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Influence of Product Selection Strategies on Financial Performance of Listed Commercial Banks in Kenya

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Abstract: **This chapter highlights the background to the study that introduces the variable concepts, theoretical perspectives and their empirical aspects. It provides the dynamics of the study area to raise the issues leading to the problem of the study. The chapter then provides a succinct summary of the study problem as statement of the problem. That is followed by the purpose of the study, objectives, and research hypothesis, the justification of the study, scope, limitations, assumptions, and operational definition of terms.**

Keywords: **product selection strategies, financial performance.**

1. INTRODUCTION

The study is founded on two theories: Resource Based Theory and Stakeholder Theory.

i. Resource Based Theory

This theory is relevant to all strategies of the study as marketing strategy is in pursuit of an advantage (a resource) over the competitors. The resource based theory holds that resources owned by an organization give it an advantage over its competitors. Grant (1991) states that resources are anything that an organization has that it can use to attain competitiveness. Resources includes any type of asset, processes of an organization, capabilities, firm attributes, knowledge and information, products, pricing advantage, strategic location (place), as well as the promotional strategies that give an organization a competitive edge over its peers (Barney, 2001). The theory is relevant to the study on influence of functional marketing strategies and bank performance as marketing strategies, whether in relation to banks' products, prices, place, and promotion are resources that enhance a banks' performance by making it unique to the competitors.

ii. Stakeholder Theory

Stakeholder theory advocates for organizations to consider all the stakeholders including the shareholders, customers, and members of the society in which it operates its business. This theory is relevant to the main objectives of the current and hence to the 4 objectives of the study. Jensen (2001) argues that the strategy of any organization should focus on both the internal and external stakeholders. The four strategies of the current study relate to products, prices, place and promotion and all these touches the consumers of an organization's products. Since products, pricing, place and promotion are meant to attract customers to buy the products of the organization both presently and in future, the stakeholder theory is relevant to the study. Freeman, Wicks and Parmar (2004) posit that organizations should develop products that meet the needs and ability of the consumer lest they deprive them off their necessity because of pricing and ensure that the consumer has a constant supply to such a place that they can obtain the products. With respect to the current study, banks should develop products relevant to the needs of the consumer, price the products fairly, and ensure they continue to provide the consumer with the banking services including taking deposits and finding projects in the economy as well as acting as safe custodian of the resources of the citizen.

Product Selection and Development Strategy, and Financial Performance

Product selection and development should be a process determined through a rigorous research. Research ensures that an organization understands the specific needs of the market so that the product listed and developed meets the needs of the consumer (Kariuki, 2016). In the 21st century in particular, ample research effect on the part of the stakeholders in the world is an essential strategic intent. However, Katsikeas, Leonidou and Zeriti (2016) notes that there are mixed results of the effect of research and integration of sustainability into product selection and development. Pursuing eco-friendly product development strategies i.e. design of products/services for resource requirement reduction and for environmental performance is an integral marketing strategy development in the modern day product development.

Controversially, Khanna, Guler and Neckar (2016) note that top executive commitment influences performance but eco-policies to incentive, good-will for better efficiency on all employees does not influence performance but the effect is weaker in highly complex businesses than it is in smaller organizations. Involvement of all employees of an organization is an essential ingredient for selecting and developing better products that have greater value addition to the consumer and hence better performance. Buller and McEvoy (2016) argue that involving staff in sustainable product development is the sure way to develop employees' green abilities, while relevant reward and green opportunities for the employees helps the firm to have agile, self-organizing, participative, engaging and learning workforce which in turn yields performance. However, Darley (2016) argues that employee involvement slows down the product selection and development process which makes the process costlier and involving reducing the net perceived benefit of all staff involvement. This implies that organizations have to determine when it is best to engage employees for optimal results. After all, employees are an important customer base for an organization and their satisfaction may influence their view and attitude about their organization (Wambua, 2016).

Chang and Taylor (2016) conducted a meta-analysis empirical analysis on the moderating effect of customer involvement in selection and development of a new product in an organization and concluded that customer involvement is ideal for quick launch and penetration into the market and hence would be better in enhancing product financial performance. This happens directly and indirectly as it accelerates time to the market. However, customer involvement in development slows time to market which is an adverse effect on possible quick sale and better performance (Kim, 2017). This suggests that some products may be better listed and implemented by the management and involve the customer at the product launch. However, the study result indicates that it would be better to involve the customers at all phases of product selection and implementation as it can better capture the specific needs of the consumers for the organization to tailor make its selections in meeting the needs of the consumers. As such, it's upon an organization to determine when to involve the customer and for what purpose; as source of information or as a co-developer (Cui & Wu, 2016). In conclusion, in the view of the reviewed literatures, there is no consensus on the relationship between the product selection and development strategy and financial performance. That is because of the controversies in findings and conclusions presented above

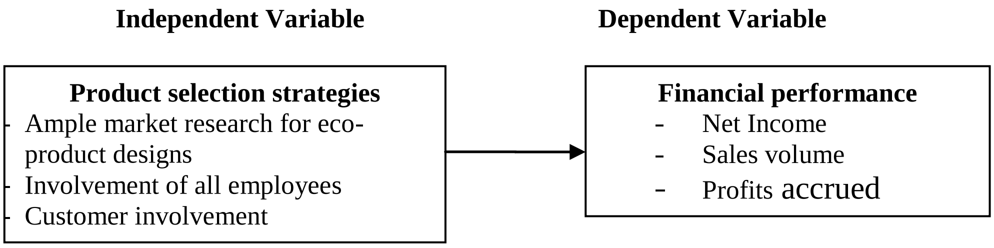

Figure 1: Relationship between the variables

Product selection for development ought to be arrived through reasonable research and both a diverse workforce and clients' views should be sought. Thus better product selection for implementation strategies would result into more performance while poor product selection strategies would lead to weaker competitiveness and hence lower performance as measured by net income. Prices should be fair and comparable to those of competitors in order to attract customers but again to ensure not to underprice. Better price determination strategies including periodic review to ensure that prices/charges are competitive can attract customers to the particular institution. Also, measures to minimize costs are part of price determination strategies which results to better profitability and hence higher net profits.

2. METHODOLOGY

The study adopted a mixed methodology to provide detailed thematic views from qualitative responses and also provide avenue for quantitative analysis of collected data. The study aimed to use quantitative and qualitative data as obtained from listed Kenya commercial banks as of June 2018. The study evaluated the 11 listed commercial banks in Kenya headquartered in Nairobi. The respondents were the General and Operations manager and two staff, the Marketing Department Manager and two Staff and Customers Relations Manager and two staff of the listed commercial banks; the staffs were picked through simple random sampling while managers were picked after requesting the permission from the head office. The respondents were picked from the head office of the 11 listed commercial banks. In total, 112 respondents were sampled, four managers and two general staff from each of the 11 banks.

3. RESULTS

Influence product selection strategy on the listed commercial banks' financial performance in Kenya

The respondents were asked to mention some of the Product selection strategies their banks have adopted and how they affect the finance performance of the bank. Their responses are in Table 6.

Table 1: Product selection strategy and financial performance

Statement	Frequency	Percent
Ample market research for eco-product designs increases net income, sales volume and profit accrued of my bank	87	86.0
Involvement of all employees increases net income, sales volume and profit accrued of my bank	85	84.0
Customer involvement increases net income, sales volume and profit accrued of my bank	87	86.0

Source: Research data 2018

The results in Table 1 above show 87(86.0%), 85(84.0%) and 87(86.0%) of the respondents said that ample market research for eco-product designs, involvement of all employees and customer involvement respectively increased net income, sales volume and profit accrued by the bank. This implies that commercial banks need to involve all their employees and customers in order to increase net income, sales volume and profit accrued by the bank. Despite this finding, Katsikeas, Leonidou and Zeriti (2016) notes that there are mixed results of the effect of research and integration of sustainability into product selection and development. Pursuing eco-friendly product development strategies i.e. design of products/services for resource requirement reduction and for environmental performance is an integral marketing strategy development in the modern day product development.

Table 2: Correlation between Product selection variables strategies and financial performance of commercial banks

Correlation		Financial performance		
		Net Income	**Sales volume**	**Profit accrued**
Ample market research for eco-product designs	Pearson Correlation	.311**	.309**	.300**
	Sig. (2-tailed)	.000	.000	.000
	N	101	101	101
Involvement of all employees	Pearson Correlation	.324**	.305**	.314**
	Sig. (2-tailed)	.000	.000	.000
	N	101	101	101
Customer involvement	Pearson Correlation	.309**	.319**	.329**
	Sig. (2-tailed)	.000	.000	.000
	N	101	101	101

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

Source: Research data 2018

The results in the Table 2 show that ample market research for eco-products design positively and significantly influence net income, sales volume and profit accrued by the banks at (r=.311**,p<001 significant level(r=.309** p<001 significant level) and (r=300**, p<001 significant level) respectively. The results then show that involvement of all employees positively and significantly influence net income, sales volume and profit accrued by the banks at (r=.324**, p<001 significant level(r=.305** p<001 significant level) and (r=314**, p<001 significant level) respectively.

The results lastly but least show that customer involvement positively and significantly influence net income, sales volume and profit accrued by the banks at (r=.309**, p<001 significant level(r=.319** p<001 significant level) and (r=329**, p<001 significant level) respectively.

The product selection strategy variables were merged them merged using SPSS transformation technique to form product selection strategy factor. The financial performance variables were also merged through the same process to financial performance factor. The two factors were then correlated as shown in the Table 8.

Table 3: Correlation between Product selection variable strategies and finance performance

	Correlation	Financial performance
product selection strategy	Pearson Correlation	.364**
	Sig. (2-tailed)	.000
	N	101

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

Source: Research data 2018

The results in Table 8 above reveals that product selection strategy positively and significantly influence financial performance of banks at r=.364**, and p<.001 significant level. This implies that product selection strategy contributes 13.2% variability to financial performance of the banks when other factors are held constant. The findings are in tandem with those of Khanna, Guler and Neckar (2016) who noted that top executive commitment influences performance but eco-policies to incentive, good-will for better efficiency on all employees does not influence performance but the effect is weaker in highly complex businesses than it is in smaller organizations. Involvement of all employees of an organization is an essential ingredient for selecting and developing better products that have greater value addition to the consumer and hence better performance

4. DISCUSSION OF INDIVIDUAL OBJECTIVE RESULTS

i. Influence product selection strategy on financial performance of listed commercial banks' in Kenya

The results revealed that product selection strategy positively and significantly influence financial performance of banks at r=.364**, and p<.001 significant level. This implies that product selection strategy contributes 13.2% variability to financial performance of the banks when other factors are held constant**.** The findings are in agreement with (Kariuki, 2016) who argues that Research ensures that an organization understands the specific needs of the market so that the product listed and developed meets the needs of the consumer. Buller and McEvoy (2016) argue that involving staff in sustainable product development is the sure way to develop employees' green abilities, while relevant reward and green opportunities for the employees helps the firm to have agile, self-organizing, participative, engaging and learning workforce which in turn yields performance. This implies that organizations have to determine when it is best to engage employees for optimal results.

Wambua(2016). Argues that employees are an important customer base for an organization and their satisfaction may influence their view and attitude about their organization.

Chang and Taylor (2016) conducted a meta-analysis empirical analysis on the moderating effect of customer involvement in selection and development of a new product in an organization and concluded that customer involvement is ideal for quick launch and penetration into the market and hence would be better in enhancing product financial performance. This happens directly and indirectly as it accelerates time to the market. However Cui & Wu,(2016) cautions that it's upon an organization to determine when to involve the customer and for what purpose; as source of information or as a co-developer.

Summary of Result Findings

The results of the analysis revealed that product selection strategies positively and significantly influence financial performance of banks at r=.364**, and p<.001 significant level contributing 13.2% variability to financial performance of the banks when other factors are held constant**.**

Recommendation

The banks should do ample market research for eco-product designs, involvement of all employees and involve customers in product selection as these strategies increase Net Income, Sales volume and Profit accrued by banks

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