ANALYSIS OF EFFECTS OF ADOPTION OF MARKETING ORIENTATION ON SUCCESS OF MARKETING STRATEGIES IN MICROFINANCE INSTITUTIONS IN NAIROBI -KENYA

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A Thesis Report Submitted to the Institute of Postgraduate Studies of Kabarak University in Partial Fulfillment of the Requirements for the Award of the Degree of Doctor of Philosophy in Business Administration (Marketing Option).

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DECLARATION

This research thesis is my own work and to the best of my knowledge it has not been presented for the award of a certificate/diploma or degree, in any university or college.

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Date

Signature

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RECOMMENDATION

To the Institute of Postgraduate Studies:

The research thesis entitled **"Analysis of Effects of Adoption of Marketing Orientation on Success of Marketing Strategies of Microfinance Institutions in Nairobi-Kenya"** and written by **Gidraph J. Nduati** is presented to the Institute of Postgraduate Studies of Kabarak` University. We have reviewed the research thesis and recommend it be accepted in partial fulfillment of the requirement for award of the degree of ***Doctor of Philosophy in Business Administration.***

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ABSTRACT

Successful marketing starts with a considered, well-informed marketing strategy. Contrary to earlier philosophies such as production orientation, marketing oriented organizations are driven by a shift towards a marketplace that caters for customer wants and needs rather than strict delivery of product features and functionality. Marketing orientation is recognized as the cornerstone of modern marketing. According to the Financial Sector Regulators Forum, September 2018, Issue No. 9 - the banking subsector, which comprises of commercial banks, mortgage finance companies and microfinance institutions (MFIs); banks account for more than 60% of total assets in the sector as at December 2017 Comparatively, Micro Finance Institutions continue having existential problems where poor customer focus, among other issues has been cited. This research sought to establish the effect of adoption of marketing orientation on the success of marketing strategies of MFIs in Kenya. The research determined extent to which MFIs had adopted marketing orientation and further analyzed the effects of customer focus, competitor focus, interfunctional focus and marketing intelligence focus on the success of marketing strategies in the surveyed MFIs. A Census approach was applied on a population of MFIs N=67 who were members of Association of Micro Finance Institutions (AMFI-K) in 2016. The Chief Executive Officers (CEOs) of the MFIs and the marketing managers provided the information through a questionnaire used as the main data collection instrument. The data collected was analyzed using Pearson's Rank Correlation to establish whether there existed any relationship among the study variables. Multiple linear regression was used to examine how independent variables under study contributed to the dependent variable. The main finding was that customer focus and interfunctional focus had significant effect on success of marketing strategies of MFIs in Nairobi (p=0.020, p=0.003) respectively. However, the finding on the effects of competitor focus and marketing intelligence focus were not significant (p=0.251, p=0.752) respectively. The finding of R^2 was 0.383 and therefore marketing orientation conceptual framework used could only explain 38.3% of observed variables. The conclusion therefore was that customer focus and interfunctional focus had significant influence on marketing orientation and also significant potential effect on success of marketing strategies which were measured by selected non-financial parameters for success in the MFIs sector. The moderating effect of MFIs' legal structure, membership and type of MFIs was also significant which means that marketing orientation had different effects on MFIs depending on the moderating variable characteristics. The main recommendation of this research was for MFIs to adopt marketing orientation and to emphasize on customer focus and interfunctional focus. This study recommended further research to determine why competitor focus and marketing intelligence focus effects on marketing strategies in Microfinance institutions in Nairobi were not significant.

Key Terms: Marketing Orientation, Customer Focus, Competitor Focus, Interfunctional Focus and Marketing Intelligence Focus

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ACRONYMS AND ABBREVIATIONS

AMFI-K	Association of Microfinance Institutions of Kenya
ASCRA	Accumulated Savings and Credit Associations
B 2 B	Business to Business
CBS	Central Bureau of Statistics
CF	Customer Focus
DFID	Department for International Development
ECLOF	Ecumenical Church Loan Fund
FAO	Food and Agriculture Organization
FHI	Food for the Hungry International
FSD	Foundation for Sustainable Development
KPSOB	Kenya Post Offices Savings Bank Act
KREP	Kenya Rural Enterprise Program
KSTES	Kenya Small Traders and Entrepreneurs Society
KWFT	Kenya Women Finance Trust
MARKOR	Twenty item measure of marketing orientation
MFI	Microfinance Institutions
MI	Marketing Intelligence
MKTOR	Twenty-one Item Measure of Marketing Orientation
MO	Marketing Orientation
MSMES	Micro, Small and Medium Scale Enterprises
ROA	Return on Assets
ROI	Return on Investment
ROSCAS	Rotating Savings and Credit Associations
SME	Small and Medium Enterprises
SMEP	Small and Medium Enterprises Programme
SPSS	Statistical Package of Social Sciences
USAID	United States Agency for International Development
USDA	United States Department of Agriculture

DEFINITION OF TERMS

Business performance: Profitability to survive and financial efficiency of Microfinance Finance Institution such as ROI, ROA; and sales growth used as an ultimate outcome (Sandvik & Sandvik, 2003).

Competitive advantage: The potential strengths of Microfinance Institution that enables it to produce efficiently and effectively (Foley, 2005).

Competitor focus: The understanding of a Microfinance Institution regarding strengths and weakness, long term capabilities and strategies (Kotler & Keller, 2016).

Customer focus: The understanding of the customer needs as target buyers of Microfinance Institutions services and creating superior value for the customers (Rouzies *et al*., 2005).

Customer Satisfaction: A Microfinance customer's feeling of pleasure or disappointment which results from comparing a microfinance services perceived performance or outcome against expectations (Kotler & Keller, 2016).

Customer Value: The benefits that customers of microfinance institutions expect from a given product or service (Peppers & Rogers, 2011).

Interfunctional focus: Demonstrating the willingness by members of different functional areas of an organization to communicate and work together for the creation of value to target microfinance customers (Woodside, 2005).

Marketing Intelligence Focus: Gathering of everyday information relevant to an organization's market. The information gathered is analyzed for the purpose of facilitating decision making in respect to the marketing variables, market planning and development (Jamil, 2013).

Marketing Orientation: Organizational behaviors that focus on microfinance institution customers, competitors, orientation and marketing intelligence focus (Cambra-Fierro *et al.*, 2011).

Marketing Strategy: A long term forward looking approach to planning which helps microfinance institutions to identify best customers and understand their needs. It also helps in the implementation of effective marketing methods (Abdullah, Hamali & Adullah, 2015).

Microfinance: The provision of financial services to low income people who are excluded from the formal financial systems (Hermes *et al.*, 2011; Périlleux *et al.*, 2012).

Product advantage: Microfinance institutions products quality and superiority compared to competitor products including the ability to provide benefits and value to customers (Ledwith & Dwyer, 2008).

CHAPTER ONE
INTRODUCTION

1.1 Introduction

This chapter introduces the study by discussing the background of the study focusing on; global perspective of marketing orientation, regional perspective of marketing orientation, local perspective of marketing orientation, the concept of microfinance institutions, microfinance in Kenya, role of microfinance institutions, marketing strategies perspectives and MFIs, production orientation, selling orientation, marketing orientation. The Statement of the Problem, the general objective and specific objectives are also stated, the Research Hypotheses are presented and finally Significance of Study, Scope of the Study, assumptions of the study, limitations and delimitations of the study are discussed.

1.2 Background of the Study

Marketing orientation has been in practice in business and marketing since the final years of the 20th century (Woller, 2008). It was brought to the fore by Drucker in 1954, when he stated that customers are the most important players in any business organization and that businesses should focus all their efforts in meeting customer needs (Drucker, 1954). Researchers and marketing practitioners have since then given customers great attention. Understanding customer needs and meeting them effectively is the heart of every business organization (Ngansathil, 2001). Extant authors; Levitt (1960), Kotler and Levy (1969), McNamara (1972) and Lawton and Parasuraman (1980) supported the importance of organizations being customer focused and giving emphasis to customer satisfaction. Homburg *et al.* (2004) advocates for increased attention to marketing orientation and marketing strategies relationships. Hult and Ketchen (2001) also suggests that marketing orientation should be incorporated into strategic management research. They argue that a strategic approach makes the prediction of marketing strategies’ outcomes possible.

It is on this premise that this research sought to investigate marketing orientation adoption effect on the marketing strategies of microfinance institutions in Kenya.

Ngansathil (2001) argues that marketing orientation has been described using different terms such as customer focused and market driven. The works of Kohli and Jaworski (1990); Kohli, Jaworski, Ajith (1993); and Slater and Narver (1994) present measures for marketing orientation and conclude that there is a relationship between marketing orientation and organizational performance. Modern organizations operate in a highly dynamic environment due to the rapid changes in customer needs, technological changes and intense competition. This has made marketing a very important aspect, especially in understanding customer needs and ways and means of enhancing customer satisfaction.

According to Chen *et al.* (2009) an organization's performance is affected by the level of customer satisfaction with the products presented to the customers; while (Kotler & Armstrong, 2012) posit that organizations need to create customer value and establish customer relationships that are long-lasting. The role of marketing is therefore three-fold; customer identification, maintaining the customers and satisfying the customers. The marketing orientation concept holds that the key to satisfying customer needs depends on effective customer identification, coordinated marketing and profitability through customer satisfaction.

Marketing orientation has therefore been recognized as a major source of competitive advantage and a determinant of successful performance of an organization (Ngansathil, 2001). According to Kotler (2002), fast changes in modern markets demand that firms develop and lead to a high capacity to accommodate the dynamics in varying customer tastes and preference, technological changes and both domestic and international competition.

Organizational success is hence dependent on its ability to effectively identify target markets; determination of customer needs, and effective and efficient delivery of customer satisfaction. Micro finance institutions (MFIs) have had significant impact on poverty reduction in many countries in the world. They have demonstrated immense ability to provide microcredit to the poor. MFIs have grown greatly in the Kenyan market thus creating stiff competition for financial institutions locally. In response, MFIs have devised strategies to address customer needs and resorted to market-led approaches in order to better understand their customers (Anyango, Sebtsad & Cohen, 2002). According to Woller (2008) MFIs are moving from production orientation model to marketing orientation model.

The importance of marketing cannot be understated in modern businesses. Firms scramble for market share due to the stiff competition (Chen *et al.*, 2009). Marketers focus their marketing activities on the seven ‘Ps’ of marketing namely; product, price, promotion, place, people, process and physical evidence. The seven Ps are the variables that a marketer manipulates to produce the desired effect within the market. Marketing is used to identify the target customers and to maintain the customers through customer satisfaction. According to Kotler and Armstrong (2008) organizations are supposed to create customer value by fulfilling the “right principle” which entails; right product, right price, right place, and right promotion. Kotler and Keller (2016) agree with Kotler and Armstrong (2009) and state that, marketing entails the identification and meeting human and social needs profitably. They further argue that marketing can be viewed from two main perspectives; the social and managerial perspectives. The social perspective focuses on the role played by marketing in the society while managerial perspective views marketing as the art and science of identifying target markets and ensuring effective and efficient delivery of goods and services to attain customer satisfaction.

1.2.1 Global Perspective of Marketing Orientation

Peter Drucker is considered to be the originator of marketing orientation. Drucker came up with the statement that ‘customers are the main reason for the existence of business organizations’ and went further to state that every business organization should ensure that customers’ needs are effectively met (Ngansathil, 2001). In the 1960s further publications were made in support of Ducker’s statement. Lavit (1960) and Kotler & Levy (1969) agreed that marketing orientation is of great importance and argued that it was of great value in the day to day management practice. McNamara (1972) held the same view and posited that the success of any organization is based on meeting customers’ needs effectively. Lawton and Parasuraman (1980) also supported the marketing orientation concept. They held the opinion that marketing orientation supersedes the selling concept because it focuses on the customers who are the main drivers of business performance.

Research in marketing orientation intensified in the 1990s and focused on the measurement of marketing orientation and its role in business performance. Kohli and Jaworski (1990) defined marketing orientation as the organization wide generation of marketing intelligence focus in respect to current and future customer needs, dissemination of intelligence across departments and organization-wide responsiveness to it. They argued that marketing orientation is based on the importance of creating customers and maintaining them. Narver & Slater (1990), Kohli *et al.,* (1993) and Narver (1994) developed the marketing orientation measures and went further to evaluate the relationship with organizational performance. From their research it became evident that there was a significant relationship between marketing orientation and business performance (Palendran, Speed & Wideng, 2008). According to Narver and Slater (1990) marketing orientation is an organizational culture that comprises of customer focus, competitor focus. Interfunctional focus and recent studies have also recognized marketing intelligence focus.

The positive effect of marketing orientation on organization performance has been well recounted in literature. Jangl (2015) did a study to evaluate the effects of marketing orientation and business performance using German firms as a case study. A qualitative research approach of data collection using a questionnaire was adopted. The questionnaires consisted of 18 questions and were distributed to 120 respondents. Empirical evidence from the said research revealed that there is a positive relationship between marketing orientation and business performance. In a meta-analysis study conducted by Cano et al. (2004) for over two decades using the same industry in Germany, it was reported that marketing orientation augments a positive effect and improves company strategic gaps consistently. The study used panel data analysis instead of cross-sectional method as was the case in the previous study.

Saeed and Aimin (2015) conducted a study on factors and mediating variables affecting marketing orientation in public hospitals in Saudi Arabia. A survey which involved 109 hospitals was conducted using semi structured questionnaires. After analyses and hypothesis testing, the research established that government regulations and ownership structure influenced the relationship between marketing orientation and business performance. The study concluded that government regulations stipulate the rules of the game and therefore can be enablers or barriers to the development of marketing orientation. In a sector where competition is highly regulated, firms are reluctant to be market oriented and less interested in possessing and deploying resources and capabilities associated with marketing orientation.

Jaworski and Kohli (2014) conducted a study to find out the impact of marketing orientation in selected firms in Singapore and the factors that influence successful adoption of marketing orientation. Primary data for the study was collected through a questionnaire from a sample of 120 respondents targeting senior strategic managers of firms in real estate. The study used concurrent triangulation as its design strategy.

The study found that market turbulence, competitive intensity and technological turbulence moderate the relationship between marketing orientation and business performance. The study emphasized that market-oriented firms' performance improves under circumstances where the market is fast changing, competition is fierce and technological breakthroughs are less frequent.

1.2.2 Regional Perspective of Marketing Orientation

A study by Winston and Dadzie (2002) examined the role of top managers in marketing orientation in Nigerian and Kenyan firms. The study established that the top managers played a key role in marketing orientation. Whenever they put emphasis on marketing orientation the firms tended to apply marketing orientation philosophy even though marginally. The results also suggested that the level of emphasis on marketing orientation by top managers in African countries and specifically Nigeria and Kenya would increase as the level of competition increases. Changes in the buyers' market environment with respect to market liberalization through privatization of the firms would make top managers give marketing orientation greater emphasis. The study concluded that top managers played a significant role in the adoption of marketing orientation by firms in these countries.

A study by Dawit, Frans, Verhees and Hans (2017) assessed the effects of marketing orientation on firm performance of Seed Producer Cooperatives (SPCs) in Ethiopia. The study focused on customer orientation, competitor orientation, interfunctional orientation and supplier orientation. The findings showed that adoption of customer orientation, inter-functional coordination and supplier orientation contributed to higher business performance; this was not the case for competitor orientation adoption. The findings confirmed that customer orientation was a key factor for superior business performance in developing economies.

Business performance had a mediating effect between market orientation components and firm performance. Interfunctional coordination and supplier orientation influenced business performance. The study concluded that market orientation was of critical importance for business performance and provided a strong basis for marketing orientation.

Dubihlela (2013), conducted a study on determinants of market orientation adoption among Small and Medium Enterprises (SMES) in South Africa. Data collection utilized face to face interviews and structured questionnaires focusing on 350 SMES who were randomly selected within various municipal areas in Vaal Triangle, Johannesburg. The main findings in this study were that effective implementation of market orientation assisted SME's to attain growth and development. The study concluded that marketing capabilities of SMEs can be strengthened through implementing market orientation.

1.2.3 Local Perspective of Marketing Orientation

Marketing orientation has for a long time, been of interest to Kenyan researchers. Njeru (2013) conducted a research on marketing orientation, marketing practices, firm characteristics, external environment and performance of tour firms in Kenya. The research sought to establish the relationship between marketing orientation and organizational performance, the influence of firm characteristics on performance, evaluated the influence of external environmental factors on performance and established the moderating effect of external environmental factors on the relationship between marketing orientation and performance. A cross-sectional descriptive survey was used, and primary data was collected using semi-structured questionnaires. Data was analyzed using descriptive statistics, inferential statistics and regression analysis.

The findings of the study revealed that marketing orientation has a significant organizational influence on performance. Marketing practices were also found to have an influence on the relationship between marketing orientation and performance. The results also revealed that firm characteristics do not influence a firm’s performance or moderate the relationship between marketing orientation and marketing practices.

Mungai and Kim (2009) also conducted a study on the relationship amongst marketing orientation, service quality, firm innovativeness and firm performance within fitness enterprises in Kenya. The study used a purposive sampling method, where 77 enterprises were identified through secondary sources and 69 enterprises through snowball sampling technique using key informants. One hundred and ninety-one managers were selected from the 146 enterprises to comprise the study sample. One thousand eight hundred and eighty-three clients were also selected using the mall intercept method to take part in the study. Two questionnaires, one for the managers and the other for the clients were used to collect data. A multivariate regression was used to analyze the data. The findings showed that marketing orientation and firm innovation had a significant impact on firm performance. However, service quality did not show any significant impact.

The study also established that service quality influenced customer satisfaction and hence recommended that managers should give great attention to services offered. The study concluded that tangibility, reliability, responsiveness assurance and empathy dimensions of service greatly influenced customer satisfaction. Bashir, Machali and Mwinyi (2012) conducted a study on the effect of service quality and Government role on customer satisfaction: Empirical evidence of microfinance in Kenya. The study was based on two microfinance institutions; Sidian Bank and Kenya Women Finance Trust (KWFT).

The study was a survey and primary data was collected from 36 clients of branches in Mombasa. A questionnaire was used to collect the data and the analysis was undertaken through a regression. The findings established that there was a significant relationship between service quality and customer satisfaction. Quality service was therefore found to be key in determining the level of customer satisfaction with the services provided by microfinance institutions. On the other hand, the study found no significant relationship between the role of government and customer satisfaction. This may be due to the limited role of government in the operations of microfinance institutions in Kenya.

Mungai and Kim (2009) reviewed literature on marketing orientation and explored the conceptual developments in marketing orientation, effects of marketing orientation on business performance, barriers to marketing orientation and determinants of marketing orientation. The empirical literature review revealed that the main determinants of marketing orientation were; capabilities that provide a firm with the means for adapting the marketing process to changes in an environment such customer demands, the emergence of new markets or competitive orientation. They also examined policy recommendations suggested by different authors on how SMEs can succeed in a competitive business environment.

The study provided insight into research gaps in relation to marketing orientation and finally drew general conclusions for future research. The review established that despite the significant relationship between marketing orientation and business performance in export markets, the area has received only limited attention especially in developing countries. Furthermore, the review established that most of the academic research focused on the consequences of marketing orientation, particularly on its impact on business performance, while paying limited attention to the impact of marketing orientation on the other stakeholders such as customers and the general public.

The review recommended that more studies on marketing orientation in developing countries and its effects on other stakeholders be done. Kamau (2011) conducted a study on mobile service providers (MSPs) in Kenya. The aim of the study was to determine the influence of entrepreneurial marketing (EM) on competitive advantage (CA). The study was based on a population of 3.4 million customers who patronized mobile service providers. A sample of 291 customers was selected using systematic random sampling. The study design was exploratory and employed both quantitative and qualitative designs. One of the explanatory variables investigated in this study was marketing orientation. Primary data was collected using a questionnaire and analyzed using SPSS version 23.0.

Correlation coefficient was used to determine the relationship between the research variables and multiple linear regression was used to describe the nature of the relationship. The study recommended that further studies be carried out on the interaction among resource leveraging (RL), marketing orientation (MO) and strategic orientation (SO). In a study by Kiruki (2016), on the relationship between marketing orientation and performance of social enterprises in Kenya, the population comprised of one hundred and seven (107) social enterprises operating in Kenya. The managers of the social enterprises were the respondents. Census approach was used in this study; hence questionnaires were disseminated to the one hundred and seven (107) managers of the social enterprises as per the sampling frame. Forty-seven (47) enterprises responded.

This study adopted the multidimensional approach, which views the dimensions as independent of one another, with enterprises considered entrepreneurial without adopting all of these components. Still, the paramount factor was the need to build upon the little existing research to provide new data to the body of knowledge. Therefore, the study proceeded to replicate researches conducted in other continents within the Kenyan context.

The study concludes that social enterprises operating in Kenya depicted low levels of entrepreneurship. In addition, it can be concluded that enterprises that act entrepreneurially are bound to gain competitive advantage, which improves the financial sustainability. The aforementioned implied that MO, in essence, positively impacts financial performance of social enterprises. Finally, the study resolved that there is no evidence to confirm entrepreneurial enterprises experienced better chances of achieving their social mission.

A study by Winston and Dadzie (2002) examined the role of top managers in marketing orientation in Nigerian and Kenyan firms. The study established that the top managers played a key role in marketing orientation. Whenever they put emphasis on marketing orientation, the firms tended to apply marketing orientation philosophy even though marginally. The results also suggested that the level of emphasis on marketing orientation by top managers in African countries and specifically Nigeria and Kenya would increase as the level of competition increased. Changes in the buyers' market environment with respect to market liberalization through privatization of the firms would make top managers give marketing orientation greater emphasis. The study concluded that top managers played a significant role in the adoption of marketing orientation by firms in these countries.

1.2.4 The Concept of Microfinance Institutions

Microfinance developed from banking systems of the early 1700s created by Jonathan Swift in Ireland. Swift developed a loan fund with the aim of providing short term loans to the poor. By the 1800s the Swift loan fund idea spread across Europe where Banks, like those in Ireland, were established (Lindsay, 2010). The greatest development in Microfinance took place in the 1970s with the establishment of the Grameen Bank in Bangladesh. Grameen Bank is one of the world's largest MFI with approximately four million lenders.

The Grameen model of microfinance was philanthropic with a view of helping the poor. Initially it operated as a micro credit but later progressed into microfinance when the banks began charging interest on the loans (Lindsay, 2010). Originally microfinance institutions were non-profit oriented. They depended on public funds to lend. The funds were generated mainly from donors who did not expect a return.

It should however be noted that the funding of this type of microfinance is limited given the fact that donations may at one time dry up and may not be reliable for long-term development. Nonprofit microfinance institutions operate on very risky ventures because the loans are not secured by any collateral, which means that incase of default, the microfinance has no recourse. The main objectives of the Grameen Bank were; to extend banking services to the poor, to eliminate the exploitation of the poor by money lenders**,** to create employment opportunities for the unemployed and to reverse the vicious cycle of poverty of low savings and low investment by injection of credit to enhance investments resulting in more income, more savings and more investment.

Grameen bank transformed the conventional banking practice, which relied on collateral for lending, into a banking system based on mutual trust, strict supervision, accountability, participation and creativity. Grameen bank views credit as an empowering agent, an agent of socio-economic development, a transforming agent of the poor who are regarded as un-bankable by the traditional banks. The model of Grameen bank has been replicated in many developing countries in the world. In Kenya the model was successfully replicated by the Kenya Rural Enterprise Program Holdings LTD (K-REP, 1999), today Sidian Bank. The poor group guarantees approach was successfully adopted by K-REP. Loans offered to individuals are secured by joint liability provided by group members. Equity Bank also replicated the model and the bank today has developed many products targeting the poor.

Many other microfinance institutions replicated the model successfully and the poor are benefitting from the model. However, it is important to evaluate whether the small and medium enterprises have benefited from the microfinance institutions. There is no doubt that lack of finance affects development in many developing countries leading to a vicious cycle of poverty.

Most economic activities in the world are generated by small and medium scale enterprises (SMEs) (Wei Li, 2012). However, it is regrettable that most SMEs in developing countries and especially in Sub-Saharan Africa have limited access to formal credit. According to Al-Haschimi (2007), penetration of the banking sector in Sub-Saharan Africa is approximately 1% of the population. In Kenya, there are about 2.2 million micro, small and medium enterprises of which 88% are not registered (CBK, 2011). According to the SME Banking Sector Report 2007, only 23% of the unregistered SMEs have bank accounts and only 10% have ever received credit from a formal source.

Various reasons are advanced for lack of credit access for SMEs from formal financial institutions. According to FSD Kenya (2008), formal financial institutions are reluctant to lend to SMEs because they lack cost-effective ways to quantify credit risk. Currently, there are no licensed credit ratings Bureaus in Kenya which can help in the rating. Secondly, SME financial statements audited or unaudited may not be reliable. Most SMEs are reluctant to seek credit from banks because the costs of getting a loan are high. It is difficult to meet the requirements for getting a loan and most SMEs have a perception that borrowing from formal financial sources might mean losing assets and property in case of defaults on repayment.

1.2.5 Microfinance in Kenya

Kenya's microfinance sector has adopted two models of financing; the personal lending and group lending. Credit is mainly extended for the promotion of small businesses under the two models although it is believed that a market for personal consumption credit also exists. According to Woller, (2008) business credit is extended for working capital to facilitate business growth and development. On the other hand, personal credit is extended to meet customers' emergency needs.

The two models exhibit different characteristics which are mainly based on loan approval processes, repayment periods, interest rates and other terms of repayment. The group lending models requires a lot of effort in building social networks and hence the MFI spends much time training members on group formation techniques and providing administrative support. Group members need to take time in selecting members who are credit worthy otherwise the group will collapse within a short time (Armendariz & Murdoch, 2004).

The group microfinance model involves a group of individuals who come together for the purposes of accessing credit from MFIs. Once formed, the group becomes the basic unit of operation for the MFI. Most MFI clients usually have no collateral to secure credit, therefore, the group creates social collateral that substitutes the physical collateral. Group joint liability is the principle incentive for credit repayment. Group reputation is important and future credit is dependent on group performance. This makes it important for all members fulfill their obligations. MFIs have found it appropriate to use the group model to provide access to credit for the poor. The model has advantages because groups are trained to have joint responsibility for loans that are taken by individuals in the group. They enforce repayment of credit taken by individual members because group members enforce discipline within the group.

Usually, they meet on weekly basis to discuss group issues and follow-up on repayment of credit taken by individual members. Groups in most cases, take responsibility for defaults and have to pay on behalf of defaulting members. Groups help in credit appraisal and in providing information on credit worthiness of each group member. The model also helps in controlling costs because the MFIs deal with a group and not individuals. However, it has been noted that costs can also escalate because of the many meetings groups have to hold and MFIs have to constantly monitor the groups.

Savita (2007) argues that group lending is associated with additional costs that may include; group formation costs, training members on credit procedures, higher degree of supervision necessary and a higher frequency of repayment installments. The individual micro-financing model also provides credit to finance entrepreneurial activities, to facilitate formation of small businesses and enhance their growth and development. In this model MFIs bear the responsibility for credit decisions made by individual borrowers. The MFIs are supposed to screen the individuals to ascertain their credit worthiness, evaluate their business proposals and determine the amount of credit to be extended. The MFIs are also supposed to monitor and enforce the repayment. Individuals who receive credit from MFIs are supposed to provide collateral to secure the credit. The collateral can be land title deeds that are mortgaged to secure the credit. Assets such as motor vehicles are accepted as collateral.

The individual is also supposed to provide guarantors to guarantee the credit and the guarantor can be held liable in case the individual borrower defaults on payment. It has been argued that the credibility of the individual is very important in this model. The MFIs have to employ strict contract enforcement measures to ensure compliance. However, enforcement of repayment of individual credit can be a difficulty in Kenya mainly because of the rigidity in the legal systems when it comes to selling mortgaged assets.

In the individual model one does not have to spend time in meetings as is the case in the group model. Individual projects are also not subjected to group discussion which can have negative effects especially when some group members criticize other members' projects. In Kenya there are both nonprofit and profit oriented MFIs. Jamii Bora which means good families was established in 1999 as a nonprofit microfinance institution. Its main goal was to assist members to get out of poverty. The founder of Jamii Bora, Ingrid Munro began by lending small amounts of money to beggars in Nairobi to start businesses.

The loan repayments were not that fast but eventually the loans were paid by majority of the borrowers. By the date of this study, the management of Jamii Bora had achieved its mission over time with the highlight being the development of a housing project for the poor. The main challenge faced by Jamii Bora as a nonprofit microfinance institution is the loss from high default rates in loan repayment. In 2011 they realized that the nonprofit motive cannot be sustained for long and therefore transformed into a profit-oriented microfinance institution. Over the years, Jamii Bora has grown to about twenty-two branches, and serves close to one hundred and thirty eight savings customers and twenty four thousand borrowers (Jamii Bora Memorandum, 2017).

Faulu-Kenya, another microfinance institution was established as a development project in 1991. The founder; Food for the Hungry International [FHI], an international Christian relief and development organization had the objective of providing credit to lower income households and micro enterprises. Faulu-Kenya had support from various donors such as Department for International Development (DFID) and the United States Agency for International development (USAID). The growth in demand for more funds led Faulu-Kenya to incorporation as a private company with limited liability under the companies act in 1999.

Faulu-Kenya found it necessary to transform to a bank in 2006. The transformation was informed by three main factors: increased competition in the microfinance sector, increased demand for a wider range of services, and the need to lower the cost of funds, in order to serve the clients better. By 2007, Faulu had grown to rank as one of the three largest MFIs in Kenya (FSD 2017). It had a network of nineteen (19) branches, forty-eight offices and a client base of about seventy-six thousand. The other microfinance institutions that competed with Faulu-Kenya were: Kenya Women Finance Trust (KWFT), which dealt mainly with women, Family Bank and Cooperative Bank which focused on serving the low-income clientele.

Microfinance is the provision of financial services to low income people who are excluded from the formal financial systems (Hermes *et al.,* 2011 & Périlleux *et al.,* 2012). The concept has seen several changes since its conceptualization by Mohammed Yunus 1976 (Augsburg & Fouillet, 2010; Moser, 2013). Prior to 1980s the concept was promoted by nonprofit, non-governmental MFIs, whose main objective was poverty reduction (Armendariz & Labie, 2011).

The MFIs assumed a commercialized approach in the 1990s when some of the MFIs decreased their dependence on donor funding and adopted strategies for generating own funds for lending. They also adopted new regulations that made them start operating within a regulated framework (Périlleux, 2012). The new approach saw some of the non-governmental MFIs transform into commercial financial institutions (Chahine & Tannir, 2010). Some commercial banks also developed profit oriented microfinance products (Assefa *et al.,* 2013). The modern microfinance market therefore comprises of nonprofit and profit oriented MFIs (Lidgerwood, 2013; Périlleux *et al.,* 2012 and Servin, Lensink & Van Den Berg, 2012).

Success in this market is not measured on the basis of the achievement of poverty reduction and financial empowerment goals but primarily by the financial performance of the MFIs (Ledgerwood *et al.*, 2013). In Kenya there is a high potential for using MFI products in poverty alleviation. Sixty percent of the population are poor and unbanked (CBK, 2011). There are many small and medium enterprises in Kenya which make significant contributions to the creation of employment and development. Even though the SMEs are highly credited for their contribution to economic growth they are neglected when it comes to accessing financial services. The formal sector views them as highly risky and not commercially viable. They therefore are a good target market for MFIs.

The Government of Kenya, in its acknowledgement that greater access of financial services to the poor and SMEs would result in poverty reduction and enhanced performance of SMEs, set out to enact the Microfinance Act of No 19 of 2006. The aim was to regulate and control the operations of MFIs. The ultimate goal was to enhance the performance of the MFIs and thus make them viable vehicles for promoting economic development (Microfinance Act, 2006).

The Act spelt out the business which should be transacted by a MFI, which include receiving money by way of deposits or interest on deposits. The money received as deposit may be lent to others or used to finance the business. The deposits may also be used to provide loans to micro or small business and low-income households. Under the Act, the Central Bank of Kenya (CBK), was mandated to inspect the affairs of MFIs. During the inspection, all microfinance officers are obliged to provide all documents required by the person undertaking the inspection. Thereafter, the person undertaking the inspection is required to submit a report to CBK. This report shows whether there has been a breach of the Act, irregularities in the manner the MFI conducts the business or mismanagement (Microfinance Act No 19 of 2006).

Customer protection was another goal of the MFI Act. A deposit taking MFI is required to maintain a core capital as specified in the Act. It is duty-bound to subscribe to the deposit protection fund so that deposits can be compensated incase the MFI becomes insolvent. The Act aims at ensuring that licensed MFIs operate within the requirements of the financial sector for the safety of customers' deposits and sound management. Prior to the enactment of the Act, micro financing had been infiltrated by many money lenders whose aim was to exploit borrowers by charging high interest rates. When money shylocks dominated this market, there was hue and cry because this money lending business was not regulated by any law. The problem came to the forefront in 2009 when the pyramid schemes defrauded many Kenyans of their hard-earned cash.

The well-crafted schemes promised to pay 60% interest on all money deposited by the customers. The return was so attractive such that many Kenyans joined the schemes. The schemes were well organized, and friends enticed others to join. The first to join got a refund of their money, but as more and more people joined the accumulated funds began to dwindle and ultimately the scheme came crumbling down like dominoes. Many Kenyans were left hopeless; some had even taken loans to invest in these schemes because the returns were highly attractive. This is a classic case of exploitation through Microfinance due to lack of legislation. The MFI Act came in to prevent any recurrence of such theft and exploitation.

There are one hundred organizations including about fifty NGO who practice some form of microfinance in Kenya. An estimated twenty NGOs are engaged in microfinance business only, while the others combine microfinance business with welfare services. The major MFIs include: Faulu-Kenya, Kenya Women Finance Trust (KWFT), Pride LTD, Wedco LTD., Small and Medium Enterprises Programme (SMEP), Kenya Small Traders and Entrepreneurs Society (KSTES), Ecumenical Church Loan Fund (ECLOF), Jamii Bora and Vintage

Management (Jitegemee Trust), just to mention a few. These MFIs provide savings and credit and other financial services to micro, small and medium scale enterprises (MSMEs) and low-income households in both rural and urban areas.

The Microfinance Act (2006) sought to address some of the constraints in the provision of microfinance services, the major one being legislative. Prior to the enactment of the Microfinance Act, MFIs were registered under eight different Acts of parliament namely; the Societies Act, the Cooperative Societies Act, the Companies Act, the Banking Act, the Kenya Post Offices Savings Bank Act (KPOSB), The Building Societies Act, the Trustee Act, and the Non-Governmental Organizations Coordination Act. Some of the Acts did not give much regard to issues of ownership, governances and accountability.

The absence of appropriate legal oversight contributed greatly to the poor performance of MFIs and eventual collapse. The lack of foresight also contributed to; inadequate governance, poor management, limited outreach, unhealthy competition, limited access to funds, lack of performance standards and poor image. It was therefore hoped the new Act would address these problems and breathe new life to the sector.

The world over, MFIs are widely credited for the role they play in the provision of financial services to the low-income households and micro, small and medium scale enterprises (MSMEs). They provide support to the economic activities of the low-income households and hence contribute to poverty alleviation. MFIs have become an economic anchor in many countries in the world, especially the developing countries. Lack of access to finance has been seen as the greatest obstacle to the growth of small and medium scale enterprises (Lawson, 2007). Finances are important in SMEs because they make it possible for them to obtain resources for business growth and development (Gupta *et al.,* 2014).

SMEs have had big challenges in accessing finances from Commercial Banks due to stringent conditions set by the banks. The SMEs are unattractive as customers to the commercial banks mainly because of their size and the high failure rate. Commercial banks have shun SMEs even when the SMEs are credited for their contributions to the growth of developing countries' economies. As a result, SMEs are discriminated against by the commercial banks and hence they remain small and eventually exit from business. Financial services are important in business growth, because every business requires capital to finance labor and other factors of production. The absence of financial services for the SMEs constrains growth. Accessibility to financial services, mainly credit, depends on the characteristics of the firm and those of the managers (Luiz, 2011).

Size is one of the firms' characteristics which influence access to credit. SMEs are unlikely to acquire loans from commercial banks which view transaction costs of SMEs to be higher than those of large firms. SMEs tend to have higher costs when obtaining credit related information. SMEs also tend to take small amounts of credit which contributes to higher transaction costs (Bigsten *et al.*, 2003). The cycle of credit deficiency further complicates the accessibility to credit thus perpetuating the small size of SMEs and hindering their growth to become large-scale enterprises.

SMEs are also regarded as risky clients because they are likely to fail and thus unlikely to access credit from commercial banks. This happens even when they are willing to pay higher interest rates, or offer more security. AICD (2012), points that lack of operating funds is the most important factor that makes SMEs fails. This implies the need for a reliable source of financial services for the unbanked and SMEs which MFIs offer.

1.2.6 Role of Microfinance Institutions

Given the fact that SMEs have limited access to formal financial services they depend on the financial services provided by MFIs. According to Zeller and Sharma (2003), MFIs have been able to prove that SMEs are not as great a risk as portrayed. MFIs target SMEs and the payment rates have proved positive as compared to commercial banks. MFIs help SMEs to secure finances to develop their businesses. Given the fact that SMEs are established by the poor, the growth of SMEs culminates in promoting the poor and thus minimizing poverty. According to Hiderink and Kok (2009), the attainment of millennium goals for poverty alleviation by 2015 is a far cry, despite the efforts of MFIs to provide credit for investment and personal growth to low income households. It is therefore, not clear whether the MFIs have had any impact on the growth of SMEs and improvement of living standards of low-income households.

MFIs have been in focus since the establishment of the Grameen Bank in the 1970s in Bangladesh. The expansion of the Grameen model in other developing countries has attracted a lot of research and thus much has been written on the subject. Westover (2008) defines microfinance as the provision of financial services to the poor or low-income clients who are excluded from the traditional financial system due to their inability to fulfill some or all the conditions required by the traditional financial institutions. Swope (2010) agrees with Westover (2008) who says that Microfinance can empower the poor to improve their own lives. Gondo (2010) says that microfinance institutions are dedicated to assisting small scale enterprises, the poor people and those households which have no access to the more institutionalized financial system in mobilizing savings and obtaining access to financial services.

The main function of MFIs is to provide credit to entrepreneurs to finance development projects. Oludimu, Awojobi and Akanni (2004), say that MFIs have given much support to small scale poultry industries in South Western Nigeria in developing the enterprises and minimizing risks. Alinendsen *et al.* (2005) have argued that the federal farm credit programmes administered by the United States Department of Agriculture (USDA) were intended to help the farm sector to cope with natural disasters. This view is supported by Ellinger *et al.* (2005) who also say that the performance, management and risk exposure of financial institutions operating in rural and agricultural markets determine the cost of access to financial capital.

Micro-finance institutions are viewed as an important tool in fighting poverty in the world. Kota (2007) showed that micro-finance institutions provide finances at a lower interest rate than local money lenders. MFIs exist to serve entrepreneurs in both rural and urban areas. The rural entrepreneurs borrow to finance agricultural production and processing of farm products while the urban entrepreneurs borrow to finance small scale businesses in retail trade, production of household goods, and provision of services such as food and transport services.

Savings can be defined as what remains after an entrepreneur has paid household living expenses and business operating expenses (Mishra, 2010). Entrepreneurs save using various forms of savings and MFIs are well positioned to provide savings services to low income entrepreneurs. Even though this is the case, few MFIs have developed the capacity to offer these services. MFIs have tended to depend on historical models of saving. The financial self-help associations have been used widely all over the world for a long time. Rotating Savings and Credit Associations (ROSCAS) are one such model. It involves a rigid cycle of deposits and withdrawals.

ROSCAS are easy to manage because members are supposed to deposit a specified amount of money during the periodic meetings which could be weekly or monthly. The total amount contributed during the meeting is then given to one or two members. The members who do not get the money see their deposit as a saving because they will be able to get it when their turn comes. The cycles can take several months after which the new cycles begin. Those who get the money can finance their small-scale enterprises.

The other model that MFIs can follow is the Accumulated Savings and Credit Associations (ASCRA) model. This model is more flexible but is complex. It requires a good bookkeeping system because members accumulate savings over time before withdrawal. The deposits can be for a specified project such as buying land. The funds can also be lent to deserving members who need to finance some specified project or activity. The funds can also be applied to a common project for the good of all the members. Members can save for a specified activity after which the savings scheme can be disbanded. Adams (2016) in his study of Kenyan and Uganda ASCRAs noted that they do not have a specific life span.

Entrepreneurs have the willingness to save but due to their low income, they lack appropriate saving options. MFIs have therefore found a niche to serve. MFIs offer saving services to small scale enterprises to substitute risky cash holding which some of them tend to follow. MFIs in Kenya have been taking member savings in form of mandatory deposits. The deposits have been providing security for loans in case of default. The legal framework in Kenya has been a hindrance for MFIs. The law until 2006 did not allow MFIs to take deposits and operate as banks. However, the willingness of members to deposit in MFIs bears testimony to the trust that members have in them.

In a study by Gondo for FAO (2010) on micro-finance and forest-based small-scale enterprises the importance of savings offered by MFIs was demonstrated. Savings were found to have advantage of security and liquidity that makes them popular among the poor, especially in the rural areas. The study also found that deposit collection has played a central role in the development of the micro-finance sector in many African countries. The FAO study by Gondo (2005) concluded that microfinance savings are important in sustainable forest management especially in developing countries, where majority of forestry resources are under the management of poor local communities. In spite of the importance it has also been noted that that microfinance institutions lack the skills that are necessary for effective management and require effective regulatory frameworks.

1.2.7 Marketing Strategies Perspectives and MFIs

Marketing organizations can adopt different orientations in the process of executing the marketing function. The main orientations that the organizations can adopt are; production, product, selling and marketing orientation (Kotler & Keller, 2016).

1.2.7.1 Production Orientation

Production orientation is based on the assumption that consumers prefer those products which are widely available and affordable. Whenever demand exceeds supply organizations usually opt for production orientation to make the product available and affordable. Marketing organizations which adopt production orientation seek to increase production through mass production which makes them to enjoy economies of scale leading to lower per unit costs. They usually adopt mass production which ultimately makes the product available and the organization is able to enjoy economies of scale and ultimately the firm attains low production cost per unit thus making the product affordable (Kotler & Keller, 2016).

1.2.7.2 Product Orientation

The product concept assumes that consumers favour those high quality products and services of high quality including; innovative features, style and high performance. Marketers focus their efforts in making continuous product improvement. Organizations usually believe that the production of a quality product attracts more and more customers. However, most customers require a solution to whichever problem they are facing but not necessarily a quality product. The quality of a product is not the main factor that influences the customers to buy a product. The producer has to ensure that the product is designed and packaged according to customers' requirements. Furthermore, the product has to be distributed through channels that are preferred by the customers. The producer has to ensure that prices charged give value to the customers. The channels used to distribute the product must make it easily accessible - that is, the customers get place utility. The product is usually promoted to make the customers aware of its superior qualities. According to Kotler (2012) over emphasis on product orientation may lead to marketing myopia which can make a firm to focus more on the product instead of the customer.

1.2.7.3 Selling Orientation

The selling orientation assumes that consumers might not purchase an organization's product or service unless the organization undertakes aggressive promotional effort. According to Kotler (2012) consumers are deemed to show buying inertia or resistance and therefore aggressive promotion must be used to overcome the resistance and thus stimulate more buying. Organizations which are selling oriented undertake little research on consumer needs and wants. According to Kotler (2012) most firms today adopt the selling orientation whenever they have an overcapacity because they need to operate at an optimal level. They therefore tend to sell what they make and not make what the consumers need.

Firms are also selling oriented because of competition. They apply aggressive promotion in order to scramble for buyers in highly competitive markets. Microfinance institutions would therefore be persuaded to adopt this orientation given the competitive environment in which they operate.

1.2.7.4 Marketing Orientation

McNamara (1972) viewed the marketing concept as a philosophy of business management. He argued that this philosophy is based on customer profit and communication orientation. Houston (1986) on the other hand posits that the organization can only achieve its goal if it clearly understands the needs and wants of its partners. This, according to Houston (1986) entails having a high appreciation of costs that may be incurred in meeting the needs and wants and the production of goods and services that effectively meet those needs and wants. Kotler (1997) sees marketing concept from the competitor's perspective and says that marketing concept entails achieving an organizations goals through meeting identified needs and wants more effectively and efficiently than the competitors. These historical literatures in summary suggest that success of an organization is dependent on the ability to understand the target market needs and wants.

The marketing concept gained much recognition amongst the marketing practitioners but failed to attract much attention from academicians (Van Raaij, 2005). In view of this, the Marketing Science Institute (MSI) initiated a process of improving the role of the marketing concept in both practice and academia (Webster *et al.*, 2010). The initiatives of MSI made Jaworski and Kohli (2014) and Narver and Slater (1990) do more research works which were published in the journal of marketing. Their work gave prominence to marketing orientation which replaces the marketing concept in academic discourse.

The term marketing orientation is used to imply the implementation of the marketing concept. This is taken to mean that any organization which implements the marketing concepts as discussed above, is market oriented. Van Raaij (2005) looked at marketing orientation from four perspectives. First, the definition perspective which attempts to answer the question, “what is marketing orientation?” Second, the measurement perspective which attempts to answer the question “how can marketing orientation be operationalized?” Third, the model perspective, which focuses on the determinants of marketing orientation. This perspective will play a central role in this research. The fourth perspective is the implementation perspective which focuses on how organizations can become more market oriented. Marketing orientation has been defined differently by different authors.

Narver and Slater (1990) posit that marketing orientation can be viewed from three orientations; customer focus, competitor focus, and inter-functional focus. Reukert (1992) argued that the level of marketing orientation of an organization can be viewed from the way the organization acquires and utilizes information from customers, develops strategies to satisfy customer needs and the way it implements the strategies to satisfy the needs and wants of customers. Deshpande *et al.* (1993) viewed marketing orientation as a commitment that places customers’ needs above those of other stakeholders although not excluding them. The goal is to establish a profitable organization.

Finally, Day and George (1994) stated that marketing orientation is the understanding of customer needs and ensuring that they are effectively fulfilled to the level of customer satisfaction. Jaworski and Kohli (2014) attempted to draw similarities and differences in the market definitions put forward by different authors. They concluded that the focal point of all the definitions was customer satisfaction and agreed on organizational emphasis.

It has also been observed that some authors such as Payne (2000) and Mishra (2010) use the term market orientation instead of marketing orientation. Deshpande *et al.* (1993) and Webster *et al* (2010) also uses customer focus to denote marketing orientation. However, the term marketing orientation has been supported by several authors. Jaworski and Kohli (2014) argue that the term marketing orientation might suggest that the marketing function should be given prominence above other functions in an organization. Studies by Walker and Reukert (1987) and Narver and Slater (1994) have shown lack of uniformity in the definition of marketing orientation. In the same vein there has not been much agreement in the measurement of the marketing orientation construct (Van Raaij, 2005).

Empirical studies have suggested many different measurements scales but only a few have been applied widely in marketing orientation studies. The twenty-one-item measure of marketing orientation (MKTOR) developed by Narver and Slater (1990) has been widely used in marketing orientation research, suggesting broad acceptance and reliability. The twenty-item measure of marketing orientation (MARKOR) was developed by Kholi, Jaworski and Kohli (2014). The scale has also been adopted by researchers in explaining variations in business performance.

These two scales therefore represent the best measures as researchers keep seeking for better approaches to the measurement of marketing orientation also hold the same view with Jaworski and Kohli (2014). The term customer focus has also been shown to suggest that focusing on current customers is sufficient, whereas an analysis of potential customers is also of great significance (Hunt & Morgan, 1995). Marketing orientation has therefore been widely accepted over the years as the term that best describes the external focus of the forces that influence target markets of an organization (Woller, 2008, Ghani & Mahmood, 2011; Owino & Kibera, 2015). This research therefore, adopts the term marketing orientation.

1.3 Statement of the Problem

Marketing orientation has been recognized as the corner stone of modern marketing because it is customer focused. Marketing organizations therefore have been driven to shift towards a market place that aims at meeting customer needs and wants (Modi, 2012; Murray, Yong & Masaaki, 2011 & Tsioutsou, 2011). This is contrary to earlier philosophies such as production orientation which mainly focused on delivering product features and functionalities. Marketing orientation recognizes the supremacy of the customer and thus gives emphasis to customers when developing marketing strategies. Marketing orientation helps organizations to adopt the most effective strategies for creating satisfied customers and the achievement of superior organizational performance (Murray *et al.,* 2011). Marketing orientation according to Narver and Slater (1990) is based on behavioral components which include; Customer focus, Competitor focus and Inter-functional focus.

Marketing orientation also focuses on the extent to which organizations obtain and use information from customers (Marketing Intelligence focus). It also entails the development of strategies which meet customers' needs and ensures the implementation of the strategies to effectively and efficiently satisfy the customers' needs and wants. Marketing orientation philosophy is based on the supremacy of the customer and thus the need to focus on the determination of customer needs and wants. Organizations which endeavor to focus their energies on determining customer needs and wants and seek to satisfy them through designing products sought by customers have greater chances of recording better performance than their competitors. Success is also likely in organizations which adopt customer focused communication and delivery strategies.

According to the Financial Sector Regulators Forum, September 2018, Issue No. 9 - the banking subsector, which comprises of commercial banks, mortgage finance companies and microfinance Institutions (MFIs) accounted for more than 60% of total assets in the sector as at December 2017. Whether microfinance institutions (MFIs) in Kenya would greatly benefit from adopting the marketing orientation model has not been explored. Although, Woller (2008) proposes adoption of MO in MFIs, he argues that MFIs are generally product oriented to a large extent. They operate on the premise that quality products and services attract more customers and thus record better performance. However, literature has shown that organizations which base their operations on the marketing orientation have superior performance (Day, 1994; Langerak, 1997; Woller, 2008; Kibera, 2015).

Researchers have widely studied the relationship between marketing orientation and organizational performance (Sandvik & Sandvik, 2003; Cano *et al.*, 2004; Shoham *et al.*, 2005; Grinstein, 2008; Zebal & Goodwin, 2012; Njeru, 2013, Owino & Kibera, 2015). The studies have shown that marketing orientation influences organizational performance positively. This positive relationship puts a compelling case for the need to establish the effect of the adoption of MO on the success of marketing strategies in MFIs in Nairobi.

How does the adoption of MO make an organization's strategies successful? Recent marketing orientation studies have considered Marketing Intelligence as a new variable additional to explanatory variables in MO (Hedin *et al.*, 2004). This research therefore sought to assess the effect of adoption of marketing orientation on success of marketing strategies in MFIs in Nairobi. The customer focus, competitor focus, interfunctional focus and marketing intelligence focus were evaluated to measure the effects of adoption of MO on the success of marketing strategies of MFIs in Nairobi.

1.4 Purpose of the Study

The purpose of the study was to analyze the effect of adoption of marketing orientation on success of marketing strategies in microfinance institutions in Nairobi.

1.5 Objectives of the Study

The research was guided by the following objectives:

i. To assess the extent to which customer focus adoption affects the success of marketing strategies of MFIs in Nairobi.
ii. To evaluate the effect of competitor focus adoption on the success of marketing strategies of MFIs in Nairobi.
iii. To assess the effect of the interfunctional focus adoption on the success of marketing strategies of MFIs in Nairobi.
iv. To evaluate the effect of marketing intelligence focus adoption on the success of marketing strategies of MFIs in Nairobi.
v. To evaluate the extent which microfinance institutions characteristics influence the relationship between adoption of marketing orientation and success of marketing strategies of MFIs in Nairobi.

1.6 Research Hypotheses

The null hypotheses that were tested in this research were:

H_{01}: There is no significant relationship between customer focus and the success of marketing strategies of MFIs in Nairobi

H_{02}: There is no significant relationship between competitor focus and the success of marketing strategies of MFIs in Nairobi.

H_{03}: There is no significant relationship between inter-functional focus and the success of marketing strategies of MFIs in Nairobi.

H_{04}: There is no significant relationship between Marketing Intelligence focus and the success of marketing strategies of MFIs in Nairobi.

H_{05}: MFI Characteristics do not moderate the relationship between adoption of marketing orientation and success of marketing strategies of MFIs in Nairobi.

1.7 Significance of Study

The research is useful to; policy makers, bank management, scholars and researchers. Specifically, the findings are of importance to microfinance institutions in Nairobi, microfinance institution customers, bank customers and the public in general. Microfinance institutions will benefit from this research because as a reverence for generalized findings on the role of market orientation adoption in MFIs.

The customers of microfinance institutions are likely to indirectly benefit from this research in the event that MFIs adopt recommendations for customer focused business approach which means that they will be proactive in identifying customer needs and delivery of superior quality services. Policy makers in the microfinance sector namely the government, MFIs regulators, and non-governmental organizations operating in the microfinance sector can benefit from the findings of this research when formulating and executing operational policies for the sector. Appropriate policies are likely to create a favorable environment for MFIs and hence the country will achieve greater economic development.

Commercial banks which provide microfinance services will also find the findings of this research beneficial because they too can adopt marketing orientation for the enhancement of their performance. The findings of this research are also useful to scholars and researchers as it contributes to the academic agenda among scholars and researchers when seeking information on performance growth and development of microfinance institutions.

1.8 Scope of the Study

This study was based on microfinance institutions that are members of the Association of Microfinance Institutions of Kenya (AMFI) in Nairobi, Kenya. The focus was managers and marketing managers of deposit taking microfinance institutions, credit only microfinance institutions and commercial banks that offer microfinance services. The MFIs were expected to provide information on marketing orientation, customer focus, competitor focus, inter-functional focus, marketing intelligence focus and marketing orientation adoption effect on success of marketing strategies.

1.9 Assumptions of the Study

The researcher made the following assumptions when conducting the research. Firstly, data was collected using questionnaires. The researcher assumed that the measurement tools were designed to accurately provide appropriate information for each variable. Secondly, it was assumed that the information given by the respondents was genuine and reflected the true position of the organizations. Finally, it was assumed that the data collected was accurate and adequate for the study.

1.10 Limitations and Delimitations of the Study

The greatest limitation of the study was how to determine which MFIs had adopted marketing orientation and those that had not. However, marketing orientation was treated as a continuous variable where absolute zero does not exist. Based on this argument it was assumed that every MFI must have had some extent of marketing orientation. Nevertheless, for the purpose of analysis, this limitation was mitigated by centering the aggregate MFIs marketing orientation based on the mean of the observed scores, where those MFIs below the mean of the variables used in the measurement of MO were treated as not having MO and those on the mean and above were treated as having MO.

Further, measurement of success of marketing strategies outcomes would not accommodate all possible parameters but based on expert review and critique of previous studies, the researcher settled on non-financial measures since they are easily observable and has been widely adopted in the marketing domain as key performance indicators of success of a marketing strategy.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The chapter reviews the literature borrowed heavily from Kohli and Jaworski (1990) and Narver and Slater (1990); they present marketing orientation as having its foundation in the marketing concept which was very popular in the 1950s (Drucker, 1954 & Felton, 1959). The philosophy of the marketing concept was widely discussed by Sachs and Benson (1978) who argued that the marketing concept has its background in the 18th century philosophy of rationality and utilitarianism. This philosophy holds that consumers are rational and thus they seek to maximize their satisfactions. Organizations should therefore focus all their activities on the satisfaction of the consumer. The chapter also reviews literature on customer focus, competitive orientation and market intelligence.

2.2 Theoretical Review

The reviewed literature was based on Systems Theory, Dynamic Capabilities Theory and Resource Based Theory.

2.2.1 Systems Theory

Systems Theory is an interdisciplinary theory about every system in nature, in society and in many scientific areas. This theory provides a basis for analysis of phenomena from a holistic approach (Capra, 1997). The theory according to Weiberg (2001) and Jackson (2003) approaches the analysis from a whole perspective as opposed to separate parts. The approach is based on the assumption that phenomena cannot be fully understood by just breaking it into small components and then reassembling them. The phenomena need to be approached in a holistic perspective.

The system approach has been applied in marketing by various marketing specialists. Alderson (1964) viewed marketing as a function and was grounded in a total systems approach. Marketing theory is therefore based on the functionalist approach. The system approach according to Lusch and Vargo (2011) can be influenced by two key variables. The two variables are driven by value co-creation with customers. The first variable focuses on knowledge of each type of transformation. The second variable focuses on system knowledge that provides an insight into the integration and how value proposition facilitates value co-creation with customers (Patala, 2012).

According to Lusch and Vargo (2011) marketing networks are not only aggregations, but also dynamic systems. The analysis of a dynamic system entails studying and managing complex feedback which is a common practice in marketing. System Theory therefore is very relevant in understanding marketing development. Layton (2014) suggested that a marketing system should be viewed as a network of individuals, groups and entities that are linked directly or indirectly through economic exchange process that creates, assembles, transforms and ensures the availability of both goods and services that are provided in response to customer demands. System Theory is therefore captured in customer focus in the endeavor of creating satisfied customers.

2.2.2 Dynamic Capabilities

Dynamic capabilities are of importance to organizations because they provide sources of superior long-term business performance and sustainable competitive advantage (Teece, 2007). According to Kindström *et al.* (2012) and Hagen *et al.* (2011) there has been increased interest in dynamic capabilities in the service sector. Dynamic capabilities are seen as a source of innovation in service organizations and as the base for renewed competitions in the management of external skills, and resources with the aim of attaining competitive advantage in a dynamic business environment (Teece, 2007).

Teece *et al.* (1997) defined dynamic capabilities as the capability to renew competencies in order to achieve congruence with the changing environment. Dynamic capabilities are different from operational capabilities which entail the current operations of an organization (Doving & Paul, 2008). Dynamic capabilities focus on the modification of the operational routines. DenHertog, Van Der Aa, and De Jong (2010) argue that dynamic capabilities involve the process of renewing or modifying the service functions so as to produce market offerings effectively and efficiently. Augier and Teece (2009) posit that dynamic capabilities focus on the dynamic of organizational capabilities and relate to adaptation by firms to environmental changes.

Barretto (2010) views Dynamic Capabilities as multidimensional. He suggests the 4As of dynamic capabilities. First, the Adaptive capability which stresses the ability to identify and react towards the changing environment. The changing environment requires organizations to adapt in such areas as identification of new products and services to be offered. Second is the Absorptive capability which focuses on the ability to learn and energizes the existing information with the aim of generating new knowledge. Both Adaptive capability and Absorptive capability focus on the external environment. However adaptive capability focuses on identifying the changes in the environment to take advantage of the opportunities in the new environment and to devise strategies to deal with the threats posed by the changes.

The third “A” is the Arranging capability which also relates to the external environment but whose role is to configure existing resources to better fit the new environment (Helfat & Peteraf, 2003). The fourth “A” is the Administration capability which focuses on internal environment. It entails the management of internal resources. According to Menon and Mohanty (2008), Administration capability is aimed at capturing the effectiveness in managing the internal organization resources.

Dynamic capabilities therefore provide a good base for analyzing the marketing orientation model which is the focus in this study. It specifically provides a strong base for the analysis of customer focus, competitor focus, interfunctional focus and marketing intelligence focus.

2.2.3 Resource Based Theory

The resource-based theory is used in marketing research in explaining the basis of an organizations competitive advantage and performance. Barney (2001) defines resources as tangible and intangible assets used by organizations to conceive of and implement strategies. Srivastava *et al.* (1998) stated that market based resources are a subject of the firm's assets and capabilities that are related to marketing activities such as building brands, relationships, innovation and knowledge. The resource-based theory began to be acknowledged as an appropriate approach to analyzing the success of a firm in the 1980s. Prior to this the commonly held opinion was that the industry level determined a firm's profit potential (Fifield, 2012). Resources and capabilities are important constructs in the resource-based theory.

The resource-based theory has been used by marketing researchers in providing a theoretical frame work that help organizations determine those resources that improve the long-term performance. Resource-based theory provides a basis for predicting the effect of marketing investment and allows researchers to analyze different resources using one framework. Kaleka (2011) uses resource-based theory in one conceptual framework to evaluate dissimilar resources such as product development, customer relationships and ability to acquire information to determine their influence on performance. Resource-based theory is also useful in the study of intangible resources such as brand and relational assets, and knowledge generating capabilities. Intangible resources are difficult to emulate and hence in a better position to provide firms with competitive advantage.

The resource-based theory will therefore be appropriate in analyzing the MFIs with respect to the adoption of marketing orientation model. Studies on resource-based theory have been widely conducted to assess its application in marketing research. Barney *et al.* (2001) conducted a study in which they concluded that resource-based theory provides an important theoretical anchor in research.

2.3 Empirical Review

The subject of marketing orientation as a perspective in marketing strategies have attracted notable empirical studies although such is scanty in reference to MFIs in Kenya. The most widely used framework has been the Narver and Slater (1990). This conceptual model represents MO as a construct involving customer focus, competitor focus, inter-functional focus and market intelligence focus. Various empirical literature reviewed on the basis of this construct have been discussed hereafter.

2.3.1 Customer Focus

Customer focus according to Ghani and Mahmood (2011) assists an organization to have a better understanding of its current and potential customers. When an organization is market oriented it means that the firm is committed to satisfying its customers both in the short and long-term. This means that the organization provides value to its customers (Zhou, James, Chekitan & Agarwal, 2007). Narver and Slater (1990) originated the foundation of marketing orientation basis as consisting of customer focus, competitor focus, and inter-functional focus. A market-oriented organization constantly monitors customer information in order to meet the needs of the customers efficiently and effectively.

According to Webster *et al.* (2010) organizations with a high degree of marketing orientation focus all their efforts on customer satisfaction in the long-term. They therefore monitor the changes in customer needs and wants and hence adjust the marketing programmes in line with the changes. Retail branch banking is a business that is conducted locally in Sweden and elsewhere in the world. This is one way of identification of customer needs, where more and more urban customers use e-banking as the main delivery channel for accessing banking services. However, customers in the rural still rely on the physical branches as the major access channel (Sjöberg, 2017).

According to Wright (2003) product offerings, is a way of extending geographical reach and reduce the costs, banks give diverse technology channels as a way of service development for example, mobile and internet. However, customers might not be familiar with this technology-based service at first, they may have not experienced or had trouble determining the value of purchase or use in a certain financial service (Matthing, 2014). Technology-based service is unknown without good employees. On the other hand, transaction/operations risk can be led by the complexity of the service development, processes and technology. The risks arise from processing errors, frauds, disruptions in the system or any other unanticipated events which are in each service and product delivered. When these problems occur, customers usually contact the service offices for help.

Aronson and Laughter (2016) found out that although e-banking now provides numerous benefits which customers appreciate, a high level relationship between employees and customers is important for banks to continually improve the quality of e-banking service delivery. As Wu (2006) states, quality service delivery is through person-to-person interaction which means identification of customer needs. The relationship can be enhanced through face to face interaction where possible. Nilsson and Brantås (2012) also state that customers who are appreciated have long-term relationships with one bank always. However, switching banks is still a possibility.

The most obvious factor being customer dissatisfied with the bank or the feeling that he/she has been badly treated or not appreciated by the bank (The Nordic 11 competition authorities, 2011). Banks should train employees and give them rewards for consistent, cheerful, prompt service performance, in order to retain service quality and customer satisfaction or appreciation. The service marketing states that, even during slow economic times, the importance of developing, attracting and retaining loyal people in knowledge- and service-based industries can never be overemphasized (Wilson, et al., 2010).

2.3.2 Competitor Focus

Competitor focus is an effective strategy that exists in business and it is also gives a competitive advantage to a firm. An unbalanced focus towards the competitor services is undesirable because exclusive attention on the competition can lead to the neglect of some customers (Deshpande & Farley, 2004). According to Narver and Slater (1990), competitor pricing strategies focus on understanding the strength and weaknesses of existing as well as potential competitors. Competitor pricing strategies also focus on discovering competitor attitude towards attracting more customers to its services. In order to maintain a competitive advantage in the marketplace, Wensley (2010) proposes a balanced mix of competitor promotion strategies and physical evidence strategies. This may include appealing front office design and a hospital ambience.

On the other hand, a firm should understand the market needs and adapt the market dynamics caused by competitor service delivery in order to enhance better firm performance. This is because the objective of competitor centered approach is to remain ahead of competitors. Besides, competitor focus assists a firm to arrange or plan their resources to provide customers satisfaction and add value to their services.

In all this, the main specification is competitive pricing strategy and unique marketing channel which can be advantageous to organizationalcompetitor focus (Wensley, 2010). Firms operating in a perfectly competitive market structure experience a significantly higher degree of competition. This is mainly because the market has many players and each control only a small proportion of the total market supply (Kotler & Keller, 2016).

The products and services provided in this market structure are homogeneous thus the buyers are indifferent as to the seller they patronize. Furthermore, there is ease of entry and exit into this market structure simply because there are no barriers to entry and exit. Asikhia and Bimuyo (2012) argue that the more the firms in an industry the higher the degree of competition because of the decreasing opportunities for growth.

Some empirical studies suggest that there is no relationship between competition and performance (Patier & Mia, 2009). On the other hand, Rosenberg (2009) established a positive relationship between competition and performance. Competition makes organizations produce higher quality goods and services as each organization endeavors to attain competitive advantage. The organizations are therefore able to attain customer focus. According to Hermes and Meesters (2011) competition has been found to have negative impact especially in MFIs. They argue that competition causes reduced outreach efficiency, loan repayment and profitability. Furthermore, Rosenberg (2009) argues that competition forces MFIs to maintain a customer base by relaxing the lending regulations. This consequently brings on-board high-risk borrowers and the default rate ultimately rises. Pricing strategies according to Ayanda and Adefemi (2012) influence competition in financial services organizations. It is therefore important to analyze whether MFIs in Kenya monitor competitor pricing strategies to retain customers.

Organizations that focus on their competitors are less likely to come up with radical innovations. A strong competitor orientation causes *"me-too"* products and incremental innovations (Ferrell & Lukas, 2010). According to Narver and Slater (2010) competitor orientation, is an element of market orientation which means that a seller should understand the short-term strengths and weaknesses, long-term capabilities, strategies of both current and potential competitors. Previous studies highlight the short term thinking of new ventures and argued the need for more long-term strategic competitive positioning (Robinson & Richard, 2012).

Competition is seen as a key influencing factor for innovativeness (Utterback, 2012). Start-up and mature companies operating in environments characterized by dynamic competition are forced to create innovative products/ services and innovations are correlated to risky actions (Barney, 2012). More recent research explored a positive relationship between market orientation and integrated innovations (Han, Kim & Srivastava, 2010). Entrepreneurs and managers must scan the market more carefully in a highly competitive environment. However, market orientation by itself does not help to create value from market dynamism: it needs both management and knowledge creation capabilities (Lewrick, 2017).

Essential drivers are management experience, management tenure, inter-organizational networks as well as the ability of organizational learning. Within this study market dynamism is defined as the change of technology, customer needs, and the actions of competitors. It is assumed that dynamic markets are unpredictable with regard to the competitive conditions. The connection between marketing processes and consumer need fulfillment is a critical issue for both scholars and practitioners. However, the strength of that relationship is somewhat in question.

As marketers assess the link between marketing philosophy and practice, attention is focused on the nature and dimensions of the relationship and actions needed to narrow the gap. This study investigated the effects of different parameters of market orientation on radical and incremental innovation in both start-up and mature companies. Market orientation is generally recognized as part of the business strategy of companies and it is considered as an important strategic orientation in literature (Hunt & Lambe, 2000; Hunt, 2012). The concept of market orientation as a business strategy includes the collection of relevant market information on the degree of competition experienced in the market place.

In this study competition in the microfinance institutions was analysed. The information collected was evaluated within the MFIs with the aim of establishing the effect of competition on the adoption of marketing orientation. The concept of competitor focus is an approach of dealing with organizations offering similar services. It focuses on understanding business reactions to what customers want. The implementation of competitor focus needs the full support of all players. This may require a complete change in organization culture. Implementation decisions are based on information about customers' needs and wants, rather than what the business considers right for the customers (Kohli & Jawarorski, 2010; Mohammed Abdulai Mahmoud, 2011).

According to Agarwal (2003) the competitor focus concept holds the key to achieving organizational goals such as market share and profitability. Narver and Slater (2010) argued that promotional strategies and competitor pricing strategies should be part of organizational culture that would influence the adoption of market orientation.

2.3.3 Inter-functional Focus

Inter-functional focus can be executed through different integration mechanisms (Auh & Menguc, 2005). The integration mechanisms comprise of: frequency of committee meetings, the member of face-to-face contacts in departmental meetings and the levels of decision making that are shared across departments. The top management of an organization plays a very important role in the development of organizational values and in determining the orientation.

The extent to which an organization adopts inter-functional focus therefore depends to a large extent on the focus of top management (Kotler, 2012). The culture of the organization is also important in the attainment of inter-functional focus culture, which according to Lafferty and Hult (2001), provides the necessary behavior norms that are necessary for the adoption of interfunctional focus. The culture of an organization has to give customer value a high priority even as it deals with other stakeholders.

Kennedy, Goolsby and Arnould (2003) argue that there is need for inter-departmental connectedness which promotes formal and informal relationships among employees across departments in an organization. Inter-departmental connectedness influences inter-functional focus because it facilitates the sharing of information across departments (Goolsby, Arnould & Karen, 2003). Interdepartmental connectedness is associated with speedy responsiveness to customer needs because all the employees are focused on common goals. The organizational structure is another factor that influences inter-functional orientation. The organizational structure describes the relationship between different positions in an organization. It therefore influences the inter-functional focus.

Inter-functional focus coordination is a fundamental aspect of corporate culture. It focus on culture, facilitates organizational innovativeness in both administrative and technical departments. Inter-functional focus, promotes coordination of all marketing activities through interdepartmental meetings, communication and feedback (Slater & Narver, 2010). Interfunctional focus places the highest priority on continuously finding ways to increase the commitment towards maintaining relationship among departments in an organization. This ensures there is interdepartmental communication and feedback in the entire organization (Felton, 2010). Therefore, a firm should have inter-functional focus to ensure all departments are involved in marketing the services of the organization. According to Keller, 2016 everyone in an organization should be involved in marketing activities to enhance customer satisfaction.

2.3.4 Marketing Intelligence Focus

Market intelligence focuses on information regarding customers, competitors and product technologies (Jamil, 2013). Market intelligence is important especially in the dynamic environment in which organizations operate. Market intelligence should not be confused with market information. Market information is described as organized data (Mintzberg *et al.,* 2009). Market intelligence helps organizations in making informed decisions. There is need to collect market information, for market intelligence to be effective (Hedin, 2004). Market intelligence involves a process of collecting information that will make the specification of current and potential customer needs possible. Aaker *et al.* (2007) argue that market intelligence is also critical when evaluating changes in the market place. Those changes which relate to the size of the market and nature of future markets require market intelligence. According to Le Bon and Merunka (2006), market intelligence and marketing research focus on collecting information for decision making. However, the two differ in terms of the process of information flow, type of information and the use of information.

The concept of intelligence is derived from military strategy according to Morris, Pitt, Horey and Cuth (2001). Military intelligence is the process of getting information relating to the strengths and weaknesses of the enemy and plans and intentions the enemy has put in place. The methods used to get military information have been equated to espionage and other illegal operations (Pease, 1991). The use of intelligence in business was heavily encouraged by Pease. Marketing researchers such as Maltz and Kohli (1995) opine that intelligence is beneficial to the marketing discipline. Initially, the adoption of intelligence in business was mainly focused on the competitors. The interest was to understand competitor plans and intentions. This shows the extent to which the intelligence concept in business is based on that of military intelligence.

Originally, market intelligence was conducted on a case by case basis and not as a systematic and continuous process (Hedin, 2004). According to Attaway (1998), market intelligence was informal and tactical in nature. This means that there was little analysis of marketing activities and the link to decision making was weak. In the 1980s, the approach changed, and market intelligence was formalized thus analytical methods began to be applied. Quantitative and qualitative techniques took center stage in market intelligence.

The scope of market intelligence was suggested by Hedin (2004), who alluded that market intelligence derives information from both macro and micro environments. The macro environment provides information on the economic environment of the organization focusing mainly on prevailing interest rates and their impact on the performance of the marketing system. The economic environment also focuses on consumer’s purchasing power which is basically influenced by the prevailing prices which are affected by the level of inflation in a country.

Other economic factors that are addressed are; the level of saving, and credit availability which are influenced by the level of savings interest rates and lending interest rates respectively. These economic environmental factors are critical in market intelligence especially in microfinance institutions. Market intelligence as proposed by Hedin (2004) also provides information on the political and legal environment aspects of the macro environment. The political and legal environment are also critical in marketing intelligence focus and hence the need to gather intelligence.

The micro environment provides information with regards to suppliers who provide different inputs to organizations, which are critical to performance. The marketing intermediaries are other aspects that are of focus in providing information in market intelligence because they relate to the core of the marketing function. First, marketing intermediaries provide information with respect to the physical logistics that make it possible for the transportation and warehousing of products. This information is crucial in ensuring consumers effectively access goods and services. Information regarding the distribution place and process, as an element of the marketing mix, ensures consumers get products at the right time and place.

Marketing intermediaries also provide information on marketing services agencies. Intelligence on different marketing services agencies, such as advertising research and marketing management agencies needs to be gathered to provide bases for organizations to make critical marketing decisions. Finally, information on financial intermediaries is also provided because financial intermediaries are the providers of finances that marketing organizations need to finance their activities. Information from banks and insurance companies is therefore important in marketing intelligence focus. The financial intermediaries also provide information on risks that marketing organizations face products and services are provided to the target market.

The insurance companies play a significant role in cautioning the marketing organizations from different organizations need protection from fire, theft and price fluctuation risks. Marketing intelligence focus on financial intermediaries therefore plays a critical role in the adoption of marketing orientation by micro financial institutions (Jenster & Soilen, 2009). Kuada (2002) suggests application in three categories: first, defensive intelligence which evaluates whether the basis on which an organization operates, are upheld over time; second the offensive intelligence which is based on early identification of organizational opportunities, and third, passive intelligence whose role is to provide bench making data that is valuable in objective evaluation.

Jenster and Soilen (2009) have suggested the hierarchical nature of decision-making limit categorization. This categorization has three approaches: the strategic intelligence whose aim is to provide information on activities which have strategic impact on the organization. The information is derived mainly from the top management; the tactical intelligence, which focuses on those activities of short-term nature and requires adhoc type of decisions which are not repetitive. These types of decisions do not have long term impact on an organization but nevertheless they are important to the organization; and operational intelligence whose goal is to provide information at the operational level of an organization. This level deals mainly with the day to day activities, particularly customer service, which is key in market intelligence.

Market intelligence is, more often than not, confused with marketing research. Cowley (2004) alludes that market intelligence is different from data mining. Wee (2001) states that the key difference between market research and market intelligence lies with researchers' predominant emphasis on the collection of primary data and the conduct of ad-hoc projects and studies rather than the continuous and systematic searching and analysis of information typical of market intelligence.

Market intelligence is therefore a continuous process and not intermittent. Jenster and Soilen (2009) argue that data mining is a business tool that is related to marketing intelligence focus, but nevertheless the two are different in significant ways. Data mining is a process of automating information discovery whereas marketing intelligence focus aims at discovering important business trends. The customer has become recognized as a dominant influence on company strategy and therefore there is need to gather information through market survey to understand the customer (Lewrick, 2017).

The extent of the company's interaction with customers can be quantified and qualified by the amount of information, collected and it's disseminated. The understanding of customers as co-developers of new products and services require research and development to effectively identify their needs (Lewrick, 2017). Woller and Gray (2012) applaud the importance of customer focus and also recognises market intelligence to be at the centre of market orientation.

Market intelligence includes ascertaining current and future customer needs, dissemination of information across departments and organisation-wide responsiveness to customer needs. They introduced market intelligence instead of customer focus since in their view it is much broader than customer focus. Customer intelligence is the knowledge about customer which is collected through focus groups, marketing surveys and mystery shopping. Previous research suggests that understanding customers increases the value of innovation created in the product and service development process. Von Hippel (2015) pointed out that some customers are at times ahead of the trend and can drive to research and development of new products and services.

2.3.5 Success of Marketing Strategies

A study by Bello (2001), investigated the relationship between marketing orientation and success of marketing strategies as well as marketing activities including processes and programs using a sample of organizations from Mexican organizations. Data were collected from 68 Mexican firms. The study found that emerging economies present opportunities that tend to link marketing orientation and marketing strategies. The results also showed that a high level of marketing orientation has a positive correlation with degree of success of market strategies. The study concluded that marketing orientation has the ability to influence business performance and marketing strategies. Fritz *et al.* (2009) conducted a research in Germany focusing on the largest European Market, titled *"Marketing Orientation and Corporate Market Success".*

The study was quantitative in nature and 417 questionnaires were mailed directly to corporate managers who were selected using stratified sampling design. The major findings were that practical measures implemented in support of marketing orientation within organizations either have negative or positive effects in terms of corporate success. However, the study established that there are risks involved, that need to be controlled and it is the work of the organization to detect such risks as a corporate strategy. The study proved that marketing orientation has the ability to contribute positive or negative impact on marketing regimes of the firms, which definitely depend on how well structured the pillars that support firms marketing strategies. The success of marketing strategies therefore depends on how well the marketing strategies have been tailored in order to achieve positive outcomes. The study found that marketing orientation contributed substantially to success of marketing strategies.

An empirical research by Yakahawa (2009) targeting food industries in Japan, aimed at establishing the effect of marketing orientation on corporate success. Three hundred firms located in Tokyo participated in the study. The study sought to identify the relative contribution of marketing orientation to the corporate success of individual companies. The revolutionary shift of production-oriented organizations to the market-oriented organizations was found to have created a shift towards the market place. The focus of market place was to meet customers' needs and wants by ensuring those customers desires, concerns and opinions, rather than the industry profits, was found to be the main driving force behind many strategic business decisions.

Another study, titled *"Marketing Mix as a Determinant of Entrepreneurial Business Performance"* was carried out in Nigeria by Ayanda and Adefemi (2012), using 40 companies listed in the Nigeria stock exchange. The study was both qualitative and quantitative in nature. Two hundred questionnaires were sent to the company managers and marketing managers. Langat, Chepkwony and Kotut (2012), undertook a study in Kenya to explore the marketing and organizational characteristics of firms that register successful market success, targeting companies dealing with supply chain management where 120 companies were sampled. The study identified marketing orientation as the key dimension of success of marketing strategies and corporate management. The study further established that marketing orientation is a main contributor to corporate success as well as marketing strategies. The marketing orientation was found to be more important than production cost orientation and employees' orientation. Consequently, the study found out that successful corporate leadership should be holistic and should address all aspects that link marketing orientation to success of marketing strategies.

The aim of the study was to compare and contrast the strategies and organizational features of successful companies with less successful companies that had applied marketing orientation for the previous 5 years in Kenya. The study found out that there was a significant relationship between marketing orientation and success of market strategies, in that, firms practicing marketing orientation focused on customer focus, marketing orientation and leadership of the organizations.

Marketing strategy is a long-term forward-looking approach to planning which helps organizations to identify the best customers and also understand customer needs. A successful strategy also enables the implementation of effective, marketing methods (Abdullah at el; 2015). In this research success of marketing strategies was measured by customer loyalty, customer retention and customer satisfaction Firms need to focus on strategies that will lead to the attainment of customer loyalty. They therefore need to advance and protect their strategic positions from competitors. High competition in the market demands organizations to devote resources that are necessary to make customers happy and keep them loyal (Barney, 2010).

Success of marketing strategies is dependent on how an organization coordinates the marketing activities to ensure all stake holders work towards marketing the organization's services to attain customer satisfaction and retention (Keller, 2016). Marketing scholars have acknowledged the important managerial and public policy implications of success of marketing strategies and provide guidance on implementation of strategies (Gatignon et al., 2010). Market defense mechanisms through success of marketing strategies have been recognized as an effective method for marketing financial services (Kuester et al., 2015). A firm may retaliate to competitive market entry with several options such as increased promotional strategies, new product strategies and price reductions strategies.

There is evidence that success of marketing strategies, is also dependent on information provided through marketing research (Gatignon et al., 2010). The inter-functional share of information and knowledge might trigger invention and streamline the innovation process leading to market success. Hippel (2005) argues that market and business opportunities might arise from extensive research that may bring about new innovative services for an organization.

2.3.6 Moderating Variables

Moderating variables are deemed to have a strong contingent effect on the relationship between independent variables and dependent variable (Edwards & Lambert, 2007). Moderating effect occurs when a third variable changes the relationship between two related variables. Lai (2013) says that a moderator is an independent variable that affects the strength of the relationship between another independent variable and an outcome variable (independent variable). In this research three MFI characteristics namely, legal structure, type of MFI and MFI membership were taken to be the moderating variables.

The legal structure of MFIs can take the form of a company which means that the MFI must be registered under the Companies Act (Cap 486) with the objective of providing financial services. The MFI can also operate as an NGO, as long as it has a certificate of registration issued by the NGO Coordination Board under the NGO Act of 1990. The other legal structure that the MFI can operate under is that of a Cooperative Society. The MFI has to be registered under the cooperative Societies Act Cap 490. The MFI can also operate as a Community Based Organization (CBO). It must therefore be registered under the Societies Act Cap 108.

The second characteristic is the type of the MFI. The Microfinance Act of 2006 regulates all microfinance institutions that are registered under this Act. One type of MFI institution is the microfinance bank which refers to any company which is licensed to carry on microfinance business and is licensed by the Central Bank of Kenya.

The second type is Deposit Taking MFIs (DTMs). The MFIs should be registered under the Companies Act, with the objective of receiving money deposits from the public and is licensed by the Central Bank of Kenya to carry out such business. The DTMs are regulated by the Central Bank of Kenya. This is unlike the credit only MFIs which are not regulated by the central bank and yet they are in the finance business. The Credit-Only MFIs only need a minimum license to start lending money. Their loans are characterized by high interest rates unlike those of DTMs which are regulated by the Central Bank of Kenya.

The last classification of MFIs was by the membership of the MFI. The MFIs target different types of clientele which distinguishes them from one another. There are those which focus only on women, specifically targeting women groups and their services are focused on meeting women specific needs. Others target the youth especially youth groups with the aim of providing finances for starting and operating small and medium scale enterprises. There are MFIs whose target clientele are professionals in different fields such as contractors. The religious based MFIs play a significant role in providing finances to the members of different religious groups.

The Ecumenical Church Loan Fund (ECLOF) and SMEP microfinance are examples of such MFIs. These characteristics are used in this research to establish the extent to which they affect the relationship between the independent variables in this study namely, customer focus, competitor focus, interfunctional focus and marketing intelligence focus and the dependent variable was success of marketing Strategies.

2.4 Conceptual Framework

In this study, the researcher used a modified framework from Jaworski and Kohli (2014) and Narver and Slater (1990) for the conceptual framework below.

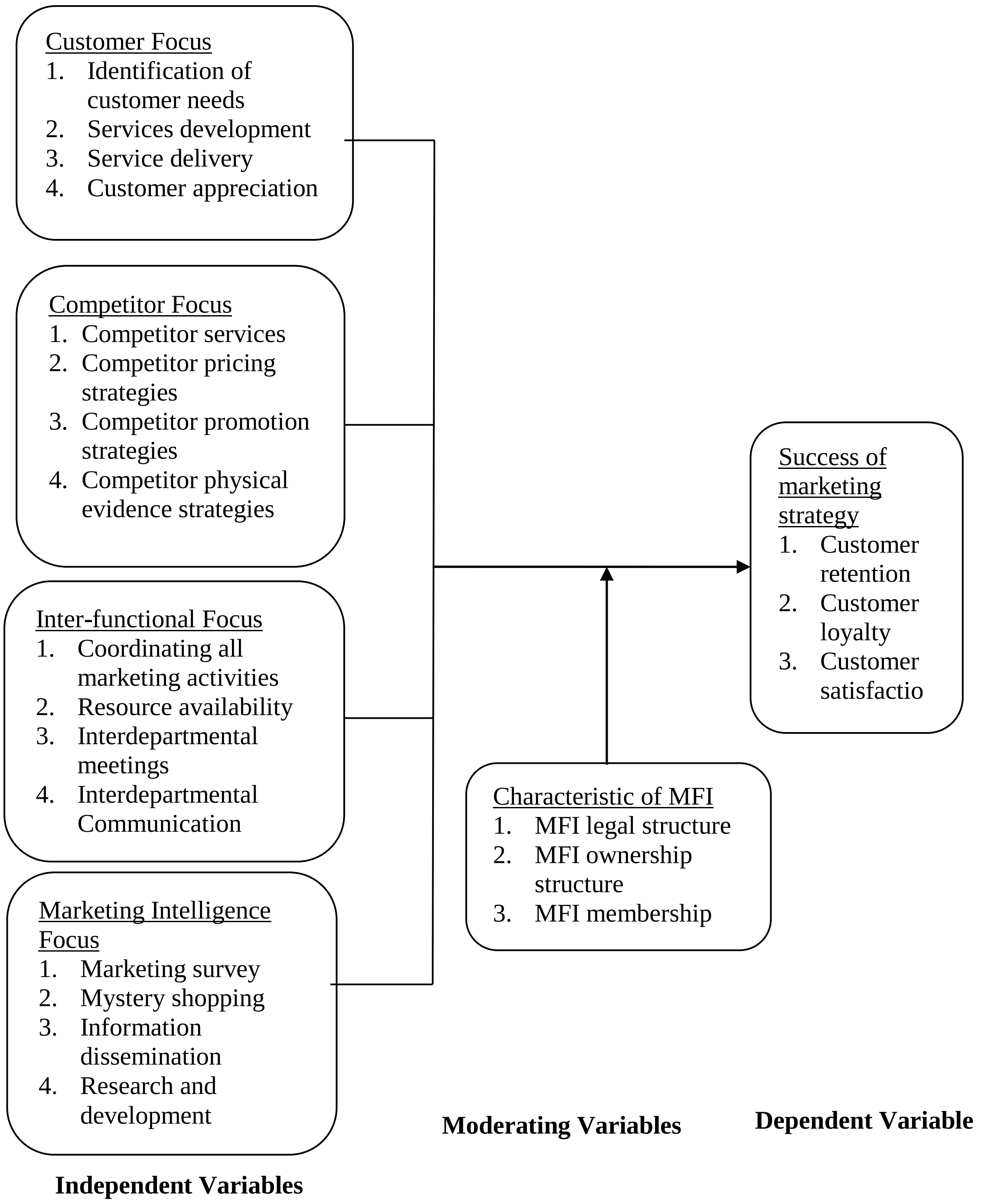


Figure 2.1: Conceptual Framework

2.4.1 Operationalization of Study Variables

The way in which the variables for marketing orientation were operationalized is presented in Table 2.1 below.

Table 2.1: Operationalization of Study Variables

Predictor Variable					
Variable	**Indicator**	**Nature**	**Operationalization**	**Measure**	**Hypothesized Direction**
Effect of adoption of MO on success of marketing strategies	Rate of adoption of a model	Criterion Dependent Variable	1. Customer retention 2. Customer loyalty 3. Customer satisfaction	1 Item, Binary, 1=Active adoption O=Inactive Use/ Non-Adoption	
Customer focus	Identification of customer needs	Independent Variable	1. Survey of customers 2. Surveys of suppliers and dealers 3. Feedback from sales people	Measured by Likert Scale	Positive
	Providing products that meet the customer needs	Independent Variable	1. using feedback from: 2. customers 3. suppliers 4. Dealers and sales people to develop and improve products and services	Scale Hours Shillings Units	Positive
	Efficiency in the delivery of products to customers	Independent Variable	1. On time delivery 2. Cost of delivery 3. Shortfalls in service delivery	scale	
	Appreciation of customers	Independent Variable	1. Letters of appreciation, SMS 2. Phone Calls 3. Gifts and Complimentary	Measured by Likert Scale	Positive
Competitor focus	Monitoring competitors' products	Independent Variable	1. Products offered, depth and breadth of product line, and product portfolio balance 2. new products developed, new product success rate, and R&D strengths 3. brands, strength of brand portfolio, brand loyalty and brand awareness	scale	Positive
	Monitoring competitor pricing strategies	Independent Variable	1. Frequency of competitor price changes, 2. price margins, 3. Unique Selling	4 items; 5 point Likert scale. Davis 1989; Davis et al., 1989)	Positive

			Proposition, 4. overall market value, incentives, 5. price sensitivity, 6. competitor pricing mechanisms		
	Evaluating competitor delivery strategies	Independent Variable	1. Evaluate the channel of distribution 2. Evaluate the channel members 3. Cost of the channel	4 items; 5 point Likert scale. Davis 1989; Davis et al.,1989) scale	Positive
	Monitoring competitor promotional strategies	Independent Variable	1. Evaluate the promotional mix, 2. Evaluate promotional budgets, 3. Identify advertising agents		
Inter-functional focus	Marketing activities coordination	Independent Variable	1. Planning coordination activities 2. Interrelationship between departments	4 items; 5 point Likert scale. Davis 1989; Davis et al.,1989)	Positive
	Resource availability for interfunctional focus		1.surfficiency of resources for customer service 2.Adequate resources for interdepartmental programs		
	Departmental Meetings	Independent Variable Independent variable	1. Frequency of meetings,	Measurable Scale	Positive
	Departmental Communication	Independent Variable	. 1.Frequency of communication, 2. Mode of communication 3. Flow of communication	Measurable Scale	Positive
Market Intelligence	Market Survey		1. Development of survey tools 2. Survey Method used 3. Data analysis 4. Survey Report 5. Dissemination	4 items; 5 point Likert scale. Davis 1989; Davis et al.,	Positive
	Mystery Shopping		1. Methods used to do the mystery shopping 2. Analysis of information 3. Decision making	4 items; 5 point Likert scale. Davis 1989; Davis et al.,	Positive
	Information Dissemination		1. Methods of information dissemination 2. Application of information	4 items; 5 point Likert scale. Davis 1989; Davis et al.,	Positive
	Research and		1. Online tracking		

	development through Web analysis		competitors 2. Online presence 3. Search engine ranking 4. Digital advertising and social media presence		
Moderating Variables	Legal Structures	Moderating Variable	Survey MFIs	Nominal	Positive
	Ownership Structures	Moderating Variable	Survey MFIs	Nominal	Positive
	MFI membership	Moderating Variable	Survey MFs	Nominal	Positive

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

This chapter describes the research design and the method that was used to undertake the research on marketing orientation adoption model and its effects on the success of marketing strategies of microfinance institutions in Kenya. It also describes the process followed in testing the research hypothesis. The chapter covers: the research design, population and sampling design, data collection methods and procedures, pilot testing of data collection instruments and data analysis techniques.

3.2 Research Design

This research used the descriptive research design to analyze the effect of adoption of marketing orientation on success of marketing strategies of microfinance institutions in Kenya. A census approach was used, which means that all sixty-seven (67) microfinance institutions were studied. The survey method was used to collect data from the respondents, namely chief executive officers (CEOs), marketing managers or credit officers of MFIs without marketing managers.

Research design describes the framework that guides the researcher in undertaking the research. Cooper and Schindler (2014) say that a research design is a road map that shows where the research begins and where it ends. According to Saunders (2012), research addresses logical problems and not logistical problems. Research designs can be categorized into three; exploratory, causal and descriptive research designs (Hair *et al.,* 2006; Ghauri & Gronhaug, 2005). Exploratory research is undertaken when the research problem is not clear and there is need to understand the problem prior to undertaking the actual research. It can also be undertaken when there are many alternatives and the researcher is not clear which alternative is the best to pursue (Cooper & Schindler, 2012).

Causal research is also called analytical research and aims at examining whether one event causes another, it examines the cause and effect relationships (Hair *et al.*, 2005). Descriptive research design describes what exists and may help to uncover new facts and meaning. The purpose of descriptive research is to; observe, describe and document aspects of a situation as it naturally occurs (Polit & Hungler, 2008). This involves the collection of data to provide an account of description of individuals, groups or situations. It is used to collect the information concerning the current status of a phenomenon to describe what exists with respect to variables or conditions in a situation. The methods involved range from the survey which describes the status quo to the correlation which investigates the relationship between variables (Hair *et al.*, 2006, Cooper &Schindler, 2012). According to Cooper and Schindler (2012), descriptive studies are appropriate where there are clearly stated hypothesis and the problem is clearly stated. This research design was therefore be appropriate for this study because the problem and hypothesis were both clearly stated.

3.3 Location of the Study

The location of this research was Nairobi County where the Head Offices of Microfinance Institutions under study were located. The Headquarters of the Microfinance Institutions were targeted because they host the offices of the Chief Executive Officers, marketing managers or credit officers who were the respondents in this study.

3.4 Population of the Study

The population in this research comprised of 67 microfinance institutions registered as members of the Association of Microfinance Institution of Kenya (AMFI-K) as at 2016. Black (2009) defines population as any group that shares similar characteristics or common traits. Bryman and Bell (2007) also say that population refers to the entire group of people, events or objects of interest that a researcher wishes to investigate.

The population has to possess some common characteristics thus making it possible for the researcher to draw the study sample from which inference can be drawn and generalization can be made to the rest of the population. The population in this research was drawn from seven banks which offered microfinance services in Nairobi, eleven deposit taking MFIs and fourty nine credit only MFIs in Nairobi. The population of study is as summarized in Table 3.1 below:

Table 3.1: Population of the Study

Microfinance Institutions	Number of MFI	Number of respondents per MFI	Total
Banks	7	2	14
Deposit taking Microfinance Institutions	11	2	22
Credit only Microfinance Institutions	49	2	98
Totals	**67**		**134**

The Chief Executive Officers (CEOs) and the marketing managers /marketing in charge of the MFIs comprised the study units. The total population in this study was 134 respondents, comprising of 7 CEOs and 7 marketing managers of banks, 11 CEOs and 11 marketing managers of deposit taking MFIs and 49 CEOs and 49 marketing managers of credit-only MFIs.

3.5 Sampling Procedure and Sample Size

3.5.1 Sampling Procedure

The sampling frame for this research was all MFIs that were members of the Association of Microfinance Institutions of Kenya (AMFI) as at 2016. The list of the members was provided by the association. Census sampling was used in selecting the units of study, because the MFIs under investigation were not significantly large in number and application of other sampling techniques would not have yielded reliable data.

3.5.2 Sample Size

The sample size in this research was 134 respondents. The sample was made up of 14 CEOs and marketing managers of banks, 22 CEOs and marketing managers of deposit taking MFIs and 98 CEOs and marketing managers of credit only MFIs.

3.6 Instrumentation

Primary data was used in this research because it was found to be more reliable than secondary data in providing information on the effects of adoption of marketing orientation on marketing strategies of microfinance institutions in Kenya. The instrument used to collect the data was a questionnaire. The questionnaire was structured on Likert Scale, thus giving the respondent's opportunity to state their best preferred options. The questionnaire design was guided by the objectives of this research to ensure that appropriate information was collected from the respondents. The questionnaire was administered to the respondents using personal interviews which gave the interviewer the opportunity to explain the purpose of the study, to expound on questions which may not be clear to the respondents and to probe the respondents to gain more understanding on responses given by the respondents. The respondents also had the opportunity to seek clarification on questions which might not have been clear (Malhotra, 2007).

3.6.1 Pilot Study

Prior to data collection, the designed questionnaire was pilot tested on five chief executive officers and five marketing managers from MFIs which were not members of Association of Microfinance of Kenya (AMFI-K). After the pilot test, information gathered was used to correct any aspects of the questionnaire which were found to be unclear to the pilot test group.

The pilot test data was also used to compute Cronbach Alpha Coefficient, which according to Malhotra (2014) is used to measure the internal consistency of a data collection instrument. The questionnaire was corrected to address the identified short comings and thereafter copies were reproduced in readiness for field data collection.

The reliability of the data collection instrument was also established. According to Malhotra (2007), reliability is an assessment of the extent to which a measuring procedure yields the same results on repeated trials. The same view is also espoused by Knight (2002). The reliability of data collection instrument is established whenever a respondent gives the same response when the process is repeated. The Cronbach Alpha Coefficient was used to measure the reliability of the questionnaire and to establish the internal consistency of how well each variable correlated with the other variables. Malhotra (2014) states that Cronbach Alpha is the average of all possible split half coefficients resulting from different ways of splitting the scale items in the instrument of measurement. The coefficient should vary from 0 to 1 and a value of 0.6 or less generally indicates unsatisfactory internal consistency reliability (Malhotra, 2014).

3.6.2 Validity of the Instrument

Validity refers to the degree to which a sample of tested items in question represents the content that test is designed to measure (Abbot & McKinney, 2013). Validity seeks to establish whether the instrument is representative, clear and relevant to the study items (Bryman & Bell, 2011). Validity establishes the degree to which an instrument measures what it purports to measure (Mugenda & Mugenda, 2003). This study used construct validity to validate the internal structure of the data collection instrument. Factor analysis was undertaken for this purpose.

3.6.3 Reliability of the Instrument

The reliability of the collection instrument was also established. According to Malhotra (2007), reliability is an assessment of the extent to which a measuring procedure yields the same results on repeated trials (Knight, 2002). It measured the extent to which a respondent gave the same response when the process is repeated. The Cronbach Alpha Coefficient was used to measure the reliability of the questionnaire and to establish the internal consistency of how well each variable correlated with the other variables. Malhotra (2014) states that Cronbach Alpha is the average of all possible split half coefficients resulting from different ways of splitting the scale items in the instrument of measurement. The coefficient should vary from 0 to 1 and a value of 0.6 or less generally indicates unsatisfactory internal consistency reliability (Malhotra, 2014).

3.7 Data Collection Procedure

Data in this research was collected from CEOs and marketing managers or credit officers of MFIs which were members of AMFI-K. A semi-structured questionnaire was used to collect the data. The questionnaire annexed as Appendix 1 was administered on the CEOs and marketing managers of the seven banks offering microfinance services, eleven deposit taking MFIs and fourty nine credit only. The field data collection was carried out by research assistants who were trained to ensure that they were familiar with the questionnaire and to create consistency in the way the questionnaires were administered. After the data collection, the questionnaires were checked for completeness and accuracy, after which they were coded in preparation of data analysis.

3.8 Data Analysis

Data analysis entailed reducing accumulated data to a manageable size, developing summaries, looking for patterns and applying statistical techniques (Cooper & Schindler, 2014). In this research, descriptive and inferential statistics were used to analyze the data. Pearson’s correlation was used in this research to assess the relationship between the independent variables and the dependent. Pearson's correlation is a measure of the linear relationship between two continuous random variables (Pallant, 2007). The correlation in this research did not assume normality although it did assume finite variances and finite covariance in the calculation of correlation coefficient (r). The range of correlation coefficient is from -1.0 to + 1.0. According to Cohen (2008), the interpretation of (r) = .10 to .29 or r= -.10 to -.29, the correlation is said to be small; r=.30 to .49 or r= -.30 to -.49, the correlation is said to be medium; and where r= .50 to 1.0 or r = -.50 to – 1.0, the correlation is said to be high.

The value of (r) reflects the direction of the correlation, where (-1.0) indicated a perfect negative linear correlation, (+1.0) indicates a perfect positive linear correlation, and (0) meant no correlation. The significance of level (P) of any relationship should be examined. For example, if the value of *p* is equal to or less than 0.05, it means that the correlation is statistically significant since the probability of the correlation test statistics having occurred by chance is slim. But if the probability of obtaining the correlation statistics by chance is higher than 0.05, then the correlation is not significant.

Data were analyzed using a multiple linear regression to examine the effectiveness of the independent variables under study against the dependent variable. SPSS was used in this research to analyze the data.

The statistical model used in this research was stated as follows:

$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X4 + \varepsilon$

Where

Y = Success of Marketing Strategies

$\beta_0 =$ Constant of independent variables

X_1 = Customer focus

X_2= Interfunctional focus

X_3 = Competitor focus

X_4 = Market Intelligence focus

ε = Error term

Moderated regression analysis:

$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 (\mathbf{B_5}(X_1 + X_2 + X_3 + X4)) + \varepsilon$

Where:

X_1 - MFI legal structure

X_2 - MFI ownership structure

X_3 - MFI membership

The moderation effect was represented by the interaction effect between the dependent variable and independent variables. In this equation, if the interaction between the independent variable and moderator variable was not statistically significant, then B_5 was not a moderator variable, and it was an independent variable. If it was statistically significant, then B_5 was a moderator variable, and thus moderation was supported.

3.9 Ethical Considerations

According to Cant *et* al. (2005), ethics refers to commonly accepted norms and standards of right or wrong in terms of behaviour in a society. In this study, the rights of participants were considered to avoid any violations. The following key ethical issues were considered; First, confidentiality of data and the participants were adhered to by avoiding any information that would reveal the identity of a participant. Second, the principle of voluntary involvement was followed by explaining the purpose of the research to each respondent before requiring their participation in the research.

Thereafter, the consent for involvement was sought and it was only after consent was granted, when the respondents were involved in the study. Third, the issue of anonymity was adhered to in all cases by keeping the names of the respondents unknown. The researcher undertook to ensure that the confidentiality of the banks and microfinance institutions was not compromised. The information collected therefore was handled with much care and not exposed to the competitors or any other stakeholders without the consent of the information provider. Debriefing of the respondents was done after the interviews by repeating the objectives of the study and assuring them all information provided would be treated with utmost confidentiality. Authority to collect data was granted by National Commission of Science, Technology and Innovation (NACOSTI) Appendix V.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND DISCUSSION

4.1 Introduction

This chapter presents and discusses the findings in respect to the effect of adoption of marketing orientation on the success of marketing strategies of MFIs in Kenya. It is divided into three main sections. The first section presents the findings on response rate, final reliability scores, demographic information of respondents and MFIs characteristics. The second section is organized thematically according to the objectives of the study namely; customer focus, competitor focus, interfunctional focus, marketing intelligence focus and success of marketing strategies. The third section covers the discussions of the research findings on the basis of the four specific objectives and the dependent variable: to assess the extent to which customer focus adoption affects the success of marketing strategies of MFIs in Nairobi; to evaluate the effect of competitor focus adoption on the success of marketing strategies of MFIs in Nairobi, to assess the effect of the inter-functional focus adoption on the success of marketing strategies of MFIs in Nairobi; to evaluate the effect of marketing intelligence focus adoption on the success of marketing strategies of MFIs in Nairobi and to evaluate the extent to which marketing characteristics moderate the relationship between adoption of marketing orientation and success of marketing strategies of MFIs in Nairobi.

4.2 General and Demographic Information

This section presents data on response rate and reliability of data collection instruments. It shows that the study met the minimum threshold of the respondents and that the data collection instruments met the requirement for reliability.

4.2.1 General Information

The target population was drawn from 67 MFIs who are registered members of the Association of Microfinance Institutions of Kenya of Kenya (AMFI-K) as at 2016. The study sought to collect data from the CEOs, marketing managers and credit managers responsible for performing marketing duties in each of the MFIs. This comprised of 67 CEOs and 67 marketing managers / credit officers making a total of 134 respondents. A total of 134 questionnaires were distributed, out of which 130 questionnaires were successfully completed. The response rate was 97% which was adequate for analysis and reporting according to Mugenda (2010). The response rate in this case therefore, was a good indicator of a good quality data collection process and adequacy of analyzed data.

4.2.1.1 Reliability Test Results

In order to establish the final reliability of the questionnaire items, a reliability test was carried out. The Cronbach Alpha coefficient was used to measure the reliability of the questionnaire and to establish the internal consistency. The findings are presented in Table 4.1.

Table 4.1: Questionnaire Reliability Test

Reliability Statistics		
Cronbach's Alpha	**Cronbach's Alpha Based on Standardized Items**	**N of Items**
.850	.811	36

The Cronbach Alpha coefficient in this research was .850 which means that the questionnaire items had a high reliability and internal consistency. Cronbach Alpha is the average of all possible split half coefficients resulting from different ways of splitting the scale items in the instrument of measurement. The coefficient should vary from 0 to 1 and a value of 0.6 or less generally indicates unsatisfactory internal consistency reliability (Malhotra, 2014).

4.2.2 Demographic Data

This section discusses the demographic data which includes gender of respondents, years worked at the MFI and position held. MFI characteristics considered in this study comprised of legal structure, ownership and membership of MFIs. This information clarified the setting and background to this study. The findings on demographic variables namely; gender of respondents, years of working in the MFI, position held in the MFI are presented in Table 4.2.

Table 4.2: Demographic Data

Demographic Information		**Frequency**	**Percentage %**
Sex	Male	70	54.0
	Female	60	46.0
	Total	130	100.0
Position held in MFI	C.E.O	65	50.0
	Marketing Manager	55	42.3
	Credit Officers	10	7.7
	Total	130	100.0
Experience	0-5 Years	9	6.6
	6-10 Years	9	7.0
	11-15 Years	18	13.6
	16-20 Years	18	13.6
	21-25 Years	26	20.2
	26-30 years	32	23.5
	31-35 Years	16	12.1
	36-40 Years	3	2.0
	Above 40 Years	3	2.0
	Total	**130**	**100.0**

4.2.3 MFI Characteristics

The study sought to establish three aspects MFIs characteristics. First, the MFI legal structure in terms of whether the structure is that of cooperative organization, community based organizations, private or public companies. Second, the MFI ownership structure (mode of business operation) in respect to whether the structure is that of a bank, deposit taking MFIs or credit only MFI. Third, the financial needs of MFI customers with respect to whether they seek finances for medical needs, business startup, school fees or development loans. The findings are presented in Table 4.3.

Table 4.3: Microfinance Institutions Characteristics

MFI characteristics		**Frequency**	**Percentage %**
Legal structure of the MFI	Public Company	26	20.0
	Private Company	29	22.0
	Cooperative	46	35.0
	NGO	14	11.0
	CBO	16	12.0
	Total	**130**	**100.0**
Ownership Structures	Bank	20	15.4
	Deposit taking Microfinance institutions	37	28.3
	Credit Only Microfinance	73	56.3
	Total	**130**	**100.0**
Members of the MFI	Women Group	33	25.0
	Youths Groups	30	23.0
	Individual Members	25	19.0
	Professionals	22	17.0
	Community Based Organizations	21	16.0
	Total	**130**	**100.0**
How long the MFI has been in operation	Less than 1 Year	97	35.7
	2 to 5 Years	169	62.1
	6-10 Years	0	0.0
	More than 10 Years	6	2.2
	Total	**130**	**100.0**
Financial needs of the customers	Schools Fees	32	24.0
	Development loans	32	24.0
	Business Startup capital	33	25.0
	Medical	9	7.0
	Total	**130**	**100.0**

4.3 Research Findings

In this section the research findings are presented according to the research objectives; Effect of Customer Focus on Success of Marketing Strategies of MFIs in Nairobi, Effect of Competitor Focus on Success of Marketing Strategies of MFIs in Nairobi, Effect of Interfunctional Focus on success Marketing Strategies of MFIs in Nairobi, Effect of Marketing Intelligence Focus on Success of Marketing Strategies of MFIs in Nairobi and Effect of MFI Characteristics on Adoption of Marketing Orientation. The findings on Success of Marketing Strategies are also presented.

4.3.1 Descriptive Analysis of Effect of Customer Focus on Success of Marketing Strategies of MFIs in Nairobi

This section present data on the findings of the first specific objective: the extent to which customer focus affects the success of MFI marketing strategies. Customer focus was measured using four parameters namely; identification of customers' needs, provision of products and services that meet customer needs, efficiency in service delivery and appreciation of customers. The section presents the findings on descriptive analysis of customer focus effect on success of marketing strategies of MFIs, the descriptive statistics of centered customer focus level scores and frequency distribution for customer focus scores.

4.3.1.1 Findings on Descriptive Analysis of Customer Focus

The respondents were asked to rate the extent to which customer focus affected the success of marketing strategies of MFIs on a scale of 1-5 where; 1- Strongly Disagree, 2-Disagree, 3-Neither Disagree nor Agree, 4-Agree and 5- Strongly Agree. The findings presented in Table 4.3 reveal that the mean score was 4.56 with a standard deviation (SD) of 1.1, which suggests a consensus among the respondents that MFIs identify customer business needs in order to develop relevant services.

The SD relative to the mean suggests that data points were close to the mean while a large SD relative to the mean suggests that data points are spread out over a wide range of values (Browne, 2001).

Table 4.4: Effect of customer focus on success of marketing strategies of MFIs

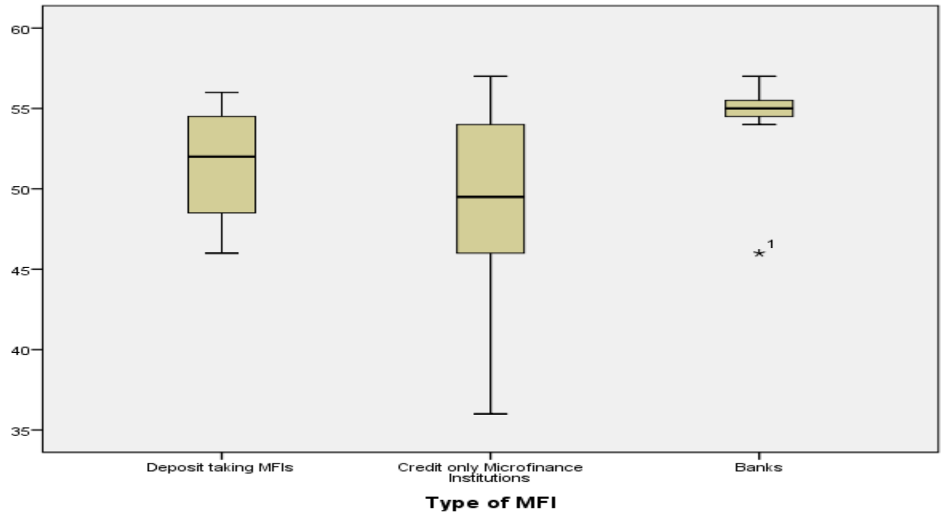
Customer focus N=130	**1 –SD**		**2-D**		**3-ND**		**4-A**		**5-SA**		**Mean**	**SD**
	F	**%**	**F**	**%**	**F**	**%**	**F**	**%**	**F**	**%**		
Identify business needs	12	9.2	6	4.6	24	18.5	45	34.6	43	33.1	4.56	1.1
Identify lifestyle needs	0	0	12	9.2	35	26.9	32	24.6	51	39.2	4.56	1.9
Identify agricultural needs	3	2.3	3	2.3	54	41.5	38	29.2	32	24.6	4.00	0.9
customer retention	12	9.2	12	9.2	0	0	39	30.0	67	51.6	4.13	1.2
MFI develops services that enhance customer loyalty	31	23.8	15	11.5	0	0	0	0	84	64.7	4.50	1.4
MFI develops services that satisfy the customers	6	4.6	0	0	9	6.9	70	53.8	45	34.6	4.61	1.9
MFI ensures timely services	3	2.3	8	6.8	50	38.4	34	29.2	32	24.6	4.68	0.9
MFI follows service charters	3	2.3	0	0	0	0	56	43.1	71	54.6	4.30	1.4
MFI ensures delivery strategies are in place	15	11.5	62	47.7	50	38.5	0	0	3	2.3	4.77	1.2
MFI appreciates customers by letters	9	6.9	0	0	6	4.6	51	39.2	64	49.2	3.99	1.2
MFI appreciates customers by phone calls	3	2.3	6	4.6	12	9.2	27	20.8	82	63.1	4.25	1.9
MFIs appreciate customers by complimentary	0	0	4	3.1	3	2.3	48	36.9	75	57.7	3.54	0.9

4.3.1.2 Descriptive Statistics of Centered Customer Focus Scores

Likert scores of customer focus levels was established on a scale of 1-5 where; 1- Strongly Disagree, 2-Disagree, 3-Neither Disagree nor Agree, 4-Agree and 5- Strongly Agree multiplied by 12 parameters in the variable. Therefore total score ranged from 12- 60. Descriptive statistics were used to analyses the scores in terms of maximum, minimum, variance, median and mean as shown in Table 4.5.

Table 4.5: Descriptive statistics for centered customer focus level scores

Statistics	Mean	Median	Variance	Minimum	Maximum
Centered Score	49.58	50.00	27.051	36	57

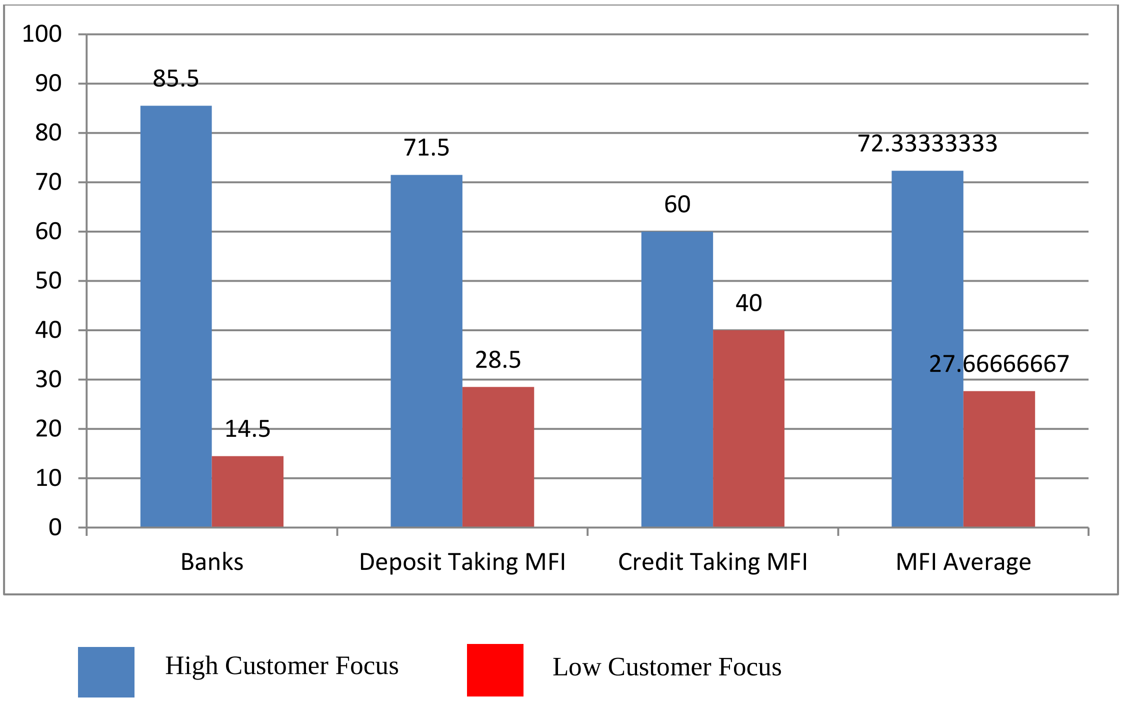


Source: Research Data

Figure 4.1: Boxplot for Customer Focus

4.3.1.3 Frequency Distribution for Scores of Customer Focus

The purpose of frequency distribution was to categorize the MFIs into two groups based on mean score namely those above mean score (49.58) and those below the mean score. The one above the mean score were considered to have high customer focus and those below had low customer focus. The findings are presented in Figure 4.1.



Source: Research Data

Figure 4.2: Frequency for Scores for Customer Focus

4.3.2 Effect of Competitor Focus on Success of Marketing Strategies of MFIs

These section present findings of the second specific objective which was extent to which competitor focus influenced the success of MFI marketing strategies. Competitor focus was measured using parameters for competitor services, pricing strategies, promotion strategies and physical evidence of services provided. The section presents the description of competitor focus by MFIs, descriptive statistics of centered competitor focus level scores and frequency distribution for competitor focus scores.

4.3.2.1 Description of Competitor Focus Orientation for MFI

The respondents were asked to rate the extent to which competitor focus affected the success of marketing strategies of MFIs on a scale of 1-5 where; 1- Strongly Disagree,2-Disagree, 3-Neither Disagree nor Agree, 4-Agree and 5- Strongly Agree. The findings are presented in Table 4.6.

Table 4.6: Effect of Competitors Focus on the Success of Marketing Strategies

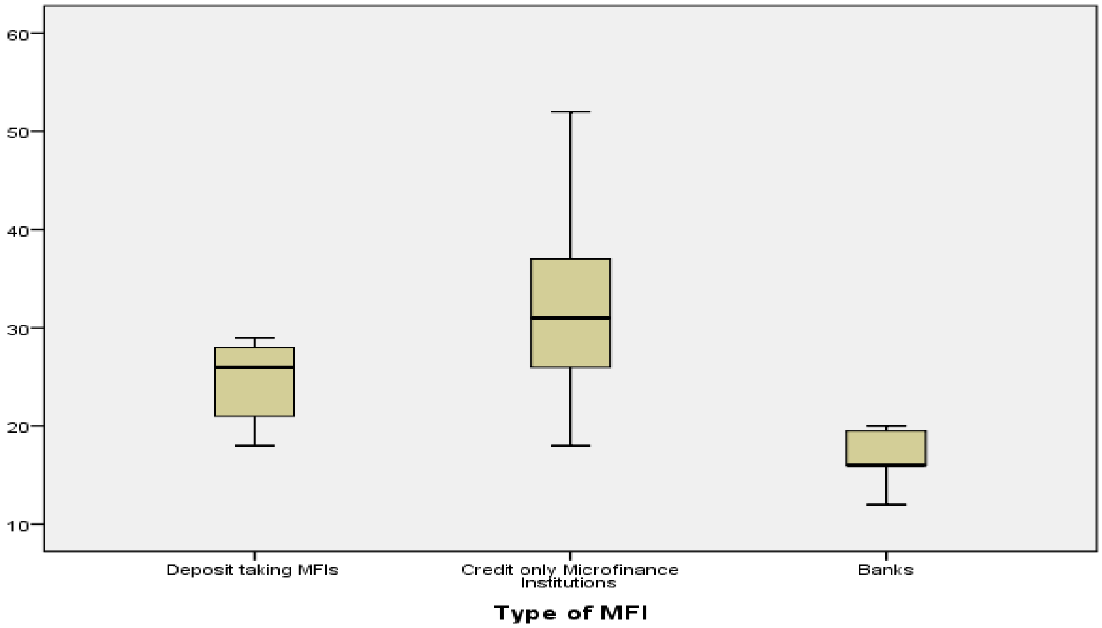
Competitor focus N=130	1 –SD		2-D		3-ND		4-A		5-SA		Mean	SD
	F	%	F	%	F	%	F	%	F	%		
Quality of services	56	43.1	49	37.7	25	19.2	0	0	0	0	2.02	1.1
Variety of services	40	30.8	21	16.2	27	20.8	11	8.5	31	23.8	2.28	1.9
Accessibility of services	68	52.3	21	16.2	1	8.0	2	1.5	38	29.2	1.02	0.9
Competitor pricing	51	39.2	19	14.6	7	5.4	24	18.5	29	22.3	2.10	1.2
Affordability	64	49.2	28	21.5	12	9.2	21	16.2	5	3.8	3.10	1.4
MFI benchmarks prices	50	38.4	40	30.7	30	23.0	5	3.8	5	3.8	3.20	1.9
MFI Compares its promotion	36	27.7	47	36.2	0	0	20	15.4	27	20.8	2.30	1.9
MFI collects data on the effectiveness of promotion	66	50.8	36	27.7	1	8.0	19	14.6	8	6.2	1.11	1.9
MFI marketing officers are in regular contact	9	6.9	6	4.6	103	79.2	9	6.9	3	2.3	1.08	0.9
Designs of competitor	21	16.2	47	36.2	59	45.4	3	2.3	0	0	1.17	1.2
MFI benchmarks the front office	21	16.2	47	36.2	59	45.4	3	2.3	0	0	1.19	1.2
MFI creates an image	9	6.9	59	45.4	59	45.4	3	2.3	0	0	3.15	1.9

4.3.2.2 Description Statistics of Centered Competitor Focus Scores

Likert scores of competitor focus was established on a scale of 1-5 where; 1- Strongly Disagree, 2-Disagree, 3-Neither Disagree nor Agree, 4-Agree and 5- Strongly Agree multiplied by 12 parameters in the variable. The total score ranged from 12- 60. Descriptive statistics were used to analyze the scores in terms of maximum, minimum, variance, median and mean as shown in Table 4.7.

Table 4.7: Descriptive Statistics for Centered Competitor Focus Level Scores

Statistics	Mean	Median	Variance	Minimum	Maximum
Centered Score	28.96	28.00	59.32	16	36



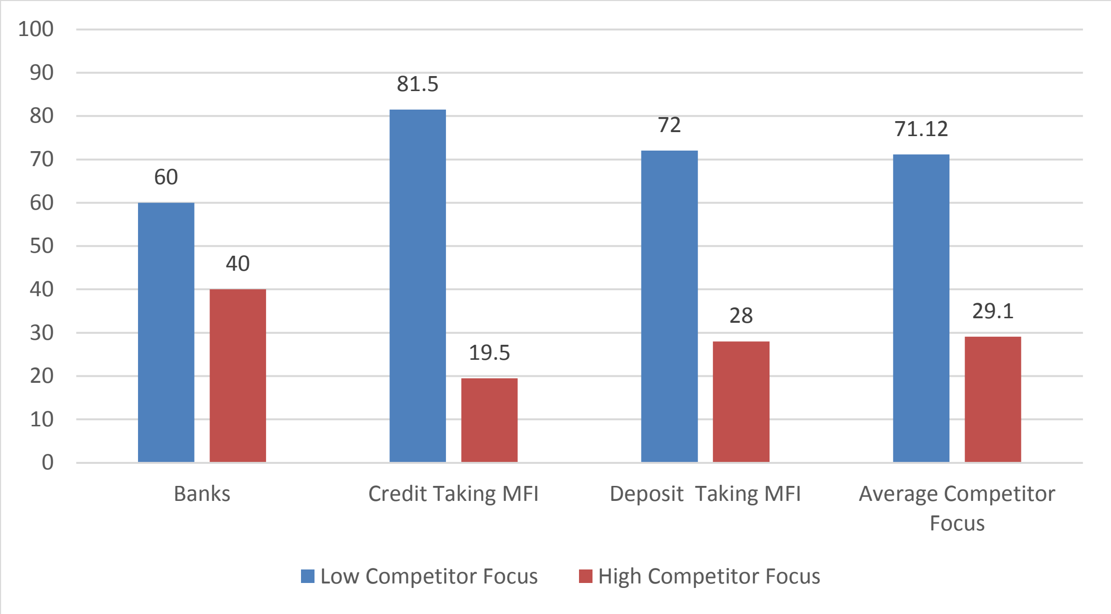
Source: Research Data

Figure 4.3: Box-plot for Competitor Orientation

The box-plots for banks and deposit-taking MFI are comparatively short; this suggests that generally, deposit-taking MFIs as well as banks have a similar pattern of low score for competitor focus. The box-plot for credit-taking MFI is comparatively tall suggesting that there is variation in the scores.

4.3.2.3 Frequency Distribution for Score of Competitor Focus

The purpose of frequency distribution was to categorize the MFIs into two groups: those above mean score (28.96) and those below the mean score. The MFIs above the mean score were considered to have high competitor focus and those below had low competitor focus. The findings are presented in Figure 4.4.



Source: Research Data

Figure 4.4: Frequency for Scores of Competitor Focus

4.3.3 Effect of Interfunctional Focus on the Marketing Strategies of MFIs

This section present data on the findings of the third specific objective which was extent to which inter-functional focus influenced the success of MFI marketing strategies. Inter – functional focus was measured by coordinating all marketing activities, inter-departmental meetings, inter-departmental communication process and interdepartmental feedback. The section has three parts namely: description of inter-functional focus by MFIs, descriptive statistics of centered inter-functional focus level scores and frequency distribution for inter-functional scores.

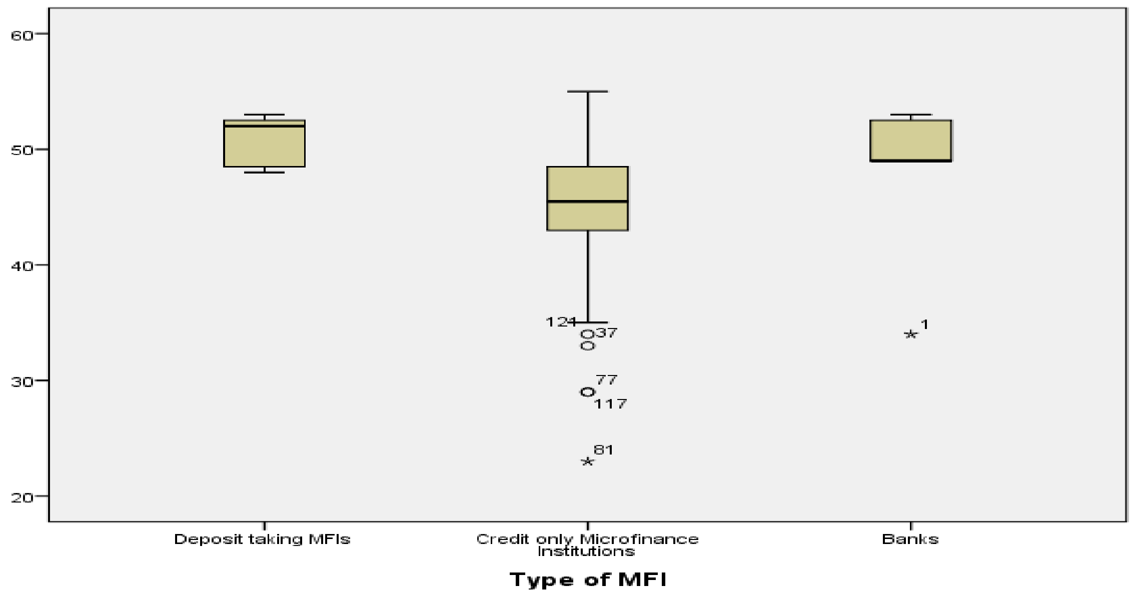
4.3.3.1 Description of Interfunctional Focus Orientation for MFI

The respondents were asked to rate the extent to which inter-functional focus affected the success of marketing strategies of MFIs on a scale of 1-5 where; 1- Strongly Disagree,2-Disagree, 3-Neither Disagree nor Agree, 4-Agree and 5- Strongly Agree. The findings are presented in Table 4.8 overleaf.

Table 4.8: Effect of the Inter-functional focus on Marketing Strategies of MFIs

Inter-functional focus	1 –SD		2-D		3-ND		4-A		5-SA		Mean	SD
N=130	**F**	**%**	**F**	**%**	**F**	**%**	**F**	**%**	**F**	**%**		
Information for customer satisfaction	12	9.2	6	4.6	24	18.5	45	34.6	43	33.1	4.00	1.8
Strategies for customer retention	51	39.2	4	3.1	6	4.6	9	6.9	6	4.6	4.00	1.1
MFI have structures	28	21.5	8	6.2	41	31.5	9	6.9	44	33.8	4.13	1.9
MFI provides sufficient resources	9	6.9	0	0	15	11.5	12	9.2	94	72.3	3.99	0.9
Resources for customer loyalty	3	2.3	8	6.8	50	38.4	34	29.2	32	24.6	4.68	0.9
Resources for customer satisfaction	3	2.3	0	0	0	0	56	43.1	71	54.6	4.30	1.4
Meetings for customer retention	15	11.5	62	47.7	50	38.5	0	0	3	2.3	4.77	1.2
Regular seminars	6	4.6	12	9.2	0	0	41	31.5	71	54.6	2.00	1.9
MFI Department minutes	0	0	0	0	0	0	12	9.2	118	90.8	1.00	0.9
MFI lines of communication	0	0	0	0	0	0	41	31.5	89	68.5	4.11	1.9
MFIs have intercom system	3	2.3	8	6.8	50	38.4	34	29.2	32	24.6	4.68	0.9
MFI have internet system	10	7.6	10	7.6	0	0	43	33.1	67	61.7	4.77	1.2

Figure 4.5 show that deposit-taking MFI and banks have comparatively short boxplots, suggesting that almost all deposit-taking MFI as well as banks have a high level of inter-functional focus compared to credit taking MFI which had a tall boxplot, suggesting variation in the scores and thus low inter-functional focus.

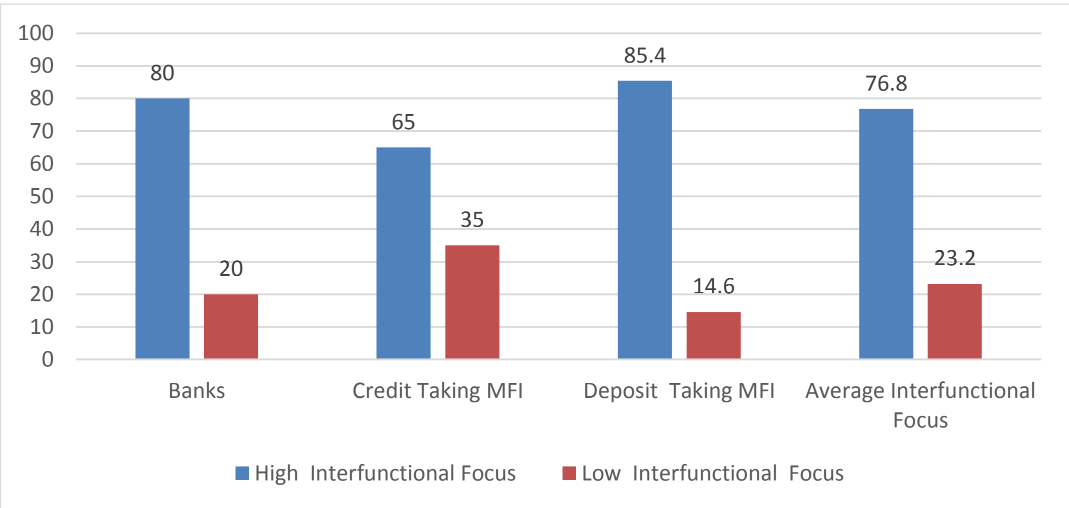


Source: Research Data

Figure 4.5: Boxplot for MFI inter-functional focus

4.3.3.2 Frequency Distribution for Score of Interfunctional Focus

The purpose of frequency distribution was to categorize the MFIs into two groups based on mean score namely those above mean score (45.57) and those below the mean score. The one above the mean score were considered to have high inter-functional focus and those below had low inter-functional focus.



Source: Research Data

Figure 4.6: Frequency Distribution for Score of Inter-functional Focus

The findings presented in Figure 4.6 show 76.8 % MFIs had high inter-functional focus score while 23.4% had a low score. The analysis also show that of deposit taking MFIs as having 85.4% which is a significantly high degree of inter-functional focus; followed by 80.0% by banks and lastly credit taking MFIs with 65.0%.

4.3.4 Effect of Marketing Intelligence Focus on Success of Marketing Strategies of MFIs

This section present data on the findings of the fourth specific objective which was extent to which marketing intelligence focus influenced the success of MFI marketing strategies. Marketing intelligence focus was measured by market survey, mystery shopping, information dissemination, research and development. The section is organized into; description of marketing intelligence focus by MFIs, descriptive statistics of centered marketing intelligence focus level scores and frequency distribution for marketing intelligence scores.

4.3.4.1 Description of marketing intelligence orientation for MFIs

The respondents were asked to rate the extent to which marketing intelligence focus affected the success of marketing strategies of MFIs on a scale of 1-5 where; 1- Strongly Disagree,2-Disagree, 3-Neither Disagree nor Agree, 4-Agree and 5- Strongly Agree. The findings are presented in Table 4.9. The study sought to establish whether MFIs regularly surveys markets with aim of enhancing customer retention. The findings showed that no respondent agreed with this statement. In regard to the existence of sections charged with market survey activities the findings indicate that 86.1% disagreed confirming that MFIs are not engaged in research to enhance customer retention. Aaker *et al.* (2007) argue that market intelligence is critical when evaluating changes in the market place and went further to say that changes which relate to the size of the market and nature of future markets require marketing intelligence. The study sought to find out whether MFIs have digital and social media presence for customer loyalty. The findings are presented in Table 4.9.

Table 4.9: Marketing Intelligence Focus Coordination Effect on Marketing Strategies of MFIs

Market Intelligence N=130	1 –SD F	%	2-D F	%	3-ND F	%	4-A F	%	5-SA F	%	Mean	SD
MFI surveys markets for retention	103	79.2	18	13.8	9	6.9	0	0	0	0	2.00	1.1
MFI market survey for customer loyalty.	103	79.2	9	6.9	12	9.2	0	0	3	2.3	2.13	1.9
MFI has qualified staff	27	20.8	62	47.7	38	29.2	0	0	0	0	2.00	0.9
MFI collect competitive intelligence	104	80.0	18	13.8	4	3.1	0	0	3	2.3	2.10	1.2
MFI has digital and social media	0	0	11	91.5	0	0	0	0	11	8.5	2.30	1.4
MFI performs online tracking	16	12.3	88	67.7	19	14.6	4	3.1	3	2.3	2.11	1.9
MFI has a budget for mystery shopping	77	59.2	49	37.7	0	0	4	3.1	0	0	2.68	0.9
MFI uses information from mystery shopping	45	34.6	79	60.8	0	0	0	0	6	4.6	2.77	1.2
MFI has R&D.	24	18.5	44	33.8	44	33.8	18	13.8	0	0	2.00	1.9
MFI have fund for R&D	45	34.6	81	62.3	3	2.3	0	0	1	8.0	1.00	0.9
Uses of MFI data	15	11.5	84	64.6	0	0	0	0	1	8.0	211	1.9
MFI information dissemination	35	26.9	89	68.5	0	0	0	0	6	4.6	2.68	0.9

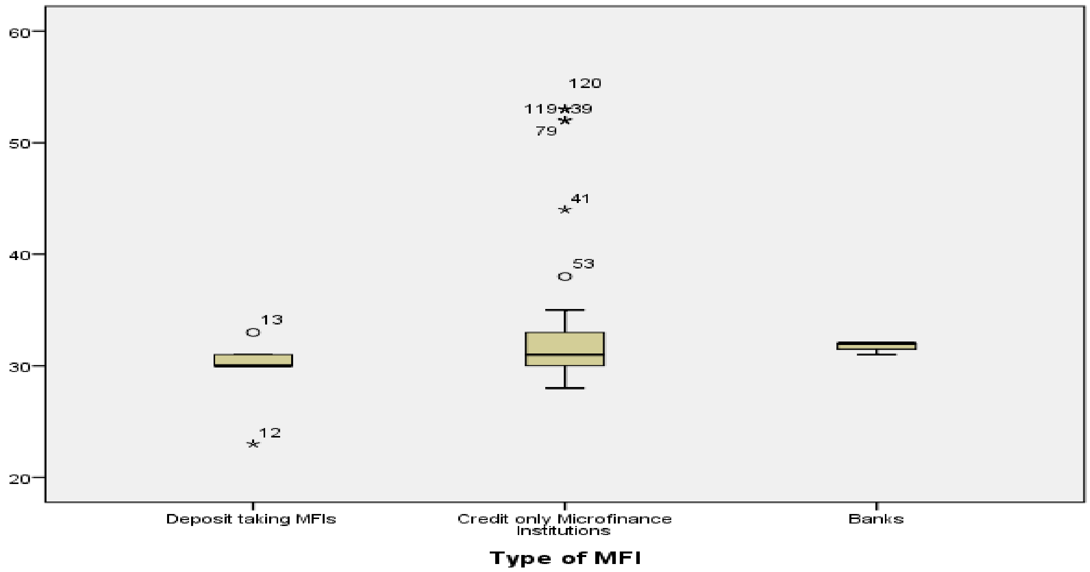
4.3.4.2 Descriptive statistics of centered marketing intelligence focus

Likert scores of marketing intelligence focus were established on a scale of 1-5 where; 1-Strongly Disagree, 2-Disagree, 3-Neither disagree nor agree, 4-Agree and 5- Strongly Agree multiplied by 12 parameters in the variable. Therefore, the total score ranged from 12- 60. Descriptive statistics were used to analyze the scores in terms of maximum, minimum, variance, median and mean. The findings are presented in Table 4.10.

Table 4.10: Descriptive Statistics for centered marketing intelligence focus

Statistics	Mean	Median	Variance	Minimum	Maximum
Centered Score	32.5	31.0	24.2	14	33

The study found that MFI mean score of marketing intelligence focus was 32.5 with a median of 31.0. Maximum score was 33 against a possible score of 60 and minimum was 14 against a lowest score of 12 with a variance of 24.2 which are indicators that all MFI had low scores of effective marketing intelligence focus, at the same time box-plot presented in Figure 4.8 indicates specific characteristics of MFIs which are members of AMFI.



Source: Research Data

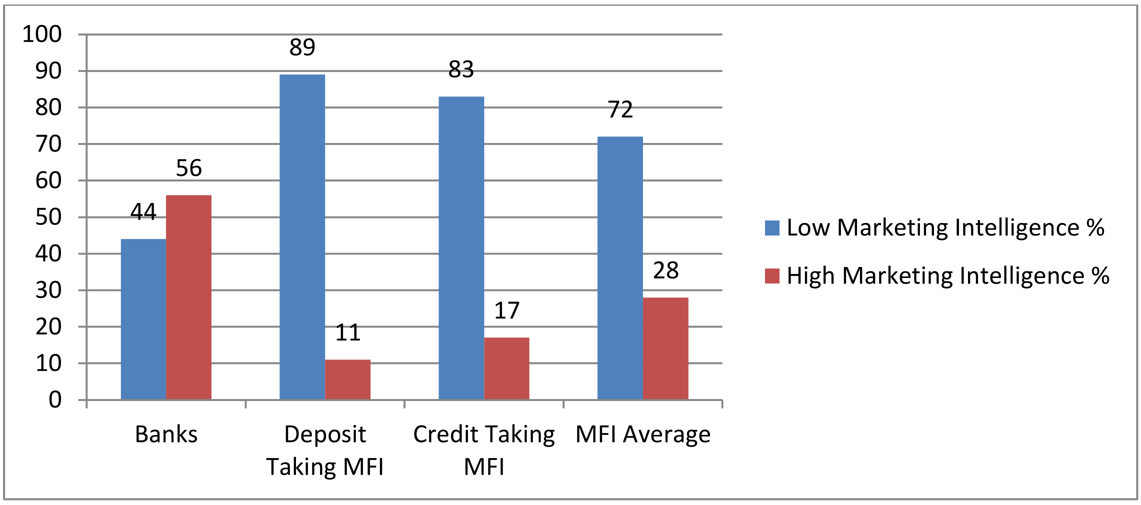
Figure 4.7: Boxplot Market Intelligence Focus

Figure 4.7 show that all MFIs; Deposit taking MFI, banks and credit-taking MFIs have comparatively short box plots, suggesting that they all have a low scores for marketing intelligence focus.

4.3.4.3 Frequency distribution for score of Marketing Intelligence Focus

The purpose of frequency distribution was to categorize the MFIs into two groups based on mean score namely those above mean score (32.5%) and those below the mean score.

The one above the mean score were considered to have high marketing intelligence focus and those below had low marketing intelligence focus. The findings are presented in Figure 4.8.



Source: Research Data

Figure 4.8: Frequency Distribution for Score of Marketing Intelligence Focus

Analyzed data show that across MFIs 72.0 % had low marketing intelligence focus while only 28.0% had high marketing intelligence focus. The findings also show that 89.0% of the deposit taking MFIs had significantly low marketing intelligence focus, followed by 83.0% of credit taking MFIs and lastly banks offering MFIs services with 56.0% also had low marketing intelligence focus.

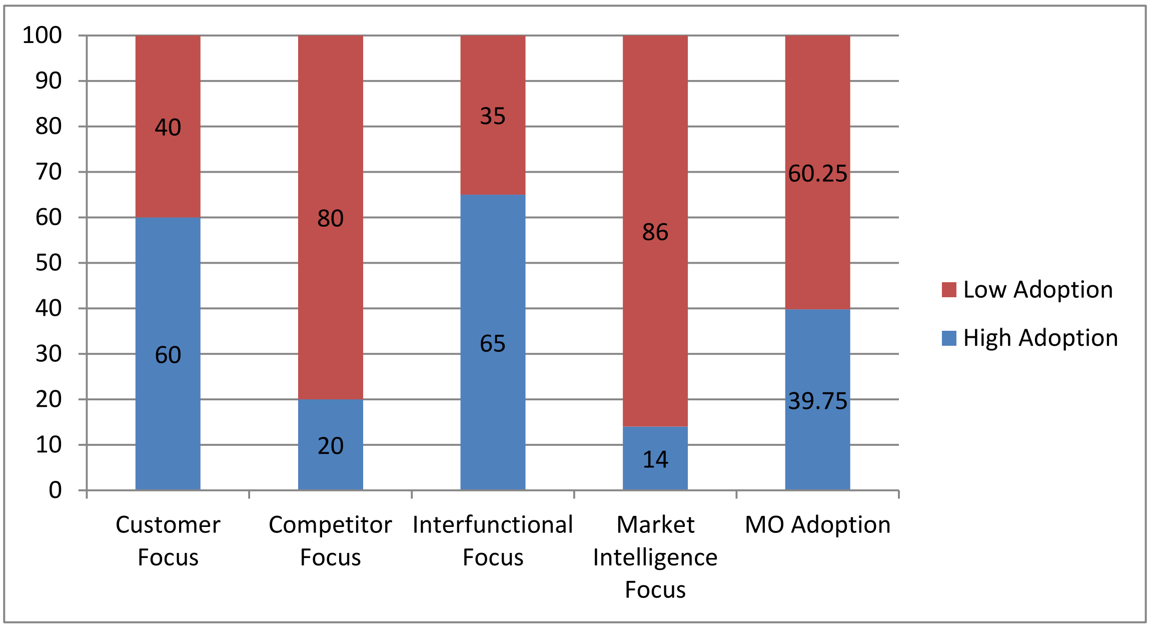
4.3.5 Marketing Orientation Descriptive Analysis

Marketing orientation comprise of customer focus, competitor focus**,** inter-functional focus and marketing intelligence focus. The mean score of MO was established by aggregating individual mean scores for each of the variable. The findings are presented in Table 4.11.

Table 4.11: Descriptive Analysis of Marketing Orientation

	Customer Focus	**Competitor Focus**	**Inter-functional Focus**	**Marketing Intelligence Focus**	**Marketing Orientation**
Statistics	**Mean**	**Mean**	**Mean**	**Mean**	**Score**
Centered Score	49.58	28.96	45.57	12.5	29.15

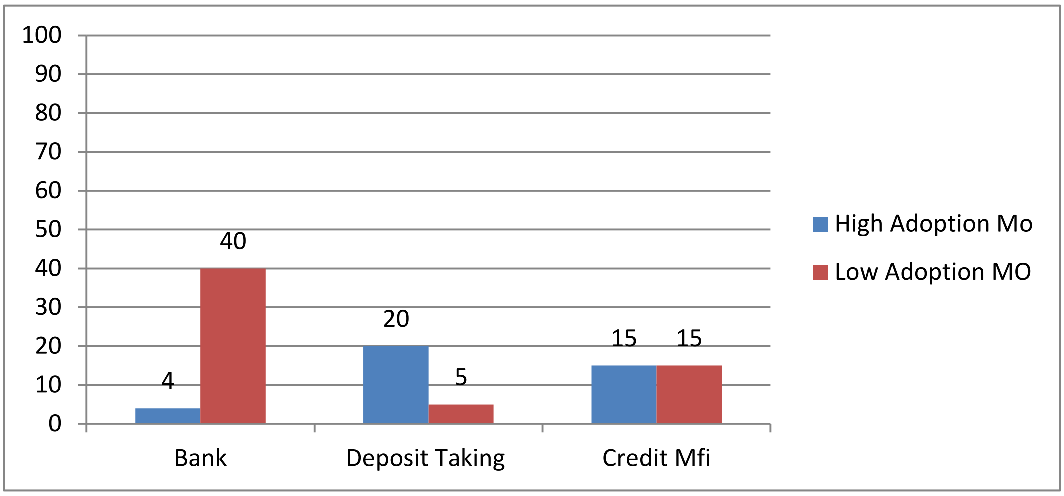
The study found that highest average score of all four parameters of MO was 49.58 for customer focus, followed by 45.57 for inter-functional focus, competitor focus had a mean score of 28.96 and lastly market intelligence focus with 12.5. The overall mean for MO was 29.15 which is below half of possible score of MO which is 30. This is also reflected in the frequency distribution as shown in Figure 4.9.



Source: Research Data

Figure 4.9: Frequency Distribution of the Adoption of Marketing Orientation

Figure 4.9 show that 60.25% of MFI had not adopted marketing orientation while 39.75% had adopted marketing orientation. In respect to the types of MFI namely banks, deposit taking and credit only MFI , the highest adoption of MO was found in deposit taking MFIs at 20.0%; followed by credit only MFI at 15.0% and lastly banks at 4.0%. The findings are presented in Figure 4.10.



Source: Research Data

Figure 4.10: Frequency for Marketing Orientation in Terms of Organizations

4.3.5.1 Effect of MFI Characteristics on Adoption of Marketing Orientation

The study sought to establish the influence of legal structure, ownership structure and MFI membership on the dependent variable (success of marketing strategies). The aim was to measure the extent to which the independent variables influenced the success of marketing strategies implemented by the MFIs. The influence was measured by rating the level of agreement on a scale of 1-5: where; 1-Strongly Disagree; 2- Disagree; 3 - Neither Disagree nor agree; 4 – Agree; 5 – Strongly Agree. The findings are presented in Table 4.12.

Table 4.12: Effect of MFI Characteristics on Marketing Orientation Adoption

N=130	1 –SD		2-D		3-ND		4-A		5-SA		Mean	SD
	F	%	F	%	F	%	F	%	F	%		
Company legal structure	78	60.0	42	32.3	4	3.1	5	3.8	1	1.00	4.00	1.1
NGOs legal structure	22	16.9	12	9.2	5	3.8	34	26.2	57	43.9	2.13	1.9
The legal structure of this MFI is that of cooperative	11	8.5	14	10.8	28	21.2	25	19.0	52	40.5	4.00	0.9
Community Legal Structure	18	13.9	8	6.2	45	34.6	28	21.5	31	23.8	2.10	1.2
Deposit Taking	30	23.4	18	14.0	22	8.2	25	43.9	35	41.6	2.20	1.4
Credit Taking	6	4.6	8	6.2	28	21.5	25	19.2	63	48.5	4.30	1.9
Bank	16	12.3	10	7.7	50	38.5	33	25.4	21	16.1	2.30	1.2
Women membership	73	56.1	28	21.5	20	15.4	4	3.0	5	3.8	4.77	1.9
Youth Membership	66	51.0	39	30.0	15	11.4	6	4.6	4	3.0	2.00	0.9
Professionals Membership	30	23.1	18	13.8	46	35.4	22	16.9	14	10.8	4.11	0.9
Religious group Membership	38	29.2	16	12.3	40	30.7	22	17.0	14	10.8	4.68	1.2
General public Membership	8	6.2	21	16.2	33	25.4	17	13.1	51	39.1	4.77	1.9

Regarding ownership structure (mode of business operation) it is notable that a majority of the MFIs are in agreement that the ownership structure of MFIs influences adoption of marketing orientation. In particular, the study findings show that 85.5% of the respondents agreed that MFIs with an ownership structure of deposit taking have higher rate of influencing the adoption of marketing orientation followed closely by MFIs with credit - taking ownership structure at 67.7 %, while MFIs with bank ownership structure have little influence on the adoption of marketing orientation.

The study findings also show that MFIs whose majority of members are women and youths had a lower rate of influencing adoption of marketing orientation as indicated by 77.6% and 81.0% of respondents respectively as opposed to MFI whose membership constituted of religious at 30.0% and professional groups at (8.0%) respectively. These findings suggest that there is likelihood of marketing orientation being influenced by legal, ownership and membership structure of MFI.

4.3.5.2 Success of Marketing Strategies

This section presents findings on measurement of success of marketing strategies outcomes as results of MFI adopting MO. Success of MFI was the main dependent variable upon which the research predicted the effects of marketing orientation. The study used non-financial measurement rather than financial; this was primarily after expert review and critique of previous studies which widely adopted non-financial performance key indicators in the marketing domain as key performance indicators of success of a marketing strategy. In particular, the research selected three key non-financial indicators which included rate of customer's retention, rate of customer's loyalty and rate of customer satisfaction. This section summarized trends of key performance indicators of success of marketing strategies of MFI, general description of overall MFI distribution of indicators and lastly the summarized centered scores for levels of success of marketing strategies of MFIs.

4.3.5.3 Trend in Key Indicators for MFIs Marketing Strategies Success

MFI managers were asked to provide basic information of MFI performance in terms of key indicators, which they provided in terms of percentage of growth or decline of the specific observations based on non-financial measures which formed part of observable variables of the study, the percentages were based on 5 years period (Year-2014-2018).

Table 4.13: Trend of key Microfinance Intuitions Non –Financial Measures

Non –Financial Measures	Year 2014 %	Year 2015 %	Year 2016 %	Year 2017 %	Years 2018 %
Percentage of Customers growth	40.0	30.0	25.0	20.0	15.0
Customer attritions rate	10.0	12.5	15.0	29.0	35.0
Idle accounts	10.0	7.0	5.0	4.0	3.0
Customer referrals	25.0	18.0	15.0	10.0	8.0
Deposits	10.0	20.0	30.0	40.0	45.0
Increased Borrowing	12.5	15.0	20.0	25.0	30.0
Speed of service	10.0	15.0	20.0	30.0	45.0
Customer Churn	5.0	5.0	7.0	10.0	15.0
Request for more services	20.0	30.0	45.0	50.0	60.0

Table 4.13 shows that there has been a declining growth of customer rate of retention of MFI across the board over the previous 5 years, with passing of each year the percentages growth of customer base has been reducing, most respondents indicated that MFI has had an unstable rate of growth in the number of customers from adoption of MO. The study also shows that adoption of MO did not minimize escalating customer attrition rate. However, one notable contribution of adoption of MO by MFI was identified as reduction of idle accounts.

Another parameter that was examined and presented in Table 4.13 is state of growth of customer loyalty, for the 5 years period most of MFI had registered reduction in number of referrals from existing customers as can be seen in the line chart. The rate of borrowing and deposit had improved during this period. The study also found that in terms of customers satisfaction, there had been improved rating from customers on speed of service since adoption of MO. There was also increased request for more services from adoption of MO, as well as reduction of customer churning from one brand to another.

4.3.5.4 Level of Success of MFI based on Key Indicators

Since the measuring level of success of MFI utilized a number of non-financial parameters or latent variables namely customer retention, customer loyalty and customer satisfaction with several specific observable. This was done using descriptive statistics for frequency distribution and percentages of respondents together with measure of central tendency and dispersion for aggregate score from each of 5 Likert level used to measure level of success of MFI. For easy interpretation the final scores were finally aggregated and recoded such that it was possible to obtain a summary of frequencies of MFIs which have high score above mean and those with low scores. The findings are as shown in Table 4.14, 4.15 and Figure 4.12 and 4.13.

Table 4.14: Success of MFI Marketing Strategies from adoption of MO

Success strategies	**1 –SD**		**2-D**		**3-ND**		**4-A**		**5-SA**		**Total**		Mean	SD
	F	**%**	**F**	**%**	**F**	**%**	**F**	**%**	**F**	**%**	**F**	**%**		
MFIs have stable rate of growth in the number of customers	3	2.3	3	2.3	54	41.5	38	29.2	32	24.6	130	100.0	2.00	1.1
Minimized customer attrition rate	36	27.7	47	36.2	0	0	20	15.4	27	20.8	130	100.0	2.13	1.9
Reduced number of idle accounts	6	4.6	0	0	9	8.9	70	53.8	45	34.6	130	100.0	4.00	0.9
Increased number of referrals from existing customers	31	23.8	0	0	0	0	15	11.5	84	64.6	130	100.0	2.10	1.2
Increased rate of borrowing	12	9.2	6	4.6	24	18.5	45	34.6	43	33.1	130	100.0	4.30	1.4
Increased rate of deposit	0	0	0	0	47	36.1	32	24.6	51	39.2	130	100.0	4.11	1.9
High rating from customers on speed of service	3	2.3	3	2.3	45	34.6	44	33.8	35	26.9	130	100.0	4.68	0.9
Request for more services	0	0	0	0	60	46.1	38	29.2	32	24.6	130	100	4.00	0.8
Customers not switching to competitor services	12	9.2	6	4.6	24	18.5	88	67.7	0	0	130	130	3.89	0.9

Table 4.14 shows that 53.8%, of the respondents agreed that MFIs had witnessed a stable rate of growth in the number of customers during each month from adoption of marketing orientation, 41% of the respondents were undecided and only a small percentage of 4.6% disagreed. The mean (SD) = 2.00 (1.1) shows that the SD was small relative to the mean implying that the respondents had converging opinion in to the rate of growth in the number of customers from adoption of MO. The findings in Table 16 also reveal that 63.9% of the respondents disagreed that MFIs had minimized customer attrition rate from adoption of MO, 36.2% of the respondents agreed that MFIs minimized customer attrition rate from adoption of MO. There were no respondents who were undecided on that MFIs minimized customer attrition rate from adoption of MO.

Regarding the reduction of numbers of idle accounts from adoption of MO the study showed that 88.4% of the respondents agreed that the number of idle accounts had reduced. The percentage of those who disagreed was only 4.6% and the undecided were only 0.9% of the respondents. The Mean (SD) =2.13(1.9) shows that the SD was small relative to the mean suggesting that the respondents had converging opinion. The study also sought to establish whether adoption of MO had an effect on the increase in number of referrals from existing customers the findings indicated that 76.1% of the respondents agreed that the number of referrals had increased, 23.9% disagreed and none of the respondents were undecided. The Mean (SD = 2.10 (1.2) indicates that the respondents had converging opinion because the SD was small relative to the mean.

In regard to the rate of borrowing, the findings in Table 4.14 reveal that 67.7% of the respondents agreed that the rate of borrowing had increased from the adoption of MO, 13.8% disagreed and 18.5% were undecided.

The Mean (SD) = 4.30 (1.4) shows that the SD was small relative to the mean and therefore the respondents did not differ significantly in their rating from one another. The study showed that 63.8% of the respondents agreed that MFIs had an increased rate of deposits due to adoption of MO. None the respondents disagreed but 36.1% were undecided. The Mean (SD) = 4.11 (1.9) indicate that the SD was small relative to the mean and therefore the respondents did not differ in their rating significantly.

The respondents were also supposed to rate the level of agreement or disagreement the statement that MFI have a high rating from customers on speed of service from adoption of MO. The findings showed that 60.7% of the respondents agreed with the statement, 4.6% disagreed and 34.6% were undecided. The Mean (SD) = 4.68 (0.9) shows that the SD was small relative to the mean. The findings therefore show that respondents' rating of the statement clustered around the mean suggesting that there was not much difference in the rating. The findings in Table 4.14 reveal that 53.8% of the respondents agreed that MFIs customers request for more services from the adoption of MO. None of the respondents disagreed and 46.1% were undecided.

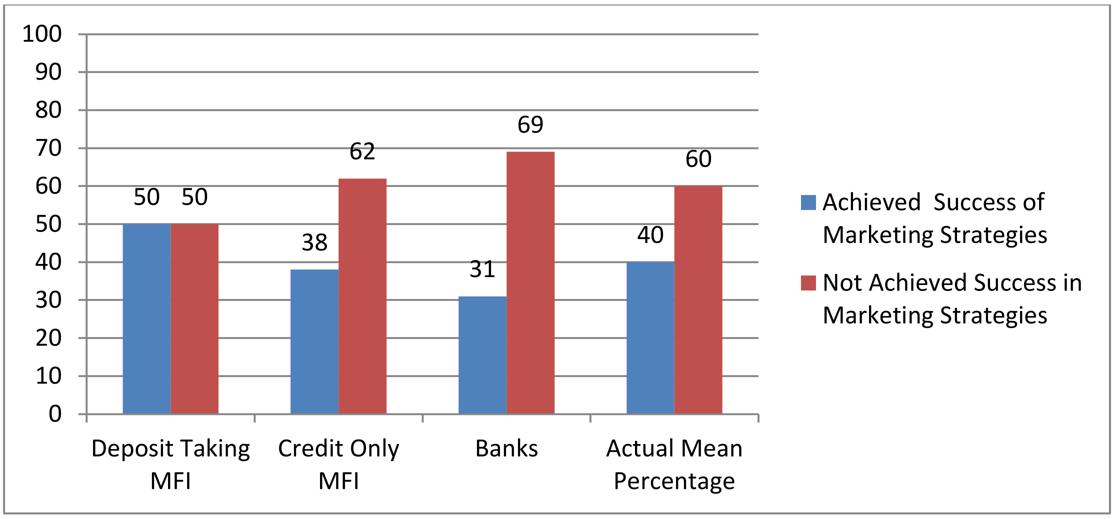
Finally the respondents were supposed to rate the statement that MFIs customers do not switch to competitors services due to the adoption of MO. The findings showed that 67.7% of the respondents agreed, 13.8% disagreed and 18.5% were undecided. Based on the aggregation of total scores of all MFIs it is evident that the overall mean score is 3.4 which indicates that the success of MFI is neither high nor low; deposit-taking and credit-only MFIs (3.6) had slightly higher success than banks (3.2); customer satisfactions has been the most successful elements of success of MFI with very high score of 4.0 followed by customer loyalty with 3.5 and least customer retention seems not to have done well as a parameter for success of MFI.

Table 4.15: Summary of Frequency Distribution of Likert Scores

MFIs	Customer Retention	Customer Loyalty	Customer Satisfaction	Total Score type MFI	Mean Score MFI
Deposit Taking MFI	3.0	3.5	4.3	10.8	3.60
Credit Only MFI	2.7	4.0	4.3	11.0	3.66
Banks	2.6	3.0	4.0	9.6	3.20
Total Score of Parameters	8.3	10.5	12.6	10.5	3.49
Mean Score of Parameters	2.8	3.5	4.2	10.5	3.49

Based on total maximum possible score for 3 parameters which were assessed using 5 level Likert scale, 15 was total maximum possible scores for non-financial parameters while 3 was lowest possible score. Based on these arguments, all MFI were stratified in two groups, the first group was MFI with scores above 7.5 which implied such MFIs had managed to have high scores for key non-financial indicators while the second group was MFIs which had low scores for key non-financial parameters (less than 7.5). The summary of frequency distribution of MFIs with varying levels of success in marketing strategies is as shown in Figure 4.11.

The findings in Figure 4.11 show that majority of MFIs 60.0 % had not achieved success of marketing strategies despite adopting CO, while 40.0% of MFI indicated that they had achieved success of marketing strategies credited with adoption of CO. The largest variation or disparity of success of marketing strategies seems to have affected the banks offering MFI, in that 69% indicated to have achieved success after adopting MO while 31% had not registered significant success.



Source: Research Data

Figure 4.11: Success in Strategies

Credit-only MFI also had significant difference level of achievement of success of marketing strategies with 62.0%, while 38.0% registered low achievement. However, half of the banks (50.0%) had managed to achieve success in marketing strategies as a result of adopting MO and another half (50.0%) had failed to register achievement. The scores helped in the assessment and evaluation of the extent to which MO and all its specific parameters featuring customer focus, competitor focus, inter-functional focus and marketing intelligence focus affect success of the marketing strategies. This was done using factor analysis, inferential statistics and hypothesis testing using multiple linear regression model.

4.4 Factor Analysis

Factor analysis allowed a researcher to establish the relationship between a set of observed variables (also known as manifest variables) and their underlying construct. It was used in this study to validate the internal structure of the data collection tools, in this case the questionnaire; in order to prove its internal consistency. Factor analysis was used to establish construct validity of the tool which is; "the degree to which a tool measures what it claims, or purports, to be measuring. Confirmatory factor analysis was undertaken by establishing communality of factors, factor extraction and factor loading.

4.4.1 Communality of Factors

Communalities indicate the amount of variance in each observed variable that is accounted for by all components or factors. Small values (less than 0.50) indicate variables that do not fit well with the factor solution and should possibly be dropped from the analysis (Diane, 2009). Communality value is also a deciding factor to include or exclude a variable in the factor analysis based on its contribution to the core function of the study. A value of above 0.5 is considered to be ideal. The findings in this study are presented in Table 4.16.

Findings in Table 4.16 show that all variables were within the acceptable range, that is above 0.5, and therefore they can effectively represent their construct in the function. Where communalities for a particular variable are below 0.5, the variable may not load on any factor effectively. Since all communalities in Table 4.16 are above 0.5 then factor extraction was undertaken.

Table 4.16: Communalities

Communalities	Initial	Extraction
MFI Identifying customers business needs	1.000	.918
MFI Identifying their lifestyle needs	1.000	.932
MFI identifying their agricultural needs	1.000	.904
MFI develops services that enhance customer retention	1.000	.919
MFI develops services that satisfy the customers	1.000	.922
MFI ensures timely delivery of services	1.000	.727
MFI ensures that the customer service charter is adhered to	1.000	.928
MFI ensures service delivery strategies are affective	1.000	.923
MFI appreciates customers by sending letters	1.000	.894
MFI makes Phone calls to customers to appreciate them	1.000	.891
MFI appreciates customers by providing complementary services	1.000	.981
MFI constantly monitors the quality of competitors services	1.000	.911
MFI constantly monitors the variety of services	1.000	.934
MFI monitors the accessibility of competitors services	1.000	.942
MFI performs regular monitoring of competitor pricing strategies	1.000	.866
MFI monitors the affordability of competitor prices	1.000	.860
MFI benchmarks its pricing strategies	1.000	.923
MFI Compares its promotion strategies	1.000	.913
MFI collects data on the effectiveness of promotion strategies	1.000	.943
MFI marketing officers are in regular contact with competitors advertising agents	1.000	.942
MFI monitors the designs of competitor front offices	1.000	.814
MFI benchmarks the front office staff dress codes	1.000	.807
MFI creates an image of being superior in-service provision	1.000	.868
The MFI departments share a lot of information	1.000	.877
MFI formulate strategies that emphasize departmental coordination	1.000	.888
MFIs have appropriate structures	1.000	.947
MFI provides sufficient resources to all departments to enhance customer retention	1.000	.956
MFI provides sufficient resources to all departments to enhance customer loyalty	1.000	.824
MFI provides sufficient resources to all departments to enhance customer satisfaction	1.000	.971
Departments hold regular meeting to discuss MFI activities	1.000	.838
MFI departments organizes regular seminars to all department staff	1.000	.906
MFI Departments regularly share minutes for their meetings	1.000	.941
MFI lines of communication are well defined.	1.000	.957
MFI regularly surveys the market to get information	1.000	.941
MFI has a section charged with market survey activities	1.000	.890
MFI Has qualified staff to undertake market survey	1.000	.899
MFI Collects competitive intelligence through online customer feedback	1.000	.906
MFI ensures adequate digital presence	1.000	.962
MFI performs online tracking	1.000	.921
MFI has budget for mystery budget	1.000	.944
MFI uses information collected from mystery shopping	1.000	.891
MFI has research and developed department	1.000	.957
MFI has fund for research and developed department	1.000	.935
MFI lines of communication are well defined	1.000	.872
MFI regularly surveys the market to get information	1.000	.896
MFI has a section charged with market survey activities	1.000	.928
MFI has qualified staff to undertake surveys	1.000	.962
MFI has information’s dissemination strategies in place	1.000	.963

Extraction Method: Principal Component Analysis.

4.4.2 Factor Extraction (Variables explained in the Study)

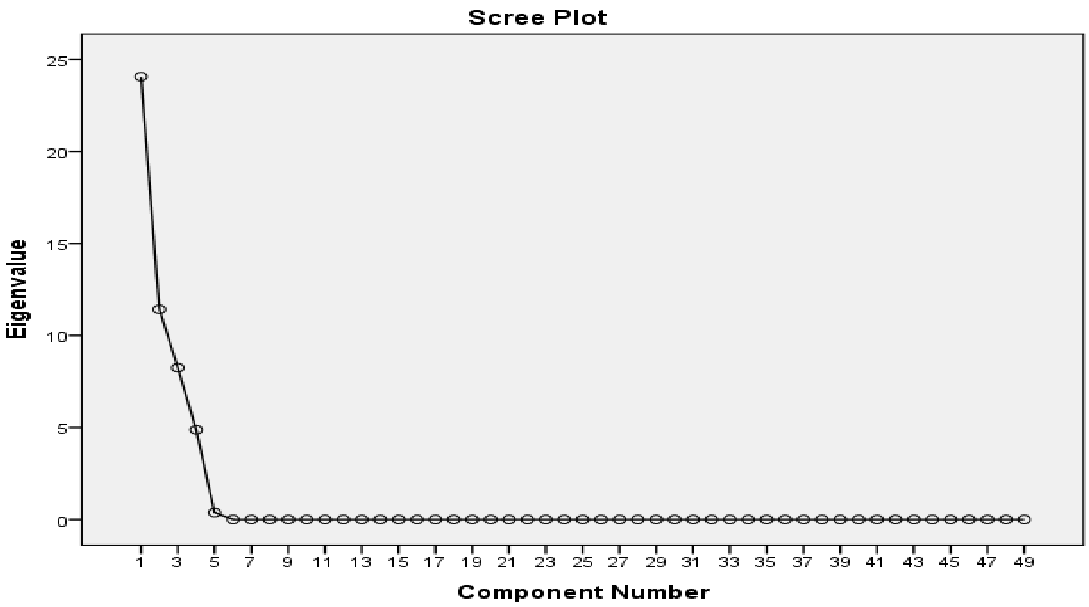
Factor extraction is a process of determining the number of factors to be extracted in a set of groups of indicators. This is established by use of the Eigenvalue to show the percentage of variance that can be explained by each of the independent variables. Scree plot is normally used as a graphical representation of the factors that can be retained for further analysis. This helps to eliminate the least influencing variables from the factors and thus optimize the number of factors, with the objective of improving the factor validity. Eigenvalue is calculated for each factor extracted and can be used to determine the number of factors to extract. A cutoff value of 1 is generally used to determine factors based on eigenvalues. According to Field (2005), if a factor has a low eigenvalue of less than 1, then it is contributing little to the study hence it can be eliminated and those greater than1 are retained. Factor extraction findings in this study are presented in Table 17 and Figure 4.13.

Table 4.17: Factors Extraction

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	**% of Variance**	**Cumulative %**	**Total**	**% of Variance**	**Cumulative %**
1	24.069	49.120	49.120	24.069	49.120	49.120
2	11.426	23.319	72.439	11.426	23.319	72.439
3	8.249	16.834	89.273	8.249	16.834	89.273
4	4.880	9.960	99.233	4.880	9.960	99.233
5	.994	4.938	99.238			
6	.993	4.645	99.242			
7	.992	3.945	99.249			
8	.991	3.845	99.330			
9	.988	3.709	99.443			
10	.987	3.447	99.552			
11	.986	3.166	99.660			
12	.985	3.042	99.669			
13	.982	2.958	99.720			
14	.979	2.796	99.781			
15	.978	2.718	99.820			
16	.878	2.439	99.829			
17	.859	2.386	99.832			
18	.783	2.176	99.836			
19	.730	2.029	99.843			
20	.718	1.993	99.850			
21	.701	1.947	99.852			
22	.617	1.715	99.869			
23	.573	1.591	99.870			
24	.571	1.586	99.871			
25	.531	1.476	99.872			
26	.527	1.463	99.873			
27	.500	1.389	99. 874			
28	.483	1.341	99. 875			
29	.448	1.244	99. 876			
30	.396	1.099	99. 877			
31	.352	.978	99. 882			
32	.344	.957	99. 885			
33	.271	.753	99. 888			
34	.257	.713	99. 990			
35	.226	.629	99. 991			
36	.220	.404	99. 992			
37	.200	.400	99. 992			
38	.197	.387	99. 993			
39	.186	.350	99. 993			
40	.185	.300	99. 993			
41	.167	.289	99. 993			
42	.155	.277	99. 993			
43	.451	.230	99. 994			
44	.400	.229	99. 995			
45	.300	.189	99. 996			
46	.276	.176	99. 997			
47	.220	.123	99. 998			
48	.186	.180	100.00			

Extraction Method: Principal Component Analysis.

The findings in Table 4.17 show that only four factors have an Eigenvalue greater than 1 which means that only four factors were extracted for further analysis. The four factors account for 67.6% of total variance while the remaining 44 factors account for 32.4%. The four factors are; customer focus, competitor focus, inter-functional focus and marketing intelligence focus orientation. Since the four factors met the criteria for extraction then the next step of factor loading was undertaken.



Source: Research Data
Figure 4.12: Scree Plot

4.4.3 Factor Loading

Factor loading shows the correlation between observed score and latent score in factor analysis. This is the degree to which a factor elaborates a variable in the process of factor analysis. Factor loading is the percentage of variance in the indicator variable which is accounted for by the factor. The four observed factors, namely; customer focus, competitor focus, inter-functional focus and marketing intelligence focus orientation were analyzed to establish whether they can effectively load on to the latent variables. The findings are presented in Table 4.18.

The findings in Table 4.18 show that parameters related to customer focus clustered together as one component in Column 1 and they were all above 0.5. Parameters related to competitor focus clustered together as one component in column 2 and they were all above 0.5, while parameters related to Inter-functional focus clustered together as one component in column 3 and they were all above 0.5. Parameters related to market intelligence orientation clustered together as one component in Column 4 and they were all above 0.5.

Table 4.18: Components Loading

Component Matrix[a]

	Component			
	1	**2**	**3**	**4**
MFI Identifying customers business needs	.597	-.198	-.105	-.196
MFI Identifying their lifestyle needs	.816	-.137	-.129	.019
MFI identifying their agricultural needs	.889	-.025	.136	.100
MFI develops services that enhance customer retention	.842	.055	.236	.228
MFI develops services that satisfy the customers	.684	.129	.195	.793
MFI ensures timely delivery of services	.718	.153	-.481	.050
MFI ensures that the customer service charter is adhered to	.823	.112	-.338	-.285
MFI ensures service delivery strategies are affective	.721	.119	-.086	.075
MFI appreciates customers by sending letters	.853	.140	.130	.037
MFI makes Phone calls to customers to appreciate them	.829	.138	.026	-.041
MFI appreciates customers by providing complementary services	.858	.092	.027	-.208
MFI constantly monitors the quality of competitors services	.832	-.166	.011	-.163
MFI constantly monitors the variety of services	.025	.696	.068	.230
MFI monitors the accessibility of competitors services	.077	-.742	.127	.006
MFI performs regular monitoring of competitor pricing strategies	.113	-.622	.047	.009
MFI monitors the affordability of competitor prices	.201	.818	.077	.182
MFI benchmarks its pricing strategies	.219	.703	-.268	.136
MFI Compares its promotion strategies	.004	.827	-.152	-.063
MFI collects data on the effectiveness of promotion strategies	-.293	.879	-.041	.017
MFI marketing officers are in regular contact with competitors advertising agents	-.064	.814	-.121	.618
MFI monitors the designs of competitor front offices	-.153	.802	-.043	.532
MFI benchmarks the front office staff dress codes	.294	.747	.212	-.199
MFI creates an image of being superior in service provision	.212	.741	.248	-.132
The MFI departments share a lot of information	-.108	.838	.198	-.228
MFI formulate strategies that emphasize departmental coordination	.119	-.069	.708	.116
MFIs have appropriate structures	-.021	-.173	.631	-.156
MFI provides sufficient resources to all departments to enhance customer retention	.022	-.082	.868	-.198
MFI provides sufficient resources to all departments to enhance customer loyalty	.007	-.271	.659	-.027
MFI provides sufficient resources to all departments to enhance customer satisfaction	.009	-.171	.608	.158
Departments hold regular meeting to discuss MFI activities	-.154	-.165	.608	.022
MFI departments organizes regular seminars to all department staff	.130	-.145	.851	.057
MFI Departments regularly share minutes for their meetings	.231	.154	.812	.301
MFI lines of communication are well defined.	.232	-.100	.851	-.508
MFI regularly surveys the market to get information	.043	.232	.811	-.183
MFI has a section charged with market survey activities	-.283	.131	-.077	.617
MFI Has qualified staff to undertake market survey	.231	.154	-.212	.701
MFI Collects competitive intelligence through online customer feedback	.232	-.100	-.251	.508
MFI ensures adequate digital presence	.043	.232	.211	.883
MFI performs online tracking	-.283	.131	-.077	.817
MFI has budget for mystery budget	-.039	.256	-.085	.704
MFI uses information collected from mystery shopping	.253	.137	-.207	.606
MFI has research and developed department	.011	-.012	-.195	.789
MFI has fund for research and developed department	.232	-.166	.011	.663
MFI lines of communication are well defined	.225	.296	.068	.730
MFI regularly surveys the market to get information	.277	-.142	.127	.706
MFI has a section charged with market survey activities	.213	-.222	.047	.709

The overall findings of factor analysis validated the internal structure of the data collection tool that was used to collect data on the effect of marketing orientation on the success of marketing strategies of MFIs. The findings indicate that the data collection tools had high validity and reliability and therefore the data collected was appropriate for undertaking hypothesis testing.

4.4.4 Inferential Statistics

Inferential analysis was used to establish the relationship among independent, dependent and moderating variables. Inferences about the population of study from which the sample was drawn were also made, to draw conclusions from the sample. Hypotheses were tested using multiple linear regressions (MLR) which allowed the researcher to measure the behavior of the sample and by extension the behavior of the population in order to verify the claims (hypothesis) that were made about the population of study. Multiple linear regression models were stated as in:

$$\mathbf{Y= \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X4+ \varepsilon}$$

Where

Y = Success of Marketing Strategies

$\beta_{0\ -n}$ = Constant of independent variables

X_1 = Customer focus

X_2 = Inter-functional focus

X_3 = Competitor focus

X_4 = Market Intelligence

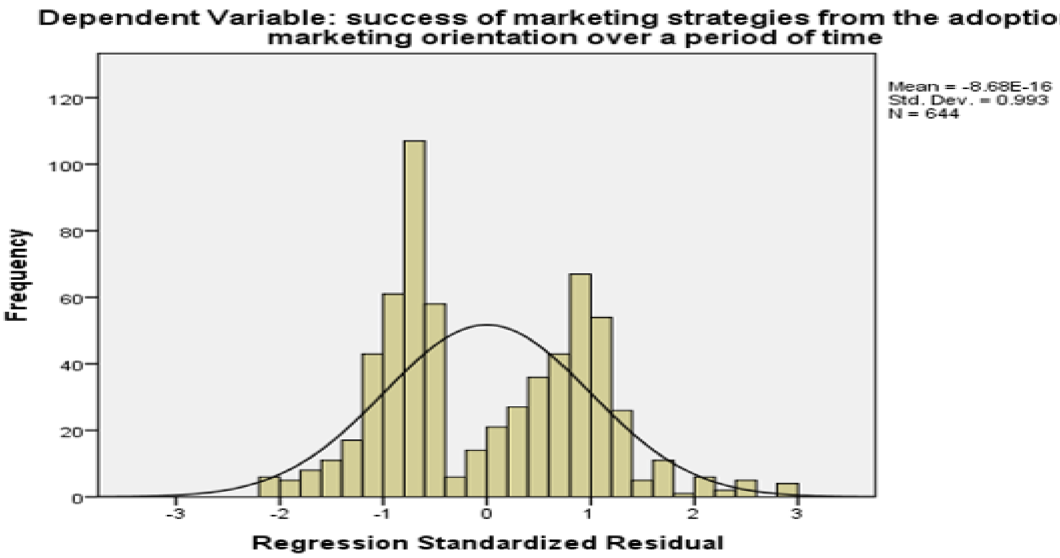
ε = Error term

4.4.5 Assumptions of Multiple Regression Analysis

In statistical analysis, all tests assume some certain characteristics about the data; also known as assumptions. Violation of these assumptions changes the conclusions of the research and interpretation of the results. Regression analysis assumes some certain characteristics about the data; this is because regression is very sensitive analysis. These regression assumptions are essential conditions that should be met before inferences are drawn regarding the model estimates or before a model is used to make predictions. A researcher cannot run off and interpret the results of the regression without proving that the data used obeyed the expectations or assumptions of the research. The regression assumptions that related to this research were; normality, homoscedasticity, and absence of multi-collinearity.

4.4.6 Normality of the Data

The first statistical test of compliance was the normality test which aimed at testing the distribution of the variables and data which were utilized in the analysis. Normality test assumes that the distribution of scores on the dependent variable is normal, which means upon running the data, it is expected to yield a symmetrical, bell-shaped curve histogram. These results are presented in Figure 4.13.

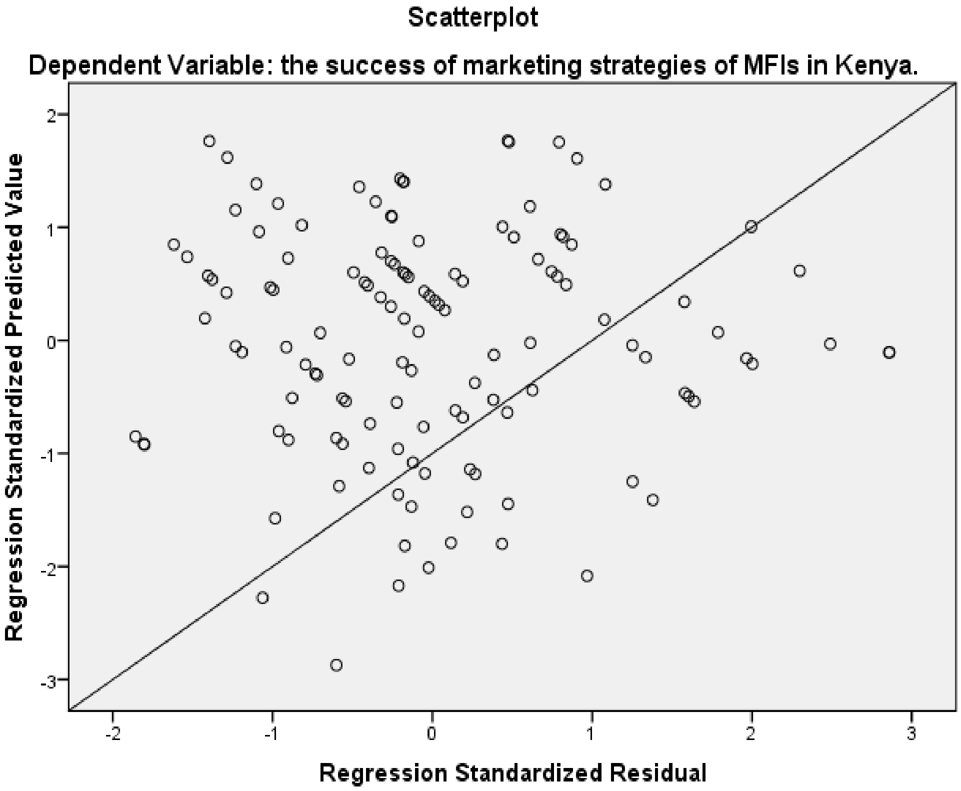


Source: Research Data
Figure 4.13: Normality Test

The findings in Figure 4.13 show that the results produced a symmetrical, bell-shaped curve. This means that the dependent variable was normally distributed and the data was appropriate for regression analysis.

4.4.7 Homoscedasticity Assumptions

The second statistical test of compliance was homoscedasticity. This test aims at establishing whether the data is prone to bias in the estimates of the coefficients and met the assumption of randomness. The findings in Figure 4.14 show that the scatter plot scores did not take an obvious pattern, there are points equally distributed and randomly about the diagonal line and thus the assumption of homoscedasticity is met. This means that the data in this research was not prone to error and it was therefore trusted to undertake regression analysis.



Source: Research Data

Figure 4.14: Scatter Plots

4.4.8 Multi-collinearity of Data

The third assumption related to multicollinearity which checks whether independent variables are too highly correlated with each other. This assumption was tested using Pearson Correlation Matrix. Multiple regression assumes that the independent variables are not highly correlated with each other. The findings shown in Table 4.19 show that all the independent variables were not highly correlated with one another, therefore there was no single independent variable exhibiting multi-collinearity. The findings in this section indicated that all the assumptions were met and therefore the data was used to undertake regression analysis.

Table 4.19: Pearson Correlations

Correlations						
		Marketing strategies	**Competitor focus**	**Inter-functional focus**	**Customer focus**	**Marketing Intelligence focus**
Pearson Correlation	Marketing strategies	1.000	.424	.736	.897	.416
	Competitor focus		1.000	.002	-.024	.047
	Inter-functional focus			1.000	-.031	-.046
	Customer focus				1.000	.075
	Marketing Intelligence focus					1.000

4.4.9 Multiple Regression Results

The regression results are presented based on the specific objectives, which were:

1. To assess the extent to which customer focus affected the success of marketing strategies of MFIs in Nairobi.
2. To evaluate the effect of competitor focus on the success of marketing strategies of MFIs in Nairobi.
3. To assess the effect of interfunctional focus on the success of marketing strategies of MFIs in Nairobi.

4. To assess the effect of marketing intelligence focus coordination on the success of marketing strategies of MFIs in Nairobi.

4.5 Marketing Orientation Adoption Effect on Marketing Strategies of MFIs in Kenya

Table 4.20 shows the summary of the regression model, which provides information on the ability of the independent variables to account for the variation in the dependent variable. This variation is measured by R^2 (R Square), which varies between 0 and 100%. R^2 is coefficient of determination which indicates the variation in the dependent variable due to changes in the independent variable (Mugenda & Mugenda, 2003).

Table 4.20: Joint Effect Model Summary

Model Summary				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	.619[a]	.383	.363	3.19854

1. Predictors: (Constant), Customer focus, Competitor focus, Inter-functional focus, Marketing Intelligence focus orientation
2. Dependent: Success of marketing strategies

Findings in Table 4.20 show the value of R2 as 0.383, which means that 38.3 % of the total variance in success of marketing strategies in microfinance institutions in Nairobi can be accounted for by changes in customer focus, competitor focus, inter-functional focus, and marketing intelligence focus orientation. R2 is always between 0 and 100%, where 0% indicates that the model explains none of the variability of the independent variable, and 100% indicates that the model explains all the variability of the independent variables. In general, the higher the R-squared, the better the model fits the data. In this study 61.7% of variation in adoption of marketing orientation cannot be accounted for by the four independent variables. This suggests that there are other factors that have greater influence on success of marketing strategies in MFIs in Kenya more than the studied variables.

R-squared shows how an under-specified model (too few terms) can produce biased estimates. However, an over specified model (too many terms) can reduce the model's precision. In other words, both the coefficient estimates and predicted values can have larger margins of error around them. R-squared measures the proportion of the variation in your dependent variable (Y) explained by your independent variables (X) for a linear regression model. Adjusted R-squared adjusts the statistic based on the number of independent variables in the model.

This is important because you can "game" R-squared by adding more and more independent variables, irrespective of how well they are correlated to your dependent variable. Obviously, this isn't a desirable property of a goodness-of-fit statistic. Conversely, adjusted R-squared provides an adjustment to the R-squared statistic such that an independent variable that has a correlation to Y increases adjusted R-squared and any variable without a strong correlation will make adjusted R-squared decrease. That is the desired property of a goodness-of-fit statistic. R-squared or R2 explains the degree to which your input variables explain the variation of your output / predicted variable. So, if R-square is 0.8, it means 80% of the variation in the output variable is explained by the input variables. So, in simple terms, higher the R squared, the more variation is explained by your input variables and hence better is your model.

However, the problem with R-squared is that it will either stay the same or increase with addition of more variables, even if they do not have any relationship with the output variables. This is where "Adjusted R square" comes to help. Adjusted R-square penalizes you for adding variables which do not improve your existing model. Hence, if you are building linear regression on multiple variables, it is always suggested that you use Adjusted R-squared to judge goodness of model.

R Square is a basic matrix which tells you about that how much variance is explained by the model value of R-square directly proportionate to good model and Adjusted R-square value is always close to R-square. Table 4.21 shows the Analysis of Variance (ANOVA) which provided information about levels of variability within the regression model which formed the basis for hypothesis testing using P-value at 95.0% confidence interval (0.05).

In this study an alpha of 0.05 was used as the cut off for evaluating significance of the relationship between dependent and independent variables. The P-value was used to decide whether marketing orientation had statistically significant predictive capability to influence the success of marketing strategies of MFI at 95.0% confidence interval. The results are as shown in Table 4.21.

Table 4.21: Joint Effect ANOVA

ANOVA[a]						
Model		**Sum of Squares**	**Df**	**Mean Square**	**F**	**Sig.**
1	Regression	782.504	4	195.626	19.122	.045[b]
	Residual	1258.371	123	10.231		
	Total	2040.875	127			

a. Dependent Variable: Success of Marketing strategies

b. Predictors: (Constant), Customer focus, Competitor focus, Inter-functional focus , Marketing Intelligence focus orientation

The ANOVA analysis results on Table 4.21 shows that the overall P-value was .045<05. The regression analysis results in the ANOVA output table indicate that the overall regression model was partially significant in predicting success of marketing strategies at 95% confidence level. A P-value close to zero signals that the model is very strong while large P-values closer to 0.5 imply that there is weak or partial relationship between dependent and independent variables.

Table 4.22 shows the beta coefficient and t-test, which are the degree of change in the outcome variable for every 1-unit of change in the predictor variable were examined. If the beta coefficient is not statistically significant (or the t-value is not significant), the variable does not significantly predict the outcome. The findings are as shown in Table 4.22.

Table 4.22: Beta Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	6.202	5.067		1.224	.223
Customer focus	.510	.076	.804	3.032	.020
Competitor focus	.074	.038	.144	1.966	.251
Inter-functional focus	.493	.064	.554	2.921	.003
Market Intelligence	.023	.071	.028	.316	.752

a. Dependent Variable: Success of Marketing strategies

Standardized Beta Coefficient is, the impact of coefficient for each independent variable on dependent variable, which are customer focus, competitor focus; inter-functional focus and marketing intelligence focus orientation. The strongest variable on effect of dependent variable was effect of customer focus (Beta = 0.804 t =3.032, p <.05) which means 80.4% variation in success of marketing strategies of MFI can be accounted for by customer focus which was statistically significant. This was followed by the effect of inter-functional focus with (Beta = .554 t = 2.921, p <05). which means 55.4% variation in success of marketing strategies of MFI can be accounted for by inter-functional focus, this was also statistically significant, third on the row was the effect of competitor focus with (Beta = 0.144 t =1.966, p >.05), which means only 14.4% variation in success of marketing strategies of MFI could be accounted for by competitor focus which was not statistically significant and lastly the smallest effect was that one for marketing intelligence focus with (Beta = .028; t = 0.316, p =

>05) which means only 2.8% variation in success of marketing strategies of MFI can be accounted for by marketing intelligence which was not statistically significant.

Unstandardized coefficient scores according to Orodho (2009), states how the dependent variable is expected to increase (if the coefficient is positive) or decreases (if the coefficient is negative) when that independent variable increases by one. Table 4.23 shows that increase or decrease in influence of customer focus by one unit leads to an increase or decrease of success of marketing strategies by MFIs by a (B =0.510. While a unit increase or decrease in effect of inter-functional focus leads to increase or decrease of success of marketing strategies by MFIs by a (B = .493). Concerning competitor focus, the study found that increase or decrease of competitor focus by one unit led to an increase or decrease of success of marketing strategies by (B = 0.074) while a unit increase or decrease in effect of marketing intelligence focus led to (B = .023). This is the degree of change in the outcome variable for every 1-unit of change in the predictor variable.

The study established that the indicators of customers orientation were significant at P-value <0.05. Holding all factors to constant zero, unit increase or decrease of identification of customers' needs by one unit would lead to an increase or decrease of success of marketing strategies by MFI by (b=.648). A unit increase or decrease in service development by one unit would lead to an increase or decrease of success of marketing strategies by MFIs by (b=.534). A unit increase or decrease of service charter by one unit would lead to an increase or decrease of success of marketing strategies by MFIs by (b=506). A unit increase or decrease of customer appreciation by one unit would lead to an increase or decrease of success of marketing strategies by MFIs by (b=.448).

The study established that none of the indicators of competitor focus was significant. Holding all factors to a constant zero, all other factors were found to be insignificant at P-value >0.05 and therefore they did not help competitor focus in predicting the success of marketing orientation of MFI in Nairobi.

Table 4.23: Beta Coefficients

	Coefficient[s]						
	Model	**Unstandardized Coefficients**		**Standardized Coefficients**		**t**	**Sig.**
		B	**Std. Error**	**Beta**			
1	(Constant)	9.517	3.096			3.074	.023
	Identification of customer needs	.648	.251	.890		3.930	.010
	Service development	.534	.215	.800	.8	2.981	.020
	Service charter	.506	.259	.780	04	2.861	.031
	Customer Appreciation	.448	.316	.749		2.333	.032
	Monitor Competitor services	.025	.119	.066	.1 44	0.051	.288
2	Competitor pricing strategies	.065	.115	.128		0.122	.500
	Competitor promotion strategies	.092	.21	149		0.216	.362
	Competitor Physical evidence strategies	.071	.18	.231		0.210	.456
3	Coordinating all marketing activities	.296	.174	.557		1.541	.005
	Interdepartmental meetings	.302	.288	.528	.5 44	1.012	.004
	Interdepartmental communication process	.335	.570	.628		1.914	.000
	Interdepartmental feedback	.283	.546	.687		1.882	.015
4	Marketing survey	.027	.102	.005		0.774	.472
	Mystery shopping	.044	.419	.005	.0 28	0.126	.900
	Information Dissemination	.109	.434	.011		0.279	.578
	Research and Development	.165	.380	.007		0.496	.637

The study also established that all indicators of inter-functional focus were significant at P-value <0.05. Holding factors to constant zero, unit increase or decrease of number of times MFI departments coordinating activities by one unit would lead to an increase or decrease of success of marketing strategies by MFI by (b=.302).

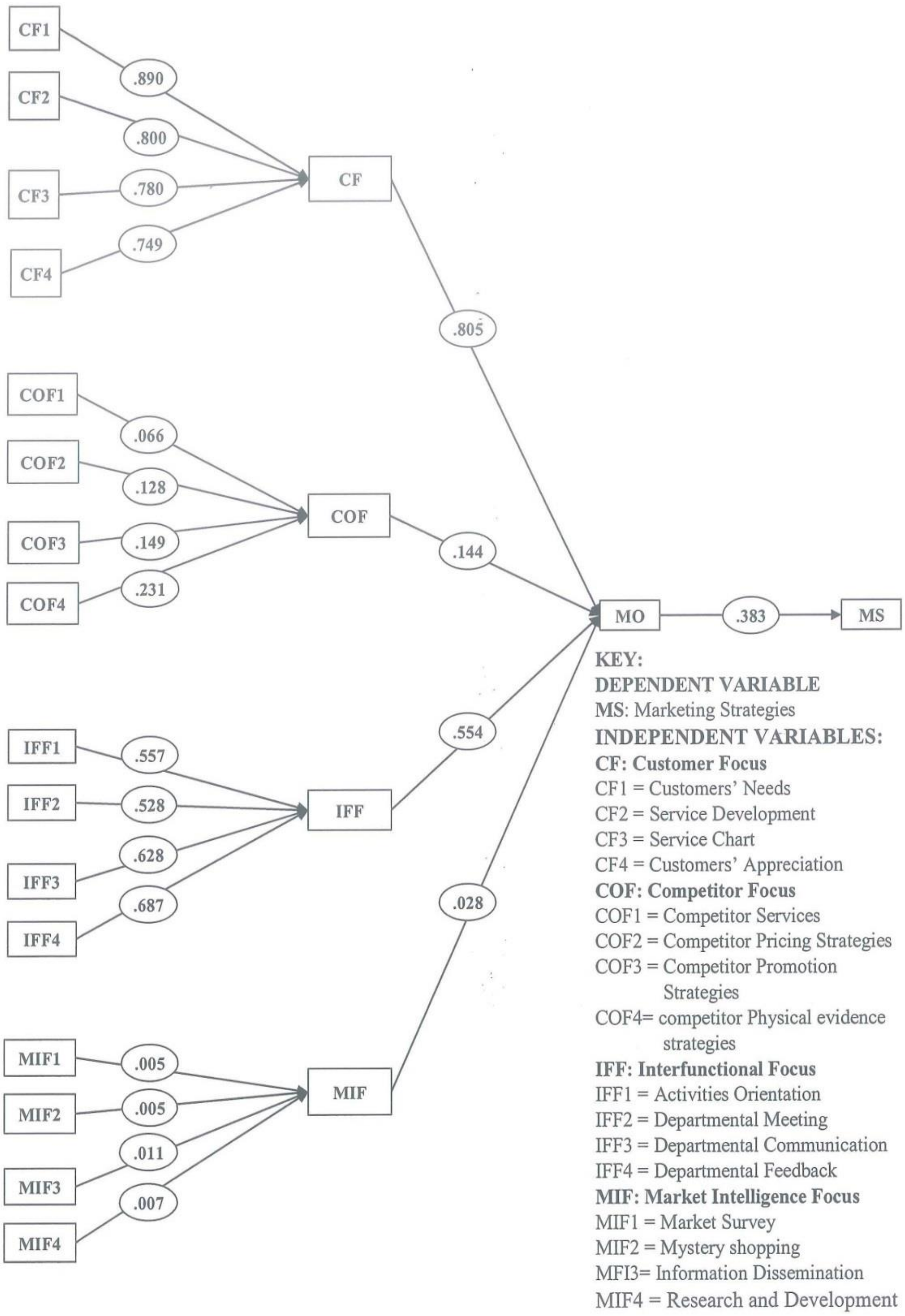
Secondly, at the same time, unit increase or decrease of the number of instances MFIs departmental hold meetings by one unit would lead to an increase or decrease of success of marketing strategies by MFIs by (b=.335). A unit increase or decrease of number of times MFIs formulate strategies that emphasize departmental coordination process by one unit would lead to an increase or decrease of success of marketing strategies by MFIs by (b=.283). The study established that none of the indicators of marketing intelligence focus was significant. Holding all factors to constant zero, all other factors were found to be insignificant at P-value >0.05 and therefore they did not help marketing intelligence focus in predicting the success of marketing orientation of MFI in Kenya.

4.6 Strength of Relationships of Variable using Path Estimates

A multiple regression equation which shows the constant, beta and path diagram is presented in Figure 4.15. The extrapolation of latent variables and their observed variables is presented. Path analysis is a graphical way of showing the relationship between dependent and independent variables as well as latent and observed variables. In this study, the success of MFIs marketing strategies in Kenya is the outcome or dependent variable, whereby it is hypothesized that adoption of customer focus, competitor focus, inter-functional focus and marketing intelligence focus orientation affect success of strategies of MFIs in Kenya. The four predictors are also the latent variables of the study. Each of them had four observed variables. In the path analysis diagram codes are used to signify each of the latent as well as observed variables with a key for interpretation.

Figure 4.15 shows that the overall path of the relationship between the dependent and independent variables R Squared is .383, and is the value of the effect of marketing orientation (MO) on success of marketing strategies. The first latent variable was denoted as CO (customer focus) where the overall path value was =.804.

Customer focus was measured with four observed variables denoted as C01 (Customer needs) =.890, Service development (C02) =.800, customer service charter (C03 =.780 and customer appreciation (CO4) = .749.



Source: Research Data
Figure 4.15: Path Diagram

The second latent variable was defined as CPO (competitor focus) where the overall path value was R^2 =.144. Competitor focus was measured with four observed variables denoted as CPO1 (competitor services) =.066, competitor pricing strategies (CP02) =.128, competitor promotion strategies (CP03) =.149 and physical evidence strategies = CP04=.231

The third latent variable was defined as inter-functional focus where the overall path value was R^2=.554, inter-functional focus was measured with four observed variables denoted as activities orientation (IO1) =.557, departmental meetings (IO2) =.528, departmental communication (IO3) =.628 and departmental feedback (I04) = .687.

The fourth latent variable was defined as marketing intelligence focus orientation where the overall path value was R^2=.028. Intelligence orientation was measured with four observed variables denoted as market survey (MI1)=.050, information dissemination (MI2)=.050, mystery shopping (MI3)=.011 and research and development (MI4)= .007. The four latent variables yielded $R^{2=\cdots}$383 which shows that the four variables had an effect on the success of marketing strategies.

4.7 Hypotheses Testing Results

The null hypotheses which were tested in the research were as follows:

H_{01}: There is no significant relationship between customer focus and the success of marketing strategies in MFIs in Nairobi?

H_{02}: There is no significant relationship between competitor focus and the success of marketing strategies in MFIs in Nairobi?

H_{03}: There is no significant relationship between inter-functional focus and the success of marketing strategies in MFIs in Nairobi?

H_{04}: There is no significant relationship between marketing intelligence focus and the success of marketing strategies in MFIs in Nairobi.

H_{05}: MFI Characteristics do not moderate the relationship between adoption of marketing orientation and success of marketing strategies of MFIs in Nairobi.

The findings are as shown in Table 4.24

A moderator is a third variable that affects the correlation of two variables. In a causal relationship for example if x is the predictor variable and y is an outcome variable, and z is the moderator variable that affects the casual relationship of x and y. Most of the moderator variables measure causal relationship using regression coefficient.

Table 4.24: Hypothesis Results Table

Hypothesis	Description	Hypothesis	βeta	P Value	t- value	Results
H_{01}	$H_{0:}$ There is no significant relationship between Customer focus and the success of marketing strategies in MFIs in Kenya?	$H_0 : \beta_1 = 0$ $H_A : \beta_1 \neq 0$ Reject H_0 if P – value ≤ a Fail to reject H_0 if P- value a Where a = 0.05	.804	.01<.05	6.671	Reject H_0
H_{02}	$H_{0:}$ There is no significant relationship between Competitor focus and the success of marketing strategies in MFIs in Kenya	$H_0 : \beta_1 = 0$ $H_A : \beta_1 \neq 0$ Reject H_0 if P – value ≤ a Fail to reject H_0 if P- value> a Where a = 0.05	.144	.252 >.05	1.966	Accept H_0
H_{03}	$H_{0:}$ There is no significant relationship between Inter-functional focus and the success of marketing strategies in MFIs in Kenya	$H_0 : \beta_1 = 0$ $H_A : \beta_1 \neq 0$ Reject H_0 if P – value ≤ a Fail to reject H_0 if P- value> a Where a = 0.05	.544	.03. <.05	4.018	Reject H_0
H_{04}	H0 There is no significant relationship between Marketing Intelligence focus and the success of marketing strategies in MFIs in Kenya.	$H_0 : \beta_1 = \beta_2 = \beta_3 = \beta_4 = 0$ H_A : At least three of the β's≠ 0 Reject H_0 if P – value ≤ a Fail to reject H_0 if P- value= a Where a = 0.05	. 028	0.75>.05	0.280	Accept H_0

4.8 Effect of Moderating Variable

In this study, the moderating variable was characteristics of MFIs in terms of legal structure, ownership structure (mode of business operation) and MFI membership, while the dependent variable was success of marketing strategies of MFIs and the independent variable was the effect of adoption of marketing orientation (MO).

Table 4.25: Moderating Effect

Moderating Factor				
Control Variables			**Success of Marketing strategies of MFIs in Kenya.**	**Effect of Adoption Of Marketing Orientation (MO)**
Moderating Variable. Characteristic of MFI MFI legal structure MFI ownership structure MFI membership	Success of strategies of MFIs in Kenya.	Correlation	1.000	.298
		Significance (2-tailed)	.	.001
		df	0	124
	Effect of Adoption of Marketing Orientation	Correlation	.298	1.000
		Significance (2-tailed)	.001	.
		df	124	0

The results in Table 4.25 show that moderating variables were affecting the interaction between the independent variable on dependent variable in that the R coefficient of effect of moderating MFI characteristic was .298 and was significant at P value = 0.01, which indicates that MFI characteristics are indeed moderating factors in this study.

4.9 Model Calculations

Model (1) :$Y= \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X4+ \varepsilon$

Where

Y = Success of Marketing Strategies

$\beta_{0\text{-}n} =$ Constant of independent variables

X_1 = Customer focus

X_2= Inter-functional focus

X_3 = Competitor focus

X_4 = Market Intelligence

ε = Error term

Y = 6.202 +.804(Customer focus: .890+.800+.780+.749) +.144 (Competitor focus Total: .036+.028+.032+.048) +.554 (Inter-functional focus Total: .557+.528+.628+.686) + .028(market intelligence: 0.05+0.05+0.11+0.07)

2) Moderated regression analysis:

$MDR= \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4\ (\mathbf{B_5}\ (X_1 + X_2 + X_3 + X4)) + \varepsilon$

Where:

X_1 - MFI legal structure

X_2 - MFI ownership structure

X_3 - MFI membership

From these values, then, this final stepwise regression equation evolved:

Y = 66.202 +.804(Customer focus: .890+.800+.780+.749) +.144 (Competitor focus Total: .036+.028+.032+.048) +.554 (Inter-functional focus Total: .557+.528+.628+.686) + .028(market intelligence: 0.05+0.05+0.11+0.07)

X (MOD=.298) (.804+.144+.554+.028).

4.10 Discussion

In this section the findings of the study are discussed on the basis of the background to the reach and the five specific objectives namely; to assess the extent to which customer focus adoption affects the success of marketing strategies of MFIs in Nairobi; to evaluate the effect of competitor focus adoption on the success of marketing strategies of MFIs in Nairobi; to assess the effect of the inter-functional focus adoption on the success of marketing strategies of MFIs in Nairobi; to evaluate the effect of marketing intelligence focus adoption on the success of marketing strategies of MFIs in Nairobi and to evaluate the extent to which marketing characteristics moderate the relationship between adoption of marketing orientation and success of marketing strategies of MFIs in Nairobi.

4.11 Demographic Variables

The study sought to establish the gender of the respondents in order to appreciate the influence of gender in microfinance finance institutions. The research findings established that 54.1% of the respondents were male while 45.9% were female. It can therefore be concluded that no gender had advantage over the other in influencing microfinance institution activities. It was necessary to establish the position that was held by respondents in the MFIs because there was need to determine whether the respondents were qualified to provide reliable information. The study established that 50% of the respondents were in the position of chief executive officer, 42.3% of the respondents were in the position of marketing managers while 7.7% were in the position of credit managers. The respondents were therefore in a position to provide reliable information with respect to marketing orientation in microfinance institutions.

The study sought to establish the level of experience of the respondents. This was necessary because there was need to establish whether the respondents had a proper understanding of marketing orientation in Microfinance Institutions.

The research findings indicated that 23.5% of the respondents had an experience of 26-30 years, 20.2% had an experience of 21-25 years. This shows that 43.7 % of the respondents had significant experience in working for the microfinance institutions. Those who had worked for a period of 16-20 years accounted for 13.6% while those who had worked for 11-15 years accounted for 13.5%. This shows that a significant number of the microfinance institutions employees had long work experience. Those with least experience were those who had worked for 0-5years and accounted for only 6%. Marketing orientation requires experienced employees and it can therefore be concluded that microfinance institutions employees had the experience that would promote the adoption of marketing orientation. The study established that 56.3% of the respondents were credit-taking microfinance institutions as accounted for by the respondents, followed by 28.3%, which were deposit taking microfinance institutions and the least are banks accounting for 15.4%.

The study found that 25% of the members were women groups, 23% were youth groups, 19% were individuals, 17% were professionals and 16% were community-based organizations. The study sought to establish the characteristics of MFIs. It was established that majority of the MFIs operate as either companies public or private. Jointly, they account for 42.0%. The MFIs that operate under the cooperative legal structure account for 35.0%, while NGOs and CBOs account for 23.0%. The study sought to establish the MFIs legal structure with respect to whether the structure is that of cooperative organization, community-based organizations (CBOs), private or public companies.

The MFIs that operate under the company legal structure are mainly the banks and deposit taking MFIs. This is supported by the MFI Act of 2016 which requires that any organization whose business is to receive deposits from customers be registered as a company licensed to undertake such business or a subsidiary of a company that is authorized to transact that business by the Central Bank of Kenya.

The study sought to establish the MFI ownership structure with respect to whether the structure is that of a bank, deposit taking MFIs, or credit only MFIs. This ownership structure was given credence when the Microfinance Act (2006) was enacted to regulate and control the operations of MFIs. The credit only MFIs constituted the highest percentage in the ownership structure, this is because the legal requirements for their establishment are not very stringent, unlike those of deposit-taking and banks, which have a very high capital requirements at inception.

The deposit-taking MFIs ownership structure has advantages over the credit-only MFIs because they are legally authorized to receive deposits which they can lend to borrowers. Credit only MFIs are limited in raising funds for lending because they depend on donors who may not be reliable. The banks do not give much attention to MFI business because their main target customers are not small businesses or the poor as is the case in MFIs (Hermes *et al.,* 2011 & Périlleux *et al.,* 2012). This explains why deposit-taking is a preferred ownership structure. The study sought to establish the MFI membership composition with respect to women's groups, youth groups, individuals, professionals and community-based organizations. The study found that 25% of the members were women groups, 23% were youth groups 19% were individuals, 17% were professionals and 16% were community-based organizations.

Group lending model seemed to be the most preferred model in MFIs in Kenya. According to Armendariz and Morduch (2004), group lending has advantages over individual lending because it provides opportunities for training for those clients who have little experience in credit management. Lindsay, (2010) also argues that group lending model has a lower default rate. The study sought to establish the financial needs of MFI customer in respect to whether they seek finances for medical needs, business startups, school fees or development loans.

The study found that 24.0% of respondents indicated that MFI customers seek finances to meet school fees needs and development loans, while business startup capital and medical needs were rated at 20.0% and 7.0%, respectively. Other needs such as agricultural loans, own-home construction and maintenance were rated at 25.0%. This agrees with Swope (2010) and Westover (2008) who say that microfinance can empower the poor to improve their own lives.

The study sought to establish the strategies used by MFIs to meet customer needs. The strategies included; credit provision, savings facilities, emergency loans and long-term loans. The study found that 29.0% of the respondents indicated that MFIs employ credit provision strategies to meet customers' needs, 24.0% of respondents indicated that MFI use long-term loans and emergency loan strategies to meet customers' needs, while 23.0% of the respondents indicated that savings facilities were also used as a strategy to meet customer needs. These findings are in agreement with Kota (2007) who argued that MFIs exist to serve entrepreneurs in both rural and urban areas for the purposes of financing small-scale business enterprises, production of household goods and provision of food and transport services. The findings therefore suggest that MFIs identify customer business needs which enable them to develop services that satisfy the identified needs.

These findings are in line with Narver and Slater (1990) who stated that marketing-oriented organizations constantly monitor customer information in order to meet the needs of the customers efficiently and effectively.

4.12 Findings on descriptive analysis of customer focus effects on success of marketing strategies of MFI

The findings in Table 6 show that 63.8% of the respondents agreed that MFIs Identify customers' lifestyle needs with the aim of offering services that satisfy the needs, 9.2% of the respondents disagreed while 26.9% were undecided. This infers that MFIs in Kenya identify customers 'lifestyle needs with the aim of providing services that satisfy the needs.

The findings showed that Mean (SD) =4.56(1.9) which suggests that the respondents were close to the mean. In regard to developing services that enhance customer retention, the findings in Table 6 shows that 53.8% of the respondents agreed that MFIs develop services that enhance customer retention, 4.6% of the respondents' disagreed while 41.5 % were undecided. The mean (SD) = 4.0 (0.9) also supports the findings. According to Webster *et* al. (2010) organizations with a high degree of marketing orientation focus all their efforts on customer satisfaction in the long term. They therefore monitor the changes in customer needs and wants and hence adjust their marketing programs in line with the changes to enhance customer retention.

The research also evaluated whether MFIs developed services that satisfy the customers' needs. The findings showed that 81.6% of the respondents agreed that MFIs develop services that satisfy customers' needs. In contrast 18.4%) none were undecided. The Mean (SD) =4.13(1.2) suggests that a majority of the respondents lay closer to the mean. The study sought to establish whether MFIs deliver services efficiently in order to enhance customer focus.

Efficiency in service delivery by MFIs was measured by timely delivery, adherence to the customer service charter and effectiveness of delivery strategies. With regard to timeliness of service delivery, 35.3% of the respondents disagreed, while 64.7%, agreed and none were undecided. The mean (SD) = 4.50(1.4) suggests that majority of the respondents were closer to the mean implying that the agreement rating has high reliability. Customer service charters are an important tool for customer focus since they set out an organization's commitment to provide high quality customer service to both internal and external customers. In this study, 88.4% of the respondents agreed that MFIs in Kenya maintain and adhere to customer service charters, while 4.6% disagreed 6.9% were undecided.

The Mean (SD) = 4.6 (1.9). It can therefore be inferred that MFIs in Kenya have a commitment to providing high quality customer service. A majority of the respondents (79.2%) agreed that MFIs implement effective service delivery strategies, none disagreed but 20.8% were undecided, Mean (SD) = 4.01(0.9). It can therefore be concluded that MFIs in Kenya have a high regard for their customers. In their study on banks in Shammout, Jordan and Haddad (2014) investigated service delivery, service quality, switching costs, service failure, service guarantee and perceived value. They recommended that banks should respond effectively to service failure in respect to service delivery.

Customer appreciation strategies by MFIs in Kenya, through sending letters, making phone calls, and provision of complementary services, were evaluated in this study. The findings showed that 88.4% of the respondents were in agreement that MFIs appreciate customers by sending letters, 83.9% agreed that appreciation is expressed by making phone calls, while 94.6% agreed that MFIs showed appreciation via provision of complementary services. Customer focus through expression of appreciation of customers is essential.

It can therefore be concluded that MFIs in Kenya have customer appreciation strategies in place and therefore customer focus is fulfilled by appreciating customers and ultimately customer focus helps in the success of MFIs marketing strategies.

4.13 Descriptive Statistics of Centered Customer Focus Scores

The study found that MFI mean score of customer focus was 49.58 with a median of 50.00 maximum score was 57 against a possible score of 60 and minimum was 36 against a lowest score of 12 with a variance of 27 which are indicators that all MFI had high scores of effective customer focus, at the same time box-plot presented in Figure 2 indicates specific characteristics of MFIs which are members of AMFI.

The boxplot for banks is comparatively shorter than the other plots which suggest that almost all banks have high scores for customer focus compared to the other MFIs. The box plot for deposit-taking MFIs and credit-taking MFIs is comparatively taller which suggest that there is a variation in the scores for the two types of MFIs.

4.13.1 Description of Competitor focus orientation for MFI

The study sought to establish whether MFIs in Kenya monitor the quality of competitors' services with the aim of gaining information that would help in improving their services to enhance customer retention. The findings showed that 80.8% of the respondents disagreed, 19.2% were undecided and non-agreed. The mean (SD) =2.02(1.1) also supports the findings that MFIs do not constantly monitor competitors services to enhance customer retention. The scores are not close to the mean indicating that the respondents rating of disagree was supported by a significant number of the respondents. According to Zhou *et al.* (2005), competitor focus provides information on competitors which helps in making sound management decisions.

In regard to monitoring the variety of services provided by MFIs the findings showed that 47.0% disagreed 32.3% agreed and 20.8% were undecided. The mean (SD) =2.8(1.9) was close to the mean suggesting that the rating was supported by a significant number of the respondents. The respondents were also asked to indicate their level of agreement or disagreement on whether MFIs monitor the accessibility of competitor's services by customers to enhance customer loyalty. The findings showed that 68.5% of the respondents disagreed, 8% neither agreed nor disagreed, while 30.7% agreed.

The findings are supported by the mean (SD) = 1.02(0.9) inferring that MFIs do not constantly monitor customer accessibility to services. Accessibility of services is indicative of the effectiveness competitors in creating place utility. Provision of information to customers on how services can be accessed is necessary in enhancing customer loyalty (Kotler, 2012). Effectiveness of competitors' pricing strategies was also evaluated. The study found that 53.8% of the respondents disagreed that MFIs perform regular monitoring of competitor pricing strategies for customer retention, 40.8% of the respondents agreed while 5.4% were undecided. The mean (SD) = 2.10(1.2) support the findings by confirming that the respondents were close to the mean. The findings suggest that MFIs do not monitor competitors' pricing strategies which mean that MFIs may not be using pricing strategies for customer retention.

According to Ayanda and Adefemi (2012) pricing strategies are important in gaining competitive advantage in financial services organizations. Competition based pricing strategies entails setting of prices on the basis of competitor prices and hence the need for monitoring competitor prices. Respondents were also asked to indicate their level of agreement or disagreement on whether MFIs monitor affordability of services to enhance customer loyalty.

The findings showed that 70.7% of the respondents disagreed, while 20% of the respondents agreed and 9.2% neither agreed nor disagreed. The mean (SD) =3.10(1.4) supports the findings and infers that the respondents lay close to the mean and hence the rating that MFIs do not monitor customer affordability of services was supported by a significant number of the respondents. Affordability of a service is influenced by prices and hence the higher the prices the lower the affordability and vice versa.

The study also sought to find out whether MFIs benchmark prices for customer satisfaction, 69.1% of the respondents disagreed, while 23.0% of the respondents were undecided and 7.6% agreed. The Mean (SD) =3.20(1.9) suggested that the respondents were close to the mean giving credence to the findings. The results therefore suggest that MFIs in Kenya do not bench mark prices with those of competitors. This might be because the cost regimes of MFIs differ greatly depending on the source of funds for on lending to the customers (Brown, Garguilo & Mehta, 2011).

The study sought to establish whether MFIs compare their promotion strategies and collect information on the effectiveness of their promotion strategies, to influence customer demand. The findings were that 63.9% of the respondents disagreed, while 36.2% of the respondents agreed that MFIs compare their promotion strategies to influence customer demand none of the respondents were undecided. The findings are supported by the Mean (SD) = 2.30 (1.9). In regard to the effectiveness of promotion the findings showed that 20.8%.Of the respondents agreed that MFIs regularly collect information on the effectiveness of promotion strategies, while 78.5% disagreed while 8.0% were undecided. The Mean (SD) =1.11(1.9) suggests that the respondents were close to the mean because the SD was almost equal to the mean.

This suggests that although the respondents disagreed that MFIs do not collect data on the effectiveness of promotion the data points were not spread out over a wide range of values and hence this finding was strongly supported. The findings are in line with Browne (2001) who says that most organizations measure the effectiveness of their promotional strategies.

In regard to MFIs marketing officers being in regular contact with the competitor advertising agents to get measures on improving customer satisfaction. The findings showed that 11.5% of the respondents disagreed, 9.2% agreed and 79.2% were undecided. The mean (SD) =1.08 (0.9) supported the findings indicating that the respondents were close to the mean. The findings of indecisiveness can be attributed to lack of information on advertising monitoring in MFIs. The front office of an organization is the first contact point of potential or existing customers with the firm. It is therefore essential for customer attraction and retention and is strongly associated with the organization’s image. This study therefore sought to find out whether MFIs in Kenya ensure that standards are upheld in the front office, through benchmarking.

The results presented in Table 8 indicate that MFIs do not benchmark the front office designs with those of competitors. The findings show that 52.4% disagreed with the preposition that MFIs benchmark office designs with those of competitors, 2.3% agreed while 45.4% were undecided. The Mean (SD) =1.19 (1.2) suggests that the respondents were close to the mean suggesting that a great number of the respondents supported the rating.

In regard to monitoring of front offices designs of competitors for improvement to enhance customer retention, the findings showed that 52.2% disagreed, 45.4% were undecided and 2.3% agreed. The mean (SD) =3.5(1.9) reveal that MFIs in Kenya do not engage in comparison of office designs. This could be attributed to the fact that MFIs might not be associating office designs with customer retention.

On creation of a superior image the findings in Table 7 show that 52.3% disagreed that MFIs create an image of being superior to competitors in service provision to enhance customer satisfaction, 45.4% were undecided and 2.3% agreed. The mean (SD) =3.15(1.9) suggests that the respondents were not close to the mean and therefore the findings were supported by a large number of the respondents. The findings nevertheless suggest that MFIs do not consider their image against that of the competitors to be of importance in gaining competitive advantage. According to Kotler (2012), competition experienced influences the operations and performance of a firm. It is therefore important for MFIs to evaluate the effect of competitor focus to influence the success of marketing strategies.

Aggregate score of competitor focus level was arrived at by total score based on a scale of 1-5 where; 1- Strongly Disagree, 2-Disagree, 3-Neither Disagree nor Agree, 4-Agree and 5-Strongly Agree multiplied by 12 questions scale, therefore the highest or maximum possible score or level for competitor focus was 60 score (12 x 5) while the minimum score for MFI focus was 12 points (1x12). The study found that MFI mean score of competitor focus was 28.96 with a median of 28.00.

Maximum score was 36 against a possible score of 60 and minimum was 16 against a lowest score of 12 with a variance of 59 which are indicators that all MFI had low scores of effective competitor focus, at the same time box-plot presented in Figure 4.4 indicates specific characteristics of MFIs which are members of AMFI. Banks and deposit taking MFI had short box slots suggesting that both banks and deposit-taking MFIs had low scores for competitor focus. The box plot for credit taking MFIs tall suggesting that there is variation in the scores and hence slightly higher competitor focus.

4.13.2 Frequency Distribution for Score of Competitor Focus

Analyzed data in Figure 4.4 shows that, across MFIs 71.12 % had low competitor focus while 29.1% had high competitor focus. The findings also show that 81.5% of the Credit taking MFIs had significantly low competitor focus, followed by 72.0% of deposit taking MFIs and lastly banks offering MFIs services with 60.0% also had low competitor focus.

4.14 Effect of Interfunctional Focus on the Marketing Strategies of MFIs

This section discusses the findings of the third specific objective which was extent to which inter-functional focus influenced the success of MFI marketing strategies. Inter –functional focus was measured by, coordinating all marketing activities, inter-departmental meetings, inter-departmental communication process and interdepartmental feedback. The section is organized into; description of inter-functional focus by MFIs, descriptive statistics of centered inter-functional focus level scores and frequency distribution for inter-functional scores.

4.14.1 Description of Interfunctional Focus Orientation for MFI

Inter-functional focus within an organization is therefore, essential to customer experience. According to Auh and Menguc (2005), inter-functional focus can be executed through different integration comprising of; frequency of departmental committee meetings, the number of face-to-face contacts departmental meetings and types of decisions that are shared across departments. The findings are supported by the mean (SD) = 2.02 (1.1) because the SD lay further from the mean implying that respondents had divergent opinions.

The respondents were also asked whether MFIs formulate strategies for customer retention. The study established that 42.3% of the respondents disagreed that MFIs formulate strategies to enhance customer retention, 53.1 % agreed and 4.6% were undecided. The Mean (SD) =4.00(1.1) suggested that the findings were close to the mean implying that the respondents had converging opinion.

The top management of an organization plays a very important role in the development of organizational values and in determining the orientation. The extent to which an organization adopts inter-functional focus therefore depends on the focus of top management (Kotler, 2012). The culture of the organization is also important in the attainment of inter-functional focus culture, which according to Lafferty and Hult (2001), provides the necessary behavioral norms that are necessary for the adoption of inter-functional focus. The culture of an organization should give customers a high priority even as it deals with other stakeholders.

The study sought to establish whether MFIs have structures for accurate information on customer loyalty. The findings were that 40.7% of the respondents agreed that MFIs have such structures in place, while 31.5% of the respondents neither agreed, nor disagreed that MFIs have structures for accurate information for customer loyalty. The rest, 27.7%, disagreed that MFIs in Kenya have structures in place for sharing and dissemination of information.

Goolsby, Arnould and Karen (2003) argued that interdepartmental connectedness is associated with speedy responses to customers' needs because all the employees are focused on common goals. It can therefore be concluded that organizational structure influences inter-functional focus. To enhance and maintain the customer experience, organizations should allocate adequate resources for customer retention. The availability of resources for customer retention was therefore evaluated. The findings were that 81.5%, of the respondents agreed that MFIs in Kenya allocate resources for customer retention, 6.9% disagreed that MFIs allocate sufficient resources for customer loyalty and 11.5% were undecided MFIs allocate sufficient resources for customer retention. The mean (SD) = 3.99 (0.9) suggested convergence in respondents' opinion.

In regard to allocation of resources to attain customer loyalty the findings were that 53.1% agreed that MFIs allocate resources for the attainment of customer loyalty, 8.5% disagreed and 38.4% were undecided. The mean (SD) = 4.68 (0.9) indicates that the findings lay close to the mean and therefore suggesting that there was convergence in opinion. In regard to provision of sufficient resources to attain customer satisfaction the findings in Table 10 show that 97.7% agreed, 2.3% disagreed and none were undecided. The Mean (SD) =4.30(1.4) suggests that the findings were close to the mean inferring that there was convergence in respondents' opinion.

The research also set out to investigate whether MFIs hold regular departmental meetings to discuss activities that would enhance customer retention. The findings were that 59.2% of the respondents disagreed, 2.3% agreed and 38.5% were undecided. The Mean (SD) =4.77(1.2) suggests that the findings were close to the mean and therefore the respondents tended to have a consensus that MFIs do not hold departmental meetings to discuss activities that would enhance customer retention.

In regard to organizing seminars to enhance customer loyalty the findings showed that 86.1% of the respondents agreed that MFIs hold seminars to enhance customer loyalty. Thirteen point eight percent disagreed and none of the respondents were undecided. The mean (SD) = 2.00 (1.9) indicates that the findings were close to the mean and hence the respondents had a high convergence in their opinion.

The study similarly sought to find out the reasons whether MFIs hold regular meetings for customer retention and whether seminars and meetings are held to discuss MFIs' activities towards enhancing customer loyalty, staff training on MFIs' matters, or to provide feedback on MFIs' issues.

The results, as shown in Table 10, show that 59.2% of the respondents disagreed that departmental meetings are held regularly, while 86.1% of the respondents reported that seminars are regularly held within MFIs. All respondents agreed that minutes of departmental meetings are shared in order to enhance customer satisfaction. The results indicate that, while departmental meetings are not held regularly, the discussions in those meetings as recorded in the minutes are shared among departments.

Kennedy, Goolsby and Arnould, (2003) have argued that there is need for interdepartmental connectedness which promotes formal and informal relationships among employees across departments in an organization. Interdepartmental connectedness influences inter-functional focus because it facilitates the sharing of information across department. The study also sought to find out whether MFIs have well-defined lines of communication for customer retention. The findings showed that all respondents (100%) agreed to the existence of well-defined lines of communication in MFIs. Intercom systems aid in interdepartmental communication.

This finding was supported by 53.8% of the respondents who agreed that MFIs have intercom systems that aid the sharing of information among departments, hence enhancing customer satisfaction by being able to address customers' issues and enhancing service provision. Respondents were also asked whether MFIs have internet system for interdepartmental communication for customer satisfaction, and 94.8% of the respondent agreed. Inter-functional focus has therefore been supported by modern technology.

4.14.2 Descriptive Statistics of Centered Interfunctional Focus Scores

The study found that MFI mean score of inter-functional focus was 45.57 with a median of 45.95. Maximum score was 55 against a possible score of 60 and minimum was 23 against a lowest score of 12 with a variance of 32.4 which are indicators that all MFI had high scores of inter-functional focus, at the same time box-plot presented in Figure 4.5 indicates specific characteristics of MFIs which are members of AMFI. Figure 4.6 show that deposit-taking MFI and banks have comparatively short boxplots suggesting a significant number of deposit-taking MFI as well as banks have a high level of inter-functional focus compared to credit taking MFI which had a tall boxplot, suggesting variation in the scores and thus low inter-functional focus.

4.14.3 Frequency Distribution for Score of Interfunctional Focus

The findings across MFIs show that 72.0 % had low marketing intelligence focus while only 28.0% had high marketing intelligence focus. Specifically 89.0% of the deposit taking MFIs had significantly low marketing intelligence focus, followed by 83.0% of credit taking MFIs and lastly banks offering MFIs services with 56.0% also had low marketing intelligence focus. These findings differ with those centered data which suggests that when the MFIs are analyzed individually then the scores will differ from those of combined analysis.

4.15 Effect of Marketing Intelligence Focus on Marketing Strategies of Microfinance Institutions

This section discusses the findings of the fourth specific objective which was, extent to which marketing intelligence focus influenced the success of MFI marketing strategies. Marketing intelligence focus was measured by market survey, mystery shopping, information dissemination, research and development. The section is organized into; description of marketing intelligence focus by MFIs, descriptive statistics of centered marketing intelligence focus level scores and frequency distribution for marketing intelligence scores.

The findings were that 93.8% of the respondents disagreed. This shows that only a small percentage agreed or was undecided. According to Le Bon and Merunka (2006), market intelligence and marketing research focus on collecting information for decision making. However, they have not elaborated on the process of information flow, the type of information and the use of information.

Respondents were also asked whether MFIs collect competitive intelligence through online feedback for customer satisfaction. The study established that 80% disagreed while only 5.4% agreed and 14.6% were undecided. According to Morris, Pitt, Horey and Cuth (2001), military intelligence entails the process of getting information relating to the strengths and weaknesses of the enemy and plans and intentions the enemy can put in place. MFIs should therefore put in place marketing intelligence focus strategies that would enable them to gain competitive advantage. Webster et al. (2010), argued that organizations with a high degree of marketing orientation tend to focus all their efforts to customer satisfaction in the long term. They therefore monitor the changes in customer needs and wants and hence adjust the marketing programmes in line with the changes.

Respondents were also asked whether MFIs have a budget for mystery shopping to gain customer loyalty. The findings showed that the respondents overwhelmingly disagreed (96.9%). Respondents were also asked to indicate their level of agreement or disagreement on whether MFIs use information from mystery shopping to gain customer loyalty 95.4% of the respondents disagreed, suggesting that MFIs did not give much attention to marketing intelligence focus. Maltz and Kohli (1995) argued that the aim of marketing intelligence focus is to understand competitor plans and intentions.

The study sought to establish whether MFIs; have an established research and development department/section to gather information on customer retention strategies, whether MFIs fund such research, and whether MFIs have information dissemination strategies in place to ensure all stakeholders are well informed on all marketing activities. The findings on established research department to enhance customer retention were that 52.3% while only 13.8% agreed the rest were undecided. According to Webster et al. (2010) marketing intelligence focus was based on military concept of understanding the enemy where information availability is critical.

The findings in Table 11 reveal that 96.9% of the respondents disagreed that MFIs have funds for research and development to strengthen research on customer loyalty, while 2.3% of the respondents neither agreed nor disagreed and only 8.0% agreed. In regard to use of data to improve MFIs marketing services 76.1% disagreed and only 8.0% agreed the rest were undecided. The study sought to establish whether MFIs have information dissemination strategies to keep stakeholders well informed on marketing activities. A total of 96.9% of the respondents disagreed that MFIs' have information dissemination strategies on marketing activities to keep stakeholders updated. The findings were that 95.4% while only 4.6% of the respondent agreed the others were undecided. The effect of marketing intelligence focus orientation on the success of marketing strategies of MFIs in Kenya was found to be nonexistent.

4.16 Marketing Orientation Descriptive Analysis

Marketing orientation comprise of customer focus, competitor focus, inter-functional focus and marketing intelligence focus. The mean score of MO was established by aggregating individual mean scores for each of the variable. The findings show that highest average score of all four parameters of MO was 49.58 for customer focus, followed by 45.57 for inter-functional focus, competitor focus had a mean score of 28.96 and lastly market intelligence focus with 12.5. The overall mean for MO was 29.15 which is below half of possible score of MO which is 30. The findings also show that 60.25% of MFI had not adopted Marketing Orientation while 39.75% had adopted Marketing Orientation. In respect to the types of MFIs namely Banks, Deposit taking and credit only MFIs, the highest adoption of MO was found in deposit taking MFIs at 20.0%, followed by credit only MFIs at 15.0% and lastly banks at 4.0%.The findings therefore suggest that there was low adoption of MO in MFIs in Nairobi.

4.17 Effect of MFI Characteristics on Marketing Orientation Adoption

The findings in Table 14 show that a significant number of MFIs are in agreement that the ownership structure of MFIs influences adoption of marketing orientation. Specifically the study found that 85.5% of the respondents agreed that MFIs with an ownership structure of deposit taking have higher rate of influencing the adoption of marketing orientation followed closely by MFIs with credit -taking ownership structure at 67.7 %. The study further established that MFIs with Bank ownership structure have little influence on the adoption of marketing orientation.

In regard to membership structure the study found that MFIs whose majority of members was women and youths had a lower rate of influence in the adoption of marketing orientation. Seventy seven percent of the women had a high score of disagreement and 81.0% of the youths also disagreed that group structure had an influence on adoption of marketing orientation. On the other hand MFIs whose membership constituted of religious groups also disagreed and 30.0% of professional groups at (8.0%) disagreed that they had a role in adoption of MO. These findings suggest the legal, structures and membership structures of MFIs had an influence in adoption of MO.

4.18 Success of Marketing Strategies

This section discusses findings on measurement of success of marketing strategies outcomes as results of MFIs adopting MO. Success of MFI was the main dependent variable upon which the research predicted the effects of marketing orientation. The study used non – financial measurement rather than financial; this was primarily after expert review and critique of previous studies which have widely adopted non-financial performance key indicators in the marketing domain as key performance indicators of success of a marketing strategies In particular, the research selected three key non-financial indicators which included rate of customer's retention, rate of customer's loyalty and rate of customer satisfaction.

4.19 Trends in Key Performance Indicators for Microfinance Institutions Marketing Strategies Success

The findings presented in Table 4.13 shows that the trend of customer growth rate retention of MFI across the board over the previous 5 years, has been declining. The study also shows that adoption of MO did not minimize escalating customer attrition rate. However, one notable contribution of adoption of MO by MFI was identified as reduction of idle accounts.

Another parameter that was examined and presented in Table 4.13 is state of growth of customer loyalty, for the 5 years period most of MFI had registered reduction in number of referrals from existing customers as can be seen in the line chart.

The rate of borrowing and deposit had improved during this period. The study also found that in terms of customers satisfaction, there had been improved rating from customers on speed of service since adoption of MO. There has also been increased request for more services from adoption of MO, as well as reduction of customer churning from one brand to another.

4.20 Level of Success of MFI based on Key Indicators

Since the measuring level of success of MFI utilized a number of non-financial parameters or latent variables namely customer retention, customer loyalty and customer satisfaction with several specific observables. The findings in Figure 4.10 show that 60.0 of the MFIs had not achieved success of marketing strategies from adoption of MO, while 40.0% of MFI indicated that they had achieved success of marketing strategies credited with adoption of MO. The largest variation or disparity of success of marketing strategies seems to have affected the banks offering MFI services in that 69% indicated to have achieved success after adopting MO while 31% had not registered significant success. Credit only MFI also had significant difference level of achievement of success of marketing strategies with 62.0% having achieved success while 38.0% registered low achievement. However, for the banks, it was half (50.0%) for MFI that had managed to achieve success in marketing strategies as a result of adopting MO and another half (50.0%) had failed to register achievement of success of marketing strategies from MO. The scores found at this stage assisted the research to assess and evaluate the extent to which MO and all its specific parameters which included customer focus, competitor focus, inter-functional focus and marketing intelligence focus affected success of the marketing strategies. This was done using factor analysis, inferential statistics and hypothesis testing using multiple linear regression model.

4.21 Multiple Regression Results

The regression results are discussed based on the specific objectives, which were: To assess the extent to which customer focus affected the success of marketing strategies of MFIs in Kenya, to evaluate the effect of competitor focus on the success of marketing strategies of MFIs in Kenya.to assess the effect of inter-functional focus on the success of marketing strategies of MFIs in Kenya.

To assess the effect of marketing intelligence focus coordination on the success of marketing strategies of MFIs in Kenya and to evaluate the influence of moderating variables on success of marketing strategies.

4.22 Effect of Adoption of Marketing orientation on success of Marketing Strategies of MFIs in Kenya

The findings in Table 4.20 show the summary of the regression model, which provides information on the ability of the independent variables to account for the variation in the dependent variable. This variation is measured by R^2 (R Square), which varies between 0 and 100%. R^2 is coefficient of determination which indicates the variation in the dependent variable due to changes in the independent variable (Mugenda & Mugenda, 2003).

The findings shows the value of R2 as 0.383, which means that 38.3 % of the total variance in success of marketing strategies in microfinance institutions in Nairobi can be accounted for by changes in customer focus, competitor focus, inter-functional focus, and marketing intelligence focus. R2 is always between 0 and 100%, where 0% indicates that the model explains none of the variability of the independent variable, and 100% indicates that the model explains all the variability of the independent variables. In general, the higher the R-squared, the better the model fits the data. In this study 61.7% of variation in adoption of marketing orientation cannot be accounted for by the four independent variables.

This suggests that there are other factors that have greater influence on success of marketing strategies in MFIs in Kenya more than the studied variables. R-squared shows how an under-specified model (too few terms) can produce biased estimates. However, an over specified model (too many terms) can reduce the model's precision. In other words, both the coefficient estimates and predicted values can have larger margins of error around them.

R-squared measures the proportion of the variation in your dependent variable (Y) explained by your independent variables (X) for a linear regression model. Adjusted R-squared adjusts the statistic based on the number of independent variables in the model. This is important because one can “game” R-squared by adding more and more independent variables, irrespective of how well they are correlated to the dependent variable. This is not a desirable property of a goodness-of-fit statistic.

Conversely, adjusted R-squared provides an adjustment to the R-squared statistic such that an independent variable that has a correlation to Y increases adjusted R-squared and any variable without a strong correlation will make adjusted R-squared decrease. That is the desired property of a goodness-of-fit statistic. R-squared or R2 explains the degree to which your input variables explain the variation of your output / predicted variable. So, if R-square is 0.8, it means 80% of the variation in the output variable is explained by the input variables. So, in simple terms, higher the R squared, the more variation is explained by your input variables and hence better is your model.

However, the problem with R-squared is that it will either stay the same or increase with addition of more variables, even if they do not have any relationship with the output variables. This is where “Adjusted R squared” comes to help. Adjusted R-square penalizes you for adding variables which do not improve your existing model. Hence, if you are building linear regression on multiple variables, it is always suggested that you use Adjusted R-squared to judge goodness of the model. R Square is a basic matrix which indicates how much variance is been explained by the model value of R-square directly proportionate to good model and Adjusted R-square value is always close to R-square.

Table 4.21 shows the Analysis of Variance (ANOVA) which provided information about levels of variability within the regression model which formed the basis for hypothesis testing using P-value at 95.0% confidence interval (0.05). In this study an alpha of 0.05 was used as the cut off for evaluating significance of the relationship between dependent and independent variables. The P-value was used to decide whether marketing orientation had statistically significant predictive capability to influence the success of marketing strategies of MFI at 95.0% confidence interval.

The ANOVA analysis results on Table 4.21 show that the overall P-value was .045<05. The regression analysis results in the ANOVA output table indicate that the overall regression model was partially significant in predicting success of marketing strategies at 95% confidence level. A P- value close to zero signals that the model is very strong while large P-values closer to 0.5 imply that there is weak or partial relationship between dependent and independent variables.

Table 4.22 shows the beta coefficient and t-test, which are the degree of change in the outcome variable for every 1-unit of change in the predictor variable were examined. If the beta coefficient is not statistically significant (or the t-value is not significant), the variable does not significantly predict the outcome. Standardized Beta Coefficient is the impact of coefficient for each independent variable on dependent variables, which were customer focus, competitor focus; inter-functional focus and marketing intelligence focus orientation.

The strongest variable on effect of dependent variable was effect of customer focus (Beta = 0.804 t =3.032, p <.05) which means 80.4% variation in success of marketing strategies of MFI can be accounted for by customer focus which was statistically significant. This was followed by the effect of inter-functional focus with (Beta = .554 t = 2.921, p <05). which means 55.4% variation in success of marketing strategies of MFI can be accounted for by inter-functional focus, this was also statistically significant, third on the row was the effect of competitor focus with (Beta = 0.144 t =1.966, p >.05), which means only 14.4% variation in success of marketing strategies of MFI could be accounted for by competitor focus which was not statistically significant and lastly the smallest effect was that one for marketing intelligence focus with (Beta = .028; t = 0.316, p = >05) which means only 2.8% variation in success of marketing strategies of MFI can be accounted for by marketing intelligence which was not statistically significant.

Unstandardized coefficient scores according to Orodho (2009), states how the dependent variable is expected to increase (if the coefficient is positive) or decrease (if the coefficient is negative) when that independent variable increases by one. Table 4.16 shows that increase or decrease in influence of customer focus by one unit leads to an increase or decrease of success of marketing strategies of MFIs by a (B =0.510. While a unit increase or decrease in effect of interfunctional focus leads to increase or decrease of success of marketing strategies by MFIs by a (B = .493).

Concerning competitor focus, the study found that increase or decrease of competitor focus by one unit led to an increase or decrease of success of marketing strategies by (B = 0.074) while a unit increase or decrease in effect of marketing intelligence focus led to (B = .023). This is the degree of change in the outcome variable for every 1-unit of change in the predictor variable.

The study established that the indicators of customers orientation were significant at P-value <0.05. Holding all factors to constant zero, unit increase or decrease of identification of customers' needs by one unit would lead to an increase or decrease of success of marketing strategies by MFI by (b=.648). A unit increase or decrease in service development by one unit would lead to an increase or decrease of success of marketing strategies by MFIs by (b=.534). A unit increase or decrease of service charter by one unit would lead to an increase or decrease of success of marketing strategies by MFIs by (b=506). A unit increase or decrease of customer appreciation by one unit would lead to an increase or decrease of success of marketing strategies by MFIs by (b=.448).

The study established that none of the indicators of competitor focus was significant. Holding all factors to a constant zero, all other factors were found to be insignificant at P-value >0.05 and therefore they did not help competitor focus in predicting the success of marketing orientation of MFI in Kenya. The study also established that all indicators of inter-functional focus were significant at P-value <0.05. Holding factors to constant zero, unit increase or decrease of number of times MFI departments coordinating activities by one unit would lead to an increase or decrease of success of marketing strategies by MFI by (b=.302). Secondly, at the same time, unit increase or decrease of the number of instances MFIs departmental hold meetings by one unit would lead to an increase or decrease of success of marketing strategies by MFIs by (b=.335). A unit increase or decrease of number of times MFIs formulate strategies that emphasize departmental coordination process by one unit would lead to an increase or decrease of success of marketing strategies by MFIs by (b=.283). The study established that none of the indicators of marketing intelligence focus was significant. Holding all factors to constant zero, all other factors were found to be insignificant at P-value >0.05 and therefore they did not help marketing intelligence focus in predicting the success of marketing orientation of MFI in Kenya.

4.23 Strength of Relationships of Variable using Path Estimates

A multiple regression equation which shows the constant, beta and path diagram is summarized in Figure 16. In this study, the success of MFIs marketing strategies in Kenya is the outcome or dependent variable, whereby it is hypothesized that adoption of customer focus, competitor focus, inter-functional focus and marketing intelligence focus orientation affect success of marketing strategies of MFIs in Kenya. The four predictors are also the latent variables of the study. Each of them was measured using four observed variables.

Figure 4.15 shows that the overall path of the relationship between the dependent and independent variables R Squared is .383, and is the value of the effect of marketing orientation (MO) on success of marketing strategies. The overall model can be summed up with the percentage which accounts for the independent variables contribution to dependent variables. The findings shows that 38.3 % of the total variance in success of marketing strategies in microfinance institutions in Nairobi can be accounted for by changes in customer focus, competitor focus, inter-functional focus, and marketing intelligence focus. This suggests that there are other variables which can be used to measure the success of marketing strategies which have not been captured in this model.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter gives the summary of the study, conclusions and recommendations. The main purpose of this research was to establish the effects of marketing orientation adoption on the success of marketing strategies of MFIs in Kenya. The variables that were involved in this study were customer focus, competitor focus, inter-functional focus and marketing intelligence focus of MFIs.

5.2 Summary of the Findings

The main objective of this research was to establish the effects of adoption of MO on the success of marketing strategies of MFIs in Kenya. Theoretical, empirical and conceptual literature review was undertaken. The theoretical literature review was based on three theories namely; Systems theory, Dynamic Capabilities Theory and Resource Based Theory. The empirical review was based on the four specific objectives. The conceptual review was based on the conceptual framework of the study on which the operationalization of study variables was based.

The population of the study comprised of the chief executive officers (CEOs) and the marketing managers /marketers in charge of the MFIs. The total population was 134 respondents, comprising of 7 CEOs and seven marketing managers of banks, 11 CEOs and 11 marketing managers of deposit-taking MFIs, and 49 CEOs and 49 marketing managers of credit-only MFIs. The sampling frame for this research was a list of all MFIs which was obtained from Association of Microfinance Institutions of Kenya (AMFI-K). The census approach was used to sample the population because the microfinance institutions understudy was not significantly large to justify the use of other sampling techniques.

Primary data was collected from the respondents using semi-structured questionnaires. After data collection the questionnaires were coded in preparation for data analysis which was undertaken using descriptive statistics, inferential statistics and regression analysis. The findings of the research were presented according to the specific objectives; effect of customer focus on the success of marketing strategies of MFI; effect of competitor focus on the success of marketing strategies of MFIs; effect of inter-functional focus on the success of marketing strategies of MFIs, and the effect of marketing intelligence focus on success of marketing strategies.

5.2.1 Effect of Customer Focus on Success of Marketing Strategies of Microfinance Institutions

The findings showed that MFIs identify customer business needs which enable them to develop services that satisfy the identified needs. These findings are in line with Mungai and Kim (2009) who suggested that marketing-oriented organizations constantly monitor customer needs in order to offer services that are relevant. In regard to identification of customers life style needs, the findings showed that MFIs in Kenya identify lifestyle needs with the aim of providing services that satisfy these needs. The findings showed that mean (SD) = 4.56 (1.9) which suggests that the respondents were close to the mean showing that the lifestyle needs were of great concern to the MFIs because they would be an opportunity for MFIs services.

In regard to developing services that enhance customer retention, the findings showed that MFIs develop services that enhance customer retention, supported by the mean (SD)= 4.0(0.9). According to Webster *et al.* (2010) organizations with a high degree of marketing orientation focus all their efforts on customer satisfaction in the long term.

They therefore monitor the changes in customer needs and wants and hence adjust their marketing programs in line with the changes to enhance customer retention. The findings on development of services that satisfied customers’ needs. The findings showed that 81.6% of the respondents agreed that MFIs developed services that satisfied customers’ needs. This shows that MFIs are very keen in satisfying their customers’ needs as found in previous studies (Zhou, Chekitan & Agarwal, 2007). The study also established that MFIs deliver services to the customers efficiently in order to enhance customer focus. Efficiency in service delivery by MFIs was measured by timely delivery, adherence to the customer service charter and effectiveness of delivery strategies.

The research concluded that customer service charters are an important tool for customer focus since they set out an organization’s commitment to provide high quality customer service to both internal and external customers. Microfinance Institutions in Kenya therefore maintain and adhere to customer service charters. It was therefore concluded that MFIs in Kenya have a high commitment to providing high quality customer service. This is supported by Shammout and Haddad (2014) in their study on banks in Jordan which investigated service delivery, service quality, switching costs, service failure, service guarantee and perceived value. The study recommended that banks should respond effectively to service failure in respect to service delivery.

Customer appreciation strategies by MFIs in Kenya, through sending letters, making phone calls, and provision of complementary services, were evaluated in this study. The findings showed that MFIs appreciate customers by sending letters; appreciation was also expressed by making phone calls and also through provision of complementary services. Customer focus through expression of appreciation of customers was therefore found to be essential in customer focus.

It can therefore be concluded that MFIs in Kenya have customer appreciation strategies in place and therefore customer focus is fulfilled by appreciating customers. Ultimately, customer focus helps in the success of MFIs marketing strategies. The findings also showed that banks offering MFI services had significantly higher degree of customer focus, followed by deposit taking MFIs and lastly credit taking MFIs.

The inferential analysis findings in regard to the customer focus were that the total variance in success of marketing strategies in MFIs in Kenya can be accounted for by Beta = 0.804 (80.4%) change in customer focus. ANOVA results showed that the effect of customer focus on success of marketing strategies of MFIs in Kenya was significant, p.020<.050). This means that the null hypothesis, that there is no significant relationship between the effect of customer focus and the success of marketing strategies was rejected and the alternative hypothesis that, there was a significant relationship between customer focus and success of marketing strategies of MFIs in Kenya was accepted.

5.2.2 Effect of Competitor Focus on Marketing Strategies

The findings showed MFIs in Kenya do not constantly monitor competitors' services to enhance customer retention. The respondents rating of disagree that MFIs do not monitor competitor services was supported by a significant number of the respondents. According to Zhou *et al.* (2005), competitor focus provides information on competitors which helps in making sound management decisions which does not happen in the MFIs surveyed in this study. In regard to monitoring the variety of services provided by MFIs the findings showed that the mean (SD) =2.8(1.9) was close to the mean suggesting that MFIs do not monitor the variety of services provided by competitors.

In regard to monitoring the accessibility of competitor's services by customers to enhance customer loyalty the findings showed that MFIs do not constantly monitor customer accessibility to services. Accessibility of services is a good measure of the effectiveness competitors in creating place utility. Provision of information to customers on how services can be accessed is necessary in enhancing customer loyalty (Kotler, 2012).

Effectiveness of competitors' pricing strategies was also evaluated, and the study found that MFIs do not monitor competitors' pricing strategies which suggest that MFIs may not be using pricing strategies for customer retention. According to Ayanda and Adefemi (2012) , pricing strategies are important in gaining competitive advantage in financial services organizations. Competition based pricing strategies entails setting of prices on the basis of competitor prices and hence the need for monitoring competitor prices.

The monitoring of affordability of services to enhance customer loyalty was also investigated the findings showed that the MFIs do not monitor customer affordability of services. Affordability of a service is influenced by prices and hence the higher the prices the lower the affordability and vice versa (Fifield, 2012). The study also sought to find out whether MFIs benchmark prices for customer satisfaction. The results found that MFIs in Kenya do not bench mark prices with those of competitors. This might be because the cost regimes of MFIs differ greatly depending on the source of funds for on lending to the customers (Brown, Garguilo & Mehta, 2011).

The study sought to establish whether MFIs compare their promotion strategies and collect information on the effectiveness of their promotion strategies to influence customer demand. The findings were that the MFIs do not compare promotional strategies with those of competitors. The findings are supported by the Mean (SD) =2.30(1.9).

In regard to the effectiveness of promotion the findings showed that the MFIs do not collect information on effectiveness of promotional strategies (Browne, 2001). In regard to MFIs marketing officers being in regular contact with the competitor advertising agents to get measures on improving customer satisfaction. The findings showed that the respondents were undecided. The indecisiveness could be attributed to lack of information on advertising monitoring in MFIs. The front office of an organization is the first contact point of potential or existing customers with the firm. It is therefore essential for customer attraction and retention and is strongly associated with the organization's image. This study therefore sought to find out whether MFIs in Kenya ensure that standards are upheld in the front office, through benchmarking. The findings indicated that MFIs do not benchmark the front office designs with those of competitors.

In regard to monitoring of front offices designs of competitors for improvement to enhance customer retention, the findings showed that MFIs in Kenya do not engage in comparison of office designs. This could be attributed to the fact that MFIs might not be associating office designs with customer retention. On creation of a superior image, the findings showed that MFIs create an image of being superior to competitors in service provision to enhance customer satisfaction. The findings nevertheless suggest that MFIs do not consider their image against that of the competitors to be of importance in gaining competitive advantage. Kotler (2012) suggests that competition experienced influences the operations and performance of a firm. It is therefore important for MFIs to evaluate the effect of competitor focus to influence the success of marketing strategies. The findings on the level of competitor focus showed that, across MFIs 71.12 % had low competitor focus. Specifically, credit-taking MFIs had significantly low competitor focus, followed by deposit-taking MFIs and lastly banks offering MFIs services.

Inferential analysis on competitor focus showed that the total variance in success of marketing strategies in MFIs in Kenya was accounted for by Beta =.144(14.4%) change in competitor focus. ANOVA results showed that the effect of competitor focus on success of marketing strategies of MFIs in Kenya was not significant.251>.050) hence the null hypothesis that there was no significant relationship between the effect of competitor focus and the success of marketing strategies was accepted and the alternative hypothesis that, there was a significant relationship between competitor focus and success of marketing strategies of MFIs in Kenya was rejected.

5.2.3 Effect of Interfunctional Focus on Marketing Strategies

The findings on MFIs departments sharing information on customer experience to enhance customer satisfaction revealed that the MFIs shared information across departments. Customer experience differs from customer service in that, while customer service is focused on human interaction and provision of support to customers, customer experience relates to the cumulative nature of the interaction of the customer with the organization, and hence, the nature of the relationship between various parts of the organization. Inter-functional focus within an organization is therefore, essential to customer experience. According to Auh and Menguc (2005), inter-functional focus can be executed through different integration comprising of; frequency of departmental committee meetings, the number of face-to-face contacts departmental meetings and types of decisions that are shared across departments.

In regard to MFIs formulating strategies for customer retention for the attainment of inter-functional focus, the findings established that the MFIs formulate the strategies. The Mean (SD) =4.00(1.1) suggested that the findings were close to the mean implying that the respondents had converging views on strategy formulation. The extent to which an organization adopts inter-functional focus depends on top management (Kotler, 2012).

The culture of the organization is also important in the attainment of inter-functional focus culture, which according to Lafferty and Hult (2001), provides the necessary behavioral norms that are necessary for the adoption of inter-functional focus.

The study sought to establish whether MFIs have structures for accurate information on customer loyalty. The findings were that 40.7% of the respondents agreed that MFIs have such structures in place, while31.5% of the respondents neither agreed nor disagreed that MFIs have structures for accurate information for customer loyalty. The rest, 27.7%, disagreed that MFIs in Kenya have structures in place for sharing and dissemination of information. Goolsby, Arnould & Karen (2003) argued that interdepartmental connectedness is associated with speedy responses to customers' needs because all the employees are focused on common goals. It can therefore be concluded that organizational structure influences inter-functional focus.

The availability of resources for customer retention to enhance inter-functional orientation was evaluated. Availability of resources is important in enhancing and maintaining the customer experience hence organizations should allocate adequate resources for customer retention. The findings established that 81.5%, of the respondents indicated that the MFIs allocated sufficient resources for customer retention. In regard to allocating sufficient resources for customer loyalty the research established that sufficient resources are allocated. The research also found that MFIs allocate sufficient resources for customer retention. In regard to provision of sufficient resources to attain customer satisfaction the finding indicated that 97.7% were in agreement that sufficient resources were provided.

Findings on MFIs regarding holding regular departmental meetings to discuss activities that would enhance customer retention the findings were that MFIs do not hold departmental meetings to discuss activities that would enhance customer retention. However, it was established that MFIs hold seminars to enhance customer loyalty.

The results found that, while departmental meetings are not held regularly, discussions in those meetings as recorded in the minutes are shared among departments. Kennedy, Goolsby and Arnould, (2003) have argued that there is need for interdepartmental connectedness which promotes formal and informal relationships among employees across departments in an organization. Interdepartmental connectedness influences Inter-functional focus because it facilitates the sharing of information across department

The study found that MFIs have well-defined lines of communication. Intercom systems exist to aid in interdepartmental communication thus enhancing customer satisfaction by addressing customers' issues and enhancing service provision promptly. The existence of internet was found to be effective in promoting interdepartmental communication and hence customer satisfaction was enhanced. Inter-functional focus was found to be supported by modern technology. Across MFI the findings indicated high inter-functional focus score. The analysis showed that deposit taking MFIs had a significantly high degree of inter-functional focus followed by banks and lastly credit taking MFIs.

The total variance in success of marketing strategies in MFIs in Kenya was shown to be accounted for by Beta = 0.554 (55.4%) change in inter-functional focus. ANOVA results showed that the effect of inter-functional focus on success of marketing strategies of MFIs in Kenya was significant, 003<.050).

The null hypothesis, that there is no significant relationship between the effect of interfunctional focus and the success of marketing strategies was therefore rejected and the alternative hypothesis that, there was a significant relationship between inter-functional focus and success of marketing strategies of MFIs in Kenya was accepted. Inter-functional focus was therefore found to have an effect on the success of marketing strategies.

5.2.4 Effect of Marketing Intelligence Focus on Marketing Strategies

The findings on whether MFIs regularly surveyed markets with the aim of enhancing customer retention showed that the MFIs did not undertake this activity. The MFIs did not have sections charged with market survey activities. This led to the conclusion that MFIs did not engage in meaningful research activities to enhance customer retention. Aaker *et al.* (2007) argued that market intelligence is critical when evaluating changes in the market place and went further to say that changes which relate to the size of the market and nature of future markets require marketing intelligence. The study found that MFIs did not have digital and social media to attain customer satisfaction. According to Le Bon and Merunka (2006), market intelligence and marketing research focus on collecting information for decision making. However, they did not elaborate on the process of information flow, type of information and the use of information.

The study further established that MFIs did not collect competitive intelligence information through online surveys. According to Morris, Pitt, Horey and Cuth (2001), marketing intelligence helps in gathering information on strengths and weaknesses of an organization. It can also help in providing information to organizations for planning purposes. MFIs should therefore put in place marketing intelligence focus strategies that would enable them to gain competitive advantage.

Webster et al. (2010), argued that organizations with a high degree of marketing orientation tend to focus all their efforts to customer satisfaction in the long term. They therefore monitor the changes in customer needs and wants and hence adjust the marketing programmes in line with the changes.

MFIs were also found not to have in place budgets for mystery shopping to gain customer loyalty. The MFIs were also found not to be using information from mystery shopping to enhance customer satisfaction. The study therefore concluded that MFIs did not give much attention to marketing intelligence focus. Maltz and Kohli (1995) argued that the aim of marketing intelligence focus is to understand competitor plans and intentions which would give the MFIs competitive advantage.

The research established that MFIs did not have established research and development department/section to gather information on customer retention strategies. Funds were also not provided to finance such departments. Information dissemination strategies to inform all stake holders of the MFIs activities were also found to be nonexistent. According to Webster et al. (2010) marketing intelligence focus was based on military concept of understanding the enemy where information availability is critical.

MFIs were found to have no funds set aside for research and development to strengthen research on customer loyalty. In regard to use of data to improve MFIs marketing services no evidence was found. The effect of marketing intelligence focus on the success of marketing strategies of MFIs in Kenya was found to be almost nonexistent. Across MFIs marketing intelligence focus was found to be low. Deposit-taking MFIs had significantly low marketing intelligence focus, followed by credit taking MFIs, banks offering MFIs services were also found to have low marketing intelligence focus.

The findings on marketing intelligence focus were that the total variance in success of marketing strategies in MFIs in Kenya was accounted for by Beta =0.028 (2.8%) change in marketing intelligence focus. ANOVA results showed that the effect of marketing intelligence focus on success of marketing strategies of MFIs in Kenya was significant.752>.050). The null hypothesis, that there is no significant relationship between the effect of marketing intelligence focus and the success of marketing strategies was accepted and the alternative hypothesis that, there was a significant relationship between market intelligence orientation and success of marketing strategies of MFIs in Kenya was rejected. Marketing intelligence focus was therefore found to have no effect on success of marketing strategies.

5.2.5 Effect of MFI Characteristics on Adoption of Marketing Orientation

The research found the legal structure of MFIs influences adoption of marketing orientation. MFIs with company legal structure were found to have a higher rate of influencing the adoption of marketing orientation followed by firms with cooperative legal structure. However, firms with CBOs and NGO legal structure were found not to have much influence on the adoption of marketing orientation.

Regarding ownership structure (mode of business operation) it is notable that a majority of the MFIs were in agreement that the ownership structure of MFIs influenced adoption of marketing orientation. Deposit-taking MFIs were found to have higher rate of influence on the adoption of marketing orientation followed closely by MFIs with credit-taking ownership structure. Bank ownership structure was found to have little influence on the adoption of marketing orientation. The study also found that MFIs whose majority of members were women and youths were found to have lower rate of influence in adoption of marketing orientation.

These findings suggest that there is likelihood of marketing orientation being influenced by legal, ownership and membership structure of MFI. This means that these variables had an influence on the extent to which the independent variables affected the success of marketing strategies.

5.2.6 Success of Marketing Strategies

The findings on success of marketing strategies show that there has been a declining growth of customer rate of retention of MFI across the board over the 5 years period. The customer base has been declining. The adoption of MO did not assist in minimization of customer attrition rate. However, MO was found to have contributed contribution to reduction of idle accounts. The findings also show a reduction in number of referrals from existing customers. The rate of borrowing and deposits were found to have improved over the period. The customer satisfaction was found to have improved in respect to speed of service since adoption of MO there had been improved request for more services from adoption of MO as well as reduction of customer churning from one brand to another.

The study used non–financial measurement rather than financial. This was primarily after expert review and critique of previous studies which had widely adopted non-financial performance key indicators in the marketing domain as key performance indicators of success of marketing strategies. In particular the research used three key non-financial indicators which included rate of customers' retention, rate of customers' loyalty and rate of customer satisfaction. The research findings show that 60.25% of MFI had not adopted marketing orientation while 39.75% had adopted marketing orientation.

In respect to the types of MFI namely banks, deposit-taking and credit-only MFI, the highest adoption of MO was found in deposit-taking MFIs at 20.0%, followed by credit-only MFI at 15.0% and lastly banks at 4.0%. This means that the adoption of MO by MFIs did not have significant effect on success of marketing strategies.

The research found that 60.0 % of the MFIs had not achieved success of marketing strategies in spite of the significant influence of CO. However, 40% of MFI indicated that they had managed to achieve success of marketing strategies from the effect of CO. Success of marketing strategies seems to have affected the banks offering MFI, services, credit only MFI also have significant level of achievement of success of marketing strategies from adoption of MO. However, for the deposit-taking MFIs 50.0% achieved success in marketing strategies as a result of adopting MO. The scores found at this stage assisted the research to assess and evaluate the extent to which MO and all its specific parameters which included customer focus, competitor focus, inter-functional focus and marketing intelligence focus affect success of the marketing strategies. This was done using factor analysis, inferential statistics and hypothesis testing using multiple linear regression model.

The cumulative effect of marketing orientation on the success of marketing strategies was that MO accounted $R^2 = .383$, (38.3 %) of the total variance in success of marketing strategies in microfinance institutions in Kenya. The ANOVA analysis results showed that the overall P-value was $.045 < .05$. This means that adoption of MO was partially significant in predicting success of marketing strategies at 95% confidence level.

5.3 Conclusions

The study found there was significant relationship between customer focus and success of marketing strategies of MFIs in Kenya. This implies that MFIs are able to use customer focus to provide better understanding of the customers and therefore make better decisions which result in success of marketing strategies.

The study also found that there was no significant relationship between competitor focus and success of marketing strategies of MFIs in Kenya. This is can be explained by the fact that MFIs in Kenya are facing high competition both locally and internationally which is coupled with disruption caused by adoption of innovative technologies. The net effect is that MFIs are not able to compete with institutions like banks which have more resources and are more innovative.

However, inter-functional focus was found not to have a significant positive impact on success of marketing strategies of MFIs in Kenya. Inter-functional relationships within organization make firms more competitive as they have more synergy to succeed. The study found that there was no significant relationship between marketing intelligence focus and success of marketing strategies of MFIs in Kenya. This is possible because, in the case of marketing intelligence focus orientation, most firms did not focus on innovation and research but focused on information regarding customers, competitors and product technologies. Marketing intelligence focus is important especially in the dynamic environments in which organizations operate and should not be confused with market information. The MFIs which had adopted MO did not show significant effect on success of marketing strategies. This is reflected in the cumulative effect of MO on success of marketing strategies.

The cumulative effect of marketing orientation on the success of marketing strategies was that MO accounted $R^2 = .384$, (38.4 %) of the total variance in success of marketing strategies in MFIs in Kenya. The ANOVA analysis results showed that the overall P-value was.045 < .05. This means that MO was partially significant in predicting success of marketing strategies at 95% confidence level. It can therefore be concluded that MFIs in Kenya have not fully adopted marketing orientation and are thus limited in influencing the success of marketing strategies.

5.4 Recommendations

The study sought to establish the Effect of Customer Focus on Success of Marketing Strategies of Microfinance Institutions in Kenya. The study recommends that management of MFIs in Kenya invests in customer focus practices namely; customer needs analysis, new services development, adherence to customer service charter and appreciating the customers to maintain the level of success of marketing strategies. This study therefore recommends that MFIs should enhance the analysis of customer needs because customer needs for financial services change frequently. Development of new services should also be given much emphasis to meet the changing needs. The study established that MFIs in Kenya are committed to providing high quality customer service.

The study therefore recommends that MFIs should enhance the use of customer service charter to maintain high customer service levels. Customer appreciation was found to be effective in creating customer loyalty and retention of customers. Microfinance Institutions in Kenya should therefore uphold appreciation of customers through letters, Telephone calls, gifts and complementary services. The study recommended that the policy makers mainly the Government and Non-Governmental organizations involved in Microfinance Institutions should develop policies which would create a conducive environment for Microfinance

Institutions to operate without policy impediments. The study established that the legal structure of MFIs influences the adoption of marketing orientation which puts a strong case for government policies. The MFIs and policy makers should therefore develop legal policies which will promote adoption of MFIs structures which are customer focused. The research findings established that there was a weak relationship between competitor focus and success of marketing strategies of MFIs in Kenya. The research therefore recommended that MFIs should devote time and resources in monitoring competitor services in regard to the quality for comparative purposes.

The monitoring would enable MFIs to provide superior services to their customers. The monitoring of variety of services provided by competitors would enable MFIs to gauge their competitive edge in the market. Understanding of variety of MFIs services would help in establishing the additional services that the MFIs can add to their portfolio. The research recommended that MFIs should monitor the accessibility of competitor services to the customers. Accessibility of services to customers is important in creating customer satisfaction, because they prefer services which are readily accessible. Microfinance Institutions are therefore recommended to monitor accessibility of competitor services with the aim improving the accessibility of their own services. This would greatly contribute to the success of MFIs marketing strategies.

Microfinance Institutions are recommended to monitor pricing strategies of competitors. The monitoring is intended to make MFIs to device competitive pricing strategies to gain competitive advantage in the market. The MFIs should also monitor the affordability of competitor prices. This is important because customers prefer services which are affordable and therefore enhance customer retention. This would contribute to the success of MFIs marketing strategies.

The research recommended MFIs to bench mark competitor prices with their own prices. Benchmarking influences MFIs to review their own prices to be in line with those competitors to prevent loss of market share. The research recommended that the Government should develop policies that would create an enabling environment for all Microfinance Institutions without discrimination. Currently there are many unregulated lenders operating in this sector creating unfair competition. The Deposit taking microfinance Institutions for example operate under the Microfinance Act 2016 which imposes very stringent operational conditions.

The research recommended that MFIs should monitor competitor promotional strategies to compare with their own strategies. The rate at which MFIs marketing managers are in contact with competitor advertising agents would be beneficial to the MFIs. The effectiveness of competitor promotional strategies should be monitored to gather information, which would help in improving MFIs promotional strategies for the success of marketing strategies.

Microfinance Institutions were also called upon to monitor competitor physical evidence strategies. The monitoring should focus on competitor front office designs which would help MFIs in the improvement of their own designs to enhance customer satisfaction. Benchmarking of competitor front office dress codes with those of MFIs would be helpful in improving the image of MFIs front office staff. The government and other players in the microfinance sector are also called upon to make policies on industry competition and business environment to improve on adoption of marketing orientation. The effect of Interfunctional focus on success marketing strategies was also assessed and it was recommended that MFIs should coordinate all marketing activities through sharing of information with all departments to enhance service delivery.

Microfinance Institutions are recommended to establish appropriate structures for departmental coordination to achieve success of marketing strategies. The research recommended that MFIs should provide sufficient resources to all departments to enhance effective service delivery and support of interdepartmental programs which are critical in customer retention. Interdepartmental meetings to create synergy are recommended in this research. Microfinance Institutions are also recommended to organize departmental seminars to train staff on customer focus programs.

Further recommendations entail the establishment of clear interdepartmental communication processes and interdepartmental feedback through the sharing of departmental minutes across all the departments, to enhance the level of success of marketing strategies to strengthen the interfunctional focus strategies for the adoption of marketing orientation. Microfinance Institutions are encouraged to give greater attention to marketing intelligence focus, specifically marketing survey, mystery shopping, information dissemination, research and development.

Microfinance Institutions should regularly survey the microfinance markets to get information which would enable them to enhance customer retention. The research recommended the establishment of a market survey section dedicated to gathering and analyzing market information. The section should also be managed by qualified staff to enhance professionalism. The research further recommended that MFIs should collect competitive intelligence through online customer feedback to enhance customer satisfaction. To gain customer loyalty MFIs should ensure adequate digital and social media presence for effective communication with customers. The research recommended online tracking of customers to get information on customer challenges and levels of satisfaction with the services provided by MFIs.

Policy makers were implored upon to develop research and development policies for the microfinance sector. The Government and Association of Microfinance Institution of Kenya (AMFI-K) should therefore work together to come up with appropriate policies.

5.5 Recommendations for Future Research

The study recommended further cross sectional studies on the effect of adoption of marketing orientation on the success of marketing strategies, covering the entire banking sector and other MFIs which are not members of AMFI-K. Academicians and Researchers in the financial sector should therefore take keen interest in Microfinance Institution studies and specifically in adoption of marketing orientation in view of the fact that this research found the level of adoption to be low.

In addition, the research recommended that other moderating variables namely; government fiscal policies, government monetary policies, technological innovations and MFIs human resource capabilities to be analyzed to determine the extent to which they influence the success of marketing strategies. This is important because this research found that moderating variables had a significant effect in the success of marketing strategies of Microfinance Institutions.

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APPENDICES

APPENDIX I: INTRODUCTION LETTER

April 27, 2018

TO WHOM IT MAY CONCERN

Dear Sir,

RE: INTRODUCTION LETTER

The School of Business and Economics (SBE) of Kabarak University wishes to introduce Mr. Gidraph J. Nduati Admission Number GOB/M/1596/09/16 who is asking for your help to complete a study towards award of Doctor of Philosophy in Marketing entitled: Effect of Adoption of Marketing Orientation on the Success of Marketing Strategies in Microfinance Institutions in Kenya.

Thank you for kind support,

Yours Faithfully,

Dr. John Gathii
Dean (SBE)
Kabarak University

APPENDIX II: QUESTIONNAIRE

Instructions: This questionnaire aims at collecting data/information to establish the effect of the adoption of marketing orientation on the success of marketing strategies in microfinance institutions in Kenya. The questionnaire consists of seven sections: Section I, entail Profile of Microfinance and Demographics; Section II, MFI Characteristics; Section III, Customer focus; Section IV, Competitor focus; Section V, Inter-functional Orientation, Section VI, Marketing Intelligence focus and Section VII, Success of marketing Strategies. Please indicate your response to each specific question and section by ticking ('√') appropriately.

Section I: Respondent characteristics

1. What is your Gender?

   Male [ ]   Female[ ]

2. How many years have you worked in this microfinance Institution?

   0-5 Years [ ]   6-10 Years [ ]   11-15 Years [ ]

   16-20 Years [ ]   21-25 Years [ ]   26-30 Years [ ]

   31-35 Years [ ]   36-40 Years [ ]   Above 40 Years [ ]

3. What is your position in the organization?

   Chief Executive Officer [ ]

   Marketing Manager [ ]

   Marketing Manager [ ]

   Credit Manager [ ]

Section II: MFI characteristics

MFI characteristics		
Legal structure of your Microfinance	Public Company	
	Private Company	
	Cooperative	
	NGO	
	CBO	
Owner ship Structures	Bank	
	Deposit taking Microfinance institutions	
	Credit Only Microfinance	
Members of this Microfinance	Women Group	

Institution	Youths Groups	
	Individual Members	
	Professionals	
	Community Based Organizations	
For how long has this microfinance been in operation	Less than 1 Year	
	2 to 5 Years	
	6-10 Years	
	More than 10 Years	
Financial needs of the customers	Schools Fees	
	Development loans	
	Business Startup capital	
	Medical	

4. Which are the financial needs of the customers?

   Schools Fees [ ] Development loans [ ] Business Startup capital [ ] Medical [ ]

   Others Specify…………………………………………………………

5. Which Strategies are in place to meet customers' needs?

   Credit Provisions [ ]

   Long term Loans [ ]

   Emergency Loans [ ]

   Savings Facilities [ ]

6. Who are Microfinance Institution Competitors

   Banks [ ] Co-operatives [ ] Other MFI []

   Other Specify……………………………………………………………..

7. How many departments are there in this MFI?

   1-5 [ ] 5-10 [ ] 10-15 [] 16-20 [ ] 21 and above [ ]

8. Does the Microfinance Institution have the research department Yes [ ] No [ ]

9. If yes, what kind of research does it conduct?

   Marketing Research [ ]

   New Products Development Research [ ]

Sector Analysis Research [ ]

Others Specify…………………………………………………………………..

10. Kindly describe your role in the Microfinance Institution

………………………………………………………………………………………

……………………………………………………………………………………

Section II: MFI characteristics

MFI characteristics		
Legal structure of your Microfinance	Public Company	
	Private Company	
	Cooperative	
	NGO	
	CBO	
Ownership Structures	Bank	
	Deposit taking Microfinance institutions	
	Credit Only Microfinance	
members of this Microfinance Institution	Women Group	
	Youths Groups	
	Individual Members	
	Professionals	
	Community Based Organizations	
For how long has this microfinance been in operation	Less than 1 Year	
	2 to 5 Years	
	6-10 Years	
	More than 10 Years	
financial needs of the customers	Schools Fees	
	Development loans	
	Business Startup capital	
	Medical	

SECTION III: Effect of Customer focus on success of Marketing Strategies of Microfinance Institution.

11. The statements in the following section are related to your specific views on effect of **Customer focus to the success of marketing strategies**. **Kindly show your level of agreement by rating each of the statements on a scale of 1-5: where**; ***1-Strongly Disagree; 2- Disagree; 3 - Neither Disagree nor agree; 4 – Agree; 5 – Strongly Agree***

(I)Customer focus

		1	**2**	**3**	**4**	**5**
CO1	MFI continuously survey customers with aim of identifying their business needs in order to offer them the services that will satisfy the identified needs effectively					
C02	MFI continuously survey customers with the aim of identifying their lifestyles needs in order to offer them services that will enhance customer retention.					
CO3	MFI continuously monitors customers with aim of identifying their Agricultural needs so that they can offer those services that enhance their loyalty to the MFI.					
CO4	MFI develops services that enhance customer retention					
CO5	MFI develops services that enhance customer loyalty					
CO6	MFI develops services that satisfy the customers					
CO7	MFI ensures timely delivery of services to enhance customer retention					
CO8	MFI ensures that the customer service charter is adhered to, so that customers remain loyal to the MFI					
CO9	MFI service delivery strategies are effective in enhancing customer satisfaction					
CO10	MFI appreciates customers by sending letters of appreciation to enhance customer retention					
CO11	MFI makes Phone calls to customers to appreciate their patronage so as to gain customer loyalty					
CO12	MFI appreciates customers by providing complementary services to enhance their satisfaction.					

12. Kindly describe your opinion on the effect of Customer focus on the success of MFI marketing strategies

………………………………………………………………………………………

……………………………………………………………………………………

Section IV: Effect of Competitor focus on success of Marketing Strategies of Microfinance Institution

13. The statements in the following section are related to your specific views on the effect of **Competitor focus to the success of marketing strategies**. **Kindly show your level of agreement by rating the statement on a scale of 1-5 where:** ***1- Strongly Disagree; 2- Disagree; 3 – Neither Disagree nor agree; 4 – Agree; 5 – Strongly Agree***

		1	**2**	**3**	**4**	**5**
COM1	MFI constantly monitors the quality of Competitor services to gain information on how they can offer services that surpass those of the competitors to enhance customer retention					
COM2	MFI constantly monitors the variety of services offered by competitors with aim of providing greater variety to enhance customer loyalty					
COM 3	MFI monitors the accessibility of competitor services to the customers so as make theirs more accessible in order to enhance customer satisfaction					
COM4	MFI performs regular monitoring of competitor pricing strategies to ensure theirs are more effective in retaining customers					
COM5	MFI monitors the affordability of competitor prices so as to make them more affordable in order to enhance customer loyalty					
COM6	MFI benchmarks its pricing strategies with those of competitors in order to enhance customer satisfaction					
COM7	MFI compares its promotion strategies with those of competitors to get information that help in devising superior strategies to the competitors to ensure customer demand is influenced					
COM8	MFI collects data on the effectiveness of promotion strategies of competitors to get information on the differences in effectiveness in order to enhance customer retention.					

COM 9	MFI Marketing officers are in regular contact with competitors' advertising agents to get information on the measures they can take to improve their strategies to enhance customer satisfaction					
COM10	MFI monitors the designs of competitors' front offices to get information on the improvement they can make to make theirs more attractive to enhance customer retention.					
COM11	MFI bench marks the front office staff dress codes with those of the competitors to enhance customer loyalty.					
COM12	MFI creates an image of being superior in service provision to the competitors to enhance customer satisfaction.					

14. Kindly describe your opinion on the effect of Competitor focus on the success of marketing strategies of the microfinance institution

……………………………………………………………………………………………………

……………………………………………………………………………

Section V: Inter-functional focus Adopted by Microfinance

15. The statement in the following section is related to your specific views on various strategies that are adapted by Microfinance to cultivate Inter-functional focus within the microfinance sector. Kindly show your level of agreement with each of the statements herein by circling the statements as rating of your views. Kindly rank each of the statements in the following order.

Rating Scale:*1- Strongly Disagree; 2- Disagree; 3 – Neither Disagree nor agree 4 – Agree 5 – Strongly Agree*)

		1	**2**	**3**	**4**	**5**
IN1	The MFI departments share a lot of information with each other to ensure that services are effectively coordinated to enhance customer satisfaction.					
IN2	MFI formulate strategies that emphasize departmental coordination to ensure effective service delivery to enhance customer retention					
IN3	MFIs have appropriate structures that facilitate departmental coordination to make it possible for the					

	departments to provide accurate information to gain customer loyalty.					
IN4	MFI provides sufficient resources to all departments to enable them to serve customers effectively to enhance customer retention					
IN5	MFI provides sufficient resources to all the departments to enable them to support customer programs to enhance customer loyalty					
IN6	MFI provides adequate resources to all the departments to enable them to support interdepartmental programs to enhance customer satisfaction					
IN7	Departments hold regular meeting to discuss MFI activities that would enhance customer retention					
IN8	MFI organizes regular seminars for all departmental staff to train them on customer oriented programs to enhance customer loyalty					
IN9	MFI Departments regularly share minutes for their meetings with other department/section to keep them informed on what needs to be done to enhance customer satisfaction					
IN10	MFI lines of communication are well defined to make all departments to follow them to effectively communicate to the customers to enhance customer retention					
IN11	MFI has intercom system for interdepartmental communication to provide instant feedback on urgent customer issues to enhance customer royalty.					
IN12	MFI internet systems facilitates interdepartmental communication on customer matters to enhance timely service delivery to the customers to enhance customer satisfaction					

16. Kindly describe your opinion on the effect of Inter-functional focus on the success of microfinance institution in marketing strategies

……………………………………………………………………………………………………
……………………………………………………………………………

Section VI: Marketing Intelligence focus Adopted by the Microfinance

17. The statement in the following section is related with your specific views on various strategies that are adapted by the Microfinance Institution to adopt Marketing Intelligence focus. Kindly rate your level of agreement with each of the statements herein by circling the statements on a scale of 1-5 where:

***1- Strongly Disagree; 2- Disagree; 3 – Neither Disagree nor agree 4 – Agree 5 – Strongly Agree*)**

		1	**2**	**3**	**4**	**5**
MI1	MFI regularly surveys the market to get information on market development to enhance customer retention.					
MI2	MFI has a section charged with market survey activities to collect information that is important in enhancing customer loyalty					
MI3	MFI has qualified staff to undertake market survey on levels of customer satisfaction					
MI4	MFI Collects Competitive Intelligence through online customer feedback to get information to enhance customer satisfaction					
MI5	MFI ensures adequate digital and social media presence to gain customer loyalty.					
MI6	MFI performs online tracking of competitors to gather information on customer satisfaction strategies.					
MI7	MFI has a budget for mystery shopping to get information on customer retention strategies					
MI8	MFI uses information from mystery shopping to develop new services to gain customer loyalty					
MI9	MFI has an established research and development Department/ section to gather information on customer					

	retention strategies					
MI10	MFI provides sufficient funds for research and development to strengthen research on customer loyalty.					
MI11	MFI effectively uses data from research to improve the MFI marketing services					
MI12	MFI has information dissemination strategies in place to ensure all stakeholders are well informed on all marketing activities.					

Section VII: Success of marketing strategies

18. The statements in the table below relate to the success of marketing strategies from the adoption of marketing orientation over a period of time. You are required to indicate the extent to which your microfinance has realized each of the stated changes because of adopting marketing orientation. Please rate the validity of each statement on a scale of 1-5 where :

*1- **Not at all; 2- To a small extent; 3 – To a moderate extent 4 – To a considerable extent 5 – To a great extent.***

		1	**2**	**3**	**4**	**5**
MS1	MFI has witnessed a stable rate in the number of customers during each month from adoption of Marketing orientation.					
MS2	MFI has witnessed a minimized customer attrition rate from the adoption of Marketing orientation					
MS3	MFI has reduced the number of idle accounts from the adoption of Marketing orientation					
MS4	MFI has witnessed an increase in the number of referred customers from existing customers.					
MS5	MFI has witnessed an increased rate of borrowing from the existing customers from the adoption of marketing orientation					
MS6	MFI has witnessed an increased rate of deposits from the existing customers from the adoption of marketing orientation					
MS7	MFI has a high rating from customers on speed of service provision from the adoption of marketing orientation					

MS8	MFI has received letters of commendation from satisfied customers from the adoption marketing orientation					
MS 9	Customers are requesting for more services from the MFI from the adoption of marketing orientation					
MS 10	Customers are not switching to competitor services because they are satisfied with the MFI services due to the adoption of marketing orientation					

19. In the table below indicate the percentage of each of the indicators of success of marketing strategies for the years 2014 - 2018

	Year 2014	**Year 2015**	**Year 2016**	**Year 2017**	**Years 2018**
Number of Customers					
Customer attritions rate					
Idle accounts					
Customer referrals					
Deposits					
Increased Borrowing					
Speed of service					
Customer Churn					
Request for more services					

THANK YOU

APPENDIX III: LIST OF MEMBERS OF ASSOCIATION OF MICROFINANCE INSTITUTION OF KENYA (AMFI – K) – 2016 (Source: AMFI-K)

BANKS

1. K-Rep Bank
2. Sidian Bank
3. Equity Bank
4. Co-operative Bank
5. Kenya Post Office Savings Bank
6. Jamii Bora Bank

DEPOSIT TAKING MICROFINANCE INSTITUTIONS

7. Faulu Microfinance Bank Ltd
8. Remu Microfinance Bank Ltd
9. Rafiki Microfinance Bank Ltd
10. Sumac Microfinance Bank Ltd
11. U & I Microfinance Bank Ltd
12. Caritas Microfinance Bank Ltd
13. Century Microfinance Bank Contacts
14. SMEP Microfinance Bank Limited
15. KWFT – Kenya Women Microfinance Bank Ltd
16. Daraja Microfinance Bank Ltd
17. Maisha Microfinance Bank Ltd

CREDIT ONLY INSTITUTIONS

18. Pamoja Women Development Programme (PAWDEP)
19. Yehu Microfinance Trust
20. Jitegemea Credit Scheme
21. JuhudiKilimo Co. Ltd
22. Select Management Services Ltd
23. Greenland Fedha Ltd
24. Platinum Credit Ltd
25. Jubilant Kenya Ltd
26. Urhaniya Bohra Edu Society
27. Habitat For Humanity® Kenya
28. Real People Kenya Limited
29. Neema Health Education & Empowerment Programme (NEEMA – HEEP Ltd)
30. Micro Mobile Ltd
31. Ushindi Bora Ltd
32. Hand in Hand Eastern Africa
33. Get bucks Ltd
34. Jumo Kenya Ltd
35. Nyali Capital Ltd
36. Premier Credit Ltd

37. Money Worth Investment Ltd
38. Hazina Development Trust Limited
39. Spring Board Capital
40. Fountain Credit Services Limited
41. Longitude Finance
42. Cross Bridge Credit Ltd
43. Jubilant Kenya Ltd
44. For Credit Ltd
45. ECLOF Kenya
46. Speed Capital
47. Samchi Credit
48. Fusion Capital Ltd
49. Molyn Credit Limited
50. Letshego Kenya Ltd
51. Seven star Capital Services Ltd
52. Musoni Kenya Ltd
53. Choice Microfinance Bank Limited
54. AAR Credit Services Ltd
55. Jitegemee Trust Limited
56. Visionfund Kenya
57. Bimas Microfinance
58. SISDO
59. BCF Kenya Ltd
60. Africa Credit Ltd
61. Bidii Development Programme
62. Business Capital Access Ltd
63. Canyon Rural Credit Ltd
64. Ace Capital & Credit Ltd
65. Capital Credit Ltd
66. Musoni Microfinance Institution
67. Uwezo Microfinance Ltd

APPENDIX IV: COEFFICIENTS

Customer focus

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	9.517	3.096		3.074	.023
	MFI Identifying customers business needs	.487	.162	.727	2.538	.022
	MFI Identifying their lifestyle needs	.511	.304	.603	2.036	.031
	MFI identifying their agricultural needs	.347	.287	-.582	1.211	.038
	MFI develops services that enhance customer retention	.385	.222	.798	3.278	.000
	MFI develops services that satisfy the customers	.316	.212	.505	1.489	.039
	MFI develops services that prevail the customers	.300	.210	.493	1.480	.040
	MFI ensures timely delivery of services	.740	.107	.718	2.761	.030
	MFI ensures that the customer service charter is adhered to	-.771	.338	-.662	1.804	.023
	MFI ensures service delivery strategies are affective	.006	.333	.301	1.018	.086
	MFI appreciates customers by sending letters	.518	.207	.031	.500	.571
	MFI makes Phone calls to customers to appreciate them	-.002	.230	-.001	.100	.993
	MFI appreciates customers by providing complementary services	-.224	.511	-.033	-.400	.662

Competitor focus

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
2	(Constant)	10.180	1.936		5.259	.000
	MFI constantly monitors the quality of competitors services	.066	.204	.012	.323	.747
	MFI constantly monitors the variety of services	.226	.080	.088	-2.839	.105
	MFI monitors the accessibility of competitors services	.383	.072	.380	4.551	.012
	MFI performs regular monitoring of competitor pricing strategies	.054	.105	.022	.513	.609
	MFI monitors the affordability of competitor prices	.012	.115	.004	-.101	.920
	MFI benchmarks its pricing strategies	.731	.127	.779	5.746	.000
	MFI Compares its promotion strategies	-.102	.110	.033	-.929	.355
	MFI collects data on the effectiveness of promotion strategies	-.234	.266	.041	-.879	.382
	MFI marketing officers are in regular contact with competitors advertising agents	-.239	.254	.039	-.941	.349

	MFI monitors the designs of competitor front offices	.029	.177	.006	.161	.872
	MFI benchmarks the front office staff dress codes	-.112	.110	.233	-.9009	.355
	MFI creates an image of being superior in service provision	-.334	.178	.241	-.870	.300
	MFI constantly monitors the quality of competitors services	-.209	.255	.230	-.900	.300

Inter-functional focus

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
3	(Constant)	9.044	4.356		2.076	.041
	The MFI departments share a lot of information	-.036	.094	-.517	-.382	.004
	MFI formulate strategies that emphasize departmental coordination	.676	.109	.729	3.699	.010
	MFIs have appropriate structures	-.174	.320	-.650	-.543	.001
	MFI provides sufficient resources to all departments to enhance customer retention	-.452	.327	-.683	-1.381	.011
	MFI provides sufficient resources to all departments to enhance customer loyalty	-.312	.291	-.361	-1.075	.085
	MFI provides sufficient resources to all departments to enhance customer satisfaction	.143	.246	.541	.580	.024
	Departments hold regular meeting to discuss MFI activities	-.192	.800	-.714	-.240	.011
	MFI departments organizes regular seminars to all department staff	.514	.621	.810	4.828	.010
	MFI Departments regularly share minutes for their meetings	-.300	.290	-.360	-.675	.005
	MFI lines of communication are well defined.	.149	.240	.540	.580	.024
	The MFI departments share a lot of information	-.190	.800	-.710	-.240	.011
	MFI formulate strategies that emphasize departmental feedback	.510	.600	.810	4.828	.010

Marketing Intelligence focus

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
4	(Constant)	38.879	45.150		-.861	.392
	MFI regularly surveys the market to get information	5.619	6.000	.641	.937	.352
	MFI has a section charged with market survey activities	3.377	2.953	.494	1.143	.256
	MFI Has qualified staff to undertake market survey	-.086	.355	-.015	-.243	.808
	MFI Collects competitive intelligence through online customer feedback	.001	.415	.000	.002	.998
	MFI ensures adequate digital presence	-.130	.349	-.025	-.373	.710
	MFI performs online tracking	-.002	.494	.000	-.004	.997
	MFI has budget for mystery budget	-.081	.417	-.012	-.195	.846

	MFI uses information collected from mystery shopping	.203	.366	.043	.557	.579
	MFI has research and developed department	-.045	.521	-.010	-.086	.932
	MFI has fund for research and developed department	.089	.519	.013	.172	.864
	MFI lines of communication are well defined	-.161	.324	-.025	-.497	.620
	MFI regularly surveys the market to get information	.245	.298	.043	.821	.414
a. Dependent Variable: Success of Marketing strategies						

All other factors of market intelligence were found to be insignificant at P value >0.05 and therefore they did not help in market intelligence orientation in predicting the success of marketing orientation of MFI in Kenya.

APPENDIX V: NACOSTI CERTIFICATE

NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION

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Ref: No. **NACOSTI/P/19/05340/31171**

Date: **27th June 2019**

Gidraph Japhat Nduati
United States International University
P.O. Box 14634- 00800
NAIROBI.

RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on ***"Effect of adoption marketing orientation on success of marketing strategies of Micro Finance Institutions in Kenya."*** I am pleased to inform you that you have been authorized to undertake research in **Nairobi County** for the period ending **24th June, 2020.**

You are advised to report to **the County Commissioner, and the County Director of Education, Nairobi County** before embarking on the research project.

Kindly note that, as an applicant who has been licensed under the Science, Technology and Innovation Act, 2013 to conduct research in Kenya, you shall deposit **a copy** of the final research report to the Commission within **one year** of completion. The soft copy of the same should be submitted through the Online Research Information System.

DR. STEPHEN K. KIBIRU, PhD.
FOR: DIRECTOR-GENERAL/CEO

Copy to:

The County Commissioner
Nairobi County.

The County Director of Education
Nairobi County.

National Commission for Science, Technology and Innovation is ISO9001:2008 Certified

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EFFECT OF CUSTOMER FOCUS ON SUCCESS OF MARKETING STRATEGIES OF MICROFINANCE INSTITUTIONS IN KENYA

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Abstract

Customer orientation is one of components of marketing orientation. Its philosophy is based on the supremacy of the customer thus the need to focus on the determination of customer needs and wants. Organizations which endeavor to focus their energies on determining customer needs and wants and seek to satisfy them through designing products sought by customers will certainly record better performance than Competitors. Success also comes to those organizations which adopt customer focused communication and delivery strategies. This paper therefore seeks to establish the effect of customer orientation on the success of marketing strategies of microfinance institutions in Kenya. The paper is based the following specific objectives: to assess the extent to which identification of customer needs affects the success of marketing strategies of MFIs in Kenya, to evaluate the extent to which provision of services that meet customer needs affects the success of marketing strategies of MFIs in Kenya, to assess the extent to which efficiency in delivery of services to customers affects the success of marketing strategies of MFIs in Kenya and to evaluate the extent to which appreciation of customers affects the success of marketing strategies of MFIs in Kenya. A Census approach was used N=67 for MFIs who constituted membership of AMFI in 2016. The CEOs of the MFIs and the marketing managers provided the information to a questionnaire data collection instrument. Data were analyzed using descriptive statistics and multiple linear regression was used to examine how independent variables under study contributed to the dependent variable. The main finding was that the effect of customer orientation on success of marketing strategies of MFIs in Kenya was significant (p=0.01). The findings of this study have been used to provide recommendations to MFIs; Academia and policy makers on how to enhance the marketing of MFIs services.

Key Terms: *Customer Orientation, Identification of customer needs, Development of new services, Customer service charter, Customer appreciation.*

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EFFECTS OF COMPETITOR FOCUS ON SUCCESS OF MARKETING STRATEGIES OF MICROFINANCE INSTITUTIONS IN KENYA

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Abstract

This paper sought to analyze the effect of Competitor focus on success of marketing strategies of Microfinance Institutions in Kenya. The specific objectives which guided the analysis were; to evaluate the effect of Competitor pricing strategies on the success of marketing strategies of Microfinance Institutions in Kenya, to Analyze the effect of Competitor promotion strategies on success of marketing strategies of Microfinance Institutions in Kenya, and to Evaluate the effect of Competitor physical evidence strategies on success of marketing strategies of Microfinance Institutions in Kenya. The target population comprised of; Banks that offer microfinance services, Deposit taking MFIs, and Credit Only MFIs. The Chief Executive officers (CEOs) and the marketing managers /Marketing in charge of the MFIs comprised the study units. Census sampling which entailed studying the whole population was used. Data were collected using a semi structured questionnaire. Data were analyzed using descriptive statistics and multiple linear regression was used to examine how independent variables under study contributed to the dependent variable. The main finding was that, the effect of competitor focus on success of marketing strategies of MFIs in Kenya was not significant (.251>.050) The study recommended that MFIs should give greater attention to competitor focus because its effect on success of marketing strategies of MFIs in Kenya was not found to be significant. The findings of this study have been used to provide recommendations to MFIs; Academia and policy makers on how to enhance the marketing of MFIs services.

Key Words: Competitor focus, Competitor services strategies, Competitor pricing strategies, Competitor Promotion strategies, Competitor physical evidence strategies.