



University of Botswana

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Marketing Effectiveness of Botswana's Commercial Banks

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ABSTRACT

Banks nowadays face competition not only from other banks but also from other financial services companies which offer the same products that were traditionally offered by bank. Banks also have to deal with new regulations as well as the current emphasis on social responsibility. Therefore marketing effectiveness is imperative among commercial banks in Botswana as it result in achieving business goals.

The primary objective of this study is to find out areas of potential marketing effectiveness problems facing commercial banks in Botswana.

The specific objectives were:

1. To evaluate marketing effectiveness of the commercial banks in Botswana based on the five attributes of marketing effectiveness as proposed by Kotler , which include Customer philosophy, Integrated marketing organization, Adequate marketing information, Strategic orientation and Operational efficiency;
2. To identify the areas of potential problems with respect to their marketing effectiveness;
and
3. To make recommendations that are in line with the observations.

The research was conducted on 11 commercial banks in Botswana. The study used both qualitative and quantitative data which was obtained from both primary and secondary sources. One questionnaire was distributed per bank. The data was processed using Excel spreadsheet where descriptive statistics like percentages and mean were used.

Botswana's commercial banks were found to be marketing effective, with two banks FNBB and Capital banks scoring the highest in all components of marketing effectiveness. Large banks being Barclays, Stanchart, FNBB and Stanbic were found to have slightly better marketing strategies and therefore more effective in marketing their services than the rest of the banks termed small banks.

For banks to improve marketing effectiveness they have to clarify their strategies, align them with organizational objectives and measure the degree at which those objectives are met. Finally in setting their marketing strategies, banks need to consider all stakeholders in their business including those that do not benefit financially in any way.

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CHAPTER ONE

1.0 Introduction

Banks like other businesses in the world do not operate in isolation. The activities of competitors are major factors in determining their success or failure (Muraleedharan, 2004). In the modern world of competition, banks cannot wait for business to come, they need to actively solicit business and develop it further. The marketing plan (which should include measuring marketing effectiveness) makes it easier to identify the intensity of competition and to formulate the marketing strategy accordingly (Muraleedharan, 2004). According to Bhatt (1991), bank marketing is the aggregate of functions, directed at providing services to satisfy customers financial (and other related) needs and wants, more effectively and efficiently than the competitors keeping in view the organizational objectives of the bank.

According to Singh (2011) Marketing Effectiveness (ME) is the critical evaluation of the marketing mix of an organization from customers' perspective i.e. it measures the degree of the management success invading the market (needs of market), distinguishing the business opportunities, choosing the best market segments and offering them superior goods and/or services at reasonable price. Additionally, effective marketing efforts result in achieving the business goal with customer satisfaction. Since marketing is characterized by a law of slow learning and fast forgetting (Singh, 2011), marketing efforts require regular review and monitoring. It is in this context that commercial banks should periodically evaluate their marketing effectiveness in order to succeed particularly in this era in which banking environment has become highly competitive and dynamic.

Kotler (1977) and Webster (1995) argue that marketing effectiveness has a strong association with many valuable organizational outcomes such as stable long-term growth, enhanced consumer satisfaction, a competitive advantage, and a strong marketing orientation. Webster (1993, 1995) also found direct relationships between marketing effectiveness and performance in service organizations by linking effectiveness to customer relations, quality of services, organizational capability, internal communications, sales practices, and innovativeness. Furthermore, marketing success is a major determinant of organizational success (Alder as cited by Linus, 2001), and the future survival and growth of any organization (including banks) in an economy can be said to be a function of the efficiency and effectiveness of its marketing practices (Udel as cited by Linus, 2001). This means that marketing is equally applicable to achieving commercial and social objectives of the banks.

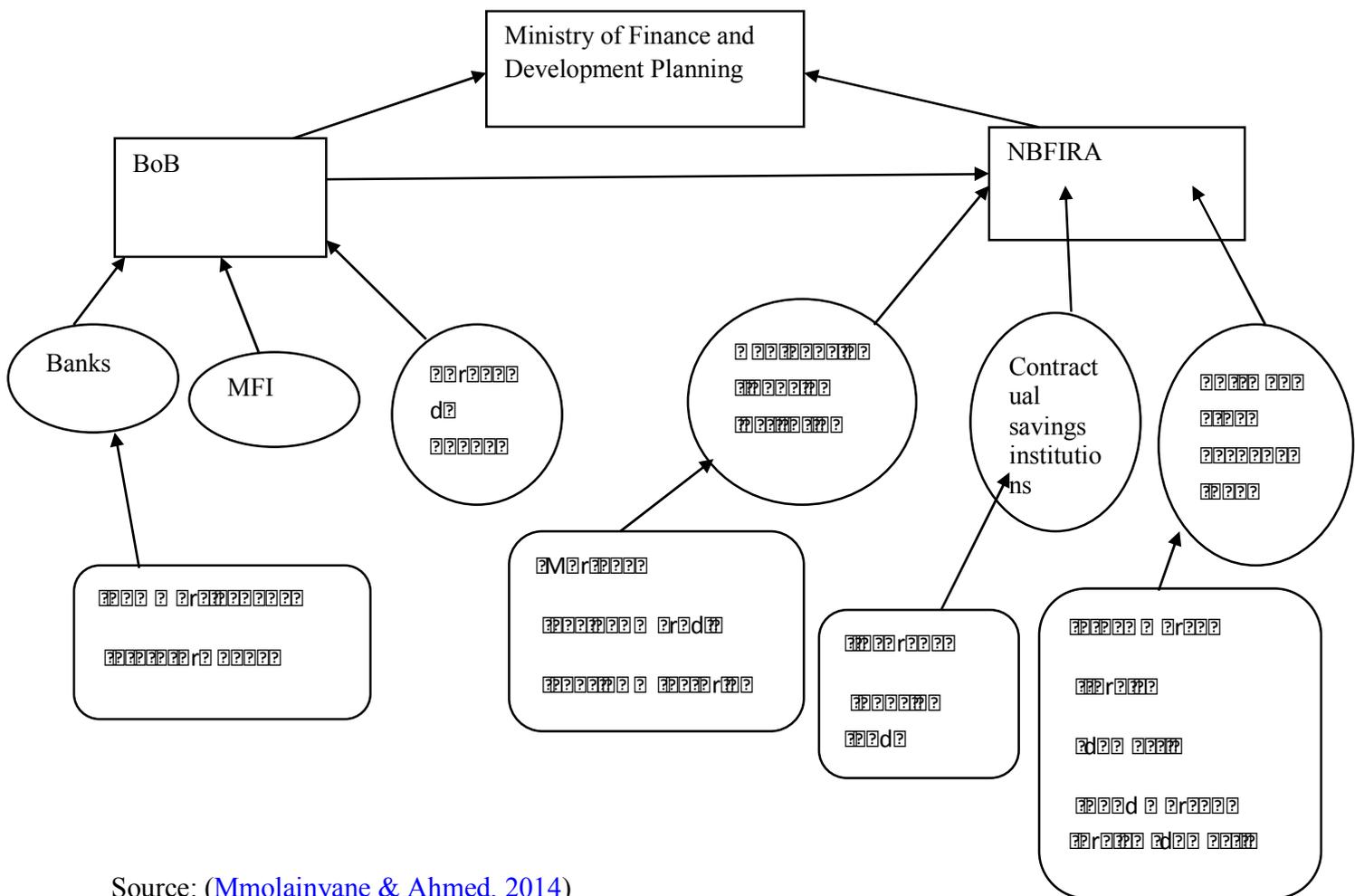
Botswana Commercial Banks have dual organizational objectives - commercial objective (to make profit) and social objective of satisfying stakeholders (customers, employees and community). Khattak, Ur-Rehman, Sofwan, and Ullah (2011) listed eight variables as the combination of social and commercial factors. These factors are consist of: maximizing profits; contributing to social welfare; alleviating poverty; promoting sustainable development projects; minimizing costs of operations; enhancing product and service quality; offering viable and competitive financial products; and promoting religious values and way of life towards staff, client and the general public. Further, Donata and Asac (2012) recommended that as one of the measures to foster sustainable banking, banking institutions must expand their mission from ones that prioritize profit maximization as the only sole objective but, to equally commit their objectives on supportive strategy. Therefore, all organizations need to analyze and review overall

performance to assess progress and identify key areas for improvement. Evaluation and appraisal of an organization’s activities are key issues in strategic marketing.

1.1 Background Context

The country’s financial sector can be divided broadly into two segments: the banking sector (largely regulated and supervised by the Bank of Botswana (BoB)) and the non-bank sector (supervised by the Non-Bank Financial Institutions Regulatory Authority (NBFIRA)).

Figure 1.1: Financial markets structure in Botswana



Source: (Mmolainyane & Ahmed, 2014)

There has been a dramatic and notable improvement in the Botswana financial markets over the past four decades with important developments in respect to geographical and product availability, an exercise which is still on going. These developments are demonstrated by an increase in the number of financial institutions and instruments as well as improved regulatory framework that protects consumer rights; characteristics which are necessary for financial stability. According to the country's financial market structure, all commercial banks report to and are supervised by the central bank, Bank of Botswana (BoB) whilst Non-Banking Financial Institutions Regulatory Authority (NBFIRA) oversees non-banking financial institutions including the BSE (as demonstrated by Figure 1.1). Both BoB and NBFIRA in turn report to the Ministry of Finance and Development Planning (MFDP). This market structure aims at accountability, efficiency and effectiveness by ensuring that whilst the local market players are integrated, their roles and objectives do not overlap. To reinforce existence of sound regulatory framework regarding market policies, Botswana financial markets are integrated to global and regional bodies; Bank of Botswana is a member of IMF, World Bank and Eastern and Southern African Banking Supervisory group amongst others whilst BSE is a member of the Southern African Development Corporation (SADC) Stock Exchanges. To date, NBFIRA supervises thirty nine institutions which were previously regulated by different bodies and thirteen commercial banks operate in Botswana compared to only two that served at independence in 1966 (Mmolainyane & Ahmed, 2014).

The Non-Bank Financial Institutions Regulatory Authority Act 2006 established the Non-bank Financial Institutions Regulatory Authority (NBFIRA), after the endorsement (by Government) of the Carmichael Consulting Report, which recommended the setup of a single independent Non-Bank Financial Institutions (NBFI) regulator. The Act grants NBFIRA the mandate to

regulate and enforce compliance within the NBFIs sector in order to safeguard the stability, fairness and efficiency of the non-bank financial sector. The Authority's regulatory portfolio encompasses a wide variety of industries including Insurance, Pension, Capital Markets, Non-Bank Lenders, Collective Investment Undertakings (CIUs), Asset Managers, Investment Advisors, and Custodians (among others) (Non-Bank Financial Institutions Regulatory Authority, 2015).

On the other hand, Botswana's banking sector has grown and changed considerably over the period since 1990. Historically, the sector was relatively small, and dominated by Barclays and Standard Chartered banks (Keith Jefferis, 2009). Both of these banks' operations in Botswana date back to the 1950s, and were originally run as branches of the groups' South African subsidiaries (Keith Jefferis & Tacheba, 2009/10).

Unlike many other countries there has never been a government owned commercial bank in Botswana. In the 1980s Botswana prided herself because her banking sector was sound, stable, reasonable and well run in narrow banking terms. However, the sector was unadventurous and not actively developing financial intermediation in the economy (Keith Jefferis & Tacheba, 2009/10).

Within the banking sector there are eleven commercial banks namely Barclays Bank of Botswana (Barclays), Standard Chartered Bank of Botswana (Stanchart), First National Bank Botswana (FNBB), Stanbic Bank, Bank Gaborone Limited, Bank of Baroda, Capital Bank, BancABC, Bank of India, State Bank of India and Kingdom Bank Africa Limited (off-shore

bank). Statutory banks include National Development Bank (NDB), Botswana Savings Bank (BSB) and Botswana Building Society (BBS).

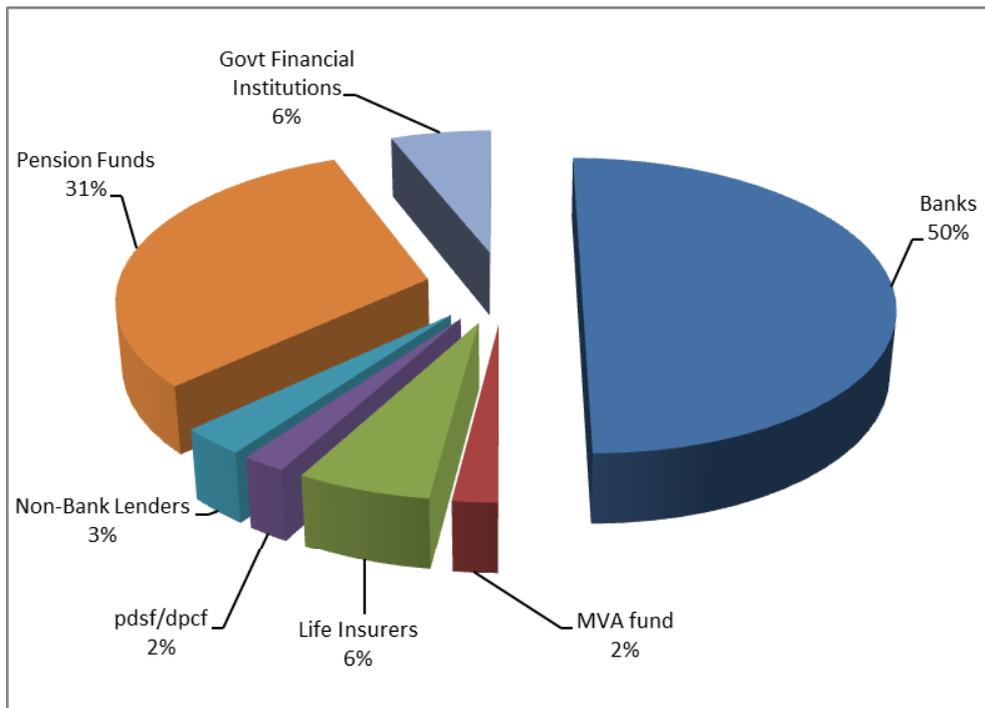
Banks regulations are done by the BoB in terms of Banking Act (Cap. 46:04) whereby BoB issues banking licenses and undertakes prudential supervision. In particular, the marketing aspect of banks is supervised under Section 42 of the Banking Act. The minimum requirement to establish a bank is P5 Million. The consideration of applications for banking licenses focuses on:

- a. the technical knowledge, integrity, experience, financial condition and history of the applicant;
- b. the adequacy of its capital;
- c. the character of its business, and the experience and qualifications of its management;
- d. the convenience and needs of the community and market to be served; and
- e. the ability and willingness of the applicant to comply with any conditions the BoB may impose pursuant to the banking act. (Bank of Botswana, 2015)

The banking sector is very important in any economy as it facilitates the movement of funds from savers to investors, which in the end leads to economic growth (Kapunda & Molosiwa, 2012). Donata and Asac (2012) also stated that Banking sector plays a significant role in the development of an economy and commercial banks are paramount in easing households to run various business activities and enabling the country to expand its potential in raising Gross Domestic Product (GDP). The banking sector development in Botswana was low until a few years prior to independence (Kapunda & Molosiwa, 2012). Keith Jefferis and Tacheba (2009/10) estimated that banks control almost half of total financial sector assets, while pension funds control another 43 percent (as illustrated by Figure 1.2 below). It is for the above reasons that

this researcher decided to use only commercial banks in this dissertation, as their role in the Botswana is very important.

Figure 1.2: Financial sector assets



Source: (Keith Jefferis & Tacheba, 2009/10)

The performance of commercial banks in Botswana in terms of, liquidity, deposits, capital adequacy and profitability has been good (Bank of Botswana, 2007, 2014). Some banks have brought dynamism, competition, and growth in the banking sector, while some have lost some of the clients' confidence (Mmolainyane & Ahmed, 2014). The loss of confidence in these banks is evidenced by a decrease in their market share in Botswana (ABC Holdings Limited, 2014a, 2014b; African Banking Corporation, 2007; Barclays Bank of Botswana, 2007; First National Bank Botswana, 2007, 2012, 2013, 2014; Standard Chartered PLC., 2012, 2013). In spite of the

loss in market share, most of the commercial banks remained profitable (Bank of Botswana, 2014). Loss of market share may be attributable in part to marketing ineffectiveness.

To the best of my knowledge no study on marketing effectiveness has been carried out in Botswana's banks. Therefore a study which focuses on marketing effectiveness of banks will make an impact on financial organizations in the country.

1.2 Problem statement

In the current financial and economic environment, local banks are faced with a lot of competition because of the entrance of new banks and other financial services companies like cash loans, investment companies and insurance companies. Like other financial organisations, banks have not been spared of new regulations which include capital and liquidity requirements and Anti Money Laundering and Combating the Financing of terrorism (AML/CFT) requirements, as well as emphasis on social responsibility. Banks are forced to find ways to attract new customers retain existing ones and cope with rising competition within the banking industry and among other financial companies. Further, banks have to find ways of meeting all the regulatory requirements and deal with competition with little or no extra budget of their income. Consequent upon the above development, marketing effectiveness appears imperative among commercial banks in Botswana in order to cope with these challenges.

According to Kotler (1977), marketing effectiveness of a business concern is determined by the extent to which the business exhibit the five attributes of marketing orientation, Customer Philosophy, Integrated Marketing Organisation, Adequate Marketing Information, Strategic Orientation and Operational Efficiency. It remains to be seen how the extent of marketing affects performance in Botswana's banking industry.

1.3 Theoretical Framework

Marketing scholars have made efforts to develop a measure for marketing effectiveness in companies which provide both goods and services or both. This dissertation will review the three major approaches to study and measure marketing effectiveness as observed by Connor and Tynan (1999). These approaches include those applied by Kotler (1977), Hooley and Lynch (1985) and Carson (1990).

Hooley and Lynch (1985) conducted a survey that compares and contrasts the marketing practice of the best performing companies. The top performers were labeled as "The High Fliers" and the remaining as "The Also Rans". This was done in order to isolate the special marketing characteristics of an organisation which outperforms its rivals in a competitive marketplace. Hooley and Lynch (1985) have identified the "high-flier" characteristics and summarized them in a six point plan for marketing excellence. The points are: Asset based marketing philosophy; Environmental sensitivity; Defensive poisoning; Flexibility; Balanced portfolio; and Bottom line Bias.

Hooley and Lynch's model (1985) model was used by Lai, Huang, Hooley, Lynch, and Yau (1992) to find Profiles of the Top and best performing companies in Taiwan, and by Ghosh, Schoch, Taylor, Kwan, and Kim (1994) to compare the top performing organizations in Australia, New Zealand and Singapore. Lai et al. (1992) found that the best performing companies in Taiwan's attitude was: CEO sees marketing as a guiding philosophy for the whole organization; CEO emphasized on identifying and meeting customer needs; more aggressive and expansionist objective; more likely to pursue long term marketing goals rather than short term financial objectives; attach greater importance to marketing training. In terms of the characteristics of top performer organization, it was more likely to: have a marketing department;

adopt a market based organizational culture. Finally, the top performers' marketing activities were characterized by: a greater input from marketing to overall strategic planning, greater tendency to formal long term marketing planning; more aggressive marketing objectives; prepared to attack the whole market and take on any competition; more prepared to take a calculated risk, and value for money positioning strategy.

The results from a study by (Ghosh et al., 1994) in the three countries, (Australia, New Zealand and Singapore) better performers claimed a much stronger marketing, as opposed to production or selling orientation than their less successful counterparts, with 89 percent of New Zealand's better performers identifying with this approach, followed by Singapore (88 percent) and Australia (79 percent). Overall, however, the marketing orientation approach appears to be strongest in Singapore (76 percent of all respondents), followed by New Zealand (74 percent) and Australia (70 percent). These differences in marketing orientation are significantly different between each country.

However, this instrument is considered to be inappropriate because certain elements are measures of efficiency rather than effectiveness and for the purposes of this dissertation we dwell on effectiveness. The model was also found to be tedious and too involving as it requires the researcher to categorise companies into best performers and low performers first and then conduct the research.

The second model reviewed is by Carson (1990). It is categorized as six models which are intended to be used in an exploratory assessment of small firms' marketing performance. The measurement criteria reflect an exploratory and qualitative assessment. A key factor in using the model is that, used over time, the criteria allow any changes in a firm's marketing performance

to be observed and plotted. The six models (categories) are: Marketing Limitations; Levels of Generalization; Planning versus Operations; Marketing Planning adapted for small firms; Stages of Marketing Development; and Levels of Activity. The six models should be viewed as an 'interlocking network' of models and accordingly used in conjunction one with another.

Carson's (1990) six marketing models instrument assessed the level of marketing effectiveness in small and medium-sized enterprises but is not considered further because its context specific focus on small firms' marketing performance has made it inappropriate for this study on commercial banks which are large companies.

Kotler (1977) rating instrument utilises 15 three-point scale questions to audit the marketing effectiveness of a company through a combination of five dimensions as stated below.

- (a) *Customer philosophy* - Does management acknowledge the primacy of the marketplace and of customer needs and wants in shaping company plans and Operations?
- (b) *Integrated marketing organization* - Is the organization staffed so that it will be able to carry out marketing analysis; planning, and implementation and control?
- (c) *Adequate marketing information* - Does management receive the kind and quality of information needed to conduct effective marketing?
- (d) *Strategic orientation* - Does marketing management generate innovative strategies and plans for long-run growth and profitability?
- (e) *Operational efficiency* - Are marketing plans implemented in a cost-effective manner, and are the results monitored for rapid corrective action?

Kotler's (1977) instrument is the best known, most frequently cited and widely used out of the three mentioned where it has been used principally to determine the relationship of marketing effectiveness with some other variable, strategic marketing effectiveness and its relationship to corporate culture and beliefs (Norburn, Birley, & Dunn, 1988). The instrument was also used by Wong, Saunders & Doyle, 1988; Norburn et al., 1988; Yoon & Kang, 2005; Appiah-Adu, 1997; and Webster, 1995). It was also used by practitioners, e.g. organization's managers, external consultants, and institutions such as the National Westminster Bank who include it in documentation to help companies understand their current marketing position and for the bank itself to assess a company's viability before commitment to bank funding (Connor & Tynan, 1999). Based on the foregoing, this research will utilize the model by Kotler because it has been used widely and also simple to use compared to the other two models.

1.4 Key Research Questions

In determining the effectiveness of commercial banks' marketing effectiveness, the key questions to be answered are as follows:

1. To what extent are the commercial banks in Botswana marketing effective?
2. In what areas are improvements needed for the commercial banks to be marketing effective?

1.5 Objective of the study

The primary objective of this study is to find out areas of potential marketing effectiveness problems facing commercial banks in Botswana.

The specific objectives are:

1. To evaluate marketing effectiveness of the commercial banks in Botswana based on the five attributes of marketing effectiveness as proposed by Kotler ;
2. To identify the areas of potential problems with respect to their marketing effectiveness; and;
3. To make recommendations that are in line with the observations.

1.6 Significance of the study

Areas of potential problems with respect to marketing effectiveness of Botswana's commercial banks will be identified and these results will be used not only by financial institutions, but also by service firms, and marketing managers who are regularly looking for marketing approaches, practices and strategies that can be used to achieve their organisational goals and objectives. The study will further be useful to governments, organizations, and individuals concerned with formulating banking policies and strategies. Lastly, this research is expected to stimulate research interests among academics, scholars, and students in other aspects of bank services management (Linus, 2001).

1.7 Scope of the Study

This study was conducted in Gaborone, where all the commercial banks' headquarters are situated. In doing so, the study targeted all the commercial banks in Botswana and the marketing directors were the main focus in each bank.

1.8 Structure of the Dissertation

The first section of the dissertation is an introduction of the whole paper. Chapter 2 considers the literature review relating to marketing effectiveness models and their critics' and problems with marketing financial services. The methodology of the study is set out in Chapter 3. Chapter 4 is based on the analysis and presentation of results. Finally chapter 5 is composed of discussions, conclusions and recommendations.

1.9 Conclusion

From this brief introduction, the need for conducting a marketing effectiveness study of Botswana's commercial banks has been established and the critical contribution of the results and who will benefit from it clearly discussed. Furthermore, the methods of measuring the marketing effectiveness have been detailed, as well as the best and preferred method or model for this dissertation. This dissertation has selected to use Kotler's (1977) instrument which uses a combination of five dimensions to audit marketing effectiveness because it is the one that has been widely used by other researchers.

CHAPTER 2 LITERATURE REVIEW

2.1 Introduction

The literature review is a summary of studies which have been done, which illustrate the importance of doing a marketing effectiveness audit on banks, models used and problems which are associated with marketing financial services.

2.2 Characteristics of service companies

Yoon and Kang (2005) in their study of *Validation of Marketing Performance Model for Service Industries in Korea* revealed that service firms relied on marketing personnel, marketing information systems, customer-orientation and marketing strategy. The finding that marketing organizations exerted insignificant influence on marketing performance for service firms may be explained by the flexible characteristics of service industry such as intangibility, integration of production and consumption, variability and perishability which require less demand on organizational formality than manufacturing industry. Overall, the structural equation analysis successfully delineated factors which saliently affect marketing performance for service firms. The finding that marketing organization did not affect marketing capability as antecedent to marketing performance sheds insight as to the expected value of organizational functionality.

Another important finding was that service firms tended to score relatively higher than goods producing firms in some areas of marketing performance factors, marketing capability and

customer satisfaction. This finding may be taken as the basic characteristics of service providing firms which primarily place relatively more emphasis upon how their customers value their services, which has more immediate and closer impact on the customers' evaluation of the quality of services provided. The finding provides some important industry-related implications for goods-producing firms that they need to pay more attention to how their employees view their capability as something more in line with allocating marketing mixes to maximize customer satisfaction. In other words, the companies need to be more aware of how employees associate their core capability with customers in mind and eventually deliver products that bring satisfaction from the customers.

2.3 Marketing Effectiveness models

Hooley and Lynch (1985) conducted a survey that compared and contrasted the marketing practice of the best performing companies. The top performers were labeled as "The High Fliers" and the remaining as "The Also Rans". This was done in order to isolate the special marketing characteristics of an organisation which outperforms its rivals in a competitive marketplace. The authors have identified the "high-flier" characteristics and summarized them in a six point plan for marketing excellence. The points are: Asset based marketing philosophy; Environmental sensitivity; Defensive poisoning; Flexibility; Balanced portfolio; and Bottom line Bias as shown in Figure 2.1.

Relative performance was measured by asking respondents to rate their company's relative performance in terms of (1) profitability; (2) sales volume; (3) market share; (4) brand awareness; (5) return on investment; and (6) coverage of market segment.

A company would be given a rating between 1 and 3 (1 being “much better than other companies in the industry”, 2 “on target” and 3 “worse than other companies in the industry”). Companies with a rating of 1 for all criteria were classified as “better (top) performers”, while the others were categorized as “others (worse performers)” (Ghosh et al., 1994).

(1) Asset based marketing philosophy

The High Fliers have a genuine marketing orientation. They go beyond the conventional lip-service to marketing in that satisfaction of customer needs is the foundation upon which the company’s success is built. The High Fliers use extensive research and internal analysis to maximise the impact and added value potential of their companies various marketing assets.

(2) Environmental sensitivity

The High Fliers recognise that change is endemic and that business survival and success depends upon responsiveness to the environment. They are not complacent and they actively seek opportunities. Their strategies are active and not passive. The High Fliers make wide use of marketing research of all types and their planning systems are such as to heighten their responsiveness to environmental factors.

(3) Defensible positioning

The High Fliers recognise that competition is the dynamic that drives marketing. The isolation of target segments and the satisfaction of their needs are necessary but not sufficient conditions for marketing success. Competition is an ever present threat which they seek to neutralise by the adoption of defensible positions in the marketplace. The High Fliers are ruthless in their pursuit of the competitive edge.

(4) Flexibility

Customer orientation, environmental sensitivity and competitive advantage are demanding task-masters for any organisation. They can only be achieved if the organisation is light on its feet and ever-ready to make movements and adjustments to stay ahead of the pack. The High Fliers are flexible in their operating systems and practices.

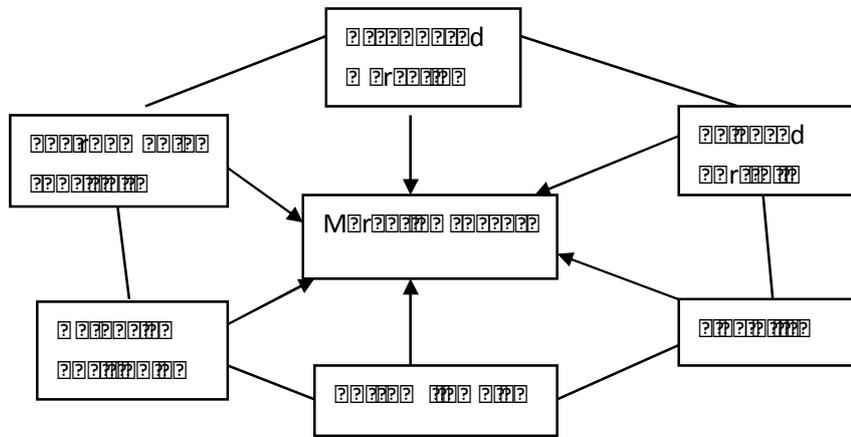
(5) Balanced portfolio

The High Fliers recognize the importance of the life cycle. Markets grow, mature and decline in the developed economies at an alarmingly increasing rate. Success on all fronts is an impossible ideal but it can be approached through an awareness of the benefits of careful portfolio planning. The High Fliers balance their portfolios with not only today's breadwinners but also tomorrow's breadwinners. They are prepared to invest in developments to create a sounder future for the organization. In addition they spread their risks ensuring that they are not over vulnerable to individual environmental or competitive forces.

(6) Bottom-line bias

Marketing task is explained as the creation and retention of customers at a profit. The high fliers' marketing orientation always operates within the confines of tight financial disciplines and control systems. They are further, always aware of, and influenced by, the financial implications of marketing decisions.

Figure 2.1: Hooley and Lynch's six-point plan for marketing excellence



This model as explained in Chapter 1 was used by Lai et al. (1992) to find Profiles of the Top and best performing companies in Taiwan, and by Ghosh et al. (1994) to compare the top performing organizations in Australia, New Zealand and Singapore. In both these studies, the companies being studied were categorized into two. Better performing companies were isolated and the contribution that marketing has done to their performance was examined and better marketing practices were identified through profiling the better companies (Lai et al., 1992). The findings by Ghosh et al. (1994) can be summarized as shown in Table 2.1.

Table 2.1: Better Performer (High Fliers) Attitude towards Marketing

| |
|--|
| Australia |
| <ul style="list-style-type: none">• view marketing as a guiding philosophy for the whole organization;• emphasize identification and meeting of customer needs;• strong emphasis on marketing orientation versus production or selling. |
| New Zealand |
| <ul style="list-style-type: none">• marketing as a guiding philosophy not strongly perceived;• identification and meeting of customer needs perceived as very important;• strong emphasis on marketing orientation versus production or selling. |
| Singapore |
| <ul style="list-style-type: none">• emphasis on marketing as a guiding philosophy not so strong as in Australia, but stronger than in New Zealand;• stronger emphasis than Australia and New Zealand on identifying and meeting customer needs;• stronger emphasis on marketing orientation versus production or selling than Australia and New Zealand. |

Findings in this study in the three countries under review, show that, as organizations move from production and selling orientations to a marketing orientation, they are likely to become more effective. Better performers or high fliers as Hooley and Lynch originally put it, in the three countries tended to achieve better results than the “other” companies in the sample, in terms of both financial and market-based measures (see Table 2.2).

Table 2.2: Better Performer (High Fliers) Marketing Organization

| |
|---|
| <p><i>Australia</i></p> <ul style="list-style-type: none">• more likely to have a marketing department;• more likely to adopt a product-based organization structure;• high level of close working relationship with other functional activities, especially R&D. |
| <p><i>New Zealand</i></p> <ul style="list-style-type: none">• separate marketing departments more common than in Australia and Singapore;• more likely to have a product-oriented organization structure, but not to same extent as in Australia;• high level of close working relationship with other functional activities, very similar to Australia, but significantly closer in R&D than Australia. |
| <p><i>Singapore</i></p> <ul style="list-style-type: none">• less likely to have a separate marketing department, perhaps owing to the presence of a substantial portion of small and medium-sized companies in the Singapore sample;• mixture of marketing organizations – product line and market-based;• high level of close working relationship with other functional activities, but much stronger with R&D than Australia, and about the same as New Zealand. |

2.2.2 Carson's (1990) model

The second model reviewed is by Carson (1990). A description of the models or categories under the model is as follows. There are 6 constructs within this model.

(1) Marketing Limitations

Carson argues that small firms have distinctive characteristics which differentiates them from large companies. Many small firms' characteristics if viewed from a marketing perspective can be described as constraints. These broad types of characteristics which serve to illustrate the point are constraints on small firms marketing activity. Carson summarized them as limited resources; lack of specialist expertise; and limited impact on the marketplace. The measurement criteria for assessing these constraints can be described more fully as marketing limitations, and there are three of them: limitations of expenditure, which is an approximation of money spent on marketing activity it can either be minimal, limited or substantial; limitations of expertise in terms of firm owner's and other employees marketing background; limitations of impact in terms of how much the company/firm is known in the market and to what extent the knowledge has changed, it can also be minimal, limited or substantial.

(2) Levels of Generalization

This model hypothesizes that general concepts, theories and approaches in marketing are acceptable in the general sense but they must be adapted for use in the situation specific. A more obvious example of the influence of the situation specific is provided by the environment in which a firm operates. The criteria for assessing levels of generalization use three categories, namely general concepts, industry specific and situation specific.

- General concepts are defined by Carson (1990) as a situation where the marketing carried out by a firm is of a very general level, it is closely associated with the general concepts of marketing and often not be carried through into implementation.

- Industry specific is a circumstance where marketing carried out by the firm is allied closely to that which happens throughout the firm's industry. It follows certain norms and practices peculiar to the industry.
- Situation specific is defined as a circumstance where a firm will apply innovative and imaginative marketing designed to suit its own particular circumstances and requirements.

(3) Planning versus Operations

Carson, (1990) describes two distinctive kinds of marketing decisions inherent in any marketing activity and speculates how it can be difficult for many small firms to maintain a balance between the two. Although marketing planning has a multiplicity of influences and variations, particularly in the areas of decision making, it is possible to suggest that marketing management decision making falls broadly into two categories, marketing planning and marketing operations. The categories used to describe how planning activity is carried out and how it relates to marketing operations can either be minimal or balanced.

(4) Marketing planning adapted for small firms

In adapting marketing planning for small firms the logic offered by the 'levels of generalization' is applied. The description of the models is one in which the concepts are inherently sound but which is broad and simplistic enough as to be both workable and attractive to the small business owner. The categories used to describe a company's ability to adapt marketing planning concepts and apply marketing techniques to suit its own circumstances are limited adaptation and substantial adaptation.

(5) Stages of Marketing Development

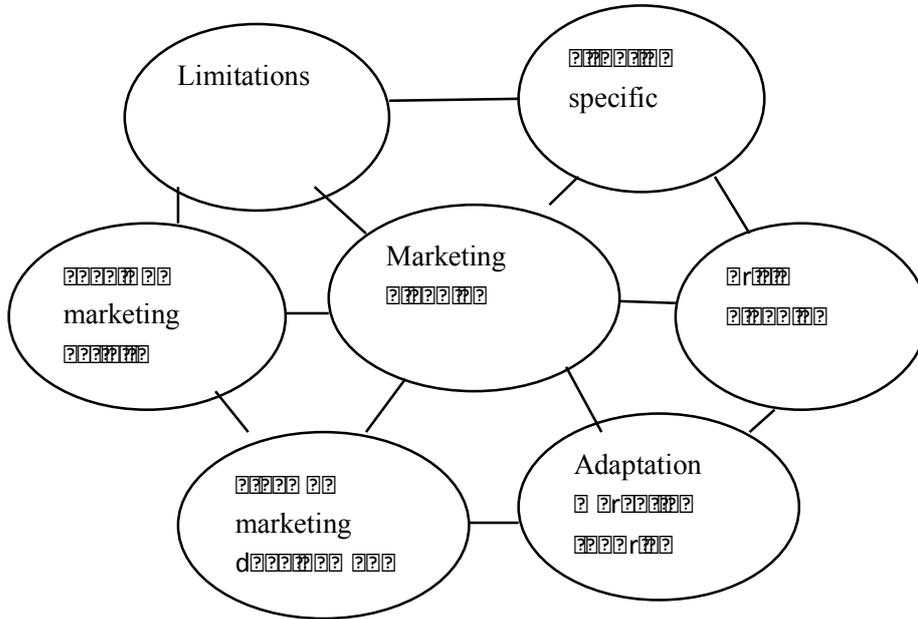
This model is concerned with the actual practice of marketing in small firms and how it develops from when a new company is established through to when it is about to break through the threshold to being a medium sized firm. The model is based on the business life-cycle concept. It can be described in four distinct stages namely reactive stage, tinkering marketing, entrepreneurial marketing and proactive marketing.

(6) Levels of Activity

This model examines the techniques and operations of marketing practices whilst still taking account of the planning dimensions. It argues that small firms will do marketing in various degrees of different levels of activity depending on a multiplicity of circumstances, not least of which may be their stage of marketing development. The degrees of marketing can be generally defined as little or no marketing, implicit and simple marketing and explicit and complicated marketing.

The models or categories of his model should be viewed as an interlocking network revolving around the hub of marketing planning. These models allow any marketer to evaluate, not only what marketing planning a small firm is doing and how it is doing it, but also to determine what strengths and weaknesses are and how it might develop its marketing for the future.

Figure 2. 2: Interlocking networks of models by Carson



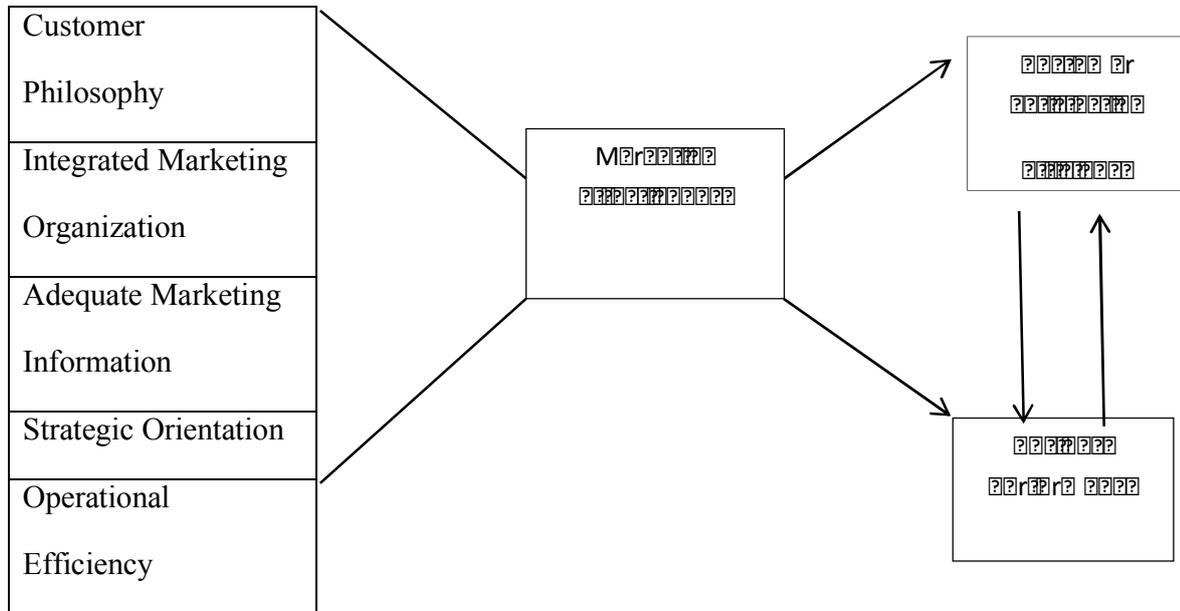
Source: Carson 1990

2.2.3 Kotler (1997)

As originally advocated by Kotler (1977), the marketing effectiveness measure is premised on the belief that customer-based corporate strength would depend on the corporate entity's level of marketing effectiveness which covers different areas of marketing operations. Composed of five measurement attributes (customer philosophy, integrated marketing organization, adequate marketing information, strategic orientation, and operational efficiency), the model seeks to capture the dynamic, process-oriented, and integral nature of the customer-based marketing capabilities. Therefore, the marketing effectiveness model takes both the outside-in and the inside-out perspectives to marketing capabilities. The dynamic relationship between marketing

effectiveness and customer satisfaction (outside-in perspective) and business performance (inside-out perspective) is represented in Figure 2.3 below (Yoon & Kim, 1999).

Figure 2.3 Relationship between marketing effectiveness and customer satisfaction



Source: Yoon and Kim (1999)

(1) Customer Philosophy

The first requirement for effective marketing is that key managers recognize the primacy of studying the market, distinguishing the many opportunities, selecting the best parts of the market to serve, and 'gearing up to offer superior value to the chosen customers in terms of their needs and wants. Some managements are product-oriented, some are technology-oriented and others are sales-oriented. If a company starts with the marketplace when it is designing the organization's structure, plans, and controls, it is well on the way to effective marketing.

(2) Integrated Marketing Organisation

The organizational structure of the company or division must reflect a marketing philosophy. The major marketing functions must be integrated, and controlled by a high-level marketing executive. Various marketing positions must be designed to serve the needs of important market segments, territories, and product lines. Marketing management must be effective in working with other departments and earning their respect and cooperation. Finally, the organization must reflect a well-defined system for developing, evaluating, testing, and launching new products because they constitute the heart of the business's future.

(3) Adequate Marketing Information

Effective marketing calls for the executives to have adequate information for planning and allocating resources properly to different markets, products, territories, and marketing tools. A telltale sign of the quality of information is whether management possesses recent studies of customers' perceptions, preferences, and buying habits. Another sign is the presence of good information regarding the sales potential and profitability of different market segments, customers, territories, products, channels, and order sizes. Skillful marketers need this information to evaluate the results of their marketing expenditures.

(4) Strategic Orientation

Marketing effectiveness depends also on whether management can design a profitable strategy out of its philosophy, organization, and information resources. First, this requires a formal system for annual and long-range marketing planning. Second, the system should lead to a core

strategy that is clear, innovative, and data-based. Third, management should look ahead toward contingent actions that might be required by new developments in the marketplace.

And last, marketing plans do not bear fruit unless they are efficiently carried out at various levels of the organization. The interests of the customers must be of paramount concern to employees throughout the organization. Marketing management must have the right amount of resources to do the job. It also must have systems that enable it to react quickly and intelligently to on-the-spot developments.

(5) Operational Efficiency

Lastly, the organizational structure of the company or division must reflect a marketing philosophy. The major marketing functions must be integrated and controlled by a high-level marketing executive. Various marketing positions must be designed to serve the needs of important market segments, territories, product lines. Marketing management must be effective in working with other departments and earning their respect and cooperation. Finally, the organization must reflect a well-defined system for developing, evaluating, testing, and launching new products because they constitute the heart of the business's future.

Table 2.3: Marketing effectiveness/performance components summary under Kotler’s model

| Factor | Component |
|-----------------------------------|--|
| Customer Philosophy | <ul style="list-style-type: none"> • Response to market needs • Market segmentation • Market priority |
| Integrated Marketing Organisation | <ul style="list-style-type: none"> • Marketing integration and Coordination • Synergy with other departments • New product development |
| Adequate Marketing Information | <ul style="list-style-type: none"> • Marketing research • Knowledge about market • Benefits vs. cost |
| Strategic Orientation | <ul style="list-style-type: none"> • Formality of marketing plans • Quality of marketing strategy • Crisis response capability |
| Operational Efficiency | <ul style="list-style-type: none"> • Communication of marketing Ideas • Efficiency of marketing resources • Response to uncertain environment |

Source: Yoon and Kang (2005)

2.2.4 Kotler’s critics

Yoon and Kim (1999) conducted a study which aimed at developing a diagnostic model based on Kotler’s marketing effectiveness model in order to assess the extent to which corporate marketing units take strategic control of their current marketing resources; incorporating a newly devised model of marketing effectiveness to assess the nature of relationship between the marketing effectiveness model and customer satisfaction by focusing on the firms in the

manufacturing as well as service sectors; and comparing the different facets of the marketing effectiveness model among the firms in the manufacturing and service sectors. They redeveloped and adopted a new model which was meant to overcome some of the existing models' weaknesses by revising the marketing effectiveness model through a series of brainstorming activities. A group of the marketing experts collectively generated the items essential for the construction of the marketing effectiveness measure. The resulting five major attributes were: (1) marketing personnel, (2) marketing organization, (3) marketing information system, (4) marketing strategy, and (5) marketing operations. Compared to the original model of marketing effectiveness, the only major difference was the replacement of customer philosophy of the original model with marketing personnel. The major components of each attribute are shown in Table 2.4.

Table 2.4: Comparison between Kotler’s marketing effectiveness model and the revised model

| Kotler’s Marketing effectiveness Model | | Revised Model | |
|--|---|-------------------------------|--|
| Attributes | Components | Attributes | Components |
| Customer Philosophy | <ul style="list-style-type: none"> • Management’s commitment to market needs and wants • Market segmentation strategy • Holistic marketing approach | Marketing Personnel | <ul style="list-style-type: none"> • Human resource planning • Marketing-mindedness • Education and training |
| Integrated Marketing Organisation | <ul style="list-style-type: none"> • Marketing integration and control • Synergy with other marketing units • New product process | Marketing Organisation | <ul style="list-style-type: none"> • Status of marketing unit • Formalization of marketing functions • Synergy among marketing units • Work-related cooperation with other departments |
| Adequate Marketing Information | <ul style="list-style-type: none"> • Marketing research conducted • Management’s knowledge of the market • Cost-effectiveness of marketing expenditure | Marketing Information Systems | <ul style="list-style-type: none"> • The existence of a system • The degree of system utilization |
| Strategic Orientation | <ul style="list-style-type: none"> • Extend of formal marketing planning • Quality of marketing strategy • Extent of contingency Planning | Marketing Strategy | <ul style="list-style-type: none"> • The understanding of marketing concept • Top management’s commitment • Formalization of the Marketing strategy planning |
| Operational Efficiency | <ul style="list-style-type: none"> • Top down communication of marketing thinking • Effectiveness of marketing Resources • Responsiveness to uncertainties | Marketing Operations | <ul style="list-style-type: none"> • Planning development: planning, market research, development • Sales activities: channel, promotion, advertising, price • Post-sales activities |

Source: Yoon and Kim (1999), Yoon and (Kang 2005)

On the other hand, Webster (1995) acknowledged that Kotler’s instrument is the best known, most frequently cited and widely used of all the other models for measuring marketing

effectiveness. The model has received some criticism from several authors. Meldrum (1996) argued that the instrument is a more 'traditional approach based on analysis, planning and control, making it context based rather than process oriented, and thus avoids issues of power, politics and organisational values. Connor and Tynan (1999) then said that although the model has critics, it was still an important model and that there has to be a more broad and significant measure of marketing effectiveness, whilst adapting the original instrument. Connor and Tynan's (1999) developing of Kotler's model centred on the assertion by Slater and Narver (2000) that market orientation is an aspect of organisational culture and inherently being a learning organisation which enhances effectiveness by exploring the process of learning, behaviour change and performance improvement are appropriate to adapting the instrument. In adapting the instrument Connor and Tynan (1999) suggested the following.

(i) Structure

A new item was introduced to examine designing a structure that reflects a strategy of being customer-focused. Grönroos (1994) contend that managing the customer interface for competitive advantage is one of a number of hidden organisational dimensions of marketing. As relationship marketing is increasingly adopted, companies will need to change their structure in order to maintain and develop market orientation. Kotler (1977) outlines the five stages through which the marketing organisation has moved to facilitate this:

- a simple sales department
- a sales department with ancillary marketing functions,
- separate marketing and sales departments,

- separate marketing and sales departments under the control of one executive,
- a process and outcome-based company where departmental organisation is viewed as a barrier to smooth internal and external marketing performances.

(ii) Culture

An additional item has been introduced to assess if the company's culture exhibits shared values, beliefs and corporate commitment to the marketing concept Deshpande and Webster as cited by Connor and Tynan (1999) describe organisational culture as the unwritten policies and guidelines to what has been formally decreed and to what actually takes place in a firm. That is a pattern of shared values and beliefs that help individuals understand organisational functioning and thus provides them with norms for behaviour in the firm.

Although marketing culture is regarded as a multi-faceted construct Webster's (1995) study of 173 USA service companies and Appiah-Adu and Singh's (1997) study of UK manufacturing and service companies, have shown there is a strong positive relationship between marketing culture and its degree of marketing effectiveness by using Kotler's (1977) instrument as a foundation for the questionnaires.

In deciding how to draw up a rating scale of answers to a question on marketing culture the authors Connor and Tynan (1999) have cited Canning's (1988, pp. 34-36) comments that "Marketing is frequently misconstrued as a function best left to the sales or marketing department", and that, "active participation by the chief executive officer (CEO) is critical because the CEO is the link between marketing and other functions in the company and that

person's clear support and involvement helps to secure company-wide commitment to marketing and encourages all units to fulfil their roles in its implementation".

Webster (1995) and Likert and Gibson-Likert (1976) state that effective organisations must see themselves as an interacting group of people with supporting relationships to each other. Thus the ideal goal becomes an organisation with objectives which are of personal significance to everyone working in it. The five point ratings were principally derived from Hooley and Lynch (1985) model of measuring marketing effectiveness that was tested by Lai et al. (1992) and Ghosh et al. (1994).

Further, Tabatabaei, Tanhaei, and Hirmanpour (2014) in their study of Mediating Role of Marketing Effectiveness on the Relationship between Organizational Culture and Business Performance found that “that organizational culture can influence marketing effectiveness, and marketing effectiveness, in turn can affect business performance. Based on these findings, the more importance organization places on the provision of marketing culture including customer closeness, organizational values, and market orientation the more effective would be marketing activities and consequently the higher levels of performance will be recorded for the organization.”

(iii) Organisational Learning

A new item was introduced to examine management receptivity to, and absorptive capacity for, organisational learning in its marketing environment. Connor and Tynan (1999) cite Piercy and Craven, and argue that currently attention has moved from the consideration of market orientation to the related but broader question of the creation of the learning organisation as a key to generating sustainable competitive advantage. Connor and Tynan (1999) further cite,

Hamel who wrote that he views the company as a portfolio of core competencies and value-creating disciplines, but further comments that as these competencies are not distributed equally amongst companies, global competitiveness depends on the company's receptivity, efficiency and absorptive capacity in organisational learning.

Drew and Smith as cited by Connor and Tynan (1999, p. 5) comment "Focus, will, and capability may be interpreted as: the organisation's knowledge and awareness of potential change; its willingness to address such change, and its abilities to exploit and withstand change". However, despite having the focus, will and capability to be a learning organisation, some companies may not make learning an integral part of routines, methods and procedures, thus limiting their marketing effectiveness.

In considering the literature review and the criticisms mentioned earlier, it appears Kotler's (1977) instrument could usefully be extended by adding the three variables of customer-facing structure, extent of marketing culture, and the capacity to be a learning organisation. In this regard, Connor and Tynan's article has improved Kotler's (1977) section with another element. Organisational Responsiveness, comprising the three variables stated above. As an organisation's marketing effectiveness may be influenced by this factor, and since an organisation can be designed in different ways, it is logical to expect some designs to be more productive than others in achieving a better degree of market effectiveness.

For the purposes of this research, the method chosen is the original Kotler (1977) instrument with additions of structure, culture and organisational learning added by Connor and Tynan (1999).

2.3 Challenges of marketing financial services

2.3.1 Uncertain Regulatory Environment

Financial institutions all over the world face a lot of challenges in marketing their services. The most obvious and top one being evolving and uncertain regulatory environment. New and upcoming regulations in the world are sure to have a significant effect on financial services organisations (mostly banks), as are pronouncement from the Basel Committee on Banking Supervision. There is certainly confusion and lack of clarity with regard to different, competing, compliance requirements that the banks will need to scrutinize carefully (Protiviti, 2013). In Botswana implementation of Basel II is set to start in January 2015 (Botswana Guardian, 2015). Banks are forced to devote some time and effort in establishing long term profitability and liquidity/solvency given the capital requirements of Basel II to start in 2015. Banks will have to implement processes and procedures to ensure that they have appropriate and compliant data management and reporting in place, along with supporting infrastructure and capital processes to execute the capital plan and report to according to the new regulations (Protiviti, 2013).

2.3.2 Consumer Protection

With the difficult regulatory environment also comes, difficulty in expanding the products and services because of issues of consumer protection both from financial regulators and other services regulators. Any informed discussion of financial services marketing must include issues related to consumer protection and conflicts of interest, which have historically characterized the industry. Consumers can often make catastrophic decisions related to financial services.

Research in psychology has for example established an array of human judgment errors that are persistent and highly influential in consumers' financial decisions. It appears that the human brain is simply not hardwired to respond rationally to financial stimuli. This issue is further complicated by the fact that most financial service offers are so complex that by making minor changes in the presentation of the offer, one could make many otherwise unattractive products look highly attractive (Fordham University, 2015).

2.3.3 Emergence of entrants in the marketplace

The other challenge of marketing financial services effectively is the emergence of entrants in the marketplace. The traditional boundaries of financial services marketing are being challenged by the emergence of new competitors from both within and outside of the financial services sector (Fordham University, 2015).

For example, insurance companies now sell their clients products related to investments, retirement planning, and other services traditionally provided by banking and investment professionals alone. Further, these insurance companies now give clients an opportunity to take short term loans based on the type and amount of policies they have with them. A client who has a cash back plan with Metropolitan can take a loan and secure it with the amount of money in their policy. Cellphone or mobile phones companies are also new entrants, as they now offer what is termed mobile money to consumers. Mobile money is meant to target the unbanked, but because of the small fees charged compared to banks' charges, even the banked consumers resort to using them.

These examples demonstrate a major shift in the type of competitors that traditional financial services marketers have to compete with today. In addition to the introduction of new competitors in the financial services marketplace, the array of financial products and services has noticeably expanded. Some of these products and services are unusual . For example, through a “life settlement contract,” a terminally ill person with a life insurance policy is able to sell the policy to an investor. The investor pays an upfront amount to the policyholder and takes over the responsibility of making the monthly payments associated with that policy. Upon the death of the policyholder, the investor is able to collect the policy’s payout amount. These new entrants in the market make marketing financial services even more difficult .

2.3.4 Fragmenting Consumer Base

Financial services markets are challenged by a consumer base that is becoming highly fragmented. Growing consumer bankruptcy rates, dramatic increases in consumer indebtedness, and rising delinquency rates for credit indicate a marketplace a lot of people are struggling and trying to make ends meet at every level. While groups of consumers are increasingly experiencing economic hardship, the picture in other segments of society seems to be much more positive. These facts indicate that the consumer base is becoming more partitioned, and as a result, financial services designed to serve these consumers may need to become more diverse in order to keep up with the market’s increased fragmentation (Fordham University, 2015).

Demographic shifts also influence the way in which financial services marketers operate. the differences in ages of consumers mean that marketers must have different products for pensioners, youngsters, middle aged and toddlers. Banks and financial services companies also

have to make tailor made products for different income groups example lower, middle, middle low and higher income earners as they do not require the same services.

2.3.5 Economic Forces

One of the factors that make the marketing of financial services unique and difficult is the fact that most financial services have to be judged by consumers within the context of the current economic environment in which they are offered. The attractiveness of a savings product, for example, might be a function of the interest rates and expected rates of inflation. Similarly, investment options may largely relate to one's expectations of how the stock market might behave in the near and distant future. Other factors, such as the cost of energy, expectations of unemployment, exchange rate fluctuations, and general trends in the economy might encourage or discourage consumers from purchasing particular financial products and services. The overwhelming influence that economic forces have on the attractiveness of financial products and services greatly impacts their marketing (Fordham University, 2015).

The current economic environment in Botswana for example interest rates in the last two years have been at their lowest levels, a main contributor to the high levels of consumer borrowing. Therefore, subsequent effects on financial services which support such spending, for example by providing consumers with credit, will likely follow.

2.4 Conclusion

This chapter illustrates the problems which are associated with marketing financial services, the importance of marketing effectiveness review on banks as well as the models that have been used by others in measuring marketing effectiveness plus their pros and cons.

CHAPTER 2 METHODOLOGY

3.1 Introduction

This chapter looks at a number of methodological issues necessary for the successful process of undertaking research. In doing so, the chapter considers the research questions, research approach and design, Research methodology, Reliability, validity and trustworthiness and conclusion.

3.2 Reinstatement of Research Questions

Chapter one developed two research questions and objectives as stated in sections 1.4 and 1.5. In determining the effectiveness of commercial banks' marketing effectiveness, the key questions to be answered in the study are as follows:

1. To what extent are the commercial banks in Botswana marketing effective?
2. In what areas are improvements needed for the commercial banks to be marketing effective?

3.3 Research Approach and Design

The choice of a research design is influenced by the research objectives as well as the research philosophy (Malhotra, 2007). Research design is a framework or blueprint for conducting marketing research that "details the procedures necessary for obtaining the information to structure or solve marketing research problems" (Malhotra, 2007, p. 78). Therefore this chapter specifies the details of the research approach in order to ensure that this study is conducted

efficiently. To achieve the objectives specified in this paper, both exploratory and evaluative designs were used. An exploratory study is a valuable means of finding out what is happening, seek new insights, ask questions and assess phenomena in a new light (Saunders, Lewis, & Thornhill, 2009). This is a best choice for this paper because little has been done on marketing effectiveness in Botswana and its companies. Three principal ways of conducting exploratory research are search of literature, interviewing experts on the subject and also conducting focus group (Saunders et al., 2009). Interviewing experts who include Marketing Executives of the commercial banks was used, because it is more effective to get the information in an interview than with other modes of conducting research. It was also undemanding on the researcher since of the number of respondents was not large and they are situated in one place, Gaborone. In order to conduct the study, both primary and secondary data was used. The primary data was collected by administering questionnaires by interview with the relevant people. Secondary data was collected from the bank's annual reports, articles in magazines and newspapers, as well as reports done in other countries

3.4 Research Methodology

3.4.1 Population

The population of the study consists of all the 11 commercial banks in Botswana namely: Barclays Bank Botswana Limited, Standard Chartered Bank Botswana, First National Bank Botswana, Banc ABC, Bank Gaborone Limited, Bank of Baroda, Capital Bank Limited, Kingdom Bank Limited, Bank of India and State Bank of India. The places of research will be at the banks' headquarters, which are all situated in Gaborone.

Headquarter are the best places to carry out the research and get information, because strategies are set at headquarter level and the branches follow what the headquarters has stipulated. The headquarter is where decisions are made and the marketing head operates from. Generally corporate strategies are centralized at the corporate office with corporate-level executives crafting diversification strategies (Hitt, Ireland, & Hoskisson, 2007), including alignment of key management processes for effective strategy execution (Crittenden & Crittenden, 2008; Kaplan & Norton, 2005). Banks in Botswana are geographically diversified with centralized strategic decisions. Studies have found that some large geographically diversified companies seem to be developing global marketing strategies involving their largest subsidiaries, and that this led to a greater centralization of marketing decisions, and that these companies also tended to centralize decision-making for subsidiaries that face high environmental (Gates & Egelhoff, 1986). Such findings, it was expected that although banks in Botswana were geographically diversified to major towns and villages in the country, their marketing activities were centralized at the headquarters.

In that regard, the questionnaire was administered to each marketing head or executive of the 11 banks at the bank's headquarters in Gaborone. Where the bank did not have a marketing executive as was common for new banks such as Bank of India and State Bank of India, the Managing Director was asked to respond the questionnaire.

3.4.2 Data Collection Method

A survey was used to collect data for the study. Therefore, literature review was used to generate measurement items that were used for the study. Two (2) sections (see Appendix xxx) were developed in the survey instrument emphasising on the core theoretical constructs measuring Marketing effectiveness. Section A (questions 1 to 5) dealt with the seven (7) constructs

measuring marketing effectiveness: Customer Philosophy, Integrated Marketing Organisation, Adequate Marketing Information, Strategic Orientation, Operational Efficiency, and Organisational Responsiveness, An additional open-ended question was included requesting respondents to state problems they faced in their attempts to make marketing efforts effective. Open ended questions can be included to provide the researcher with an opportunity to probe responses by asking supplementary questions to seek clarification (Saunders et al., 2009)

The questionnaire was developed centering on the modified five (5) attributes of marketing effectiveness. Originally, as advocated by (Kotler, 1977, 1997), there were five dimensions composed of five measurement attributes (customer philosophy, integrated marketing organization, adequate marketing information, strategic orientation, and operational efficiency), the model by Kotler (1977, 1997) sought to capture the dynamic, process-oriented, and integral nature of the customer-based marketing capabilities, and has been widely used (Appiah-Adu, Fyall, & Singh, 2001; Gama, 2011a; Webster, 1995). Therefore, the marketing effectiveness model takes both the outside-in and the inside-out perspectives to marketing capabilities. In adapting the Kotler (1977, 1997) a sixth measure of organizational responsiveness was included (Connor & Tynan, 1999).

Accordingly, each of Kotler's (1977) Instrument questions have been upgraded ever since Kotler (1977, 1997), and Connor and Tynan (1999) produced a much updated version which has been adapted for this study. **Customer Philosophy** was measured using three variables (CP1 to CP3 in Appendix I). CP1 inquired about management's recognition of the importance of designing the company to serve the needs and wants of chosen markets. C2 concerned itself with market segmentation while C3 assessed management's marketing system view. **Integrated marketing**

organization was also made up of three variables (IO1, IO2, and IO3, See Appendix I). IO1 assessed the level of marketing integration and control of marketing functions, while IO2 investigated internal interface and IO3 measured new product development. **Adequate marketing** information was developed to assess information collection, segment sales/profit, and expenditure cost effectiveness. Furthermore, **strategic orientation** investigated extent of formal marketing planning, quality of the marketing strategy, and the extent of contingency thinking and planning. **Operational efficiency** examined internal marketing communication, marketing resources (budget and manpower), and management's capacity to react quickly and effectively to on-the-spot developments. Lastly, the study measured **organizational responsiveness** using three items on external interface, culture and Learning capacity.

These dimensions were made up of three questions each, adding up to 18 questions which were used to investigate marketing effectiveness. In addition, each question was structured as a fixed set of five alternative responses and the respondent was required to select one answer from the set of five. An unbalanced scale of five points ranging from 1 to 5 was employed in line with Connor and Tynan (1999), as opposed to seven-point Likert scale (Gama, 2011b) or nine-point scale (Appiah-Adu et al., 2001) used in previous studies. Respondents were also asked to indicate their demographic characteristics, namely gender, level of education and age.

3.4.3 Data Collection Method

The questionnaire was implemented using face-to-face interviews with Bank executives. Appointments were made through phone calls to the bank. Where it was not possible to locate the executive by phone, a visit to the bank was made to book the appointment. The interviews

were held at the executives' offices between February and March 2015. Attempts to collect data in December failed because most of them had gone for holidays.

3.4.4 Data Analysis Method

The data for this study was analysed using Statistical Package for Social Sciences (SPSS). Quantitative and qualitative data used in this study was analysed. The quantitative data was analysed using the SPSS software to produce pie charts, frequency tables and graphs presented in percentages and ratios. The measures of central tendency which include the mean, median and mode was applied. Measures of dispersion which includes variance, standard deviation and range was deductively applied for in-depth analysis. Qualitative information was analysed through an interpretive approach. The interpretive approach helps to make conclusions about the whole population based on the information provided. The interpretation is based on the information gathered.

3.5 Ethical Considerations

In planning and conducting the research, as well as reporting the findings, the researcher fulfilled several obligations in order to meet ethical standards. First the research project is planned so that misleading results is minimised. Second, the project was properly planned so that it meets ethical acceptability. Any doubts the researcher had regarding questionable ethical procedures or methods was resolved through peer review or through consultation with appropriate parties.

3.5.1 Ensuring participants are given informed consent

It is considered unethical to collect information without the knowledge of participants and informed consents. Participants must be aware of the type of information the researcher wants from them, why the information is being sought, what purpose it was put to, how they are expected to participate in the study and how it will affect them. The researcher ensured that the key participants are fully aware of the activities pertaining to the research.

3.5.2 Ensuring no harm comes to participants

The researcher ensured that no harm comes to participants.

3.5.3 Ensuring Anonymity

The identity of the participants was protected if they want it that way.

3.5.4 Ensuring that permission is obtained

The researcher abstained from any form of inducement to participants in order to obtain favours from them. The full disclosure policy regarding the purpose and nature of the study was implemented and the use of deception was totally avoided as it is highly unethical in research. The consent to participate was voluntary and without pressure of any kind.

3.6 Conclusion

This chapter has detailed the methodology of conducting the current study, which is both exploratory and evaluative in design. The research was conducted on a population of 11 commercial banks only in Botswana. The study used both qualitative and quantitative data which was obtained from both secondary and primary data sources. The questionnaire was structured mainly as a set of five alternative responses and open ended in some instances.

CHAPTER 2 RESEARCH

4.1. Introduction

This chapter deals with the findings and analysis of data that has been collected as part of the research. The analysis focused on data collected from administering the questionnaires to all commercial banks operating in Botswana. It includes the last questions of the questionnaire which covered demographics. The analysis covers all the six categories that were used to measure marketing effectiveness: Customer Philosophy; Integrated Marketing Organisation; Adequate Marketing Information; Strategic Orientation; Operational Efficiency; and Organisational Responsiveness.

Rating Marketing effectiveness

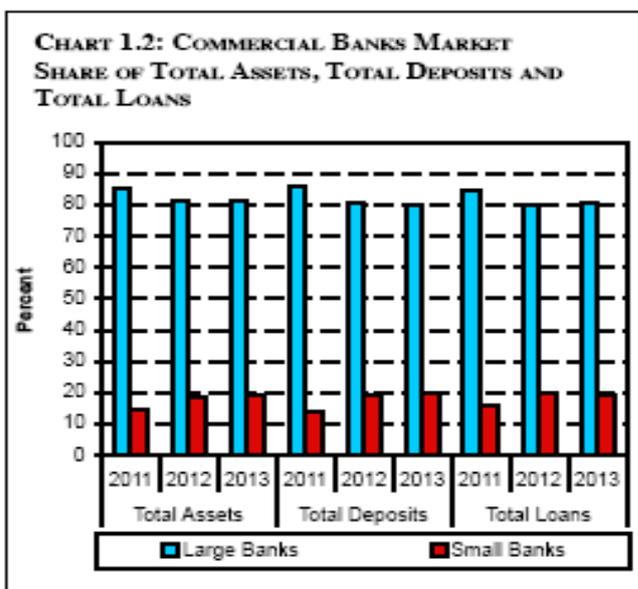
Information is collected was it bears on the 18 questions. The appropriate answer was checked for each question. Then scores were added and the total was between 0 and 15 for each category of marketing effectiveness e.g Customer Philosophy. The following scale shows the equivalent in each category of Kotler's marketing effectiveness:

| | |
|---------|-----------|
| 1 – 3 | Poor |
| 4 – 6 | Fair |
| 7 – 9 | Good |
| 10 – 12 | Very good |
| 13 – 15 | Superior |

Market share

The commercial banks were further categorised as large and small. A large bank is one with total assets that constitute 10 percent or more of the aggregate banking industry total assets as at December 31, 2013. Barclays Bank of Botswana Limited (Barclays), First National Bank of Botswana Limited (FNBB), Stanbic Bank Botswana Limited (Stanbic), and Standard Chartered Botswana limited (Stanchart). As at December 31, 2013, the large banks accounted for more than 80 percent of industry total assets, deposits and loans and advances. (Banking Supervision Annual Report, 2013). The rest are small banks and their activities account for the remainder from the large banks (see Figure 4.1 below). For purposes of anonymity, the names of the banks were not revealed, each bank was given a code. Big banks were labelled BB1 to BB4 and small banks SB1 to SB7.

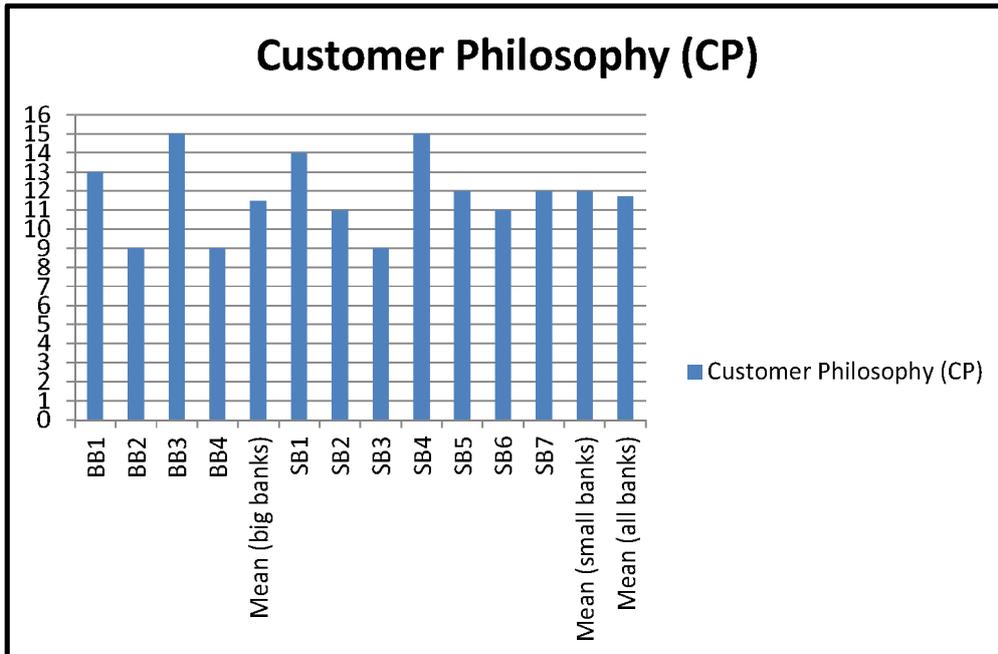
Figure 4.1- Commercial Banks' market share of Total assets, Total deposits and Total loans



Source: (Bank of Botswana, 2013)

4.2 Data Presentation

4.2.1 Figure 4.2 Customer Philosophy (CP)

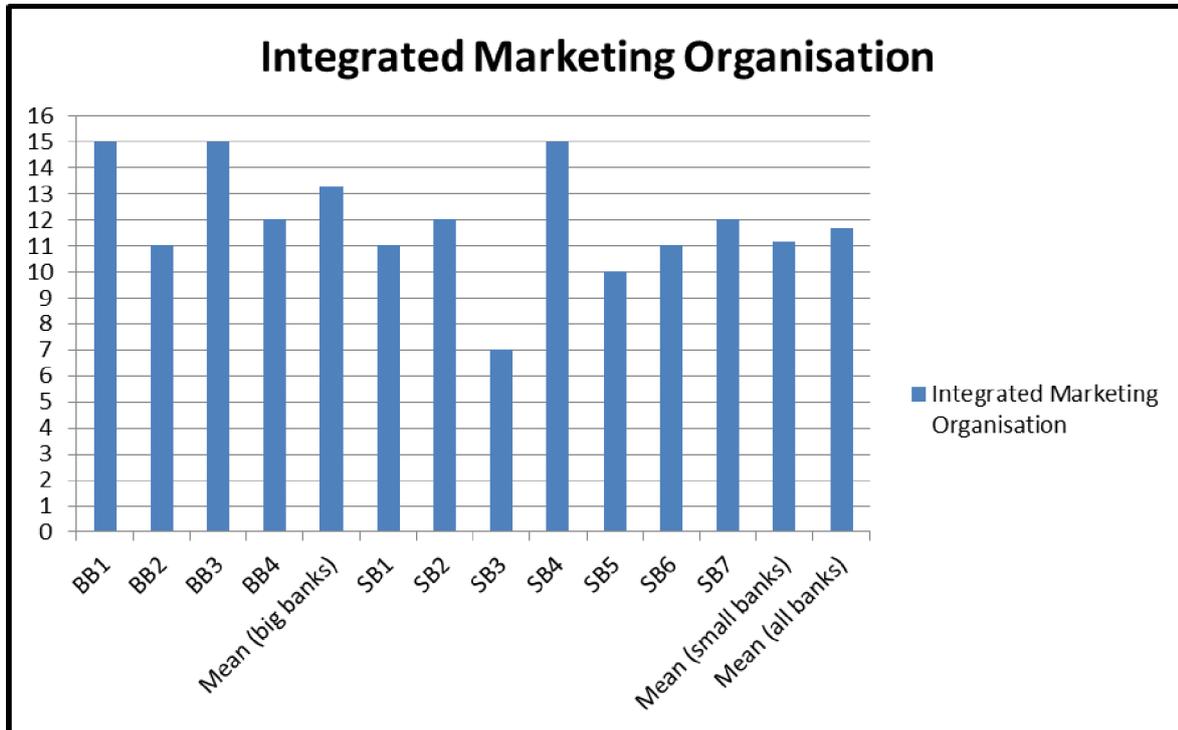


For all the three questions asked under Customer Philosophy, all the Banks acquired a score of “9” or more which implies that the level of Customer Philosophy among banks was good or more than good. One bank was rated good, 5 banks (50 percent) were rated very good 4 banks (40 percent) were rated superior. The mean score for the banks was a 12, which means that the Botswana banks were very good in terms of customer philosophy.

The mean score for both large and small banks was 12. It is worth noting, however that BB3 and SB4 attained the perfect scores of 15 i.e. superior, whilst BB2, BB4 and SB3 attained the least scores of 9 each meaning their degree of Customer Philosophy was good.

4.2.2 Integrated Marketing Organization

Figure 4.3- Integrated Marketing Organization (IMO)

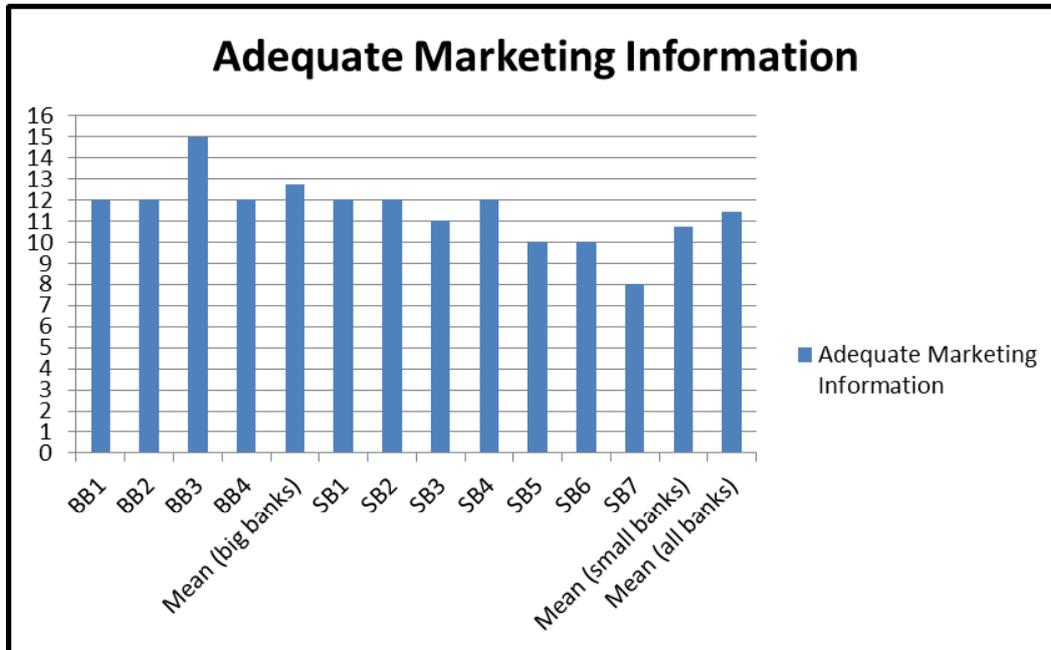


9.1 percent of the respondents attained a score of “7” which signifies a good rating. 63.6 percent attained very good rating, whilst 27.3 percent attained a superior rating. The mean for this category was 12, which signifies that the banks were in a very good manner in terms of Integrating information within the organisation. The mean score for large banks was 13, signifying a superior rating, compared to small banks whose mean score was 11, signifying a very good score in Integrated marketing organisation.

For this category BB1, BB3 and SB4 acquired the perfect score of 15.

4.2.3 Adequate Marketing Information

Figure 4.4: Adequate Marketing Information (AMI)

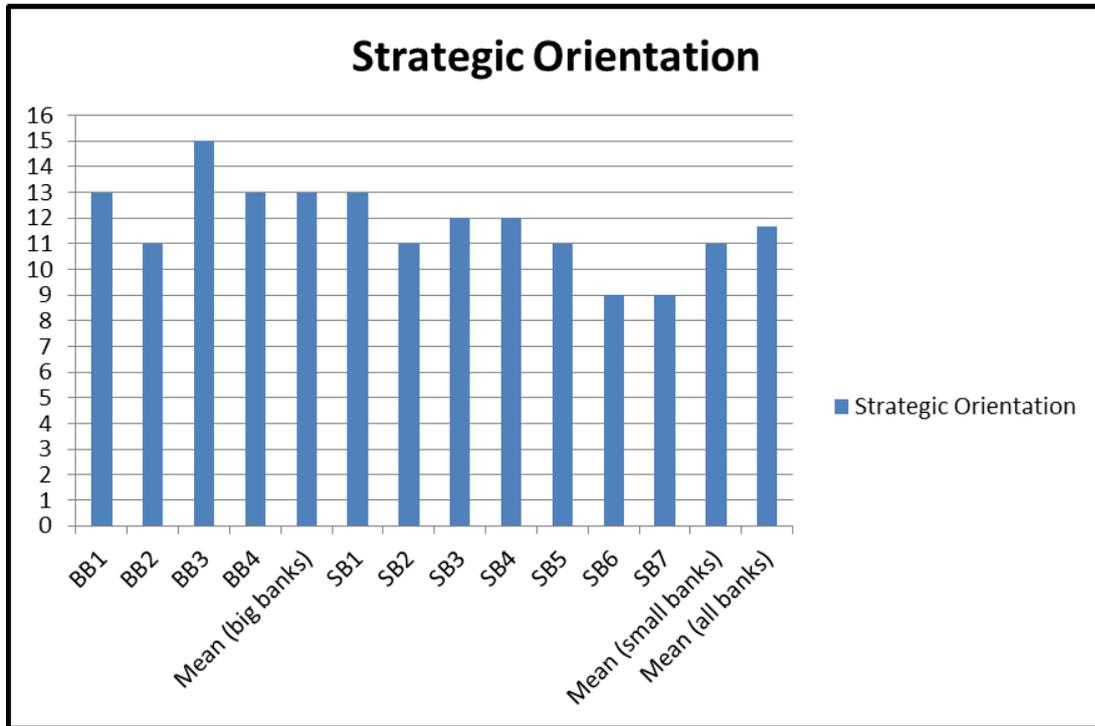


According to Figure 4.4, all the banks had a rating from 8 to 15. 9.1 percent attained a rating of good, 63.6 percent (7 of 11) attained very good, and one bank was rated a superior. The mean score for all the banks was 12 which imply that the banks had adequate marketing information.

The mean rating for large banks was a superior, whilst it was very good for small banks. Only BB3 acquired the perfect score of superior (15). SB7 acquired the lowest score of 8, signifying a rating of Good.

4.2.4 Strategic Orientation

Figure 4.5: Strategic Orientation



Under strategic orientation, according to the responses, 91 percent (10 of 11) of the respondents said strategic orientation was very good in the banks. Only 9 percent (1 of 11) is experiencing a superior score in strategic orientation. The mean score for this category was a 12, signifying that banks were very good in terms of strategic orientation.

The mean score for large banks was a superior and for small banks the score was a very good rating. BB3 continued to acquire the perfect score of 15 for Strategic Orientation, whilst SB6 and SB7 got the lowest ratings of 9, signifying a rating of Good.

4.2.5 Operational efficiency

Figure 4.6: Operational efficiency (OE)

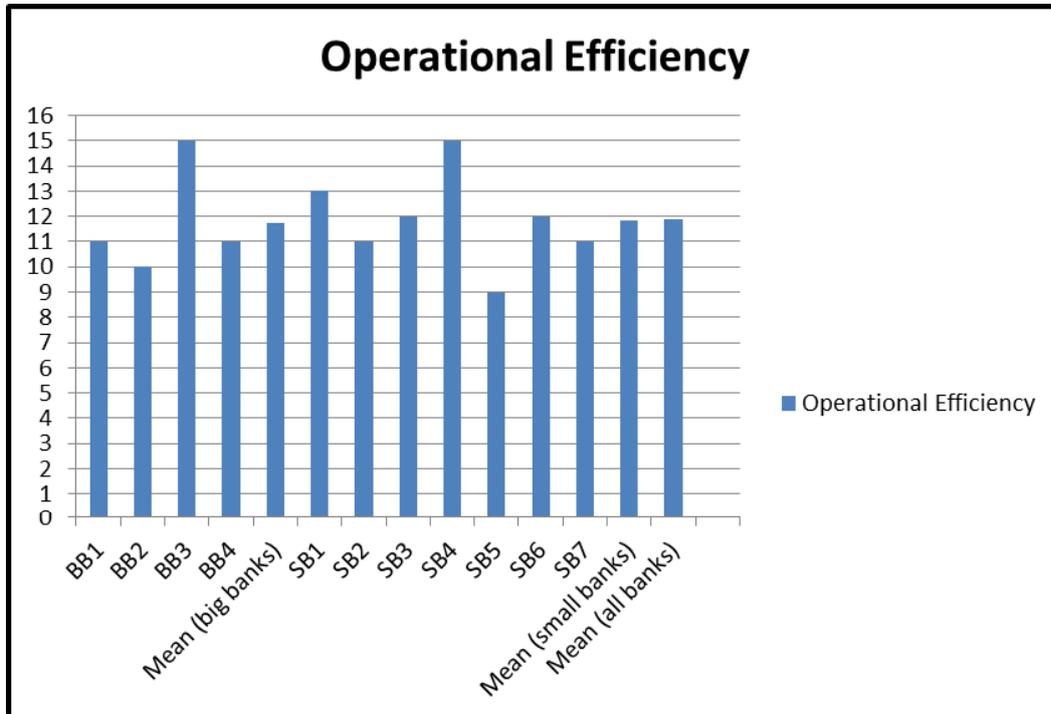
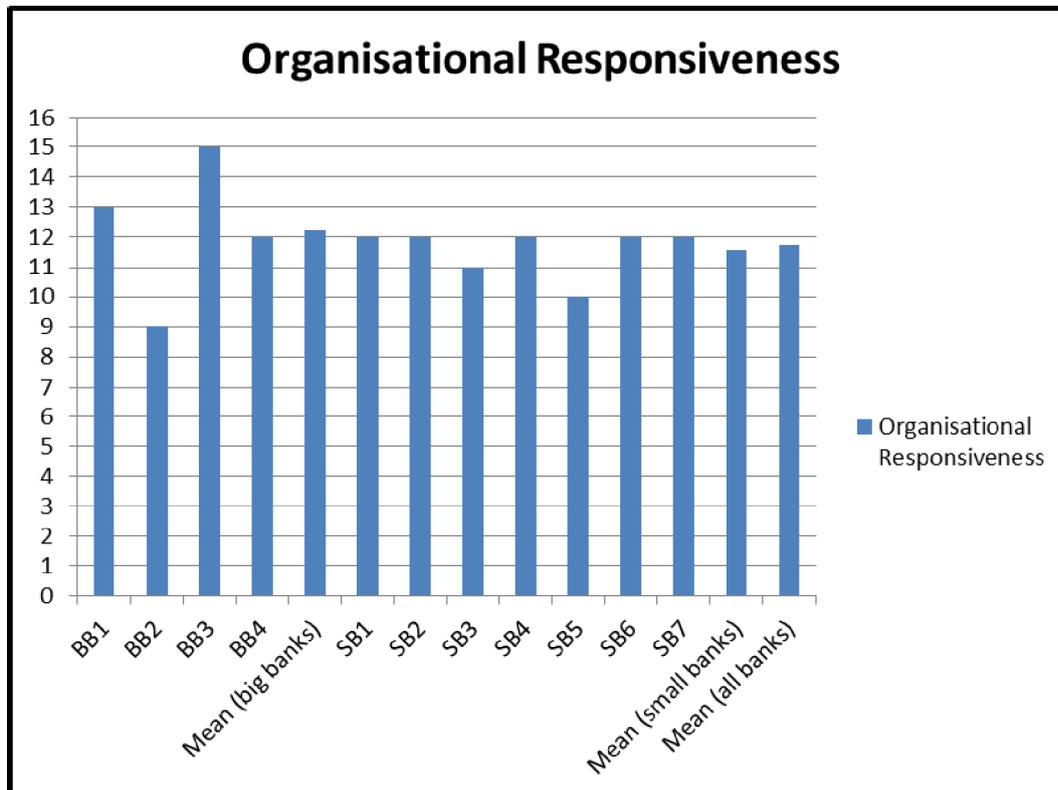


Figure 4.5 above shows that 45 percent (5 of 11) of the respondents got a score of “13 to 15” (Superior) for Operational efficiency. However, 64 percent ‘10 to 12’ which shows a very good rating in operational efficiency. The mean score for this category was 12 implying a very good score in operational efficiency.

A comparison between the large and small banks showed no difference in the mean scores, however, BB3 and SB4 acquired the highest scores of 15, signifying a superior rating.

4.2.6 Organisational Responsiveness

Figure 4.7: Organisational Responsiveness (OR)



72.7 percent (8 of 11) of the banks scored between 10 and 12, which implies a very good score in organizational responsiveness. However, 18 percent (2 of 11) attained a rating of superior. The mean score for this category was 12, implying a superior rating.

4.2.7 Other questions

What problems have you faced with making marketing efforts effective?

Within their institution, banks realized the following hiccups: conflict with other departments especially departments in charge of finances; insufficient funds for marketing; limited banking and financial skills within the banking sector; poor banking systems in the bank which has resulted in customers leaving the bank in search of banks which have better banking systems.

In relation to clients/customers, banks reported that: customers do not seem to understand their products well. Some customers sign up contracts for products and later want out citing lack of proper understanding of the products; and inconvenience by the customer by changing their preferences of products due to financial problems, and in the process the bank loses money because of that.

With regard to Regulators, more than 80 percent of the banks gave the following answers in response to problems with regulators: too many laws against marketing; too much regulation; rigid laws-; lack of understanding products; too many laws governing the industry, inhibiting growth and exploration of new products.

4.2.8 Demographics

Table 4.7: Demographic Characteristics of Respondents

| Gender | Frequency | Percent |
|---------------------------|-----------|---------|
| Male | 5 | 45.5 |
| Female | 6 | 54.5 |
| Level of education | | |
| Degree | 8 | 72.7 |
| Post graduate | 3 | 27.3 |
| Age | | |
| 30 - 39 | 7 | 63.6 |
| 40 - 49 | 4 | 36.9 |

Eleven (11) respondents participated in the study, representing all the eleven (11) commercial banks in Botswana. Males constitute 45.5 percent, while 54.5 percent of the respondents are females respectively. Of all 11 respondents, 72.7 percent of them have a degree and 27.3 percent a post graduate degree which shows a high literacy level among the respondents. Of the respondents who had post graduate degrees, and usually require a large salary, all three were

from large banks, probably because they can afford to pay such people compared to small banks. Furthermore, None of the respondents were below the age range of 30-39, 36.4 percent of them fell within 40-49 years and 63.6 percent within 30-39 years.

4.3 Data Analysis

(a) Customer Philosophy

In terms of customer orientation, all banks performed well except a few. Most banks especially large banks seem to be doing this well. This is a products among the big banks called priority banking, whereby, the customers who contribute more to the bank's income are given a better service or are treated in high ranking compared to other customers. These priority banking customers either have their own branches, or in usual branches they do not queue, or are served in the comfort of their homes. This could be an indication that the banks are able to distinguish customers and so develop different products and ways of serving them.

(b) Integrated Marketing Organization

Large banks performed better than small banks by attaining a superior rating. This is probably because large banks have a high office or executive staff member for a Marketing head. Whilst small banks mostly have what are managers performing the work of a head of marketing. Having a high level officer or executive who sits in high level meetings, is beneficial because the person is able to articulate and discuss their department's needs and get support from other high level

executives. In small banks it is common for a Marketing manager to report either to the Head of Operations or to the Head of Finance, this makes their job insignificant and their voice is not heard in high level meetings. This kind of Marketing manager's job and function mostly becomes trivial as their unit is represented by somebody else who also represents their own department. Further, large banks have fully fledged Marketing departments; whilst in small banks Marketing division exist as a small Unit with less than five employees. In the newer banks, marketing is done by one person who either doubles as a Managing Director (MD) or Manager of Operations.

(c) Adequate Marketing Information

Most banks especially the large banks made efforts to seek for information about their market and how their products are perceived by customers. Three of the big banks now have an employee whose function is to research about the market including customers, their needs, economic factors, stock market and make reports to the management of the banks. Most small banks however, rely upon the Central Statistics Organisation, other parastatals or other private companies for marketing research. As for sales potential and profitability of different markets, most banks are doing well on this one because making profit is their ultimate goal, most of them also get a lot of pressure from shareholders who want to know if investments are yielding any returns and how much they can get as dividends.

(d) Strategic Orientation

Most banks did well in strategic orientation because all the banks are foreign banks with bigger and more established parent banks. It is possible that although most claim that they set their strategies in Botswana, they are indeed developed from host/parent countries and adopted by Botswana banks (branches). The strategies as well as contingency plans are modified to fit the Botswana market. Although this strategy has worked for the Botswana market, it might be beneficial in future for banks to set their own independent strategies which fit their customers as the market needs change all the time.

Botswana banks are also required at licensing to have a long term strategy that explains fully how they are going to penetrate the market. For all the banks this is set at parent bank. However, Botswana banks are also in terms of Section 22 (8) of the Banking Act supposed to inform the Bank of Botswana on their annual strategies. Since most of the strategies are three to five years, at the yearly meeting held with the banks, their external auditors and Bank of Botswana, the banks have to update the Bank on progress made in their set strategies. Banks have to explain to the Bank any shortcomings and how they plan on mitigating the shortcomings and moving forward. This is probably another reason why banks performed very good in strategic orientation. No bank wants to be in bad books with the regulator so the strategic theme has to be up to date all the time.

(e) Operational efficiency

In terms of operational efficiency, the results reflect what happens at the banks. In all the banks, every employee from the managing Director to the last position in the bank is a marketing person, all employees are expected to bring in clients regardless of the position they hold in the bank. This system where every employee is a marketer is effective because at the end of the year, in most banks, employees are given bonuses which are based on their performance in their day to day job as well as how much business (e.g new deposits and loans) they brought to the bank through the bank. Since employees want a big bonus, they try to bring in customers, thereby helping in marketing the bank.

(f) Organisational Responsiveness

The culture at all the banks is that every employee is a sales person, and marketing is the guiding philosophy for the whole banks and is implemented by all employees. It is also evident that most banks view learning as an important tool in their marketing environment. Although the banks reported that they do not take employees for formal training e.g diploma, degree, they encourage employees to take these kind of trainings by availing short term study loans and study leaves for private or school after working hours. Training that most banks have alluded to practicing is that which is job specific and short term to enable employees to perform their jobs diligently. There is a budget every year especially for new employees, and employees whose jobs entail a lot of dynamism to attend training either in country or outside the country.

CHAPTER 5: DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter discusses the findings of the study, concludes and provides recommendations which can be used for further research. The aim of the research was to investigate the marketing effectiveness of commercial banks in Botswana using Kotler's components of marketing effectiveness.

5.2 Summary of Research Findings

5.2.1 Objectives of study

This study has two (2) objectives. Therefore summary of findings are discussed in view of these study objective.

The first objective was to evaluate marketing effectiveness of the commercial banks in Botswana based on the six attributes of marketing effectiveness. Overall, Botswana banks marketing was found to be effective when rating it with modified Kotler's marketing effectiveness tool. In a study done on Korean firms (manufacturing and service) by Yoon and Kim (1999), service-oriented firms had superior personnel ratings and marketing information systems because service firms, in contrast, interact more closely with customers and thus require more customer-oriented skills and orientation. A similar finding was reported by Rye and Kim (1997) who found that the companies in a very stable environmental change are more customer oriented and higher

performing. These findings correspond well with what was found in terms of customer philosophy and adequate marketing information categories.

The second objective was to identify the areas of potential problems with respect to their marketing effectiveness. Banks identified the following problems that inhibit their marketing efforts.

(i) Insufficient funds for marketing activities

Banks reported that there is always conflict with other departments especially Finance because of insufficient funds for marketing, this was a problem faced mostly by small banks. Small banks do not enjoy the benefit of having a surplus in profits. Large banks have a lot of funds from profits that were retained in the years they were in operation. Also most large banks have rich parents which are already established in their own markets, so it is possible to get marketing support in terms of funds and training from the parents. Barclays parent bank is in England, Stanchart, Stanbic and FNBB parents are in South Africa. (various bank's audited financial statements).

(ii) Lack of banking skills

Banks reported limited skills within the banking sector. The banks reported that they did not have any problem with this kind of skill before, until recently in early 2008 when it became evident that the skills and qualifications in the sector are not at par with international standards. The 2007/8 financial crisis made banks realize that they need more than just an employee with

30 years banking background. Banks need employees with formal education but with experience in banking too. Banking is a skill that one does not learn overnight or at university, it needs a lot of grooming to make a good banker. They need someone who can read the financial market and make reports on where the bank is, where it needs to be and ways to get there.

(iii) Poor banking systems

Some banks reported losing potential customers because of poor banking systems.

(iv) Lack of understanding products

According to Central Intelligence Agency (2015), Botswana's literacy levels as at August 23, 2014 stood at 85.1 percent. This means more than 80 percent of Botswana can read and write. This notwithstanding, banks feel that a lot of their Botswana customers do not understand financial issues especially relating to banking. This was evident in the increasing number of delinquent loans. As at December 2014, delinquent loans and advances for the banking industry had increased by 84 percent from the previous year. According to banks this was largely a result of lack of financial literacy among their clients who take up more debt than they can handle because they are financially illiterate.

(v) Too many rigid banking laws

The banking sector is very sensitive and involves a lot of stakeholders. Other than its shareholders, employees and Board, there is also the public that is involved in banking. Banking business primarily involves taking deposits from the public and giving them as loans and advances to others. Banks deal with the public's money, so regulation is mandatory. Banks in Botswana are regulated primarily by the Bank of Botswana, and secondary regulators include; the Ministry of Finance, Botswana Unified Revenue Services (BURS) and Ministry of Commerce. The ultimate goal of bank supervision then is to protect the public's money which banks use for their banking business. This then explains the many rigid laws when it comes to banking. This also includes marketing bank services which is governed by Section 42 of the Banking Act (CAP.46:04) which states that:

(1) If an advertisement made on behalf of any bank is, in the view of the Central Bank, false or misleading, the Central Bank may direct the bank, or other person responsible for the dissemination of such advertisement to withdraw or modify it in such manner as the Central Bank may direct, and the bank shall comply with any such direction.

(2) Any bank or person who fails to comply with a direction given by the Central Bank in accordance with the provisions of subsection (1) shall be guilty of an offence and liable to a fine of P 5 000.

This is a section of the Banking Act that deals with advertisement, but there is still a lot of laws and regulations that govern banks, which are meant to ensure that the financial system in the country is safe, sound and stable.

(vii) Lack understanding banking products which inhibits growth and exploration of new products

In addition to the reason for tight regulation, as stated by Jefferies (2009/10) is that Botswana does not have a system of formal deposit insurance, and there has never been a situation of bank failure that would have led to a call on such a system. Furthermore, there has been a requirement that parent companies would back their Botswana subsidiaries in the event of financial distress. However, the events of 2008-9 and the collapse of banks and financial institutions that were previously thought to be sound, plus the entry of new, smaller banks into the Botswana market plus the recent liquidation of KBAL, may lead to a reconsideration of this position. Therefore this calls for closer regulation of banks because once a bank fails, the depositors will lose all their funds if the bank is not able to pay them.

5.3 Recommendations

The third objective of this study was to; make recommendations in line with the observations. In view of the problems that banks reported as setbacks to their marketing effectiveness, the following are the recommendations:

(i) Within the banking institution

To solve the problem of limited skills and experience banks can practice the following as suggested in Fordham University, 2015: Training of officers, such as in seminars to provide a

better understanding of each bank product and services. This does not only apply to staff in charge of sales and marketing but everyone from the cleaning lady to the CEO; Hiring of consultants to bring into the company specific marketing improvements that are needed; Creation of new positions in the marketing organization; Increased investment - or sometimes just more efficient investment - in marketing research; Installment of improved formal planning procedures. <https://hbr.org/.../from-sales-obsession-to-marketing-effectiveness>

Although the problem of poor banking systems was reported as being a problem at one bank, it seems to be a major problem in most banks in Botswana as evidenced by the long queues and dysfunctional Automated Machines (ATMs) in the country.

To overcome the challenge of poor banking systems requires software solutions that can help financial services marketers (including bankers) deliver on their digital marketing objectives. Most financial services marketers most commonly turned to Web and mobile analytics software to automate data collection, deliver real-time performance metrics, and provide data-driven insights. Others are also using Web content management, segmentation and targeting, and social media software (Young, 2014).

To overcome conflict with other departments especially departments in charge of finances which ultimately lead to insufficient funds for marketing, Fordham University (2015) suggested computing the Return on Investment (ROI). This means determining the return on investments associated with a certain new product. Four items of information are needed in order to conduct this estimation, one of which is an estimate of the lifetime value of an acquired customer. The lifetime value of the customer is the total profit that an acquired customer represents to the company. It is quantified as the sum of the profits associated with the stream of transactions that

the customer will undertake with the company over the years. In addition, an estimate of the total number of consumers who will be exposed to the advertising campaign for the said product is required. An estimate of the percentage of reached consumers who will eventually purchase the advertised financial product or service is also required. This conversion estimate may range from a low of 0 to a high of 1. Advertisements that are more memorable, are run more frequently, or are more relevant to their target audiences are likely to have a greater impact on consumers, resulting in higher conversion levels. Finally, the total expenditure identified is needed in order to compute the return on investment for the marketing campaign (Fordham University, 2015). If the department in charge of funding is convinced that a certain new product will make a big income for the bank, they may let the funds flow to the marketing department.

Assessment of the impact of a campaign through formal market research or examination of company records of the new product or financial service is another step in winning the heart of the other departments. It is critical to measure and record sales levels and other advertising responses following a marketing campaign in order to determine the financial effects of the invested advertising fees. Such measures may help fine-tune the advertising strategy of the bank and provide estimates for optimizing future marketing campaigns. For direct advertising campaigns, such measures are obtained through the tracking of consumer inquiries following the marketing campaign and the use of tracking numbers, which can pinpoint the exact promotional material to which the consumers are reacting. For advertisements delivered through mass media such as television, radio, and newspapers, the tracking of consumer responses may be considerably more difficult and might require examining aggregate changes in sales for the months following the marketing campaign, or the purchase of market research data from specialized research firms (Fordham University, 2015).

(ii) Clients/customers

The problem of lack of financial education in clients can be partly a problem of lack of banking skills and banking products among bank staff. If staff is just encouraged to sell a lot products and services and not fully educated on the said products, they are surely transferring the ignorance to their clients. Further, because most bank staff are rewarded on basis on how much business they brought to the company during the year, a lot of the staff are bound to be blinded by greed and a desire to be the highest performer. If the bank staff concentrate on getting more customers with less knowledge of how products work, the bank is bound to have customers who sign for products they have little understanding of. So as stated above, banks should educate their staff first about the different products being offered before encouraging them to win more customers.

Although it is the responsibility of each customer to understand every detail before signing documents, it is also the responsibility of service providers to make sure that their clients know what they are signing and agreeing to and that their advertisement does not mislead in anyway.

For organizations striving to become better performers (high-flyers), Ghosh et al. (1994) also suggest that managers need to become more aware of the central importance of marketing within their organizations. To achieve this, training can serve as a change agent to assist in the creation of an organizational culture with a marketing orientation. Recruitment of new staff with a strong marketing orientation would also help to accelerate the pace of change, and a close relationship between the personnel and marketing functions would seem to be essential to achieve this (Ghosh et al., 1994).

Further, Banking institutions must expand their mission from ones that prioritize profit maximization as the only sole objective but, to equally commit their objectives on supportive strategy of the environment around them; Commercial banks must be transparent to stakeholders, not only through robust, regular and standardized disclosure, but also by being responsive to stakeholders needs for specialized information on financial institutions, policies, procedures and transactions. Commercial confidentiality should not be used as excuses or deny stakeholder information; Commercial banks should ensure that markets are more capable of fostering sustainability by actively supporting public policy, regulatory or market mechanisms which facilitate sustainability and financial institutions must be accountable to their stakeholders by embracing transparent business practices (Donata & Asac, 2012).

The study by Donata and Asac (2012) also stressed a need for commercial banks to embrace social, environmental, economical and political values of the society in order to cater for stakeholders' needs in the business environment. Quality management circles to discuss weekly and monthly operational problems should be strictly formed. This is done to identify weaknesses that may result in a bank and affect stakeholders and their savings. This can ultimately save banks a lot of defaults in loans and termination of agreements which tend to affect the bank negatively more than the customer.

To further ensure that their clients are well educated banks can use **Figure 5.1** which shows a simplified table of some of the more common forms of media that can be used for different types of financial services. In general, financial services that are more complex and require the communication of detailed information tend to rely on print forms of advertising.

Television advertising, which capitalizes on multiple sensory inputs, tends to be the most effective although often the most expensive. Once the media to be used for a marketing campaign has been determined by the marketing department, a media schedule needs to be developed in order to achieve the original objectives of the marketing campaign. There are specific media scheduling and campaign execution strategies that are most effective in certain forms of financial services. For example, an effective ad-scheduling tactic is to advertise in pulses with heavy advertising in one month, reduced advertising the following month, and a return to high advertising levels in the third month. This tactic tends to result in more sales and effectiveness of marketing and higher levels of consumer response than a constant and steady level of marketing spending (Fordham University, 2015).

Figure 5.1: Media Preferences for Various Types of Financial Services

| | Newspaper | Magazine | Radio | TV | Direct Mail | Direct Email | Tele-marketing |
|--|-----------|----------|-------|----|-------------|--------------|----------------|
| <i>Checking & Savings Accounts</i> | | | ✓ | ✓ | | | ✓ |
| <i>Automobile Insurance</i> | | | ✓ | ✓ | ✓ | ✓ | ✓ |
| <i>Homeowners Insurance</i> | ✓ | ✓ | | ✓ | ✓ | | ✓ |
| <i>Life Insurance</i> | ✓ | | | ✓ | ✓ | | |
| <i>Investment Services</i> | ✓ | ✓ | | ✓ | | | |
| <i>Retirement Planning</i> | ✓ | ✓ | | ✓ | | | |

Source: (Fordham University, 2015)

(iii) With regulators

More than 80 percent of the banks gave the following answers in response to problems with regulators: too many laws against marketing; too much regulation; rigid laws-; lack of understanding products; too many laws governing the industry, inhibiting growth and exploration of new products.

In a survey by Digital Distress (2013) conducted among 1,000 marketers across a broad range of industries. The survey polled marketers and executives in retail banking, insurance, and investment firms with more than 2,500 employees to understand what common challenges they share with other marketers, as well as pain points that stand out within the industry. When asked about what they felt was holding them back, compliance ranked top of the list at 84 percent, with data security and privacy issues (82 percent) a close second (Young, 2014).

Marketing departments of Botswana banks can engage the support of legal experts who can determine the compliance of marketing content with prevailing regulations. Often, testing of the marketing or advertisement contents using small-scale samples, focus groups, or test markets may be needed (Fordham University, 2015). Banks which cannot afford the services of legal experts can resort to hiring bank compliance experts who can advise the banks on regulations and help with how to market financial services without interfering with regulations.

Banks should continue to leverage new data and technology to further develop an enterprise-wide view of risk, customers, and counterparties. As regulatory pressure flows down from the largest institutions, smaller banks should consider additional investments in compliance infrastructure, and a better integration of risk management into their board governance. Banks that pay greater attention to risk governance and communicate effectively with regulators will be

in a more favourable position to drive business growth (Deloitte Center for Financial Services, 2014).

In this area, there is little that the banks can do to influence regulators except to make certain that they follow the laws as stipulated. Donata and Asac (2012) confirmed that adherence of rules, regulation and guidelines gave banks an advantage in winning stakeholders trust. These stakeholders include customers, shareholders and regulators.

5.4 Limitations of Study

In every research undertaken there are inbuilt limitations that cannot be avoided. This research too faced some such limitations. These include no baseline data, improper time management, high cost of research, the difficulty in obtaining information as required, small sample size and lack of cooperation by some respondents.

First, the absence of published baseline research data on the marketing effectiveness in banking, financial services or any other sector in Botswana meant that limited comparisons could be made. Comparisons made were from outside Botswana.

Secondly, since the researcher is a full time employee, and the people who took part in the research are usually very busy with office work and attending executive meetings, time management was a hiccup. Some executives made interviews at a time when the researcher was held up at her work place and could not manage to get out. Requesting for another appointment was a mammoth task, as the executives have a lot of meetings to attend. This difficulty could have been omitted by hiring a research assistant or data collector but there was not enough funds to pay the research assistant as the researcher also had to pay for her school fees. Although, no

research assistant was hired to facilitate the interviews, the cost of the research was still high, as the researcher had to buy airtime for calling the respondents, transport to the various banks, printing and internet when there was load shedding in the university.

In most cases, information was not easy to obtain because most respondents were reluctant to disclose it. Some respondents were not cooperative, did not support the researcher and express honesty and truthfulness in the data they provide. In some instances it was noted that the respondents to the questionnaires did not accurately respond due to lack of enthusiasm or also due to suspicion. Despite having been informed about the purposes of the study when appointments were made, some respondents remained suspicious that the information they give will be revealed to competitors. This limitation was reduced by asking follow-up questions which were not in the questionnaire to validate the data and in some cases asking for proof as in the cases of researches done by the banks. The respondents were also further ensured of the confidentiality of the information and that it was not in any way to be used for profit by the researcher or the institution that the researcher represents.

Problems were incurred when designing the questionnaire in order to determine what design would be clear and understandable by the executives as well as highly accurate and precise. Though open-ended question allow respondents to accurately state their feelings they are difficult to analyze. On the other hand close-ended questions are easy to analyse but they may not cover the full range of the respondents' choice and the respondent may hence pick a choice he/she does not really accept. This limitation was overcome by designing a questionnaire with a combination of both open-ended and close ended questions to obtain accurate responses from customers (Mobarek, 2007). However, despite the above limitations, the results of this research

can be regarded as a strong indicator of the level of marketing effectiveness of Botswana's commercial banks.

5.5 Directions for Future Research

To get more accurate results, for future research it is advisable to include all the financial sector companies in the study. Or even better, to increase the number of people interviewed per bank to 10 or more, whereby, even people who are involved in sales are included as part of the respondents. This will ensure that the researcher gets information from different people, so that if there is any untruth by executives, the low level staff reveal it.

With a bigger sample it will almost be impossible to conduct interviews which are time consuming and expensive, so administering questionnaires either by email or by just dropping them and collecting later is another suggestion of conducting any future research.

In terms of the structure of the interview, it will be better to include spaces where respondents can write reasons in close ended questions because some respondents had explanations as to why certain things were done in a certain way in their company, these were not captured by the current study's questionnaire as it did not have a space for that.

5.7 Conclusion

The study has acknowledged that Customer Philosophy, Integrated Marketing organisation, Adequate Marketing information, Strategic Orientation, Operational efficiency and Organisational responsiveness are measures of marketing effectiveness. The 11 banks in the

study were found to be marketing effective when using Kotler's six modified components of marketing effectiveness, this was reflected in their high scores in the said components both as individual banks, and as a whole commercial industry. The study also identified some problems that banks face in trying to market their products, which if they were not existent, the banks could have acquired high ranking in Kotler's components. The study also advised on how best to deal with identified problems so that marketing efforts are not in vain.

Improving marketing effectiveness requires clarifying the strategic intent of all the marketing investments an organization makes, aligning the organization to deliver, and measuring the degree to which those objectives are met (Wyner, 2008).

Finally, profit maximization of a banking firm should be an equal commitment besides others, by considering social, economic, political, technological and environmental values of a given society.

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QUESTIONNAIRE

Please **NOTE** that the responses will be treated with utmost confidentiality and used for assessment purposes only by the University of Botswana.

Purpose

The purpose of this questionnaire is to determine if marketing strategies of commercial banks in Botswana are effective, and will center around customer philosophy, integrated marketing organisation, adequate marketing information, strategic orientation, operational efficiency and organizational responsiveness.

Please note that

1. All the information you provide will be treated in the strictest confidence
2. Any information given will be used for academic purposes only.

Instructions

1. Please fill in the following questionnaire on the basis of the facts of your bank.
2. Please answer all questions.
3. Please tick one answer per question

1. CUSTOMER PHILOSOPHY

CP1 Does management recognize the importance of designing the company to serve the needs and wants of chosen markets?

- Management primarily thinks in terms of selling current and new products to whoever will buy them.
- Management thinks in terms of serving a wide range of markets and needs with equal effectiveness.
- Management thinks in terms of serving a select range of markets and needs with equal effectiveness.
- Management thinks in terms of serving the needs and wants of well defined markets, chosen for their long-run growth potential for the company.
- Management thinks in terms of preparing on a *mass* basis individually designed products and communications to meet each customer's requirements.

CP2 Does management develop different products or services and marketing plans for different market segments?

- No.
- A little.
- To some extent.
- To a great extent.
- Totally.

CP3 Does management take a whole marketing system view (suppliers, channels, competitors, customers, environment) in planning business?

- No; management concentrates on selling and servicing its immediate customers only,
- A little; management focuses on immediate customers and also takes the effect of direct competition into account.
- To some extent; management takes a long term view of its operating environment although the bulk of its effort goes into selling and servicing the immediate customers.

- To a great extent; management takes a long term view of its operating environment but is selective about the effects the various factors may have on the business.
- Yes; management takes a complete marketing systems view, recognizing the threats and opportunities created for the company by changes in any part of the system.

2. *INTEGRATED MARKETINC ORGANISATION*

IO1 Is there high-level marketing integration and control of the major marketing functions?

- No; none at all.
- No; sales and other marketing functions are not integrated at the top and there is some unproductive conflict
- To some extent there is formal integration and control of the major marketing functions but less than satisfactory co-ordination and cooperation.
- To a great extent all marketing functions are under the control and direction of one senior executive.
- Yes; the major marketing functions are effectively integrated.

IO2 Does marketing management work well with management in research, manufacturing, purchasing, finance and distribution?

- Not at all; there is open conflict between marketing and other departments.
- No; there are complaints that marketing is unreasonable in demands and costs it puts on some other departments.
- To some extent the relations are amicable although each department acts more or less to serve its own power interests.
- To a great extent departments work well together but not always in the best interest of the company.
- Yes; departments co-operate effectively and resolve issues in the best interest of the company as a whole.

IO3 How well organized is new product development?

- A system does not exist

- The system is ill-defined and poorly handled.
- The system formally exists but lacks sophistication.
- The system is adequate and reasonably resourced.
- The system is well structured and professionally staffed.

3. *ADEQUATE MARKETING INFORMATION*

MI When was the last marketing research studies of customers, buying influences, channels and competitors conducted?

- Never.
- Several years ago.
- A few years ago.
- Recently.
- On-going.

MI2 How well does management know the sales potential and profitability of different market segments, customer's territories, products, channels and order sizes?

- Not at all.
- A little.
- To some extent
- Reasonably well.
- Very well.

MI3 What effort is expended to measure the cost-effectiveness of different marketing expenditures?

- None at all.
- Little effort:
- Some effort
- Reasonable effort
- Substantial effort

4. STRATEGIC ORIENTATION

SO1 What is the extent of formal marketing planning?

- Management does no formal marketing planning.
- Management produces an annual sales forecast and budget only.
- Management develops an annual marketing plan.
- Management develops a long range plan annually.
- Management develops a detailed annual marketing plan and a careful long-range plan that is updated annually.

SO2 What is the quality of the current marketing strategy?

- There is no current strategy.
- The current strategy is not clear.
- The current strategy is clear and represents a continuation of traditional strategy.
- The current strategy is clear and is based upon a best-guess of the future.
- The current strategy is clear, innovative, data-based and well reasoned.

S03 What is the extent of contingency thinking and planning?

- Management does no contingency thinking or planning.
- Management mainly reacts to events and there is a little contingency thinking.
- Management does some contingency thinking although little formal contingency planning.
- Management formally identifies the most important contingencies and develops contingency plans.
- Management holds regular, formal and comprehensive reviews of contingency plans.

5. OPERATIONAL EFFICIENCY

OEI How well is the marketing thinking at the top communicated and implemented down the line?

- Not at all.

- Poorly.
- Fairly.
- Reasonably.
- Successfully.

OE2 Is management doing an effective job with the marketing resources (budget and manpower)?

- No; there are little or no marketing resources.
- No; marketing resources are inadequate for the job.
- To some extent; marketing resources are reasonable.
- To a great extent; marketing resources are adequate but they are not employed optimally.
- Yes; marketing resources are adequate and are deployed efficiently.

OE3 Does management show a good capacity to react quickly and effectively to on-the-spot developments?

- No; sales and marketing information is virtually non-existent and management reaction time is virtually non-existent also.
- No; sales and market information is not very current and management reaction time is slow.
- Somewhat management receives fairly up-to-date sales and market information, but management reaction time varies.
- To a great extent management receives up-to-date sales and marketing information and management reaction time is reasonable.
- Yes; management has installed systems yielding highly current information and fast reaction time.

6. ORGANISATIONAL RESPONSIVENESS

ORI Does management recognize the importance of designing a structure that reflects a strategy of being 'customer focused'?

- The structure is centered on a sales department all other marketing aspects are hired in from outside.
- The structure is centered on a sales department some ancillary marketing functions are available in the company.
- The structure has a separate sales department and a separate marketing department
- The structure has a separate sales department and a separate marketing department both of which report to a designated senior company officer.
- The structure is based on key processes, rather than departments, with marketing personnel having a 'solid line' responsibility to their process teams and a 'dotted line' responsibility to a marketing department

OR2 Does the company's culture display shared values, beliefs and corporate commitment to the marketing concept?

- Marketing is really selling.
- Marketing is best left to those in charge of the marketing function.
- Marketing is an approach to business that should guide the actions of the company's top management
- Marketing is seen as the guiding vision of the CEO and top management and is part of the daily beliefs and norms held by those at lower levels in the organisation.
- Marketing is the guiding philosophy for the whole organisation and is implemented by all employees.

OR3 Is management receptive to, and does it have an absorptive capacity for organizational learning in its marketing environment?

- No; management does not display a capacity for learning and expects the future to be like the recent *past*
- A little; management is aware of the need to be a learning organisation but relies mainly on experience and imitation to achieve it
- Somewhat management is aware of the need to be a learning organisation and, in addition to experience and imitation, increases its capacity for learning through limited training and skills development courses for its staff.

- Yes; management displays the focus, will and capacity to be a learning organisation.
- Totally, management has ensured that learning is an integral component of organizational routines, methods and procedures.

7. OTHER QUESTIONS

OO1. What problems have you faced with making marketing efforts effective? Please elaborate.

With the bank

.....

With clients

.....

With regulators

.....

8 DEMOGRAPHICS

1. Gender

- (a) Male (b) Female

2. Level of Education

- Secondary (b) Diploma (c) Degree (d) Post Graduate (e)

3. Age group

- (a) 16-19 (b) (c) 20-29 (d) 30-39 (e) 40-49 (f) 50+

Thank you for your response.

END OF QUESTIONNAIRE!!!