STRATEGIC POSITIONING AND FINANCIAL PERFORMANCE OF COMMERCIAL BANKS IN KENYA

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ABSTRACT

The study intended to determine the effect of strategic positioning on financial performance of commercial banks in Kenya. The need for proper strategic positioning to find the best 'fit' is of importance for any bank in positioning itself in a growth potential market. The detachment to strategy positioning can be attributed to a number of reasons, among them: a likelihood of failures in implementing strategies; complexity in the process of strategy implementation; strategy implementation being considered to be less attractive than formulation. In order to gain new markets and retain existing ones, firms strategize to gain superiority over its rivals by positioning its products or services in the minds of its customers. For an organization to become profitable it needs to place strategies that position it towards market dominance and improves the performance of the firm. The objective of the study was to determine the effects of strategic positioning on the performance of commercial banks in Kenya. A biased focus on market segmentation strategy, product range strategy, location and technological innovation strategy will be employed. The population of the study was the 43 commercial banks licensed by Central Bank of Kenya and operational by the close of business 31 December 2015 with data collected from managerial staff. Both primary and secondary data was used. Correlation analysis was carried out to investigate the strength of the relationship between the dependent variable and independent variables. Multiple regression analysis to investigate the nature of the relationship between the dependent and independent variables was undertaken. The study realized that the commercial banks in Kenya apply the four positioning strategies which include market segmentation, product focus strategy, technological innovation and location strategies to improve their competitiveness. From the regression analysis it was evident that technological innovation contributed to a greater extent in improving financial performance of the banks than the other three variables. The study recommends that further studies be done in other financial institutions and also on challenges affecting the implementation of strategic position among firms.

Key Words: *strategic positioning, financial performance, commercial banks, Kenya*

INTRODUCTION

Strategic positioning has been seen as an important part of sustainable development plan for corporate. Nevertheless, many of studies estimate that most of strategic positioning end up being dissolved. Recently, the most emerging practices amongst financial institutions have been that of forming strategic alliances with organizations such as brokerage firms, investment banks and mobile providers. Kotler (2000) indicate that financial services firms will continue to strategically position themselves in order to gain competitive advantage in the ever evolving competitive marketplace.

Strategic positioning concerns what a firm is doing with a view to gain a sustainable competitive advantage. Porter (1980) outlined three approaches to competitive strategy; a quest at being the overall low cost producer (low cost leadership), differentiation in product offering(differentiation strategy) and focus on identified market that a firm can leverage on(Focus or niche strategy) all this aimed at improving the financial performance of an organization. The core of strategic positioning is customer bonding which includes the attraction, satisfaction and retention of customers. When strategically positioning itself, a company reflects on the choices it makes, the kind of value it will create and how that value will be created differently from the competitors. This arguably requires proactive mindset that concentrates on where the organisation is now, where the organisation wants to go and how to get there. Thus, carefully defining what business positions to take out, strategic and financial outcome expected to be achieved.

Day and Wensely (2008) argued that strategic positioning consist of skills and resources available to an organisation in a competitive environment. They define superior skills in terms of human resource capability, systems, or market savvy not possessed by competitors. A superior resource is seen to be a physical resource available in assisting in strategy implementation. Examples include brand equity, operating scale, comprehensiveness of distribution system, location. They concluded that a strategic positional advantage in the market place is seen to provide a firm with superior performance reflected through financial performance.

To achieve greater stability and efficiency in their bottom line, organisations must have competitive power in markets they operate in (Ariss, 2010). Market power is indicated by the share of market, which has been extensively studied for its effect upon profit performance. Market share is realized by how attractive a business organisation is in terms of the location, match between its product offerings and customer needs and distinctiveness of its service. It is crucial for an organisation to select and position itself in certain target markets in order to define the space and potential for profitable growth. Positioning, in strategy parlance, means making the choice of niche, or locating in the product market domain (Mintzberg, 1987).

Positioning has been in the global arena, in the need to leverage on brand equity and achieving economies of scale towards decision making in an increasingly competitive and transparent market place. Existence of intra-market segments creates essential opportunities and challenges to business organisations seeking to establish brand positions in multiple markets. Towards this, the increasingly global and technology savvy marketplace, market segments have become homogenized across national borders, customers behavior and lifestyle segmentation may be necessary in addition to geopolitical and economic segmentation in international markets (Aulakh and Kotabe, 1993; Helsen et al. To a larger extent, in strategic positioning it’s necessary to include brand positioning in an effective way relative to the market segment. This shows existence of a linkage between strategic positioning and market segmentation.

By large market segmentation strategies needs to be examined in the determination of an ideal base for positioning. Consumers in a market seek similar benefits from, and exhibit similar behavior in the purchase of a product despite differences in backgrounds they come from. The commonalities in the association towards a certain product are what drive them. In most cases these similarities are associated with the brand image and lifestyle projected (Luqmani et al. 1994).The attraction to similar brand benefits, similarities in patterns of purchase and consumption behavior, and values ought to be the focus areas on strategic responses on market segments. Towards this, it leaves the question whether positioning is to be done in a similar way in all markets.

In describing positioning as a strategy to identify and direct resources amongst the intended market segments. This brings out the segmentation-based strategic positioning explained in a matrix form in four dimensions namely Focused Strategy, Optimization Strategy, Geo centric Strategy and lastly, Localized Strategy. Focused strategy as an option looks at linking similar positioning onto substantially similar market segments, thus a focused look to leverage into the particular market segment. Optimization strategy as option develops differentiated positioning to reach similar market segments. Thirdly, geocentric strategy uses similar strategy positioning across different market segments for example Coca-Cola that presents its products as the same in different markets but account for the cultural differences. Lastly, localization strategy option approaches different markets with different strategy positioning options, widely seen to be a market entry strategy.

Commercial Banks Performance

Performance is the state of yielding a financial gain. It is the capacity to make a profit whether accounting or economic. Performance is measured using bank profitability. Profitability is a primary goal of any business venture without which the business cannot survive in the long run. It measured using income and expenses, income being money generated from the activities of the business for example interest income for banks and expenses being costs incurred or resources consumed by the activities of the business for example interest paid on deposits by banks. Profitability is measured using an income statement and it is the most important measure of business success. Increasing profitability therefore is one of the most important tasks of business managers. It is for this reason therefore that they are constantly looking for ways to change their businesses and consequently increase profitability and hence the adoption of policies such as the use of strategies such as TQM which have the ultimate goal of increasing banks profitability by reducing losses through loan defaults.

Research on the determinants of banks’ profitability has been attentive to both the returns on bank assets and equity and net interest rate margins. Bank performance and bank interest margins can be seen as indicators of the efficiency or inefficiency of the banking system, as they drive a wedge between the interest rate received by savers on their deposits and the interest paid by borrowers on their loans Kunt et al., (2001). Profitability measure seems to be most significant for stockholders of a bank since it reveals what the bank is earning on their investments Rasiah, (2010).Two types of interest influence the profitability of a bank, interest expenses and interest income. Interest expenses and interest income affect net interest income and therefore bank profitability. Rasiah, (2010), Loans are the bank’s assets whereas the deposits are the bank's liabilities. Though there are numerous other sources of income for banks such as account maintenance fees, cheque clearance fees, over the counter and ATM withdrawal charges etc, interests charged on bank loans are expected to be the main source of income and are expected to have a positive and greatest impact on a commercial banks' performance, Bennaceur et al. (2008).

Commercial Banks in Kenya

Kenya's banking industry is divided into three tiers with a total of 43 banking houses. These include both commercial and public banks although strictly speaking, there is no such thing as a public bank since all of them aim to make profits openly with common burdens of unpaid loans as well as risky ventures in their day to day operations. The Central Bank of Kenya (CBK) reports that there are 43 banks currently operating in Kenya with 6 banks found in the top tier controlling almost 50 percent of the market followed by 16 Tier 2 banks that control another 42 percent of the market leaving out a paltry 8 percent of the market controlled by Tier 3 banks which are mainly 21 small private banks. In effect, the Tier 1 banks are the old stable large banks composed of Cooperative, Commercial, Equity, Barclays, Standard Chartered and CBA. Some of the major Tier 2 banks include Diamond Trust, NIC, Family bank, Eco bank, HFCK, NIC, I&M and CFC Stanbic. The final Tier 3 banks include such banks as Baroda, Jamii Bora, Fidelity, ABC and Guardian.

STATEMENT OF THE PROBLEM

Numerous authors have identified potential problems and challenges that might lead to failure in strategic positioning. Bamford, Ernst and Fubini (2004) highlighted various reasons for failure including: wrong strategies, mistrust, incompatible partners, inequitable or unrealistic deals, weak management, inadequate launch planning and execution among others. Harrigan (1985) points out that many strategic positioning failures can be attributed to compatibility problems among stakeholders. These might include partners of unequal size, collaboration experience, or managerial style. Other incompatibilities include staffing errors and the lack of participatory management. Spranger (2001) argues that most strategic positioning plans are doomed to failure from their inception due to insufficient planning, inadequate capitalization, lack of leadership, lack of commitment and cultural and ideological differences. Strategic planning is seen to have a vital importance in banking institutions towards a better future (Kettunen, 2006). For a business organization to achieve profitability it has to put in place strategies that position it towards market dominance and improving on the firm's overall performance. Strategic positioning is recognizable as an essential tool in confronting the competitive pressures in the banking sector, as well as a tool for improving the performance of these firms. The banking sector plays a huge role in a country's socio economic development. Indeed in Kenya, all other sectors depend on the banking sector and any form of destabilization in the sector will affect almost all other sectors in the economy. The banking sector in Kenya has witnessed increased competition in the recent past which has forced banks management to go back to the drawing board to seek new ways of expanding their businesses and reach new markets more exhaustively. To understand a firm's strategy based on independent and collaborative resources requires a combination of methodologies and theories and strategic positioning is one of these theories. However, studies on strategic positioning and financial performance in Kenya's banking sector are scarce and therefore this study will add more knowledge into the gap on how positioning strategies affect firms' performance. Therefore the need to determine the effect that strategic positioning has on the financial performance of commercial banks in Kenya was the main focus of the study.

GENERAL OBJECTIVE

The main objective of the study was to determine the effect of strategic positioning on financial performance of commercial banks in Kenya.

SPECIFIC OBJECTIVES

1. To determine the effect of market segmentation strategy on the financial performance of Commercial banks in Kenya.
2. To find out the effects of product focus strategy on the financial performance of Commercial Banks in Kenya.
3. To determine the effects of technological Innovation strategy on the financial performance of Commercial Banks in Kenya.
4. To find out the effects of location on the financial performance of Commercial Banks in Kenya.

THEORETICAL REVIEW

Systems Theory

Systems theory was developed by Ludwig von Bertalanffy (1928) a biologist. Systems Theory has had a significant effect on the understanding of organizations. A system relies on cohesion of constituent parts, that if one part of the system is altered, it changes the nature of the system. A system can be looked at as having inputs, processes, outputs and outcomes. Systems share feedback among each of these four aspects of the systems. In a commercial bank, inputs would include resources such as human resource and technologies. The inputs go through a process where they're planned, organized, motivated and controlled, to meet the organizational needs. System theory helps managers in viewing the organization from a broader perspective in the interpretation of patterns and events in the banking industry. The systems theory shall guide this study in describing the role and its important for a bank in the selection and positioning itself in certain target markets in order to define its space and potential available for profitable growth.

Efficiency Theory

The efficiency theory formulated by Demsetz (1973) complements systems theory. The efficiency theory postulate that superior management and scale efficiency results to higher absorption resulting to greater and higher profits. Thus, management efficiency may not only increase profits for a business organisation, but also results to a gain in a larger market share and improved market concentration (Athanasoglou, Brissimis & Delis, 2005). The efficiency theory explains that attaining improved profit margins arises from efficiency which allows banks to obtain both good financial performance and improved market shares (Mirzaei, 2012). According to Fisseha (2015), the efficiency theory presupposes that profitability and high intensification results from efficient cost management practices and better management strategies across the organization. Thus, efficient firms in the market are seen to increase in their market share and organically grow the size of their firm through aggressive operational and management techniques (Birhanu, 2012).

Efficiency theory is premised on the argument that banks attain profits if they operate more efficient than their competitors (Onuonga, 2014). It also assumes that internal efficiencies influence profitability of commercial banks (Obumuyi, 2013). Further, the theory postulates that banks that operates efficiently in comparison to their competitors increase their profits due from low operating costs. The efficiency hypothesis prevails when a positive significant correlation between profitability and the market share exists (Mensi & Zouari, 2010).

EMPIRICAL REVIEW

Market Segmentation and Financial Performance

According to Porter (1985), firms with a clear strategy outpace firms without a strategy. This argument constitutes the base of his strategy position on firm performance. The literature on strategy defines three essential conditions for the firm success attaining a strategic positioning or series of competitive positions that lead to superior and sustainable financial performance. These includes; macroeconomic, attitude and usage and micro-culture. Dess and Davis (1984)'s findings support that firms adopting at least one of the generic strategies have superior performance than firms that do not (firms that have a stuck-in-middle position). Karnani (1984) derives that a superior cost or differentiation position leads to a larger market share, which in turn leads to higher profitability. Alder (2002) contends that management researchers have ignored perhaps more than corporate executives the impact cultural diversity has on a corporation. The author postulates that there is an ethnocentric-geocentric continuum upon which global corporations rest, much as Perlmutter (1969) contended that there are degrees of ethnocentric, polycentric, and geocentric mind-sets in every firm.

Global organizations operate in a culturally diverse environment; they can take action to simply survive in that environment, or they can try to harness diversity and thrive. Kotter and Heskett (1992) state corporate culture is stable over time, but never static and crisis and challenges can provide impetus for cultural change. The challenge and impetus today comes from globalization that has finally arrived. Cultural diversity should be intrinsic in a global corporation‘s strategy and culture, permeating the entire organization holistically, from the boardroom to the factory floor (Koppel et al., 2008). Moreover, environmental uncertainty is a key aspect of the firm's success, which can be caused by changes in markets, competition, and regulation which are common for emerging markets like China (Hamilton, 2012).

Product Range and Financial Performance

Organizations have realized that their services and products, regardless of how good they are, simply do not sell themselves (Kotler, 2000). Take for instance, the necessary requirements for growing profitably a facet of financial performance is that, the bank needs to be positioned in markets where (a) there exist growth potential, (b) it is competitively positioned with respect amongst other banks and (c) existence of internal growth capacity. Strategic planning of financial growth involves assessment of these three aspects, and appropriate allocation of targets and resources, within business units of an organization

Financial growth of a bank can derive constrains from external factors such as economic environment, industry structure, target market, etc. as well as internal factors such as technology, branch network and managerial capacity ability for innovation and differentiation, customer relationships marketing, etc. While the external factors in most cases maybe beyond control of individual banks, bank management is responsible for astutely positioning measures in its business to achieve the right "fit" and foundation for performance.

Haslem (1968) has long back identified differences in management as one of the major factor that contribute to the difference in profitability between banks. Subsequent studies such as by DeYoung (1994), Punt and Rooij (2001) have pointed out to "X-efficiency" and management quality as a crucial factor explaining profitability and financial performance of banks. Sarkis (1999) too, noticed that output prices of banks tend to fall as they grow in size this may be as a result of their product mix evolves from high margin geographically focused retail products towards diversified products including those with marginally profitable activities. Pilloff and Rhoades (2002) also aduced that bank concentration in local markets is significantly related to profitability, though there is not enough evidence to support such relationship at the bank level (Larreche, 1980 in Wind and Mahajan, 1891; Goddard et al., 2004).

These observations seem to suggest that as banks expand into different markets and lines of businesses to grow in size and complexity, planning issues on both cost as well as factor consideration on strategic positioning operations-side become imminent. Banks need to cultivate their planning expertise to commensurate with the growth pace (Hopkins and Hopkins, 1997). Important aspect of planning in a multi-unit organisation such as a bank is about allocative efficiency. Allocative efficiency refers to achieving the right combination of inputs to produce expected outputs; this would call for the best possible utilization of market potential as well as resource capacity. Several studies have reported the influence allocative efficiency has on performance in banks to be non-trivial (DeYoung, 1994; Brissimis et al, 2010). Al Shamsi et al. (2009) pointed out that allocative inefficiency as opposed to technical inefficiency to be the dominant most source of inefficiency in banking.

Planning in banking has evolved over time from performance budgeting to long range planning and strategic planning (Wood, 1980; Austin, 1990; Bird, 1991) and thereby impacting bank performance (Wood and Laforge, 1979; Newkirk-Moore, 1995). Whitehead and Gup, 1985). Prasad (1984) pointed out that planning in banks is primarily based on price information (i.e. cost of funds acquisition) which is not enough to make decisions for competitive operational advantage. Austin (1990) did suggest that bank planning must enable market share penetration and, therefore, involve evaluation of market potential by analysis of underlying financial and economic strengths. Planning and target setting in banks has been found to involve as many as twenty indicators including several superfluous ones (Lovell and

Pastor, 1997) and, therefore, Rogers et al. (1999) have suggested planning system design in banks need to address required type and amount of information relevant to its strategy. More recent literature on financial crisis and bank behavior, however, indicate that banks are often prone to "herding" (Rotheli, 2001; Acharya and Yorulmazer, 2008), for instance in respect of credit (Uchida and Nakagawa, 2007), branch network (Chang et at., 1997) and pricing (Alhadeff, 1980) decisions, this may potentially undermine the planning function.

Literature on strategic management of the firm has the positioning school and the resource-based view as the two main acknowledged and practiced approaches in achieving sustainable competitive advantage. While the positioning school stresses the selection of strategic positioning amidst competitive forces in the market (Porter, 1980), the latter posits the role of the firm's resource capacity, especially in its managerial competencies (Penrose, 1959; Barney, 1991), as the foundation for profitable growth. Planning processes in banks may not address the strategic factors - market positioning and capacity constraints adequately thereby leading to growth at the expense of profitability.

Technological Innovation and Financial Performance

Banking is arguably seen to be labor-intensive multi-product service institutions wherein increased specialization can generate more economic methods of production. Operating beyond certain measures of size and scale, this, leads to proficiency in function and technical efficiency (Sarkis, 1999) giving increased possibilities of risk diversification. Banks also engage other resource inputs such as branch and technology whose establishment is often determined by competitive considerations. For instance, extent of branching and provision for access to the bank constitutes the major strategy for non-price competition and differentiation.

In banks there exist certain minimum efficient scale of operations depending on level of technology above which banks enjoy production economies of scale and scope to achieve cost reduction from growth in output (Gramley, 1962; Tadesse, 2006). However, increased returns to scale are experienced only until a certain size of output (Clark, 1988; Wheelock and Wilson, 1997) beyond which constraints in one or more resources may lead to diseconomies of scale. Banks, consequently, have a U shaped cost-capacity curve based on their balance sheet. It has also been found that scale economies exist at business unit level, but the same may be limited at the bank level (Durkin and Elliehausen, 1998). Such dynamics have not been explained exhaustively in literature on scale and capacity in banking, whereas it is critical for bank managers to recognize when such limits are reached to prevent the ensuing diseconomies and increases in cost. Shirley and Sushanta (2006), study on the impact of information technology on the banking industry with analysis both theoretically and empirically, they looked at how information technology related spending affects bank profitability (IT related products are internet banking, electronic payments, security investments, information exchanges, Berger, 2003).

Location and Financial Performance

The assertion is drawn from the fact that banks operate through similar business units in various geographical locations, which operate as independently but together constitute its market portfolio. Financial need of households and, therefore, markets for deposit and loans demonstrate life cycle behavior (Roy, 2003) given dynamic nature through changes in income, demography, and competition from initial expansion through to maturity and saturation. Old branches often face stagnation while new branches that address new generation customers with technology based services may grow rapidly. Planning functionality in banks comprises mainly allocation of growth targets and resource budget to the various deposit and advance markets depending upon the life cycle stage. Matching fund flows between markets is seen to be a key result area in the planning function. Besides, within the banking regulatory framework there is a provision for rationalizion and repositioning of loss making units or under-performing branches.

The argument that banks having large market shares in local markets can exercise competitive power over competitors through their pricing of loans and deposits. Rhoades (1992) and Edelstein and Morgan (2006) have used loan and deposit rates as indicators of market sizes of banks. Vajanne (2010) has also deduced market power from retail deposit interest rates in the Euro market. Average growth rate and cost (yield) of the bank can be used as heuristic criteria to cut off between the different performance groups.

RESEARCH METHODOLODY

Research Design

Research design refers to the method used to carry out a research. Orodho (2003) defines a research design as the scheme, outline or plan that is used to generate answers to research problems. Research design is an understanding of conditions for collection and analysis of data in a way that combines their relationships with the research to the economy of procedures. A descriptive survey research design was used in this study because it attempts to collect data from members of the population in order to determine the current status of that population with the respect to one or more variables.

Target Population

A population is a well-defined or set of people, services, elements, events, group of things or households that are being investigated, Ngechu (2003). The target population of the study consisted of 361 bank managers. The researcher targeted banks head of departments from the 43 Commercial banks in Kenya. Top management employees were considered in the study since they were involved in the formulation of the strategies and their implementation.

Sampling Size

The study employed stratified sampling. According to Mugenda and Mugenda (2003) a sample of at least 30% is significant enough to draw conclusions on a given population. Therefore a sample of 30% was desirable for this study. Therefore the population sample was

108 respondents spread across the 43 banks in Kenya. The study was conducted at the head offices of the banks registered and regulated by the Central Bank of Kenya.

Data Collection Instrument

The study used a questionnaire administered to each member of the sample population. The questionnaire had both open and close-ended questions. The close-ended questions provides more structured responses to facilitate tangible recommendations. The closed ended questions were used to test the rating of various attributes and this helped in reducing the number of related responses in order to obtain more varied responses. The open-ended questions provided additional information that may not have been captured in the close-ended questions.

Data Collection Procedures

After Approval to carry out the study was obtained from the University and Nacosti, the researcher proceeded to the field to collect data. The study collected both primary and secondary data. Primary data was collected using questionnaire issued to the selected respondents accompanied by an introductory letter. Secondary data was obtained from respective banks financial statements and other internal and external publications. The questionnaire comprised of both open-ended and closed-ended questions. A research assistant used to drop and pick the questionnaires from the respondents. An initial follow up via telephone a week after dropping the questionnaires was done.

Data Analysis and Presentation

After data collection, data was checked for consistency. The method used to analyze the data was both qualitative and quantitative analysis in order to understand the relationship between the variables. The quantitative data was analyzed using simple descriptive statistics including percentages. Data collected from the questionnaires schedules was processed and analyzed based on the research questions and objectives. Data coding and statistical analysis was performed using the statistical package for social sciences (SPSS) software. A multiple regression test was used to determine associations between the dependent variables and independent variables. The multiple regression equation was;

$$\mathbf{Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon}$$

Where: Y = Performance of Commercial Banks; B_0 - intercept coefficient; ε_i – error term (extraneous variables); X1 –Market segmentation; X2 – Product range; X3 – Technological innovation; X4 – Location; β_1,β_2, andβ_3 =regression coefficients.

RESEARCH RESULTS

The objective of this study was to evaluate the effect of strategic positioning on performance of commercial banks in Kenya. The specific objectives were to establish the relationship between market segmentation and performance of the commercial banks in Kenya, investigate whether product focus strategies have an effect on the performance of the commercial banks in Kenya, to assess whether technological innovations affect performance of commercial banks in Kenya and finally to establish the effect of business location the performance of commercial banks in Kenya.

It was realized that the banks have an enhanced market segmentation strategy. The banks specialize in the needs of a particular user/client segment or in particular market segment , offer similar product/services across the board, position by product range ,were different based on quality of services/products offered and they were different based on the quality in which they delivered their services/products. Technologically the banks were strategic through harnessing the power of technology in giving customers better services and also offering convenience of access of their product any time of the day by use of different platforms such as ATM, POS, Internet banking and digital or auto branches. On place utility the banks were found to be easily accessible in any part of the country and had spread their presence beyond the country's borders. The other strategic positioning mechanisms employed by the commercial banks in Kenya were forging of long-term relationships and long-term financing opportunities, and delivering long-term financing commitments, accommodating longer term financing and credit quality enhancement. The banks also operated at the given rates and adjusted with the changes in interest rates by the Central Bank base lending rate. The banks could go an extra mile in allowing non-guaranteed loans to attract more clients.

REGRESSION ANALYSIS

Table 1: Model Summary

Model	R	R square	Adjusted R Square	Std. Error of the Estimate	Sign
1	0.911	0.843	0.814	0.7105	0.0041

The four independent variables that were studied, explain 84.3% of the performance of commercial banks in Kenya as represented by the R2. This therefore means that other factors not studied in this research contribute 15.7.0% of the profitability of the commercial banks in Kenya. Coefficient of determination findings as explained by the P-value of 0.0041 which is less than 0.05 (significance level of 5%) confirms the existence of correlation between the independent and dependent variables.

Table 2: Coefficients

Variables	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.334	0.311		5.750	.0000
Market segmentation	0.244	0.164	0.193	2.650	.0027
Product focus strategy	0.296	0.0481	0.0327	3.534	.0012
Technological innovation	0.398	0.0714	0.2325	3.686	.0010
Location	0.218	0.0501	0.0484	2.450	.0038

In addition, the researcher conducted a multiple regression analysis so as to determine the relationship between performance of commercial banks in Kenya and the four variables. As per the SPSS generated table, the equation ($\mathbf{Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon}$) becomes:

$$\mathbf{Y = 1.334 + -0.244\ X_1 + 0.296 X_2 + 0.3981 X_3 + 0.218 \beta_4 X_4}$$

Where: Y = performance of commercial banks in Kenya, X_1 = market segmentation, X_2 = product focus strategy, X_3 = technological innovation and X_4 = location.

According to the regression equation established, taking all factors (market segmentation, product focus strategy, technological innovation and location) constant at zero, the profitability of the banks as a result of strategic positioning will be 1.334. Further, taking all other independent variables at zero, a unit increase in market segmentation will lead to a 0.244 increase in profitability. A unit increase in product focus strategy will lead to a 0.296 increase in profitability; a unit increase in technological innovation will lead to a 0.398 increase in profitability while a unit increase in strategic location will lead to a 0.218 increase in profitability. This infers that technological innovation contributed more to the profitability of the bank followed by product intelligence.

At 5% level of significance and 95% level of confidence, technological innovation had a 0.0010 level of significance, product focus strategy had a 0.0012 level of significance, market segmentation showed a 0.0027 level of significant, while strategic location showed a 0.0038 level of significance. Hence technological innovation is the most significant factor in contributing to the profitability of commercial banks in Kenya followed by product focus, market segmentation and strategic location respectively. The t critical at 5% level of significance at k = 4 degrees of freedom is 2.315. Since all t calculated values were above 2.315 then all the variables were significant in explaining the profitability of the commercial banks in Kenya.

CONCLUSIONS

From the analysis and discussion, the study concludes that market segmentation, product focus strategy, technological innovation and location affect the profitability of commercial banks in Kenya. The study concludes that concentration on pricing and product, promotion, enhanced technological innovation market segmentation and foreign market entry lead to profitability of commercial banks to the full and market segmentation.

On product focus strategy, the study deduces that product development through aligning products with customer needs (customized products), improved customer service, customer satisfactions, and introduction of new products based on customer needs, re-launching and reviewing of existing products make commercial banks more competitive and profitable.

The study concludes that technological innovation such as product integration with new technology, intelligent ATMs, intelligent monitoring systems, technology driven products, use of recent IT systems, robust IT system in all departments and high class communication systems between the departments affect the profitability of the commercial banks.

The study further concludes that location of the firm in terms of geographical, technological and communication is important in fostering performance. The strategic location, accessibility in terms of physical location, online platform, via communication channels promotes enhanced customer service, interaction and feedback. This goes a long way in improving performance.

RECOMMENDATIONS

From the findings and discussions of the study, strategic positioning has enhanced the development of market share, decisions making. The study thus recommends that the commercial banks should adopt strategic positioning to enhance efficiency enabling the banks to deal with their large client base, customer focused intelligence and competitive information which lead to increase of the banks' profitability.

The study also recommends that for the banks to realize even more profits, they should involve product focus strategy such as aligning products with customer needs (customized products), good customer service, customer satisfaction survey, introduction of new products based on customer needs, re-launching and reviewing of existing products.

The study found that technological innovations lead to high levels of automation, cost reduction and efficiency enabling the bank to almost deal seamlessly with their large client base of over 4 million customers. The study therefore recommends that the banks should make use of technological innovation among other positioning strategies to increase their competitiveness in terms of product innovation, customer satisfaction and market orientation. These strategies ensure that internal strengths of the banks are utilized for the betterment of the firm which leads to profitability.

The study recommends that commercial banks should be more vigorous in establishing strategic locations through local partnerships, strategic physical locations, penetrate foreign market through alliances, cross-border listing and trading, change of business processes, engaging in alliances with other banking (financial) institutions, global alliance and agency approach and partnerships which affect the profitability of the commercial banks.

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