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### **The role of marketing strategies on sales performance of commercial bank of Ethiopia**

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#### **Abstract**

The purpose of the study was to determine the role of marketing strategies on sales performance of commercial bank of Ethiopia. The researchers employed both quantitative and qualitative (Mixed) research approaches. Commercial Bank of Ethiopia is operating in 15 districts and it has more than 1600 branches throughout the country and branches in South Sudan and Djibouti. Both probability and non-probability sampling methods were adopted in this study. Non-probability or judgmental sampling technique was used to select four districts among fifteen districts of commercial bank of Ethiopia and Proportional Stratified Probability sampling techniques was used to select appropriate sample size from each stratum (districts) finally the researchers used simple random sampling to select each respondent using lottery method. The total theoretical populations are 34,879 whereas; the accessible populations are 301 and sample size from these accessible populations is 172. The analysis was done by the help of SPSS version 20 and presented using descriptive statistics. Tables and pie charts were used to provide information on the variables. Interpretation is made on the mean, frequency, and percentage of the data. The results are investigated in terms of descriptive statistics followed by inferential statistics on the variables. The result of regression analysis revealed that 65% of sales performance of the bank could be explained by seven service marketing strategy considered in this study. The prediction ability of independent variables is considerable enough to improve sales performance of the bank. From this result, the researcher concluded that using all seven-service marketing mix strategy interactively facilitate higher sales performance of the bank. This research indicated that service marketing mix strategy directly affect the sales performance of the bank. Bankers should understand the benefit of each service marketing mix strategy and choose the best marketing mix strategy which enhances higher sales performance of the bank.

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**Key words:** 1. Product 2. Price 3. Place 4. Promotion 5. Process 6. People 7. physical evidence and sales performance.

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## 1. Introduction

Marketing is the direct way in which an organization tries to reach its public. This is performed through the seven elements of the marketing mix. With the growing importance of the financial sector, pressures are escalating for more effective marketing management of the financial services. Effective marketing strategies are the key to frontline sales performance. Financial institutions typically use a variety of sales tools and processes to achieve their sales goals. Among the best practices of those with highly successful sales programs is having the marketing strategies provided to management and front line staff at all branches that describes tools and processes in detail, helping to ensure that everyone involved in sales, no matter how remotely, operates on a coordinated basis (Hopp and Spearman ,2013).

Due to competition, banks in Ethiopia have tried to come up with new strategies so as to improve their performances. The Ethiopia Banking sector has demonstrated a solid growth over the past few years. The industry continues to offer significant profit opportunities for the major participants. Ethiopia has attracted worldwide acclaim by expanding financial services to millions of poor households especially via mobile phones. This has compelled banks to adopt new marketing strategies so as to diversify the bank products and services (Eleni Eshetu, 2014).

The banking industry in Ethiopia faces the challenges of fluctuating demand and stiff competition (CBE, 2016). The competitive environment in the banking industry is widely recognized as being complex, dynamic, and highly segmented which makes customers acquisition an uphill task. Increasingly banking companies are competing directly with one another in the same locations (Walsh and Lipinski, 2009). The banking industry is characterized by price competition, customer sophistication, perceived product equality and also changing market growth rates and shifting market shares are key determinants of the competitive environment in in banking industry (Oyewale, 2013).

Odunlami (2011) did a study on effects of sales promotion as a tool on organizational performance, a case study of sunshine plastic company in Kenya. The study found that sales promotion has significant effect on organizational performance. Kiprotich (2012) carried out a research on effects of marketing mix on sales performance of automotive fuels of selected services stations in Nakuru Town and found out that marketing mix enhances sales performance. Munyole (2015) carried out a research on marketing strategies adopted by veterinary pharmaceutical firms in Kenya to enhance performance and he found out that marketing strategies improve performance.

Hence this particular research sought to address the knowledge gap by focusing on the role of marketing strategies on sales performance of commercial bank of Ethiopia.

### 1.1. Objective

The study has the following aims;

- To examine the relationship between pricing strategy and sales performance of Commercial bank of Ethiopia.
- To determine the extent of promotional strategy on sales performance of Commercial bank of Ethiopia.
- To describe major factors in place strategy that affect sales performance of Commercial bank of Ethiopia.

### 2. Material and methods / experimental details / methodology

This research employed both quantitative and qualitative (Mixed) research approach. The research adopted sequential explanatory research design. Morse (1991) suggested that sequential explanatory design is typically used to explain and interpret quantitative results by collecting and analyzing follow-up qualitative data. It can be especially useful when unexpected results arise from a quantitative study.

This research also employed both descriptive and explanatory research design techniques. Descriptive research is used to describe the phenomena as it was in the organization setting, to describe the major practices applying to enhance effective marketing strategies. On the other hand, explanatory research used to create relationship among variables.

#### 2.1. Sampling and Sample size

The total theoretical populations of the study are 34,879 whereas; the accessible populations are 301. The characteristics of target populations' are homogeneous. All districts of commercial bank of Ethiopia implement the strategy suggested by head office. Therefore, taking appropriate sample size from a certain district can represent the whole districts. From the accessible population identified, the researchers have taken representative and appropriate sample size using valid sampling technique. A sample of 172 has been drawn using the formula suggested by (Slovin, 2006);

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

$$n = \frac{301}{1 + 301(0.05)^2} = 172$$

Non- probability or judgmental sampling technique was used to select four districts among fifteen districts of commercial bank of Ethiopia. These four districts selected because of geographical proximity and convenience to the researchers and

homogeneity nature of the districts or all districts follow the same policies, strategies and procedures directed by the head office. Proportional Stratified Probability sampling techniques used to select appropriate sample size from each stratum (districts) finally the researcher used simple random sampling to select each respondent using lottery method.

**Table1: Distribution of target population and assigned sample size**

<b>S.no</b>	<b>HO/District</b>	<b>Accessible population from HO/District</b>	<b>Sample size</b>
<b>1</b>	Head office	55	32
<b>2</b>	West Addis Ababa district	65	37
<b>3</b>	North Addis Ababa district	63	36
<b>4</b>	East Addis Ababa district	60	34
<b>5</b>	South Addis Ababa district	58	33
	<b>Total</b>	<b>301</b>	<b>172</b>

**2.2. Source and Method of Data Collection**

Primary source of data was collected from employees of the selected districts of commercial bank of Ethiopia from different directorates and departments (i.e. business network support directorate, payment service directorate, deposit mobilization directorate, resource mobilization department, HR business partnering department, internal control department, operation and logistics department) at a head office and district levels.

Data was collected by questioners and interviewing marketing department staffs and managers of commercial bank of Ethiopia. Structured questionnaire was administered with the selected sample respondents (employee of CBE). The questionnaire was designed to have both open-ended and close-ended questions, to let the respondents reflect their opinions.

Finally, the quantitative data which was gathered through structured questionnaire was analyzed by using computerized software designed for statistical aid for social science fields or **SPSS** (Statistical Package for Social Science) version 20, and the data is organized using frequency tables, percentages, Mean and pie charts.

### 3. Results and discussion

#### 3.1. Descriptive statistics

##### Convenience strategy

The respondents were asked to rate the level of their agreement/ disagreement on five convenience strategy parameters. As clearly shown by table 4.2.1, the result revealed that (Grand Mean = 3.96) commercial bank of Ethiopia uses effective convenience strategy. It is clear that the value of standard deviation shows there is low (SD = 0.54) response variation between respondents which means all respondents alike accepts the grand mean value of convenience strategy that means commercial bank of Ethiopia utilizes effective convenience strategy.

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**Table 4.2.1: convenience Strategy**

Convenience strategy	Mean	Std. Deviation
Commercial Bank of Ethiopia has convenience strategy to be nearer to customer's home/office	4.01	.665
Commercial Bank of Ethiopia has convenience strategy to be fast to acquire state of the art technology	3.90	.772
Commercial Bank of Ethiopia has convenience strategy to Set Convenient banking hours based on customer's need	3.89	.872
Commercial Bank of Ethiopia has convenience strategy to be Leader on Number of branches in different area of city	4.13	.897
Commercial Bank of Ethiopia has convenience strategy to be Leader in providing banking service through agents	3.85	.838
N=164 , Grand mean of convenience strategy	3.9573	.54571

##### 4.2.2 Promotion strategy

As clearly indicated in table 4.2.2 grand mean of promotion strategy is grand Mean = 3.79 , SD=.67 The grand mean value of promotion strategy fall within the range 3.67-

5.00 value which signifies effective promotion strategy in commercial bank of Ethiopia. The value of standard deviation also confirms there is small response deviation between respondents and within different promotion strategy parameters. Frequently using above the line advertising techniques (M=4.24, SD=1.056), participating in socially desirable corporate social responsibility programs (M=3.97, SD=.868) and frequently using through the line advertising techniques (M=3.84, SD=.846) have registered higher mean value greater than grand mean value compared with frequently using indirect promotion techniques and strategy of frequently using below the line advertising techniques M=3.49, SD=.896 and M=3.42, SD=1.027 respectively.

**Table: 4.2.2 promotion strategy**

Promotion strategy	Mean	Std. Deviation
Commercial Bank of Ethiopia uses promotion strategy of frequently Using Above the line advertising ( TV , RADIO...) method	4.24	1.056
Commercial Bank of Ethiopia uses promotion strategy of frequently using Through the line advertising ( social media , web pages) method	3.84	.846
Commercial Bank of Ethiopia uses promotion strategy of frequently using below the line advertising (Exhibition/Trade Shows) methods	3.42	1.027
Commercial Bank of Ethiopia uses promotion strategy of frequently using indirect promotion techniques ( press release , public relation)	3.49	.896
Commercial Bank of Ethiopia uses promotion strategy on participating in socially desirable corporate social responsibility programs	3.97	.868
N=164 , Grand mean of promotion strategy	3.7915	.67355

#### 4.2.6 Pricing strategy

The grand mean of pricing strategy is Grand mean = 2.98, SD = 0.794 which is between the range of Mean value 2.334 and 3.667 signifies moderate pricing strategy. Product strategy registered lower grand mean and higher SD value compared with other service marketing mix element included in this study. Higher response variation indicates higher disagreement among respondents on the parameters asked to rate the level of their agreement. From different items enlightening pricing strategy setting competitive price for all product (M=3.57) , Introducing different incentive scheme to promote bulk sales (M=3.55), charging industry's minimum price when facing fierce competition (M=3.02) registered relatively higher mean value while, items like assigning different price quote for the same product based on certain criteria (M=2.86), Charging higher price during new product introduction (M=2.45) and paying lucrative interest rate for potential customers than others (M=2.41) registered minimum mean value which indicates the bank doesn't choose to use such kind of

pricing strategy.

According to interviewees there is strict central bank intervention and there are rules and regulations that prohibit or control pricing issues. Other reasons are government priority, country’s economic policy, the issues of bargaining power of the bank and consumer and competition etc. are the major bottlenecks to determine appropriate pricing strategy.

*Table 4.2.3: Pricing Strategy*

Pricing strategy	Mean	Std. Deviation
Commercial Bank of Ethiopia adopts suitable pricing strategy of Charging competitive price for all product	3.57	1.173
Commercial Bank of Ethiopia adopts suitable pricing strategy of Charging higher price during new product introduction	2.45	1.098
Commercial Bank of Ethiopia adopts suitable pricing strategy Assigning different price quote for the same product based on certain criteria	2.86	1.050
Commercial Bank of Ethiopia adopts suitable pricing strategy to Charging industry’s minimum price when facing fierce competition	3.02	1.303
Commercial Bank of Ethiopia adopts suitable pricing strategy to Paying lucrative interest rate for potential customers than others	2.41	1.405
Commercial Bank of Ethiopia adopts suitable pricing strategy of Introducing different incentive scheme to promote bulk sales	3.55	1.142
N= 164, Grand mean of pricing strategy	2.9776	.79396

### 4.3 Inferential statistics

**There is moderate positive relationship (r=0.454 and r=0.472) between place strategy and sales performance and promotion strategy and sales performance respectively. Except pricing strategy all service marketing mix element registered positive relationship at moderate and strong correlation is significant at the 0.01 level (P=.000).**

**Table 4.3.1 Correlation matrix result**

Correlations		PLACE	PROMO	PRICE
PROMO	Pearson C.	.442**	1	
PRICE	Pearson C.	-.122	-.128	1
PERFOR	Pearson C.	.454**	.472**	-.058
	Sig.	.000	.000	.458

**4.3.1 Regression Analysis**

**Table 4.3.2 Correlations (1-tailed)**

		PERFOR	PLACE	PROMO	PRICE	
Pearson Correlation	PERFOR	1.000				
	PLACE	.454**	1.000			
	PROMO	.472**	.442**	1.000		
	PRICE	-.058	-.122	-.128	1.000	

\*\* . Correlation is significant at the 0.01 level (1-tailed). , N= 164

**Outlier assumptions: outliers as those with standardized residual values above about 3.3 (or less than -3.3 multiple regressions are very sensitive to outliers (very high or very low scores). This research screened out the strange data from the response in the initial stage of the research. The result as indicated by table 4.3.3 and table 4.3.4 presented below guarantees there is no threatening case for outliers. Threatening cases occurs when cooks distance value greater than 1 but, this research has maximum of 0.214 at cook’s distance which is at safe zone. There for the result of this study is free from outlier responses.**

**Table: 4.3.3 Model summery**

Model Summary <sup>b</sup>									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. Change
1	.807 <sub>a</sub>	.651	.635	.41383	.651	41.593	7	156	.000

As clearly indicated by table 4.3.3, the model summery provides the R, R<sup>2</sup>, adjusted R<sup>2</sup>,

and the standard error of the estimate, which can be used to determine how well a regression model, fits the data. The value of R represents the correlation coefficients. It is seen from the table that the value of  $R = .807$  indicates a high level of prediction. The  $R^2$  value represents the coefficient of determination which is the proportion of variance in the dependent variable that can be explained by the independent variables and the value of  $R^2$  is equivalent to .651 which means that 65% of the variance in **sales** performance can be accounted for by a variation in the independent variables.

The F-ratio in the ANOVA table 4.3.4 tests whether the regression model is a fit for the data. The table shows that the independent variables of this study provide statistically significant prediction ability in order to predict the dependent variable,  $F(7, 156) F=41.59, P = .000$  indicates the regression model is a good fit for the data. The coefficient is significant at  $\alpha=0.01$ .

**Table: 4.3.4 ANOVA**

ANOVA <sup>a</sup>						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	49.862	7	7.123	41.593	.000 <sup>b</sup>
	Residual	26.716	156	.171		
	Total	76.578	163			
a. Dependent Variable: PERF						
b. Predictors: (Constant), People, Price, Place, Promo, Phe, Prod, Proce						

#### 4. Conclusion and recommendation

This study tried to analyze the role of marketing strategy on sales performance of commercial bank of Ethiopia. The result revealed that except pricing strategy all other (convenience strategy, product strategy, promotion strategy, people strategy, physical evidence strategy and process strategy) strategies were effectively utilized in Ethiopian banking industry. Pricing strategy registered the lowest mean value compared with other service marketing mix strategies or it applied at a moderate level in Ethiopian banking industry.

The result of the correlation analysis indicated that except pricing strategy all service marketing strategies included in this study registered positive relationship with sales performance of the bank. Based on this result the researcher concluded that pricing strategy has little or no contribution for improvement of sales performance in commercial bank of Ethiopia.

The result of regression analysis revealed that 65% of sales performance of the bank could be explained by the three service marketing strategy considered in this study. The prediction ability of independent variables (place strategy, promotion strategy, and pricing strategy) is considerable enough to improve sales performance of the bank. Bankers should understand the benefit of each service marketing mix strategy

and choose the best marketing mix strategy which enhances higher sales performance of the bank.

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