Czinkota & Ronkainen, 2004).

With the growing importance of the financial sector, pressures are escalating for more effective marketing management of the financial services. American banking industry introduced in the 1980s and early 1990s a vast array of new technology hardware, software and telecommunications equipment spending \$60,000 per employee on information technology over the 1980s (Keltner, 1995). The introduction of Automatic Teller Machines (ATMs) and new back office processing technologies dramatically decreased the costs associated with handling and processing individual transactions. With economies in Africa liberating, the banking industry has concurrently improved. Governments have licensed many privately owned banks and many barriers have been lifted and regulations improved. The banks are incorporating micro-finance as a strategy to engage the huge numbers of Africans, majority who fall under the dollar bracket (Kimeu, 2008). Despite the sudden upsurge to lure potential clients, banks in Africa have been doing rather well. In Zambia, banks achieved an overall return on assets approximately 2.50% in 2007 and Ghana 3.0% as compared to American banks with 1.40 % (Kimeu, 2008).

The banking industry in Kenya is governed by the Companies' Act (CAP 486), the Banking Act, (Chapter 488), the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK, 2010). During the quarter ended September 30, 2010, the banking sector comprised 43 commercial banks, 1 mortgage finance company, 2 deposit taking microfinance institutions, 2 representative offices of foreign banks and 126 foreign exchange bureaus in Kenya. The Kenyan Banking sector registered improved performance as indicated by the size of assets which stood at Ksh. 1.6 trillion, loans & advances worth Ksh. 879 billion, deposits of Ksh. 1.3 trillion and profit before tax of Ksh. 53.2 billion as at 30th September 2010. Similarly, the number of bank customer deposit accounts stood at Ksh.11.14 million with a branch network of 1, 030 (CBK, 2010). Banks in the industry are using different promotional strategies in order to remain competitive in the industry which has been very competitive. Equity bank uses regular press advertisements in print and electronic media, telemarketing and direct marketing to promote its products (Equity Bank, 2010). Kenya Commercial Bank (KCB) media publicity index (MPI) had a positive change of 13.24% up from 364.80 in 2008 to 413.10 while in terms of its Advertising Value Equivalent (AVE) there was a total increase of 55.34% in 2009 from a total of Ksh.254, 918,000 in 2008 to Ksh.396 million in 2009 (KCB, 2009).

National Bank of Kenya Limited (NBK) was incorporated on 19th June 1968 and officially opened on Thursday 14th November 1968. The objective was to provide Kenyans access to banking services and take control of their economy after independence in 1963. The bank was nurtured as an indigenous bank – an image that has been valuable to date. The expenditure on promotional strategies by NBK Ltd currently is Ksh.300 Million but there are concerns if they influence the banks' performance. NBK commenced aggressive promotional strategy in 2006 with an approximate annual expenditure of Ksh.80 million. The budget has since been increased annual expenditure on promotion of Ksh.300 million (NBK, 2007). Effective promotion of financial services is crucial since services are intangible products. Additionally, many people cannot make a distinction between different banks' services, and they are often not aware of the wide range of different financial services available (Meidan, 1996). Despite the expenditure on promotional strategies by the NBK, there is no tangible evidence of improved performance as influenced by these strategies and at the same time sufficient information on contribution of promotional strategies on the banks performance is lacking. Literature suggests that there is limited study on the influence of promotional strategies on performance of banks. The study sought to establish and analyze the influence of promotional strategies on performance of NBK.

Literature Review

Promotion is the direct way an organization tries to reach its publics. This is performed through the five elements of the promotion mix including advertising, sales promotion, personal selling, public relations and the direct marketing (Czinkota & Ronkainen, 2004). With the growing importance of the financial sector, pressures are escalating for more effective marketing management of the financial services. Despite the recent recessions, the financial services sector is continuing to grow in terms of turnover and profits and thus, has a supreme impact on the other spheres of the economy. Consequently, there is currently growing interest in applying marketing techniques and tools in financial services (Meidan, 1996). In spite of major changes on the market of financial institutions, there are indications that banks have not yet successfully embraced the marketing philosophy or achieved levels of its implementation consistent with satisfied customers.

Financial institutions are realizing that their established promotion practices are inadequate for new market conditions as levels of customer defection in the sector grow. Traditionally, banks have tried to reach out to everyone in the community, but recent research proposes that banks should aim to identify and serve micro-segments (Dawes & Brown, 2000). The role of promotion has been redefined into managing long-term relationship with carefully selected customers, including construction of learning relationship where the marketer maintains a dialogue with an individual customer (Dawes & Brown, 2000). Due to this fact, the personnel are one of the most important resources of a bank. In financial services, people are primarily bothered about security of their funds and default risks. After the year 1969, the deposits of banks increased more than 80 times as a result of the nationalization of banks. Cox (2007) contends that financial service providers are not perceived highly trusted, so that they might have difficulty in selling risk-based products. The effort to promote banking business is quite a distinguished affair. At present, it has become very tricky due to the changing trends of the industry, increasing competition and efficiency of regulatory environment, and the financial system.

The complexity in the banking services is also an issue of vital importance. This is the time when banks are offering new and innovative services; frequently in the market. The content of promotional tools should help the customer in making most valuable decision. This can be firmly said that well designed promotional strategies are very important to promote banking services effectively. In marketing any product or service, customer satisfaction has been given prime importance. The most frustrating aspect of bank marketing are lack of management support, lack of inter-departmental co-operation, crisis management, government intrusion and advertising and media problems (Berry et al., 1980). Sarin (2007) observes that manpower in service organizations must work with the focus of satisfying the customer. Banking should bring out the areas requiring improvement and which further illuminate the measures to improve the quality of services. Promotional packages are very important for financial service industry (Ananda & Murugaiah, 2003). Thus the orientation of banks should be with a much wider focus in relation to customer and market needs, and the consequent marketing strategies. The challenges put forth by the changing environment have to be effectively tackled to identify the consumer needs and providing valuable services through product innovation (Raman, 2006). In banking, the temporal and spatial dimensions are perceived as more important than traditional dimensions based on outcome and process elements (Kristina, 2006).

Kristina (2006) recommends that promotional strategies should be designed as per the nature of services to be promoted. The advertisers should seek a narrative approach to communicate the service experience rather than a logical, argumentative approach. Location convenience, speed of service, competence and friendliness of bank personnel are also the most important points with maximum value in banking services (Laroche et al., 1986). Meidan (1976) indicates that about 90.00% of the respondents banked at the branch nearest to their home place and place of work. Convenience in terms of location was also found to be the single most important factor for selecting a branch. It has been generalized in studies that services marketing is more challenging than the advertising of tangible products (Ray & Suchetana, 2006). While formulating marketing strategy, a bank should focus attention on; consumer sovereignty, attitude, responsiveness and personal skills of bank staff, revitalizing the marketing department, top management support to the marketing department and participation of marketing personnel in key bank decisions (Kumar, 1991).

Elements of promotional strategy

Advertising is any paid form of non-personal communication about an organization, good, service or idea by an identified sponsor (Berkowitz et al., 2000). Advertising is a highly public mode of communication. It is a persuasive medium that permits the seller to repeat a message many times. It provides opportunities for dramatizing the company and its products through artful use of print, sound and colour. Advertising, unlike personal selling is impersonal. It carries a monologue message to the audience from an identified source (Owaga, 2002). In recent years the role of advertising in the banking industry in both personal and corporate markets has expanded dramatically and the financial services industry is now one of advertising revenue. In developing advertising strategy the bank must first ensure that it conforms to overall marketing strategy (Channon, 1985). Sales promotion consists of short-term incentives to encourage purchase or sales of a product or service (Kotler & Armstrong, 2005). Used in conjunction with advertising or personal selling, sales promotions are offered to intermediaries as well as to ultimate consumers.

Coupons, rebates, samples and sweepstakes are a few examples of sales promotions. The advantage of sales promotion is that the short term nature of these programs (such as coupon or sweepstakes with an expiration date) often stimulates sales for sales for their duration. Offering value to the consumer in terms of a cent-off coupon or rebate provides an incentive to buy. Sales promotions cannot be the sole basis for a campaign because gains are often temporary and sales drop off when the deal ends (Berkowitz et al., 2000).

Trade Promotions may also be offered when bank services such as consumer finance are provided through third parties like retailers or automobile distributors. Within banks, incentives are being increasingly offered for superior performance. Many banks now offer bonuses for meeting sales objectives or other incentives such as contests, free goods and holidays. Promotions attract deal-oriented consumers who are likely to switch banks rather than new long term accounts (Channon, 1985). Public relations is building good relations with the company's various publics by obtaining favourable publicity, building up good corporate image, and handling or heading off unfavorable rumors, stories and events (Kotler & Armstrong, 2005). Publicity is a non-personal, indirectly paid presentation of an organization good or service. It can take the form of a news story, editorial or product announcement (Berkowitz et al., 2000). The key objective of publicity is to obtain editorial coverage, as distinct from paid space in media seen by the bank's desired customer base. Public relations are more of a background activity and are designed to enhance the banks position with specifically targeted audiences (Channon, 1985). Personal Selling is a face to face presentation and promotion of products and services. There is a direct interaction between the firms' sales employees and customers (Thuo, 2008). Personal selling has traditionally been the principal communicable channel in the banking industry, although until recently the concept of selling financial services was very poorly developed. Nevertheless the branch delivery system and the branch manager in particular were seen as the key to client interface (Channon, 1985).

Direct marketing consists of direct connections with carefully targeted individual consumers to both obtain an immediate response and cultivate lasting customer relationships (Kotler & Armstrong, 2005). It is the use of consumer-direct channels to reach and deliver goods and services to customers without using marketing middlemen. These channels include direct mail, catalogs, telemarketing, interactive TV, kiosks, websites, and mobile devices. It is one of the fastest growing avenues for serving customers (Kotler, 2003). Viral Marketing has emerged in modern marketing practice. It is a term used to describe a whole set of aggressive promotion. It includes paying people to say positive things about a firm's products via word of mouth, emails, blogs, and mobile phones. It also involves setting up multilevel selling schemes where individuals get commissions for directing friends to certain outlets, products, and websites (Thuo, 2008).

The intervening variables involve other factors that have a direct or indirect effect on performance. For promotional strategies to be effective, the following variables must be present; Product, Place, Business environment, People, Physical evidence and process. Product is one of the elements in the marketing mix. A product is a good or service combination the company offers to the target market. Price is the amount of money customers have to pay to obtain the product (Kotler & Armstrong, 2005). It involves price levels, discounts, commissions, terms of payment and credit (Thuo, 2008). Place/Distribution element comprises of those functions of the firm involved in getting products from the manufacturer to the customer (Lilien et al., 2003). Business environment comprises a wide range of influences: Economic, demographic, social, political, legal and technological which affect business activity in a variety of ways. It can impinge on the process of resource acquisition and on the creation and consumption of output. A 'PESTLE' (Political, Economic, Socio-Cultural, Technological, Legal and Ecological influences) analysis can be used to analyze a firms' current and future environment as part of the strategic management process (Worthington & Britton, 2006).

Kotler, (2003) suggests that the traditional marketing mix approach used in the marketing of goods is insufficient to market and manage services effectively because of services distinctive features. Marketing strategies for services should then be extended by the addition of three more Ps namely People, Processes and Physical ambience. People include all humans active in service delivery and thus influence buyer's perceptions which are the firm's customers and other customers in the service environment. Process involves actual procedures, mechanisms and flow of activities by which service is delivered. It is the service delivery and operating system (Thuo, 2008). Physical Evidence/Ambience refers to the environment in which the service is delivered. It is where the firms and customers interact.

It includes tangible components that facilitate performance or communication of the service. Service providers should then ensure that their service provision setups reflect their desired positioning standards (Thujo, 2008).

Profitability of a firm is the ability of a firm to earn profits in the current and foreseeable future. Profits are a requisite for banks' survival and growth over in the long run. Profit maximization is a key objective in most commercial establishments. Empirical evidence suggest that even the companies' other objectives (Gross and Net profit ratios, Return on Investment, Return on Equity, Earning per share, Dividend per share, and Price Earnings Ratios); normally perform a peripheral role to the profit goal (Pandey, 2006). Commercial banks also use the same ratios to clarify their profit performance indicators. Lebas & Euske (2002) provide a good definition of performance as "doing today what will lead to measured value outcomes tomorrow. The efficiency and competitiveness of financial institutions cannot easily be measured since their products and services are of an intangible nature. Many researchers have attempted to measure the productivity and efficiency of the banking industry using outputs, costs, efficiency and performance. The scale and scope economies of banking have been one of the issues related to the competitiveness and efficiency of banks which have been studied extensively.

Murray & White (1983) recognize the multiproduct nature of financial intermediaries and used a translog cost function to evaluate the scale and scope economies of credit unions in Canada. Revell (1980) utilizes interest margin as a performance measure for U.S commercial banks and defines interest margin as the difference between interest income and expense divided by total assets. Arshadi & Lawrence (1987) measure bank performance using normal correlation analysis. Their multidimensional indexes include indexes of profitability, pricing of bank services and loan market share. Size affects the efficiency of banks as literature indicates that scale economies appear in small banks and not in large ones. More recent research shows that the levels of size for the existence of scale economies are higher due to economic development and market liberalization (Miller & Noulas, 1996, 1997). In a new competitive environment, large banks can only survive if they specialized in a few of their activities (Peterson & Rajan, 1995, Hardy & Simigiannis, 1998). The performance of the new U.S commercial banks improves rapidly during the first years of operation, but on average it takes about nine years to reach established bank levels (Deyoung & Hassan, 1998). Channon (1985) asserts that as a prelude to undertaking a full scale promotional strategy, it is wise to attempt to pretest its effectiveness. Relatively few banks do this. Unfortunately, banks have a very bad history of post promotion evaluation. It is, however strongly recommended that such efforts are made. An attempt should be made to assess the overall effect on bank profitability of specific promotional strategies.

Business performance measurement (BPM) systems need to provide insight into different units or levels of analysis. Performance can be ascribed to corporations, business units, support or functional units, teams and workgroups and individuals (De Hass & Kleingeld, 1999). A corporate wide BPM system can help articulate the theory of the firm (why different business units exist within the corporation) and improve overall performance by exploiting synergies between the business units (Kaplan & Norton, 2001). Mittal (2008) notes that promotional strategies adopted by public and private banks in India found out that Public sector banks do not go for innovative strategies of promotion, however they go for interactive marketing through internet but that is not promoted so much like private sector banks. Another study by Grankvist et al. (2004), observe that Promotional strategies for banking services in Estonia uses all parts of the promotion mix to some extent for promotion of banking services. The study recommended that managers who wish to conduct promotion in Estonia should focus on personal selling, since it is the most important tool and involves establishment of relationships with individual customers.

According to Kristina (2006), promotional strategies should be designed as per the nature of services to be promoted but does not explain how strategies influence performance of a firm. Arshadi and Lawrence (1987) and Revell (1980) have concentrated on measuring business performance but failed to establish how promotional strategies influence performance.

Research Methodolog

The study employed a descriptive sample survey which is concerned with specific predictions, narration of facts, characteristics concerning individual, group or situation (Kothari, 2004). This was preferred because it enabled the researcher collect data and information with efficiency. Assuming that a performance indicator is represented using "Y_i" and the independent variable. (Promotional strategy) is represented using X_j with 'j' ranging from 1 – 6:

Then: $Y_i = f(X_j)$ Eq. 1

$$Y_i = B_0 + B_1X_1 + B_2X_2 + \dots + B_nX_n$$
 Eq. 2

Then algebraically,

$$Y_i = f(X_1, X_2, \dots, X_n)$$
 Eq. 3

The model to be estimated was specified as:

$$Y_i = B_0 + B_1X_1 + B_2X_2 + B_3X_3 + B_4X_4 + B_5X_5 + B_6X_6 + E_i$$
 Eq. 4

Where Y_i is performance indicator with ‘i’ ranging from 1-2 that is (profits, sales); B_0 is autonomous constant to be estimated; X_1 is advertisement; X_2 is personal selling; X_3 is sales promotion; X_4 is publicity; X_5 is viral marketing; and X_6 is direct marketing. B_i is the parameters to be estimated and E_i the error term. The target population comprised of all NBK branches in Kenya in Kenya (45 in number) and a sample of 40 NBK branches was obtained using the following formula suggested by Mugenda & Mugenda (2003):

$$N = Z^2 p \cdot \frac{q}{d^2}$$
 Eq. 5

Where:

N is the desired sample size (if the target population is greater than 10,000); Z is the standard normal deviate at the required confidence level; p is the proportion in the target population estimated to have characteristics being measured; $q = 1-p$; and d is the level of statistical significance set. Let the p value = 0.5, the Z -statistic is 1.96, and the desired accuracy at the 0.05 level, then the sample size, n , is:

$$n = \frac{(1.96)^2(0.50)(0.50)}{(0.05)^2} = 384$$

$$nf = \frac{n}{1 + \left(\frac{n}{N}\right)}$$
 Eq. 6

Where

nf is the desired sample size (when the population is less than 10,000); n is the desired sample size (when the population is more than 10,000); and N is the estimate of the population size.

$$Nf = \frac{384}{1 + (384/45)} = 40$$

Interviews were conducted using self-administered questionnaires for collecting primary data. The questionnaires were mailed to the respondents who are the branch managers from the forty (40) branches and the marketing manager of NBK. Secondary data was gathered through Annual Financial Reports and existing banking reports from Central Bank of Kenya and other publications from the internet. Correlation analysis and multiple regression analysis models were utilized to determine the relationship between the promotional strategies and performance of NBK.

Table 1: Cronbachs reliability statistics

Variables	Cronbachs reliability statistics
Sales	0.854
Profits	0.814
Advertising	0.821
Personal selling	0.845
Sales promotion	0.884
Publicity	0.831
Direct marketing	0.821
Viral marketing	0.828

Source: Survey data (2011)

During the pilot survey, expenditure on promotional strategies as well as the level of profits and sales to was obtained the first test score. The process was repeated to obtain the second test score. Cronbachs reliability statistics was computed from the values of first test score compared to the second test score. The cronbachs alpha reliability statistics (see Table 1 above) shows that all the variables had reliability statistics greater than 0.7 indicating that the variables were reliable for the study.

Results

The nature of the relationship between NBK promotional strategies and performance

In order to establish the nature of relationship between the NBK promotional strategies and performance a correlation analysis relating the different promotional strategies (Advertising, Personal selling, sales promotion, publicity, direct marketing, and viral marketing) and the two performance indicators (Profit and sales) was conducted.

Table 2: Correlation matrix between profits and expenses in Promotional strategies

		Y₁	X ₁	X ₂	X ₃	X ₄	X ₅	X ₆
Y₁	Pearson							
	Correlation							
	Sig. (2-tailed)	.						
	N	40						
X ₁	Pearson							
	Correlation	.324(*)						
	Sig. (2-tailed)	.041	.					
	N	40	40					
X ₂	Pearson							
	Correlation	.530(*)	-.017					
	Sig. (2-tailed)	.000	.915	.				
	N	40	40	40				
X ₃	Pearson							
	Correlation	.402(*)	-.027	.096				
	Sig. (2-tailed)	.010	.868	.558	.			
	N	40	40	40	40			
X ₄	Pearson							
	Correlation	.376(*)	-.083	.141	-.121			
	Sig. (2-tailed)	.017	.611	.386	.457	.		
	N	40	40	40	40	40		
X ₅	Pearson							
	Correlation	.378(*)	-.221	-.004	-.102	.274		
	Sig. (2-tailed)	.015	.170	.980	.530	.087		
	N	40	40	40	40	40	40	
X ₆	Pearson							
	Correlation	.308(*)	-.201	-.014	-.112	.264	.145(*)	
	Sig. (2-tailed)	.027	.170	.980	.530	.087		
	N	40	40	40	40	40	40	40

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

Key: **Y₁** = Profits; **Y₂** = Sales; X₁= Advertisement; X₂ = Personal Selling; X₃= Sales Promotion; X₄ = Publicity; X₅ = Direct Marketing; X₆ = Viral Marketing

Table 2 above presents a correlation matrix between promotional strategies and profits. Profits were used as an indicator for performance and the amounts spent by the banks to conduct Advertising, Personal selling, sales promotion, publicity, direct marketing, viral marketing were used as indicators for the level to which promotional strategies adopted by the NBK 0.324 with a p – value of 0.041 was the correlation between the amounts used in advertising and profits. Since this p – value is less than 0.05 it was concluded that there was a significant relationship between profits and the amounts used in advertisements.

Additionally, the correlation between profits and the amounts used in personal selling was 0.53 with a p – value less than 0.05 meaning that at 5% level of significance the correlation between profits and amounts used in personal selling was statistically significant. It was established that the correlation between profits and the expense by NBK to carry out sales promotions was 0.402 and having a p – value of 0.000 meaning that there was a significant positive relationship. Furthermore, the study established that 0.376 with a p – value of 0.017 was the correlation between profits and the amounts used by NBK for publicity. The correlation between profits and publicity was less than 0.05 indicating that the relationship was a significant positive relationship. The correlation was 0.378 between profits and the amounts used to do direct marketing, the correlation had a p – value that was less than 0.05, suggesting that there was a significant positive relationship.

Lastly, the relationship between profits and the amount used to do viral marketing was 0.308 with a p – value of 0.027 being less than 0.05, an indication that there was a significant positive relationship. The relationship between the promotional strategies and profits was statistically significant meaning that the relationship is not out of chance. This was evidenced by the bank's overall performance of which the profits have been increasing in 2005 to 2010. In the year 2005,2006,2007,2008,2009 and 2010 the bank recorded a net profit of Ksh.598 million, Ksh.624 million, Ksh.1.11 billion, Ksh.1.24 billion, Ksh.1.46 billion and Ksh.2.02 billion respectively.

These findings are also supported by a study by Grankvistet al., (2004), in Estonia which focused on promotional strategies for banking services and found out that all elements of promotion mix were used to some extent for promotion of banking services. Ananda& Murugaiah (2003) state that promotional packages are very important for the financial service industry.

Table 3: Correlation matrix between profits and expenses in Promotional strategies

		Y₁	X ₁	X ₂	X ₃	X ₄	X ₅	X ₆
Y₁	Pearson							
	Correlation							
	Sig. (2-tailed)	.						
	N	40						
X ₁	Pearson							
	Correlation	.452(*)						
	Sig. (2-tailed)	.009	.					
	N	40	40					
X ₂	Pearson							
	Correlation	.491(*)	-.017					
	Sig. (2-tailed)	.001	.915	.				
	N	40	40	40				
X ₃	Pearson							
	Correlation	.317(*)	-.027	.096				
	Sig. (2-tailed)	.046	.868	.558	.			
	N	40	40	40	40			
X ₄	Pearson							
	Correlation	.325(*)	-.083	.141	-.121			
	Sig. (2-tailed)	.041	.611	.386	.457	.		
	N	40	40	40	40	40		
X ₅	Pearson							
	Correlation	.376(*)	-.221	-.004	-.102	.274		
	Sig. (2-tailed)	.017	.170	.980	.530	.087		
	N	40	40	40	40	40	40	
X ₆	Pearson							
	Correlation	.378(*)	-.259	-.015	-.117	.205	.899(*)	
	Sig. (2-tailed)	.015	.107	.928	.471	.0204	.000	
	N	40	40	40	40	40	40	40

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

Key: Y₂ = Sales; X₁= Advertisement; X₂ = Personal Selling; X₃= Sales Promotion; X₄ = Publicity; X₅ = Direct Marketing; X₆ = Viral Marketing

Table 3 above indicates that the correlation between the advertising cost, personal selling, sales promotion, publicity, direct marketing, viral marketing and sales was 0.452, 0.491, 0.317, 0.325, 0.376 and 0.378 respectively. All these correlations were positive indicating that an increase in the level of promotional strategies corresponds to an increase in sales.

The importance of NBK Promotional Strategies in explaining its Performance

In order to establish the importance of the promotional strategies in explaining the performance of NBK, a regression equation relating performance (profits and sales) and the promotional strategies was computed. From the regression equation the coefficient of determination for the equation was computed in order to establish what percentage of the dependent variable is explained by the independent variables.

A regression equation between profits made and the promotional strategies used is :

$$Y_1 = 0.224 + 0.205 X_1 + 0.222 X_2 + .0206 X_3 + 0.195 X_4 + 0.032 X_5 + 0.126 X_6$$

The coefficient of determination for the regression model (R square) is 0.747 indicating that the promotional strategies were important in explaining 74.7% of the profits of NBK and therefore the other 25.3% of profits was explained by other factors which may be hard work of employees; state of the economy and increase in the number of loans borrowed. Kumar (1991) asserts that while formulating marketing strategy, a bank should focus attention on consumer sovereignty, attitude, responsiveness and personal skills of bank staff, revitalizing the marketing department, top management support to the marketing department and participation of marketing personnel in key bank decisions.

The regression equation between sales made and the promotional strategies used is therefore:

$$Y_2 = 0.502 + 0.18 X_1 + 0.288 X_2 + .0225 X_3 + 0.205 X_4 + 0.066 X_5 + 0.328 X_6$$

The coefficient of determination for the regression (R square) is 0.568 indicating that the promotional strategies was important in explaining 56.8% of the sales of NBK and therefore the other 43.2% of sales was explained by other factors.

Conclusion

At 5% level of significance, there was positive relationship between the promotional strategies and profits because the costs on the promotional strategies increased so did the profits. The correlation between the different promotional strategies and profits were less than 0.7 meaning the relationship was weak. The correlation between the expenses in advertising and profits was 0.324, profits and the cost of personal selling 0.53; sales promotions 0.402; publicity 0.376; direct marketing 0.378 and lastly 0.308 was the relationship between profits and the expenditure in viral marketing. Correlation was greater than 0 indicating that an increase in expenditure on promotional strategies also leads to an increase in profits indicating a weak positive relationship.

An analysis of the promotional strategies and sales also revealed that there was weak positive relationship between the promotional strategies expenditures and the sales of NBK. The correlation between the expenditures in advertising, personal selling, sales promotions, publicity, direct marketing and viral marketing and profits earned in sales was 0.452, 0.491, 0.317, 0.325, 0.305 and 0.289 respectively. All correlations were greater than 0 indicating that increases in the level of promotional strategies lead to increase in sales showing a positive relationship. At 5% significance level, the relationship between the promotional strategies and profits was statistically significant. The study established that the promotional strategies were important in explaining 74.7% of the profits of NBK and therefore the other 25.3% of profits was explained by other factors. This was established by the coefficient of determination for the regression (R square) at 0.747.

From the results, it can be concluded that increasing the amounts spent on the different promotional strategies individually had little effect on the improvement of performance of NBK. This is because the correlation between the different promotional strategies and performance was weak. However when the amount spent on the promotional strategies was done simultaneously for all the promotional strategies and the performance of the NBK increased significantly.

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