



ST. MARY'S UNIVERSITY  
SCHOOL OF GRADUATE STUDIES

THE EFFECT OF PROMOTIONAL STRATEGY ON BANKS  
OPERATIONAL PERFORMANCE: THE CASE OF BANK OF  
ABYSSINIA S.C

BY  
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ADDIS ABABA, ETHIOPIA

JUNE, 2022

THE EFFECT OF PROMOTIONAL STRATEGY ON BANKS  
OPERATIONAL PERFORMANCE: THE CASE OF BANK OF  
ABYSSINIA S.C

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BY

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## **LETTER OF CERTIFICATION**

This is to certify that Helen Alemu has completed her thesis entitled “the Effect of promotional strategy on banks operational performance: The Case of bank of Abyssinia S.C”. In my opinion, all the materials used for the paper has been duly acknowledged and this paper is appropriate to be submitted as a partial fulfilment of the requirement for the award of Degree in Masters of Business Administration.

Advisor signature \_\_\_\_\_

Date \_\_\_\_\_

St. Mary’s university college, Addis Ababa

ST. MARY'S UNIVERSITY  
SCHOOL OF GRADUATE STUDIES  
MASTER OF BUSINESS ADMINISTRATION

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## **DECLARATION**

I, Helen Alemu hereby declare that the thesis entitled “The Effect of promotional strategy on banks operational performance: The Case of bank of Abyssinia S.C” is my original work. I have carried out the present study independently with the guidance and support of the research advisor Dr. Tasew Tadesse. Any other contributors or sources used for the study have been duly acknowledged. Moreover, this study has not been submitted for the award of any Degree or Diploma Program in this or any other Institution.

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Name

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Date and signature

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## **ACRONYMS AND ABBREVIATIONS**

AD-----	Advertising
AIDA -----	Attention, interest, desire, and action
ATM-----	Automated teller machine
B-B-----	Business to Business
B-C-----	Business to Consumer
BOA-----	Bank of Abyssinia
DM-----	Direct marketing
NBE-----	National bank of Ethiopia
NIM-----	Net interest margin
OP-----	Operation Performance
PR-----	Public Relation
PS-----	Personal selling
ROA-----	Return on Asset
ROE-----	Return on equity
SP-----	Sales Promotion
SPSS-----	Statistical package for social science
VIF -----	variance inflation factor

## ***Abstract***

*The main purpose of this study was to examine the effect of promotional strategy on banks operational performance in case of bank. It describe how the promotional mix elements affect the banks operational performance. To achieve the objective of this study descriptive survey research design was used. Both primary and secondary data collection instrument were used to collect data. Closed ended questionnaire survey along with interview was used for the purpose of data collection. The selection of the respondent were carried out by using purposive sampling technique From a total of 648 population 247 samples are selected using simple random sampling method taken for this study and the Sample size was taken respectively from branch business managers, managers and employees at marketing department. The data was analyzed by undertaking the descriptive statistics, Pearson correlation and regression analysis. Results of the study revealed that among the five promotional strategy dimension (advertising, personal selling, direct marketing, sales promotion and public relation), Advertising has the highest positive effect on banks operational performance followed by sales promotion and public relation whereas direct marketing and personal selling have relatively less but positive and significance effect on banks operation performance. As a result, the researcher concludes that promotional strategy has positive and significant effect on banks operational performance. In addition, the researcher suggests some recommendations for future studies.*

## CHAPTER ONE

### Introduction

#### 1.1. Background of the study

Promotion is the direct way an organization attempts to reach its publics and is performed through the five elements of promotion mix including advertising, sales promotion, personal selling, public relations, and direct marketing (Czinkota & Ronkainen,2004). Any institution comes into existence in order to provide a product/service to the market or community that could be for profit or not. Either the institution is a business for profit or not, it is requires to communicate what it is providing for. Imagine, the institution has an Excellent Product, Best Price and Located in convenient location but as long as it could not be able to communicate what it has almost no user or consumer would be affiliated to the institution's product. Hence, as many institutions do care about other mixes of marketing, they should also give proper emphasis to the Promotion Mix.

In spite of major changes on the market of financial institution there are indications that banks have not yet successfully embraced the marketing philosophy. Financial institutions are realizing that their established promotion practices are inadequate for new market conditions as levels of defection in the sector grow.

The role of promotion has been redefined into managing long term relationship with carefully selected customers, including construction of a learning relationship where the marketer maintains dialogue with an individual customer (Dawes & Brown, 2000).due to this fact, the personnel are one of the most important resource of a bank. Their competence will determine the quality of the bank and how well it operate.

Literatures evidence that effective promotion leads to creating long lasting relationship with customers and which in turn secures the aim of business institutions, maximizing profit. Despite the expenditure on promotional strategies by a bank, there is no tangible evidence of improved performance as influenced by these strategies and at the same time sufficient information on contribution of promotional strategies on the banks performance is lacking. Literature suggests that there is limited study on the influence of promotional strategies on performance or profit of banks. This study was try to analyses the effect of promotional strategy on banks operational performance in case of bank of Abyssinia.

## **1.2. Background of the organization**

Bank of Abyssinia is one of the private banks in Ethiopia. The present-day Bank of Abyssinia was established on February 15, 1996 (90 years to the day after the first but defunct private bank was established in 1906 during Emperor Menelik II) in accordance with 1960 Ethiopian commercial code and the Licensing and Supervision of Banking Business Proclamation No. 84/1994. Bank of Abyssinia started its operation with an authorized and paid up capital of Birr 50 million, and Birr 17.8 million respectively, and with only 131 shareholders and 32 staff.

In about twenty five years since its establishment Bank of Abyssinia has registered a significant growth in paid up capital and total asset. Currently the Bank has 2400 shareholders and Authorized and paid up capital has reached Birr 50 billion and Birr 5.5 billion, respectively, a total deposit balance of Birr 100 Billion and a total loans and advances of Birr 11.09 billion, which in effect enhance the risk absorbing and the lending capacity of the Bank.

Bank of Abyssinia through its over 677 branches in the country has 7000 staff and above 6 million account holders and works with known money transfer agents such as Western Union, Express Money, terrapay, thuns, Ria International, Trans fast, Dahabshii and Money Gram. Bank of Abyssinia has maintained correspondent bank accounts with 12 well known international foreign banks operated in USA, EUROPE, MIDDLE EAST, AND AFRICA and Relationship Management Administration (RMA) agreements with 282 international commercial banks all over the world. Following a strong demand for better service and products from all directions on the one hand, and a ground-breaking development in ICT, on the other, the bank has replaced its in – house IT system with the state-of the art one called T24. ATM and POS services with Habesha card, mobile and virtual banking and Abyssinia online service are commenced to further extend its service excellence. ([www.bankofabyssinia.com](http://www.bankofabyssinia.com))

## **1.3. Statement of the problem**

Promotion is the direct way an organization tries to reach their product to the public. This is performed through the five elements of the promotion mix including advertising, sales promotion, personal selling, public relations and the direct marketing. With the growing importance of the financial sector, pressures are escalating for more effective marketing management of the financial services. Despite the recent recessions, the financial services sector is continuing to grow in terms of turnover and profits and thus, has a supreme impact on the other spheres of the economy. Consequently, there is currently growing interest in applying marketing techniques and tools in

financial services (Meidan, 1996). In spite of major changes on the market of financial institutions, there are indications that banks have not yet successfully embraced the marketing philosophy or achieved levels of its implementation consistent with satisfied customers (Czinkota & Ronkainen, 2004).

The content of promotional tools should help the customer in making most valuable decision. This can be firmly said that well designed promotional strategies are very important to promote banking services effectively. In marketing any product or service, customer satisfaction has been given prime importance. The most frustrating aspect of bank marketing are lack of management support, lack of inter-departmental co-operation, crisis management, government intrusion and advertising and media problems (Berry et al.,1980). Sarin (2007) observes that manpower in service organizations must work with the focus of satisfying the customer. Promotional packages are very important for financial service industry (Ananda & Murugaiah, 2003).

Thus the orientation of banks should be with a much wider focus in relation to customer and market needs, and the consequent marketing strategies. The challenges put forth by the changing environment have to be effectively tackled to identify the consumer needs and providing valuable services through product innovation (Raman, 2006).

Let alone in Ethiopia, even in other advanced countries the Promotion of financial services is understudied area. Much of the bank marketing literature has concentrated on marketing theory more than promotion practice. Unfortunately, the issues of marketing are becoming more complicated as internationalization of financial services continues to increase. Promotional strategies should be designed as per the nature of services to be promoted. A study conduct on the National Bank of Kenya indicates that, Location convenience, speed of service, competence and friendliness of bank personnel are also the most important points with maximum value in banking services (Tuu and Olsen, 2009). (Ananda & Murugaiah, 2003) indicates that about 90% of the respondents banked at the branch nearest to their home place and place of work. Convenience in terms of location was also found to be the single most important factor for selecting a branch. It has been generalized in studies that services marketing is more challenging than the advertising of tangible products (Ray &Suchetana, 2006).While formulating marketing strategy, a bank should focus attention on; consumer sovereignty, attitude, responsiveness and personal skills of bank staff, revitalizing the marketing department, top management support to the marketing department and participation of marketing personnel in key bank decisions (Ray &Suchetana, 2006).



Asikhia (2000) viewed marketing promotion strategy as the design and management of marketing sub system for the purpose of informing and persuading present and potential customers and clients. Osuagwu (2002) submitted that promotion strategies are substantial importance in the efficiency and effectiveness of a company's marketing efforts. He further argued that marketing promotion elements play varying role towards the achievement of corporate marketing goals and objectives. Failing to have proper promotional strategy which incorporates integrated promotion mix elements including advertising, sales promotion, personal selling, public relations and the direct marketing entails various adverse effects on the institution's performance. Marketing literature to date has focused on the sales result of marketing action (Amitand Dominique, 2010). A study conducted by Tmairu (2017) studies the effect of sales promotion strategy on sales performance and a study by Abebe (2018) tries to study the effect of marketing mix strategies on the performance of SMES.

Unlike most of the existing studies that focused on the effectiveness of marketing strategies on the overall performance of bank but before overall performance achievement it is necessary to evaluate and make sure that the operation performance of a bank is in right progress and how the selected promotion strategy is affect our promotion, so this study is try to attempt analyzing the effect of promotional strategy on banks operational performance in the case of bank of Abyssinia.

#### 1.4. Research question

The following research questions are used as baseline for understanding the effect promotional strategy on banks operational performance of Ethiopian Commercial Banks by considering bank of Abyssinia, as a case study.

1. How advertising banks product or service effect banks operational performance?
2. How do sales promotion strategy consideration effect banks operational performance?
3. How public relation of bank results in banks operational performance?
4. What is the effect of personal selling on banks operational performance?
5. To what extent does direct marketing affect banks operational performance?

## 1.5. Research objective

### 1.5.1. General Objective

The general objective of this research paper was to examine the effect of promotional strategy on banks operational performance in case of bank of Abyssinia.

### 1.5.2. Specific Objective

To determine the effect of advertising banks product on banks operational performance.

1. To examine the effect of sales promotion on banks operational performance.
2. To examine the effect of using public relation on banks operational performance.
3. To determine the effect of personal selling on banks operational performance.
4. To determine the effect of direct marketing on banks operational performance.

## 1.6. Significance to the study

The study has expected to give practical and theoretical significance. Basically the study helps the banking sector to sell the effective promotional strategy that has positive and significant effect on banks operational performance. More specifically it would give material understanding for banks management about promotional strategy formulation, in general terms. The study has also expected to contribute towards the advancement of theoretical knowledge and serves as a reference material for similar material for similar studies in future.

## 1.7. Definition of terms

**“Promotion** “is defined as a marketing function concerned with persuasively communicating to target audiences about the component of the marketing program in order to facilitate and exchange between the marketer and the consumer and to help satisfy the objectives of both.

**“Advertising** “is marketing communication that employees an openly sponsored, non-personal message to promote or sell a product, service or idea.

**“Sales promotion”** is a short term incentive to initiate trial or purchase.

**“Operation”** is the practice and procedures that a bank uses to ensure that customer’s transactions are completed accurately and appropriately.

**“Performance of banks** “is subjective measures of how well affirm can use assets from its primary mode of business and generate revenues.

### 1.8. Scope of the study

The study was delimited of geographical, conceptual, methodological and time scope. Geographically, the study considers the selected branches Bank of Abyssinia S.C branch's around Addis Ababa because bank of Abyssinia is assumed to be one of the leading bank in Ethiopia banking industry and one of the private bank with better banking experience, market share, branch network, volume of asset and profitability in private bank of Ethiopia.

Conceptually, the study was conducted to assess the effect of promotional strategy on banks operational performance based on the five-service promotional mix elements such as: Advertising, Personal selling, Direct marketing, Sales promotion and public relation.

Methodologically, this research would focus descriptive research approach.

### 1.9. Delimitations of the study

Since promotional strategy effect on operational performance is the main topic therefore the study was delimited and focused on effect of promotional strategy on bank of Abyssinia operational performance from company perspective only. As the result of outcome cooperative of the respondents and their commitment to complete filling the questionnaires and interview to devote their time to provide the researcher with the relevant information was limited. Hence, the extent of credibility of these responses might be a bit questionable as the existing employees were feel not comfortable to deliver the real facts by suspecting confidentiality to some extent. As a result, the stated result of this study might not considered as a representative of the whole performance of Bank of Abyssinia S.C.

### 1.10. Organization of the study

The research paper organized by five chapters. Accordingly, first chapter deals with introductory aspects background of the study, statement of the problem, research questions, objectives of the study, definition of terms, significance of the study, scope of the study and limitation of the study. Second chapter contain reviews of related literature, theoretical review, empirical review and conceptual framework. Third Chapter three focuses on design and methodology. The fourth chapter includes results and discussion. Finally chapter five contains summary of findings, conclusion and recommendations aimed at resolving the identified problems.

## **CHAPTER TWO**

### **REVIEW OF RELATED LITERATURE**

#### **Introduction**

The focus of this section is mainly addresses the review of related literature that include theoretical literature, conceptual framework, empirical study and finally literature gap.

#### **2.1. Theoretical Review**

##### **2.1.1. Promotion Mix Strategies**

Marketers can choose from two basic promotion mix strategies: push promotion or pull promotion. Some industrial-goods companies' use only push strategies; some direct-marketing company's uses only pull strategies. However, most large companies use some combination of both. For example, Unilever spends \$2.4 billion on U.S. media advertising and consumer sales promotions to create brand preference and pull customers into stores that carry its products. At the same time, it uses its own and distributors' sales forces and trade promotions to push its brands through the channels, so that they will be available on store shelves when consumers come calling (Kotler and Armstrong 2011).

In recent years, facing a tight economy and slumping sales, many consumer-goods companies have been decreasing the brand-building pull portions of their mixes in favor of more push. This has caused concern that they may be driving short run sales at the expense of long-term brand equity. Companies consider many factors when designing their promotion mix strategies, including the type of product/market and the product life-cycle stage. For example, the importance of different promotion tools varies between consumer and business markets. Business-to consumer (B-to-C) companies usually pull more, putting more of their funds into advertising, followed by sales promotion, personal selling, and then PR. In contrast, business to- business (B-to-B) marketers tend to push more, putting more of their funds into personal selling, followed by sales promotion, advertising, and PR (Anada and murugaiah, 2003).

In general, personal selling is used more heavily with expensive and risky goods and in markets with fewer and larger sellers. The effects of different promotion tools also vary with stages of the product life cycle. In the introduction stage, advertising and PR are good for producing high awareness, and sales promotion is useful in promoting early trial. Personal selling must be used to get the trade to carry the product. In the growth stage, advertising and PR continue to be powerful

influences, whereas sales promotion can be reduced because fewer incentives are needed. In the mature stage, sales promotion again becomes important relative to advertising. Buyers know the brands, and advertising is needed only to remind them of the product. In the decline stage, advertising is kept at a reminder level, PR is dropped, and salespeople give the product only a little attention. Sales promotion, however, might continue to be strong. The relative emphases given to the specific promotion tools differ for push and pull strategies (Kotler and Armstrong 2011).



### 2.1.1.1. Push strategy

Involve “pushing” the product through marketing channels to final consumer. The producer directs its marketing activities (primarily personal selling and trade promotion) toward channel members to induce them to carry the product and promote it to final consumers. For example, John Deere does very little promoting of its lawn mowers, garden tractors, and other residential consumer products to final consumers. Instead, John Deere’s sales force works with Lowe’s, Home Depot, independent dealers, and other channel members, who in turn push John Deere products to final consumers (Kotler, 1989).

### 2.1.1.2. Pull strategy

The producer directs its marketing activities (primarily advertising and consumer promotion) toward final consumers to induce them to buy the product. For example, Unilever promotes its Axe grooming products directly to its young male target market using TV and print ads, a brand Web site, its YouTube channel, and other channels. If the pull strategy is effective, consumers will then demand the brand from retailers, such as CVS, Walgreens, or Walmart, who will in turn demand it from Unilever. Thus, under a pull strategy, consumer demand “pulls” the product through the channels.

#### Push Strategy:

Manufacturer  Resellers consumers  (Retailers and wholesalers)

#### Pull Strategy:



Manufacturer resellers  resellers consumers  (retailers and wholesalers)

Figure 2.1 A Push versus a Pull Strategy (Kotler, 1989). 1

### 2.1.2. Promotion mix elements

The promotion (communication) mix is composed of advertising, personal selling, public relations, sales promotion, and direct marketing. Once a company decides on a component of the promotion mix, such as advertising, it must still decide which medium (e.g., television, cell phones, and

magazines) or media (more than one medium) to use. Within each medium, the company must also select a vehicle, which may be a particular television show, radio station, or magazine. Although the money organizations spend promoting their offerings may go to different media channels, a company still wants to send its customers and potential consumers a consistent message. (Kotabe and Helsen, 2008)

### **2.1.2.1. Advertising**

It is paying to disseminate a message that identifies a brand (product or service) or an organization being promoted to many people at one time. The typical media that organizations utilize for advertising of course include television, magazines, newspapers, the Internet, direct mail, and radio. As we explained, businesses are also advertising on social media such as Face book, blogs, Twitter, and mobile devices. Each medium (television or magazines or mobile phones) has different advantages and disadvantages. A few examples of advantages and disadvantages are discussed below. For example, mobile phones provide continuous access to people on the go although reception may vary in different markets. Radios, magazines, and newspapers are also portable. People tend to own more than one radio, but there are so many radio stations in each market that it may be difficult to reach all target customers. People typically are doing another activity (e.g., driving or studying) while listening to the radio, and without visuals, radio relies solely on audio. Both television and radio must get a message to consumers quickly. Although many people change channels or leave the room during commercials, television does allow for demonstrations. One of the biggest factors an organization must determine is which medium or media provides the biggest bang for the buck, given a product's characteristics and target market. For example, a thirty second ad aired during Super Bowl XLII cost \$2.7 million. However, a record number of 97.5 million people watched the game, so the cost per ad was less than three cents per viewer. But do the ads pay off for companies in terms of sales? Many advertising professionals believe many of the ads don't. However, the ads probably do have a brand awareness or public relations type of effect. Within each different medium, an organization might select a different vehicle. A vehicle is the specific means within a medium to reach a selected target market. For example, if a company wants to develop commercials on television to reach teenagers, it might select Gossip Girl on the CW as the best vehicle. If an organization wants to use magazines to reach males interested in sports, it might use Sports Illustrated. As technology changed, Sports Illustrated launched SI.com so readers could get up-to-date information on the Web. On SI.com,

readers can also access links to popular articles and SIVault” (<http://vault.sportsillustrated.cnn.com/vault>), where they can search articles and pictures that have run in the magazine since it was launched in 1954. (Kotler and Armstrong, 2012).

Advertising can reach masses of geographically dispersed buyers at a low cost per exposure, and it enables the seller to repeat a message many times. For example, television advertising can reach huge audiences. An estimated 106 million Americans watched the most recent Super Bowl; about 41 million people watched at least part of the last Academy Awards broadcast, and 30 million fans tuned in for the debut episode of the ninth season of American Idol. For companies that want to reach a mass audience, TV is the most preferred. Beyond its reach, large-scale advertising says something positive about the seller’s size, popularity, and success. Because of advertising’s public nature, consumers tend to view advertised products as more legitimate. Advertising is also very expressive; it allows the company to dramatize its products through the artful use of visuals, print, sound, and color. On the one hand, advertising can be used to build up a long-term image for a product (such as Coca-Cola ads). On the other hand, advertising can trigger quick sales (as when Kohl’s advertises weekend specials). Advertising also has some shortcomings. Although it reaches many people quickly, advertising is impersonal and cannot be as directly persuasive as can company salespeople. For the most part, advertising can carry on only a one-way communication with an audience, and the audience does not feel that it has to pay attention or respond. In addition, advertising can be very costly. Although some advertising forms, such as newspaper and radio advertising, can be done on smaller budgets, other forms, such as network TV advertising, require very large budgets (Kotler and Armstrong, 2011).

#### 2.1.2.2. Sales promotions

It consists of other types of promotions—coupons, contests, games, rebates, mail-in offers, and so forth—that are not included as part of another component of the communication mix. Sales promotions are often developed to get customers and potential customers to take action quickly, make larger purchases, and make repeat purchases. Many stores now place coupons next to products to encourage consumers to select a particular brand and products. In business-to-business marketing, sales promotions are typically called trade promotions because they are targeted to channel members who conduct business or trade with consumers. Trade promotions include trade shows, sponsorships, event marketing, and special incentives given to retailers, such as extra money, in-store displays, and prizes to market particular products and services. Sales promotions

are often used to supplement advertising and create incentives for customers to buy products more quickly (Balttberg, 1990).

Sales Promotion Sales promotion includes a wide assortment of tools—coupons, contests, cents-off deals, premiums, and others—all of which have many unique qualities. They attract consumer attention, offer strong incentives to purchase, and can be used to dramatize product offers and boost sagging sales. Sales promotions invite and reward quick response. Whereas advertising says, “Buy our product,” sales promotion says, “Buy it now.” Sales promotion effects are often short lived, however, and often are not as effective as advertising or personal selling in building long-run brand preference and customer relationships (Kotler and Armstrong, 2011).

### **2.1.2.3. Personal Selling**

Personal selling is the most effective tool at certain stages of the buying process, particularly in building up buyers’ preferences, convictions, and actions. It involves personal interaction between two or more people, so each person can observe the other’s needs and characteristics and make quick adjustments. Personal selling also allows all kinds of customer relationships to spring up, ranging from matter-of-fact selling relationships to personal friendships. It involves direct marketing by phone. You just sat down for dinner and the phone rings. It’s a local charity calling to raise money. The calls always seem to come at dinner or at other inconvenient times. Although expensive, telemarketing can be extremely effective for charitable organizations and different service firms and retailers. However, because some consumers have negative perceptions of telemarketers many organizations do not use it. The Do Not Call Registry, which was established in 2008, prevents organizations from calling any numbers registered with the Federal Trade Commission (kotler, 1989).

### **2.1.2.4. Public Relation**

PR is very believable—news stories, features, sponsorships, and events seem more real and believable to readers than ads do. PR can also reach many prospects who avoid salespeople and advertisements—the message gets to buyers as “news” rather than as a sales-directed communication. And, as with advertising, PR can dramatize a company or product. Marketers tend to underuse PR or use it as an afterthought. Yet a well-thought-out PR campaign used with other promotion mix elements can be very effective and economical (Kotler and Armstrong, 2011).



### 2.1.2.5. Direct marketing

Direct Marketing, although there are many forms of direct marketing—direct mail and catalogues, online marketing, telephone marketing, and others—they all share four distinctive characteristics. Direct marketing is less public: The message is normally directed to a specific person. Direct marketing is immediate and customized: Messages can be prepared very quickly and can be tailored to appeal to specific consumers. Finally, direct marketing is interactive. It allows a dialogue between the marketing team and the consumer, and messages can be altered depending on the consumer’s response. Thus, direct marketing is well suited to highly target marketing efforts and building one-to-one customer relationships. It involves delivering personalized promotional materials directly to individual consumers. It provides an interactive approach for organizations to reach consumers in hopes of getting consumers to take action. Materials may be delivered via mail, catalogues, Internet, e-mail, telephone, or direct-response advertising. Several benefits of direct marketing include the ability to target a specific set of customers, measure the return on investment (ROI), and test different strategies before implementing to all targeted consumers. However, direct marketing is very intrusive and many consumers may ignore attempts to reach them (Kotler and Armstrong, 2012)

### 2.1.3. Factors That Influence Selection of Promotion Mix

A marketing manager from one company might decide to focus on social media, whereas a marketing manager from another company might decide to focus her company’s efforts on television commercials. Why do companies select different types of media for what may be perceived as similar messages? A number of factors affect the choice of promotion mix elements (Kotler and Armstrong, 2009, 2011).

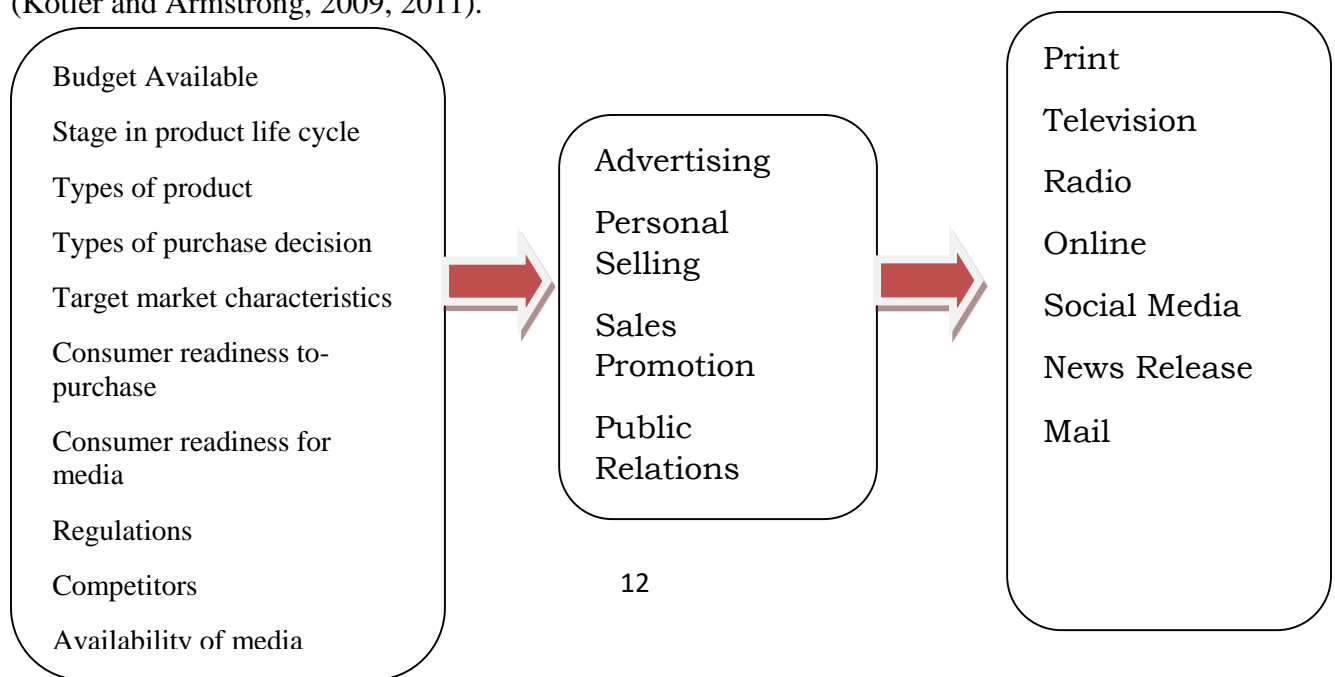


Figure 2.2 Factors That Influence Selection of Promotion Mix (Kotler and Armstrong, 2009, 2011).

#### **2.1.3.1. Budget Available**

For many companies, the budget available to market a product determines what elements of the promotion mix are utilized. The budget affects a promotion's reach (number of people exposed to the message) and frequency (how often people are exposed). For example, many smaller companies may lack the money to create and run commercials on top-rated television shows or during the Super Bowl. As a result, they may not get the exposure they need to be successful. Other firms such as McDonald's may come up with creative ways to reach different target markets. For example, McDonald's targeted college students with a special promotion that it filmed live in a Boston University lecture (Kotler and Armstrong, 2009, 2011).

#### **2.1.3.2. Stage in the product life cycle**

The stage in the product life cycle also affects the type and amount of promotion used. Products in the introductory stages typically need a lot more promotional dollars to create awareness in the marketplace. Imagine how much more fuel an airplane needs for take-off than it needs once it is in the air. The same is true of communication. More "fuel" is needed in the beginning to help with the take-off (Kotler and Armstrong, 2009, 2011).

#### **2.1.3.3. Type of product and type of purchase decision**

Different products also require different types of promotion. Very technical products and very expensive products often need personal selling so the customer understands how the product operates and its different features. By contrast, advertising is often relied upon to sell convenience goods and products purchased routinely since customers are familiar with the products (Kotler and Armstrong, 2009, 2011).

#### **2.1.3.4 Target market characteristics and consumers' readiness to purchase**

In order to select the best method to reach their target market(s), organizations must also understand how ready different target markets are to make purchases. For example, some people are early adopters and want to try new things as soon as they are available, and other groups wait until products have been on the market for a while. Some consumers might not have the money to purchase different products, although they will need the product later. For example, are most college freshmen ready to purchase new cars? (Kotler and Armstrong, 2009, 2011).

### **2.1.3.5 Consumers' preferences for various media**

We've already explained that different types of consumers prefer different types of media. In terms of target markets, as we mentioned, college-aged students prefer online, cell phone, and social media more than older consumers do. Consumers' media preferences have been researched extensively by academics and marketing research companies. Companies also do their own research and conduct surveys of their consumers to find out how they want to be reached (Kotler and Armstrong, 2009, 2011).

### **2.1.3.6 Regulations, competitors, and environmental factors**

Regulations can affect the type of promotion used. For example, laws in the United States prohibit tobacco products from being advertised on television. In some Asian countries, controversial products such as alcohol cannot be advertised during Golden (prime) time on television. The hope is that by advertising late at night, young children do not see the advertisements. The strength of the economy can have an impact as well. In a weak economy, some organizations use more sales promotions such as coupons to get consumers into their stores. The risk is that consumers may begin to expect coupons and not want to buy items without a special promotion (Kotler and Armstrong, 2009, 2011).

### **2.1.3.7 Availability of media**

Organizations must also plan their promotions based on availability of media. The top-rated television shows and Super Bowl ad slots, for example, often sell out quickly. Magazines tend to have a longer lead time, so companies must plan far in advance for some magazines. By contrast, because of the number of radio stations and the nature of the medium, organizations can often place radio commercials the same day they want them to be aired. Uncontrollable events can affect a company's promotions, too. For example, when a disaster occurs, TV stations often cut advertisements to make continuous news coverage. If there is a crisis or disaster and your company is in the middle of a promotion being advertised on TV, you will likely have to scramble to reach consumers via another medium (Kotler and Armstrong, 2009, 2011).

#### 2.1.4. The Communication Process

The communication process illustrates how messages are sent and received. The source (or sender) encodes, or translates, a message so that it's appropriate for the message channel—say, for a print advertisement, TV commercial, or store display and shows the benefits and value of the offering. The receiver (customer or consumer) then decodes, or interprets, the message. For effective communication to occur, the receiver must interpret the message as the sender intended. If you do not hear someone correctly, misread information, or misinterpret a message, you might think a product or service provides different benefits or is easier or harder to use than it really is. Interference, or noise, can distort marketing messages. Interference includes any distractions receivers and senders face during the transmission of a message. For example, when you were growing up did you see commercials for toys such as the pogo ball, which appeared to be so easy to use but when you tried to jump up and down on it, you found out it was extremely difficult? The same thing may happen if you're studying for an exam while you're talking on the phone. The conversation interferes with remembering what you're reading. Factors such as poor reception, poor print quality, problems with a server, or a low battery can also interfere with your getting messages. Purchasing a product provides the sender with feedback, which often tells the seller that you saw information and wanted to try the product. If you use any coupons or promotions when you buy a product, the advertiser knows which vehicle you used to get the information. Market research and warranty registration also provide feedback (Smith and Taylor, 2010).

##### 2.1.4.1 Perceptual Processes

The perceptual process is how a person decides what to pay attention to and how to interpret and remember different things, among them information included in advertising. When you choose to take an elective class or select a television show, a magazine, or a radio station, you are selecting what information you are exposed to and also deciding what gets your attention. Think about being at the beach again. You're with a friend, but when you hear someone else say your name, you may pay more attention to the person talking about you than to your friend. The same thing happens when you watch a television show or read a magazine. You might be watching a show when the phone rings and then pay more attention to the person on the phone than to what is on the television. You might be studying for a test and your friends show up and your attention shifts to them. With so many different types of distractions and technology such as recording devices, imagine how difficult it is for an advertiser to get your attention. If an advertiser does get your attention, do you

interpret the information correctly or do you change (distort) it? If a friend tells you a story, then you tell another friend, and that person tells someone else, will the message be the same after it is relayed to multiple people? If you miss class and borrow someone else's notes, do you understand what they mean? Not only must advertisers try to present consistent messages, they must also try to ensure that you interpret the message as they intended. Advertisers also want you to remember their brands and organizations. When you study for an exam and memorize key terms, you may not remember them after the test. But hopefully if you hear the terms multiple times, you will remember them. Advertisers use the same strategy to try to get you to retain their messages. Not only do you see the same commercial or message in multiple places, but you may also see it multiple times in each place. However, advertisers must also be careful that consumers don't get so tired of the message that there is a negative effect. Sometimes annoying or humorous messages get your attention and you remember the commercial. Advertisers want you to remember their brand. A great promotion is not effective if people don't remember the brand. We tend to remember information that has some relevance to our personal situation or beliefs. For example, if you have no need for a product or service, you might not pay attention to or remember the messages used to market it (Kotler, 1989).

#### 2.1.5. The Organization's Promotion Objectives

Advertisers must also examine their promotion objectives. What are they trying to accomplish with their promotions? Are they trying to build awareness for a new product, are they wanting to get people to take action immediately, or are they interested in having people remember their brand in the future? Building primary demand, or demand for a product category, such as orange juice, might be one objective, but a company also wants to build selective demand, or demand for its specific brand(s), such as Tropicana orange juice. Other common objectives follow the AIDA model (attention, interest, desire, and action). AIDA objectives typically are achieved in steps. First, companies focus on attention and awareness of a product or service, which is especially important for new offerings. If a consumer or business is not aware of a product or service, they won't buy it. Once consumers or businesses are aware of products or services, organizations try to get consumers interested and persuade them that their brands are best. Ultimately, companies want consumers to take action or purchase their products or services (Kotler, and Armstrong, 2011).

### **2.1.5.1. Setting Advertising Objectives**

The first step is to set advertising objectives. These objectives should be based on past decisions about the target market, positioning, and the marketing mix, which define the job that advertising must do in the total marketing program. The overall advertising objective is to help build customer relationships by communicating customer value. An advertising objective is a specific communication task to be accomplished with a specific target audience during a specific period of time. Advertising objectives can be classified by their primary purpose—to inform, persuade, or remind (Kotler, and Armstrong, 2011).

**Informative advertising:** is used heavily when introducing a new-product category. In this case, the objective is to build primary demand. Thus, early producers of DVD players first had to inform consumers of the image quality and convenience benefits of the new product.(Kotler, and Armstrong, 2011).

**Persuasive Advertising:** becomes more important as competition increases. Here, the company's objective is to build selective demand. For example, once DVD players became established, Sony began trying to persuade consumers that its brand offered the best quality for their money. Some persuasive advertising has become comparative advertising (or attack advertising), in which a company directly or indirectly compares its brand with one or more other brands. You see examples of comparative advertising in almost every product category, ranging from sports drinks, coffee, and soup to computers, car rentals, and credit cards. “In a recent national blind taste “proclaimed the ads, “more Americans preferred the taste of Dunkin’ Donuts coffee over Starbucks. It’s just more proof it’s all about the coffee (not the couches or music).” Advertisers should use comparative advertising with caution. All too often, such ads invite competitor responses, resulting in an advertising war that neither competitor can win. Upset competitors might take more drastic action, such as filing complaints with the self-regulatory National Advertising Division of the Council of Better Business Bureaus or even filing false-advertising lawsuits. For example, recently, Verizon Wireless and AT&T fought legal battles over cell phone coverage, Gatorade and PowerAde battled over the definition of a “complete sports drink,” and Sara Lee’s Ball Park sued Oscar Mayer over an advertised taste-test claim.(Kotler, and Armstrong, 2011).

**Reminder advertising:** is important for mature products; it helps to maintain customer relationships and keep consumers thinking about the product. Expensive Coca-Cola television ads primarily build and maintain the Coca-Cola brand relationship rather than inform or persuade customers to

buy it in the short run. Advertising's goal is to help move consumers through the buying process. Some advertising is designed to move people to immediate action. For example, a direct-response television ad by Weight Watchers urges consumers to pick up the phone and sign up right away, and a Best Buy newspaper insert for a weekend sale encourages immediate store visits. However, many ads focus on building or strengthening long-term customer relationships. For example, a Nike television ad in which well-known athletes work through extreme challenges in their Nike gear never directly asks for a sale. Instead, the goal is to somehow change the way the customers think or feel about the brand (Kotler, and Armstrong, 2011).

#### **2.1.6. Setting the Total Promotion Budget**

One of the hardest marketing decisions facing a company is how much to spend on promotion. John Wanamaker, the department store magnate, once said, "I know that half of my advertising is wasted, but I don't know which half. I spent \$2 million for advertising, and I don't know if that is half enough or twice too much." Thus, it is not surprising that industries and companies vary widely in how much they spend on promotion. Promotion spending may be 10–12 percent of sales for consumer packaged goods, 14 percent for cosmetics, only 1 percent for industrial machinery products. Within a given industry, both low and high spenders can be found. How does a company determine its promotion budget? Here, we look at four common methods used to set the total budget for advertising: the affordable method, the percentage-of-sales method, the competitive-parity method, and the objective-and-task method (Kotler and Armstrong, 2011).

##### **2.1.6.1. Affordable Method**

Some companies use the affordable method. They set the promotion budget at the level they think the company can afford. Small businesses often use this method, reasoning that the company cannot spend more on advertising than it has. They start with total revenues, deduct operating expenses and capital outlays, and then devote some portion of the remaining funds to advertising. Unfortunately, this method of setting budgets completely ignores the effects of promotion on sales. It tends to place promotion last among spending priorities, even in situations in which advertising is critical to the firm's success. It leads to an uncertain annual promotion budget, which makes long-range market planning difficult. Although the affordable method can result in overspending on advertising, it more often results in under spending (Kotler and Armstrong, 2011).

#### **2.1.6.2. Percentage-of-Sales Method**

Other companies use the percentage-of-sales method, setting their promotion budget at a certain percentage of current or forecasted sales. Or they budget a percentage of the unit sales price. The percentage-of-sales method is simple to use and helps management think about the relationships between promotion spending, selling price, and profit per unit. Despite these claimed advantages, however, the percentage-of-sales method has little to justify it. It wrongly views sales as the cause of promotion rather than as the result. Although studies have found a positive correlation between promotional spending and brand strength, this relationship often turns out to be effect and cause, not cause and effect. Stronger brands with higher sales can afford the biggest ad budgets. Thus, the percentage-of-sales budget is based on the availability of funds rather than on opportunities. It may prevent the increased spending sometimes needed to turn around falling sales. Because the budget varies with year-to-year sales, long-range planning is difficult. Finally, the method does not provide any basis for choosing a specific percentage, except what has been done in the past or what competitors are doing (Kotler and Armstrong, 2011).

#### **2.1.6.3 Competitive-Parity Method**

Still other companies use the competitive-parity method, setting their promotion budgets to match competitors' outlays. They monitor competitors' advertising or get industry promotion spending estimates from publications or trade associations and then set their budgets based on the industry average. Two arguments support this method. First, competitors' budgets represent the collective wisdom of the industry. Second, spending what competitors spend helps prevent promotion wars. Unfortunately, neither argument is valid. There are no grounds for believing that the competition has a better idea of what a company should be spending on promotion than does the company itself. Companies differ greatly, and each has its own special promotion needs. Finally, there is no evidence that budgets based on competitive parity prevent promotion wars (Kotler and Armstrong, 2011).

#### **2.1.6.4 Objective-and-Task Method**

The most logical budget-setting method is the objective-and-task method, whereby the company sets its promotion budget based on what it wants to accomplish with promotion. This budgeting method entails (1) defining specific promotion objectives, (2) determining the tasks needed to achieve these objectives, and (3) estimating the costs of performing these tasks. The sum of these costs is the proposed promotion budget. The advantage of the objective-and-task method is that it



forces management to spell out its assumptions about the relationship between dollars spent and promotion results. But it is also the most difficult method to use. Often, it is hard to figure out which specific tasks will achieve the stated objectives. For example, suppose Sony wants 95-percent awareness for its latest camcorder model during the six-month introductory period. What specific advertising messages and media schedules should Sony use to attain this objective? How much would these messages and Medias schedules cost? Sony management must consider such questions, even though they are hard to answers (Kotler and Armstrong, 2011).

#### **2.1.7. Public Relations Activities and Tools**

Companies use a variety of tools for their public relations purposes, including annual reports, brochures and magazines for both employees and the public, Web sites to show good things they're doing, speeches, blogs, and podcasts. Some of the most commonly used PR tools include press releases, sponsorships, product placements, and social media (Anada and murugaiyah, 2003).

#### **2.1.8 Types of Consumer Sales Promotions**

Do you like free samples? Most people do. A sample is a sales promotion in which a small amount of a product that is for sale is given to consumers to try. Samples increase awareness, so the strategy encourages trial and builds awareness. You have probably purchased a product that included a small free sample with it—for example; a small amount of conditioner packaged with your shampoo .The idea for giving away samples is to get people to buy a product. Although sampling is an expensive strategy, it is usually very effective for food products. People try the product, the person providing the sample tells consumers about the product, and mentions any special prices for the product. In many retail grocery stores, coupons are also given to consumers with the samples (kotler and Armstrong, 2012).

#### **2.1.9 Types of Trade Promotions**

One of the most common types of sales promotions in B2B markets are trade shows. A trade show is an event in which firms in a particular industry display and demonstrate their offerings to other organizations they hope will buy them. There are typically many different trade shows in which one organization can participate. Using displays, brochures, and other materials, representatives at trade shows can identify potential customers (prospects), inform customers about new and existing products, and show them products and materials. Representatives can also get feedback from prospects about their company's products and materials, and perhaps about competitors.

Companies also gather competitive information at trade shows because they can see the products other firms are exhibiting and how they are selling them. While approximately 75 percent of representatives attending trade shows actually buy the product(s) they see, 93 percent of attendees are influenced by what they see at the trade shows. However, only 20 percent of organizations follow up on leads obtained at trade shows and only 17 percent of buyers are called upon after they express interest in a particular company's products (Kotler and Armstrong, 2009).

#### **2.1.10. Integrating the Promotion Mix**

Having set the promotion budget and mix, the company must now take steps to see that each promotion mix element is smoothly integrated. Guided by its overall communications strategy, the various promotion elements should work together to carry the firm's unique brand messages and selling points. Integrating the promotion mix starts with customers. Whether it's advertising, personal selling, sales promotion, PR, or direct marketing, communications at each customer touch point must deliver consistent messages and positioning. An integrated promotion mix ensures that communications efforts occur when, where, and how customers need them. To achieve an integrated promotion mix, all of the firm's functions must cooperate to jointly plan communications efforts. Many companies even include customers, suppliers, and other stakeholders at various stages of communications planning. Scattered or disjointed promotional activities across the company can result in diluted marketing communications impact and confused positioning. By contrast, an integrated promotion mix maximizes the combined effects of all a firm's promotional efforts (Kotler and Armstrong, 2011).

#### **2.1.11. Bank Operational Performance Indicators.**

Operational performance of banks can be measured by number of new account open, volume of transaction made, number of new ATM sold, number of new mobile banking and internet banking user, number of new branch open. Profitability is an indicator of the bank's competitive position in banking markets and of the quality of its management, ensuring the health of the banking system. Profitability is also considered as a bank's first line of defence against unexpected losses, as it strengthens its capital position and improves future potentials through the investment of retained earnings. Profitability is the efficiency of banks at generating earnings which will be measured by profitability ratios and banks, therefore, earn profit by acquiring funds at a cost from savers and lending those funds to borrowers by charging customers for providing various services (Hubbard, 2002)

Determinants of bank performance are categorized as bank-specific, industry specific and macroeconomic factors. Bank specific indicators include: bank size, capital adequacy, operational efficiency, liquidity, loan deposit ratio, and income diversification. The common measure for industry-specific representative used in the various studies is bank-concentration and bank size system. The key macroeconomic variables, on the other hand, include growth in GDP and inflation. Bank performance proxy measures are different in various literatures. In most banking literature, such as Rao and Tekeste (2012), Ongore and Gemechu (2013), Alper and Anbar (2011), Athanasoglou, et. al., (2006), Alexiou and Sofoklis (2009), and Sufian and Chong (2008), on the issue of investigating the factors that influence the performance of the bank are most commonly employed one or two or all of the three alternative measures (ROA, ROE and NIM) were used. All these three standard measures of profitability are considered under this study on the basis of annual accounting data similar to the approach followed by (Ameur and Mhiri, 2013). Each ratio looks at a slightly different aspect of bank profitability (Athanasoglou, 2006)

#### Return on Asset

ROA is one of the major ratios that indicate the profitability of a bank and it has emerged as the key ratio for the evaluation of bank profitability and has become the most common measure of bank profitability in the empirical literature Rao and Tekeste (2012) and Alexiou and Sofoklis (2009). The ROA is defined as the ratio of net profits to total assets. It measures the ability of a bank's management to generate income by utilizing the company assets. In other words, it shows how efficiently the resources of the company are used to generate profit. A higher ROA shows that the company is more efficient in using its resources.

#### Return on Equity.

The other financial ratio to measure the bank performance is ROE that reflects how much profit a bank earned compared to the total amount of shareholder equity invested or found on the balance sheet and it measure show effectively a bank management is using shareholders' funds. The ROE is defined as the ratio of net profits to total equity. A business that has a high return on equity is more likely to be one that is capable of generating cash internally. Thus, the higher the ROE the more effective the management in utilizing the shareholders capital and the better the company is in terms of profit generation. ROE is the product of ROA and assets-to-equity ratio (equity multiplier that measures financial leverage). Essentially the ROE-ROA relationship clearly illustrates the fundamental trade off that banks face between risk and return, whereas the equity

multiplier reflects the leverage or financing policies, i.e. the debt-equity proportion that the bank management used to fund the bank. Athanassoglou, (2006) argues that an analysis based on ROE disregards the risks associated with leverage, often a consequence of regulation. On the other hand, Staikouras and Wood (2011) employ ROE as an appropriate profitability measure, arguing that for many European banks the off-balance sheet business makes a significant contribution to total profit. The earnings generated from these activities are excluded from the denominator of ROA. According to Rivard and Thomas (1997), bank profitability is best measured by ROA for two primary reasons. One first reason is that ROA is not distorted by high equity multipliers and the second one is that ROA reflects a better measure of a bank's ability to generate returns on its assets. Moreover, ROA takes in to consideration the disparity in the absolute magnitude of the profits that may be related to size (Guru et al, 1999).

Finally, the NIM variable focuses on the profit earned on interest activities. It is defined as the net interest income divided by total earning assets which contained Deposit with foreign Banks, Treasury Bills, Other Investments/bonds, Sundry Debtors and Other debit balances, and Total Loans Advances. It measures the difference between the interest income generated by banks and the amount of interest paid on borrowed funds, relative to the amount of their (interest earning) assets. It means that NIM measures the gap between the interest income the bank receives on loans and securities and interest cost of its borrowed funds with respect to the average amount of the assets on which earned income is generated in that time period. Hence, average values of consecutive year-end balance sheet figures are normally used to capture changes in assets during the fiscal year. Thus, following the footpaths of previous studies (Kosmidou,2008; Dietrich and Wanzenried, 2009) and taking into account the profitability measures of commercial banks used by NBE, Return on average asset and Return on average equity are used to measure the profitability of the commercial banks in the study

## **2.2. Empirical Review**

In the process of carrying out the research under consideration, the researcher has noted various research works conducted on promotional strategy and operational performance. Meanwhile, the below listed research works are carried out using different models of sales promotion strategy and sales performance, however much concentration is given to those research works carried out based on Lebas M.J. well known conceptual framework in order to conduct a detail analysis on the concept and findings.

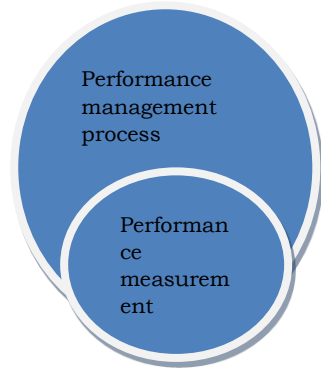


Figure 2.3 Conceptualization of performance measurement Lebas M.J (1995)

The promotion (communication) mix is composed of advertising, personal selling, public relations, sales promotion, and direct marketing. Once a company decides on a component of the promotion mix, such as advertising, it must still decide which medium (e.g., television, cell phones, and magazines) or media (more than one medium) to use. Within each medium, the company must also select a vehicle, which may be a particular television show, radio station, or magazine. Although the money organizations spend promoting their offerings may go to different media channels, a company still wants to send its customers and potential consumers a consistent message. (Kotabe and Helsen, 2008).

According to Kristina, (2006), promotional strategies should be designed as per the nature of service to be promoted but does not explain how strategies influence performance of a firm. Arshadi and Lawrence, (1987) and Revell, (1980), have concentrated on measuring business Performance but failed to establish how promotional strategy influence performances. It depicts that if the promotional strategy of the company is good, directly it have appositve effect on the performance of the bank.

There is a growing emphasis on designing the best marketing promotional strategy for targeting and maintaining consumers. Good promotional strategy encompasses advertising, personal selling, public relations, sales promotion, and direct marketing in order to communicate with their present and potential customers. Kotler, (1994), promotion is responsible for moving the demand curve upward and to the right by utilizing some or all of the elements of promotion.

Moreover, a great number of studies conducted since now, have mainly analysed the effect of promotional mix elements on banks operational performance

### 2.3. Conceptual Frameworks of the Study

The researcher uses a framework to show the relationship between dependent variable and independent variable. Operational performance of banks is dependent variable and promotion mix elements are independent variables. This figure shows the relationship between dependent variable and independent variables.

Independent Variables      Dependent Variables

Promotional mix Dimensions

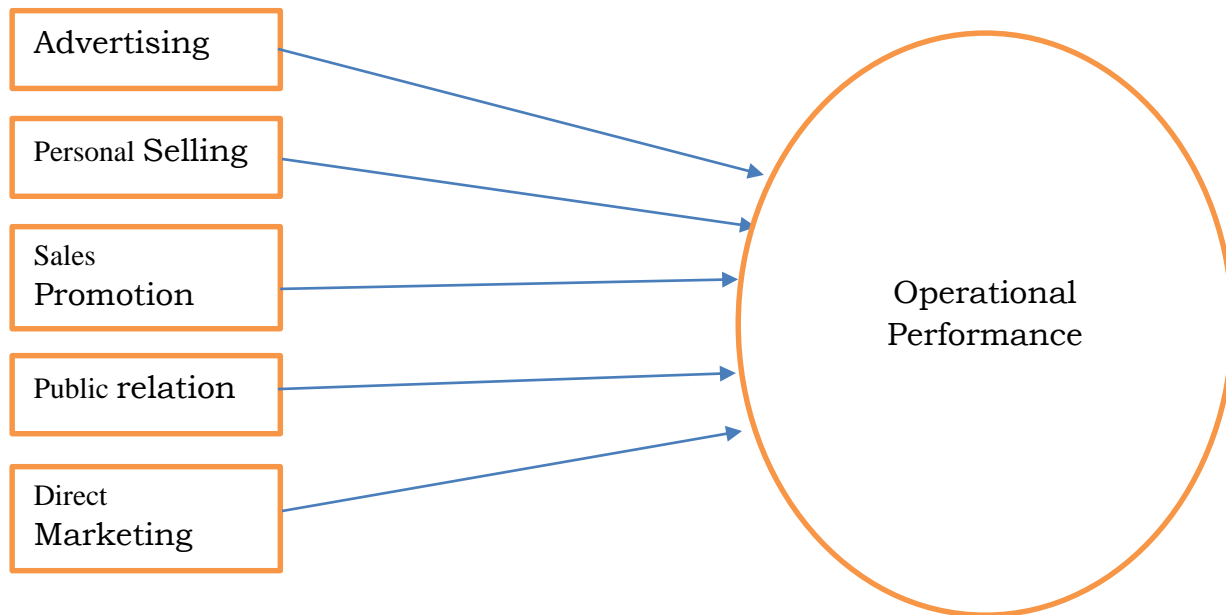


Figure 2.4 Modified relationship between Promotional mix elements and Operational Performance Dr.francisofunya & Mathenge Paul (2015).

### Research Hypothesis

H1: Advertising has a positive and significance relationship with operational performance of banks.

H2: there is a positive and significance relationship between personal selling and operational performance.

H3: there is a positive and significance relationship between sales promotion and operational performance.

H4: Public relation has a positive and significance relationship with operational performance.

H5: there is a positive and significance relationship between direct marketing and operational performance.

## **CHAPTER THREE**

### **RESEARCH DESIGN AND METHODOLOGY**

#### **3.1. Research Design**

Since the research topic is the effect of promotional strategy on banks operational performance the case of bank of Abyssinia s.c so the research method is both descriptive and explanatory research design. Descriptive research design has been used to describe how promotional strategy affects operational performance and explanatory research design has been used to explain the Hypothesis.

#### **3.2. Research Approach**

To undertaking this study a case study design was employed by using both qualitative and quantitative approach in order to obtain the desired result of the company.

#### **3.3. Data type and data source**

Both primary and secondary data has been used in the study. Primary data that would provide empirical data had been collected through administrative of structured questionnaire. This had given specific response to the research question. Secondary data information was obtained from various kinds of documents, like research reports done by others, annual reports of the bank, books and articles.

#### **3.4. Populations of the study**

Since the study focuses on assessing the effect of promotional strategies on banks operational performance, the researcher was used employees of Abyssinia bank found in Addis Ababa as population for the study. For this reason the target population for this research study had been all marketing departments' employees of the bank in head office and all managers and business managers of the bank found in Addis Ababa. So as to conduct this study the researcher was taken 648 business and branch managers and 36 employees found at marketing department of the bank as target population. Therefore, a total of 684 employees of the bank had been taken as the total population for this study.

#### **3.5. Sampling Methodology**

The Sample size shall been taken respectively from the branch managers and business managers. The researcher would select branches based on their branch grades and distributes the questions to them. For branch managers and business managers, simple random sampling is used and for marketing department the whole employees are considered as sample. As per suggestion of

(Krejcie and Morgan 1970) simple random sampling methods is best for selecting sample size respective to the population size. So the researcher would use simple random sampling techniques to select the sample size for this study.

### **3.6 Sample size and sampling techniques**

The researcher was taken the whole marketing department employees of the bank and selected branch managers and business managers found in Addis Ababa as target population. The sample size for branch managers will be identified by using Israel formula adopted in determination of sample size is stated below.

$$n = \frac{N}{1 + Ne^2}$$

Where n is sample size, N is population size and e is error margin calculated at 5%.

n=247 form branch managers and the whole 36 employees from marketing department is considered as sample size.

There for the total population, **283** employees are considered as a sample size for this study.

### **3.7 Data Gathering Instruments**

Before the distribution of the questionnaire at full scale, a pilot test had been conducted and per the pilot test certain amendments has been made to the questionnaire and then distributed at full scale. The responses to the questionnaires, which are distributed to employees of the banks, was collected by the researcher.

### **3.8 Data Analysis Technique**

Having collected the primary data through questionnaires, the researcher made analysis using regression and correlation models. Correlation analysis was a conducted to measure the strength of the association between promotional strategy dimensions and Banks Operational Performance. Whereas regression analysis was made to determine by what extent Promotional strategy explained or influenced banks operational performance. Descriptive statistical methods such as mean, standard deviation, frequency were used to analyse the data and Statistical Package for Social Science (SPSS) V.22 has been used in order for automated analysis of the data. This software has been widely used by researchers as a data analysis technique. Zikmund (2003). Tools like tables and percentage were also used.

For the sake of reducing possibility of getting wrong answers and to ensure the soundness of this study, the following measures were taken.



1. Data was carefully collected from trustworthy sources, from respondents who have worked on the bank.
2. The questionnaire was based on literature review.
3. The latest SPSS software version was employed to analyze the statistical data and maximum was made during data coding.

### **3.9 Reliability and validity**

#### **Reliability**

According to Burn and Bush (2014) reliability is the degree to which a respondent is consistent in his or her answers. To assess the reliability of a scale measurement to investigating multidimensional constructs, summated scale measurements tend to be the most appropriate scales (Hair et al., 2003). In this type of scale, each dimension represents some aspect of the construct.

In this study Cronbach's Alpha is used to measure the internal consistency of the items used. George and Mallery (2003), provides the following rules of thumb:  $\alpha > 0.9$ -Excellent,  $\alpha > 0.8$ -Good,  $\alpha > 0.7$ -Acceptable,  $\alpha > 0.6$ -Questionable,  $\alpha > 0.5$ -Poor,  $\alpha < 0.5$ -Unacceptable (as cited by Gleam and Rosemary, 2003). The results are in the below table.

Table 3.1 reliability statistics result for the independent and dependent variables based on Cronbach's Alpha Value

<b>Variable</b>	<b>Cronbach's Alpha</b>	<b>NO. of Items</b>	<b>Remark: based on Cronbach's Alpha value</b>
Advertising	0.899	8	Good
Sales Promotion	0.834	6	Good
Public Relation	0.800	5	Good
Direct Marketing	0.764	4	Acceptable
Personal Selling	0.728	4	Acceptable
Operational Performance	0.849	5	Good

Source: Questionnaire survey, (2022)

The above table, 3.1 shows that the internal consistency of the data used for this study based on Cronbach's alpha value. The alpha values for the five variables showed that there is reasonable internal consistency in the constructs– being from 0.728 and 0.899(From acceptable to good).

Based on the reliability test result showed above, all variables are considered as variable because their value is more than 0.70. The independent variable, advertising has the highest alpha value of 0.899 with 8 items. This implies that advertising is the most reliable variable. Sales promotion and public relation have the second highest alpha value of 0.834 with 6 items and .800 with 5 items respectively, followed by direct marketing and personal selling, having the alpha value of 0.764 with a total of 4 items and alpha value of 0.728 with 4 items respectively. Besides, the variable with 5 items is operational performance with alpha value of 0.849.

### **Validity**

To check the validity of questioners and to make sure that questioners are valid in terms of content, the researcher has performed the following activities:

1. Before questionnaires were distributed to respondents, a pilot test was conducted, and pilot questioners were distributed to individuals who had previously undertaken a research and expertise in the area.
2. Questioners were submitted to the advisor for further comment

### **3.10 Ethical consideration**

The researcher was collected the data necessary for this paper by approving the concerned management of the bank and the researcher could not expose the information collected from the bank to other third party. Throughout the study all code of conducts of research are appropriately implemented. Any relevant concept in this research was properly quoted. All research participants are protected, there information which were collected via questionnaires from sample respondents, are kept confidential and are only used for the intended purpose of this study.

## CHAPTER FOUR

### DATA ANALYSIS AND INTERPRETATION

#### 4.1. Introduction

This chapter presents the data analysis, result and discussion of the finding based on the objective of this study. The objective of the study was to assess the effect of promotional strategy on bank of Abyssinia operational performance.

#### 4.2. Response rate

From the study, the population was 283 where 227 respondents responded and returned the questionnaires. The 227 respondents were marketing department employees and branch managers and business managers of bank of Abyssinia s.c. This consisted 80% response rate. (Respondent rate 50%-70% is considered as sufficient for a study) therefore a respondent rate of 80% for this study was very good.

Table 4.1 Total number of questionnaires distributed, returned and UN returned

Questionnaires	Number	Percentage
Returned	227	80%
Unreturned	56	20%
Total distribute	283	100%

Source: questionnaire survey, 2022

#### 4.3. Result of demographic question

Table 4.2 General information

No description	General information	Frequency	Percentage
Gender	Male	149	65.6
	Female	78	34.4
	Total	227	100

Age	18-28	57	25.1
	29-39	120	52.8
	40-50	48	21.1
	Over 51	2	0.8
	Total	227	100
Education background	BA/BSC	66	73.6
	MA/MSC/MBA	34	26.4
	PHD	-	-
	Total	227	100
Work experience	Under 2years	8	3.5
	2-5years	10	4.4
	5-10years	117	49.3
	Over 10years	97	42.7
	Total	227	100

Source own survey, 2022

Table 4.2 general information indicates the gender allocation of the sample of respondents from the marketing department employee and operation managers which the research was conducted. As shown in table 4.2 65.6% were male, while the remaining 34.4% were female respondents. Accordingly most of the employees in BOA are male. Hence, there is gender disparity in provision of employment opportunities. The age of majority employees were between 29 and 39 years old which covers 52.8%, employees who were between 18 and 28 years are 25.1%, between 40 and 50 years old were 21.1% and the remaining 0.8% covers the age above 51 years. Generally the age between 18 and 39 covers 77.9% this indicates there is potential advantage of working by young employees. With regards to the academic level of the respondents, 66(73.6%) of the respondents are bachelor's degree holders and the remaining 34(26.4%) of the respondents are masters holders.

This implies that the educational background of the respondents is good enough to get relevant and appropriate information needed for the study. The above table also shows the percentage of the years of work experience the respondents had within the bank which is respondents that have experience of under 2 year are 8(3.5%), 2-5 years are 10(4.4%), 117(49.3%) have experience 5-10 years and 97(42.7%) have experience above 10 year. This implies that the respondents have enough experience and long year of experience shows that there is relatively lower employee turnover as a result reduce cost of hiring new employee and saves time.

#### 4.4.Result and discussion on research question

Table 4.3 Employee’s opinion towards product and service quality

Description	Product	Frequency	Percentage
Employees opinion about product quality in the bank	Very good	73	32.1
	Good	110	48.45
	Medium	43	18.9
	Poor	1	0.44
	Very poor	-	-
	Total	227	100

Source: questionnaires survey, 2022

As shown in table 4.3 48.4% and 32.1% of respondents replied that the company product quality is rated very good and good respectively. On the other side some of respondents replied that the quality of the company product is medium and poor which accounts 18.9% and 0.44% respectively.

More than half of the respondent replied that the company product quality is rated that good and very good this result implies that the company products are good and satisfy customer want.

Table 4.4 Employee’s opinion towards product outlet expansion

Description	Place	Frequency	Percentage
Employee opinion towards product expansion is enough	Yes	157	69.2
	No	70	30.8
	Total	227	100

Source: Questionnaires survey, 2022

As shown in table 4.4 the majority of respondents 69.2% believes that the product outlet expansion of the company is good enough and employees strengthened this idea by saying the company coming up with different product outlet often special last 2 years.

Table 4.5 Employee’s opinion toward the product and service availability and accessibility

Description	Product and place	Frequency	Percentage
Employees opinion toward the product and service availability and accessibility	Very good	40	17.6
	Good	116	51.1
	Fair	70	30.8
	Poor	1	0.4
	Total	227	100

Source: Questionnaires survey, 2022

As shown in table 4.5 more than half of respondents respond that the company product and service availability and accessibility are good and fair accounts with 51.1% and 30.8% respectively. The remaining 17.6% goes with good and 0.4% with poor. This show that the degree to which the company service and product are available and accessible to as many people as possible.

Table 4.5. Promotional strategy the bank mostly use

Description	Promotional strategy	Frequency	Percent
which promotional strategy the bank mostly use	Advertising	77	33.9
	Personal selling	41	18.1
	Public relation	13	5.7
	Direct Marketing	46	20.3
	Sales promotion	50	22.0
	Total	227	100.0

Source: Questionnaire survey, (2022)

As shown on table 4.6 According to the Respondents Response, from a total of 227 respondents, 77(33.9%) of the respondents respond that the promotional strategy that bank mostly uses is advertising. And 50 (22%) sales promotion, 46(20.3%) direct marketing 41(18.1%) personal selling and 13(5.7%) public relation. This implies that the bank mostly uses advertising to communicate banks product and services to customers.

### **Reliability Test**

According to Joseph Hair. (2007), Cronbach’s Alpha Reliability is testing on the reliability of the research that allow researcher to come out with consistent results. The measurement of Cronbach’s Alpha is specified between number 0 and 1. Hence, Cronbach’s Alpha have better consistency within items in the scale if coefficient that closer to 1.

### **4.5. Correlation Analysis**

In this section of the study, the association between the independent and the dependent variables has been determined and hypotheses testing were made accordingly. According to Hair (2003), the Pearson correlation coefficient measures the degree of linear association between two variables and its value varies between  $-1.00$  and  $+1.00$ , with 0 representing absolutely no association between two variables, and  $-1.00$  or  $+1.00$  representing a perfect link between the two variables in question, and the higher the correlation coefficient, the stronger the level of association is.

To properly evaluate the outcome of Pearson correlation coefficients of each variables the below rules of thumb are used in this study.

Table 4.6 Rules of thumb about the strength of correlation coefficients of variables

Range of Coefficient	Description of Strength
±.81 to ±1.00	Very strong
±.61 to ±.80	Strong
±.41 to ±.60	Moderate
±.21 to ±.40	Weak
±.00 to ±.20	No

Source: Hair (2003)

Table 7 Pearson Correlation for the determinants of Promotional strategy

<b>Correlations</b>		Advertising	Sales promotion	Public relation	Direct marketing	Personal selling	Operational performance
Advertising	Pearson Correlation	1	.470**	.379**	.431**	.267**	.687**
	Sig. (2-tailed)		.000	.000	.000	.000	.000
	N	227	227	227	227	227	227
Sales promotion	Pearson Correlation	.470**	1	.448**	.384**	.654**	.683**
	Sig. (2-tailed)	.000		.000	.000	.000	.000
	N	227	227	227	227	227	227
Public relation	Pearson Correlation	.379**	.448**	1	.386**	.320**	.620**
	Sig. (2-tailed)	.000	.000		.000	.000	.000
	N	227	227	227	227	227	227
Direct marketing	Pearson Correlation	.431**	.384**	.386**	1	.320**	.572**
	Sig. (2-tailed)	.000	.000	.000		.000	.000



	N	227	227	227	227	227	227
Personal selling	Pearson Correlation	.267**	.654**	.320**	.320**	1	.513**
	Sig. (2-tailed)	.000	.000	.000	.000		.000
	N	227	227	227	227	227	227
Operational performance	Pearson Correlation	.687**	.683**	.620**	.572**	.513**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	227	227	227	227	227	227
**. Correlation is significant at the 0.01 level (2-tailed).							

Source: Questionnaire survey, (2022)

The above correlations table showed that Advertising, Sales promotion, Public relation, Direct Marketing and personal selling are correlated at .687\*\*, .683\*\*, .620\*\*, .572\*\* and .513\*\* respectively (which are statistically significant at the .000 level).

These result revealed that each of the five variables (Advertising, Sales promotion, Public relation, Direct Marketing and personal selling) are moderately and strongly related to operational performance—that is changes either in any of these variables is subject to with changes in operational performance.

#### 4.5.1. Correlation between Advertising and Operational performance

Pearson correlation test was checked for Advertising and operational performance. Based on the Pearson correlations coefficient result shown in the above table Advertising and Operational performance are evaluated and their value is, **0.687**, at significant value of 0.000 lower than 0.05. As per the rules of thumb on the strength of the associations between the two variables, the coefficient value, **0.687** falls within the strong strength intensity level. Therefore Advertising and Operational performance are correlated with a strong and positive relationship ( $r = 0.687^{**}$ ).

#### 4.5.2. Correlation between Sales promotion and Operational performance

Pearson correlation test was also conducted to know the degree of relationship between the independent variable, which is sales promotion, and the dependent variable, operational performance of BOA. The results of the correlation between these variables are shown in the correlation matrix table. There is a significant correlation between Sales promotion and

Operational performance at significant value of 0.000 lower than 0.05. In other words sales promotion dimension and banks operational performance are related with positive and a strong relationship ( $r = 0.683^{**}$ ).

#### **4.5.3. Correlation between Public relation and Operational performance**

Pearson correlation test was also conducted to know whether there is significant correlation between public relation and operational performance, and the results are shown in the above Table 4.3 There is a positive and a significant correlation between these two variables with a significant value of 0.000 lower than 0.05. The result of correlation analysis prove that Public relation and Operational performance are correlated with positive and strong relationship ( $r = 0.620^{**}$ ).

#### **4.5.4. Correlation between Direct marketing and Operational performance**

For these variables, direct marketing and Operational performance, also Pearson correlation test was conducted and the results are shown in the above table. There is a positive and a significant correlation between direct marketing and operational performance with a significant value of 0.000 lower than 0.05. The result of correlation analysis prove that direct marketing and operational performance are correlated with positive and moderate relationship ( $r = 0.572^{**}$ ).

#### **4.5.5. Correlation between Personal selling and Operational performance**

In order to see the correlation between personal selling and operational performance, Pearson correlation test was conducted, and the results found were shown in table 4.3. There is a positive and significant correlation between personal selling and operational performance with a significant value of 0.000 lower than 0.05. In other words personal selling and operational performance are related with positive and moderate relationship ( $r = 0.513^{**}$ ).

### **4.6. Normality Tests of regression assumptions**

#### **4.6.1. Normality Test**

To check whether the residual have a normal distribution, the normal probability plot or normal P-P of regression standard residual and histogram should be used. Scores on each variable should be normally distributed. This could be checked by inspecting the histograms of scores on each variable. Therefore, the scattered plots of residuals against each Promotional strategy dimension and operational performance dimension were analyzed and the test results of this study as illustrated on Figure 4.1 below show that the study's residuals were normally distributed.

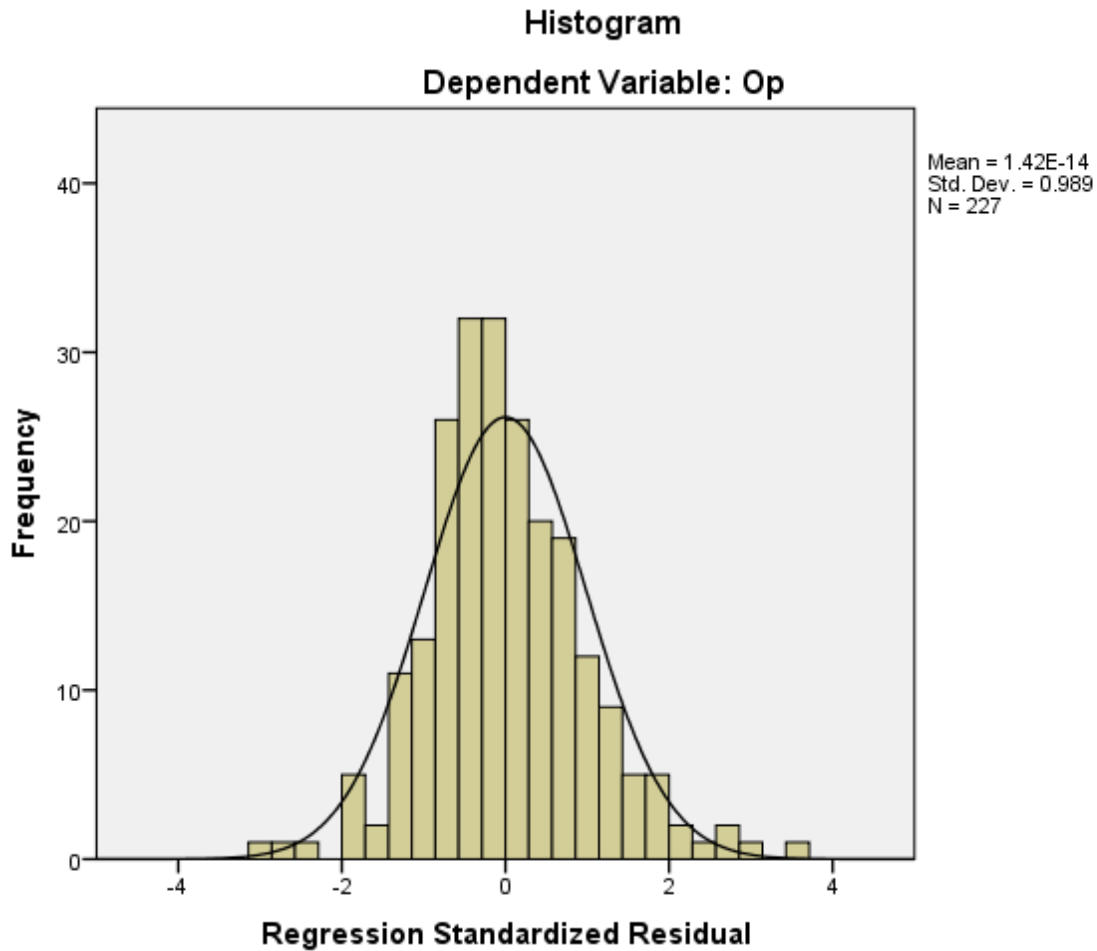


Figure 5 histogram of regression standardized residual

#### 4.6.2. Multi-collinearity test

Multicollinearity is the occurrence of high intercorrelations among two or more independent variables in a multiple regression model. Specifically, this technique enables researchers to find the best possible weighting of two or more independent variables to yield a maximum correlation with a single dependent variable (Ary et al., 2010).

Tolerance and VIF (variance inflation factor) both measures collinearity among variables. They tell us the degree to which each independent variable is explained by the other independent variables. If the tolerance value is smaller than .10 or the VIF is 10 or larger, it can be conclude that multicollinearity is a problem (Hair et al., 2003).

Table 8 Bivariate correlation analysis: Coefficients of the variables

<b>Coefficients</b>								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.426	.175		2.432	.016		
	Advertising	.304	.035	.358	8.706	.000	.683	1.463
	Sales promotion	.214	.042	.257	5.066	.000	.450	2.222
	Public relation	.208	.031	.264	6.627	.000	.729	1.372
	Direct marketing	.146	.032	.183	4.606	.000	.729	1.372
	Personal selling	.086	.037	.106	2.340	.020	.561	1.784
a. Dependent Variable: Operational performance								

Source: Questionnaire survey, (2022)

As shown in the above table, Collinearity Statistics column, the smaller tolerance value is 0.561 which is beyond 0.10 and the maximum VIF value is 2.222 which is much smaller than maximum value that it can.

Hence, we can assume that in this research there are no independent variable which are highly correlated among them, hence multicollinearity is not a problem and will not affect the research findings.

#### 4.7. Regression Analysis

##### 4.7.1. Regression analysis between the determinant factors of Operational performance

The bivariate regression analysis conducted by using SPSS produced four important tables namely: descriptive statistics, model summary, ANOVA and coefficients as shown below.

Table 9 Regression analysis: descriptive statistics

<b>Descriptive Statistics</b>			
	Mean	Std. Deviation	N

Operational performance	4.7604	.38834	227
Advertising	4.6002	.45725	227
Sales promotion	4.5316	.46654	227
Public relation	4.4837	.49336	227
Direct marketing	4.4515	.48696	227
Personal selling	4.4581	.47899	227

Source: Questionnaire survey, (2022)

The above table 4.10 shows, descriptive statistics table that displays the mean and standard deviation of the dependent variables (Advertising, sales promotion, public relation, direct marketing and personal selling) and the same measures for the independent variable Operational performance. the average level of agreements of the respondents on Advertising, sales promotion, public relation, direct marketing and personal selling dimension scored 4.6002, 4.5316, 4.4837, 4.4515 and 4.4581 mean with 0.45725, 0.46654, 0.49336, 0.48696 and 0.47899 of standard deviation respectively. Hence it implies that the operation performance is influenced by the promotional mix dimensions.

#### 4.7.2. Multiple Linear Regressions

Multiple linear regressions were conducted to identify the relationship and to determine the most dominant independent variable that influenced banks operational performance. This regression analysis was done to know and understand to what extent each independent variable explains the dependent variable that is operational performance. In order to show the impact that each determinants dimension has on operational performance, the study checked the Standardized Coefficients. The results of the regression analysis are depicted in the following tables:

Table 10 Regression analysis: Model Summary

Model Summary					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.863 <sup>a</sup>	.744	.739	.19852	1.619
a. Predictors: (Constant), Advertising, sales promotion, public relation, direct marketing and personal selling dimension					
b. Dependent Variable: Operational performance					

Source: Questionnaire survey, (2022)

Table 4.11 above shows the multiple linear regression model summary and overall fit statistics. The adjusted  $R^2$  of the model is .739 with the  $R^2 = .744$ . This means that the linear regression model with the independent variables explains 73.9% of the variance of the dependent variable.

The Durbin-Watson  $d = 1.619$ , which is between the two critical values of 1.5 and 2.5 ( $1.5 < d < 2.5$ ), thus it can be assumed that there is no first order linear autocorrelation in the multiple linear regression data in this research. Thus, regression model is applicable to conduct. Since all the independent variables are entered into the linear regression model the  $R^2$  have the higher value

Table 11 Regression analysis: ANOVA

ANOVA						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	25.374	5	5.075	128.767	.000 <sup>b</sup>
	Residual	8.710	221	.039		
	Total	34.083	226			
a. Dependent Variable: Operational performance						
b. Predictors: (Constant), Advertising, sales promotion, public relation, direct marketing and personal selling dimension						

Source: Questionnaire survey, (2022)

From the above table we can see that significance value is 0.000 ( $p=0.000$ ) which is below 0.05 and therefore we can say that promotional strategy's the bank uses affect banks operational performance.

Table 12 Regression analysis: Coefficients

Coefficients								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.426	.175		2.432	.016		
	Advertising	.304	.035	.358	8.706	.000	.683	1.463
	Sales promotion	.214	.042	.257	5.066	.000	.450	2.222
	Public relation	.208	.031	.264	6.627	.000	.729	1.372
	Direct marketing	.146	.032	.183	4.606	.000	.729	1.372
	Personal selling	.086	.037	.106	2.340	.020	.561	1.784
a. Dependent Variable: Operational performance								

Source: Questionnaire survey, (2022)

The Coefficients table above shows the multiple linear regression coefficient estimates including the intercept and the significance levels. Coefficient analysis shows the relationships between dependent variables and independent variables. Accordingly, advertising, sales promotion, public relation, direct marketing and personal selling were statistically significant at 5% level in agreement with the hypothesis. This means they have great contribution to improve banks operational performance.

Table 4.13 showed the standardized beta coefficients. In order to make comparison between different variables, it is important to use the standardized coefficients. “Standardized” means that these values for each of the different variables have been converted to the same scale so that you can compare them. A unit change in the promotional strategy dimensions would produce an effect on the banks operational performance. Thus, a one standard deviation increase in standardized advertising is predicted to result in 0.358 standard deviation increase in standardized operational performance holding constant the remaining variables and also it works for the remains variables to predict the same way. Moreover, the result of table 4.9 indicates that, all the service quality dimensions namely: advertising, sales promotion, public relation, direct marketing and personal selling has a positive and significant effect on banks operational performance at  $p < 0.000$  levels. But, the degree of significance varied from variable to variable. Based on the respondents’ point of view that, Advertising ( $\beta = 0.358$ ,  $p < 0.000$ ), public relation ( $\beta = 0.264$ ,  $p < 0.000$ ) and sales promotion ( $\beta = 0.257$ ,  $p < 0.000$ ) have highly positive and significant effect on banks operational performance. On other hand, the finding further indicates that direct marketing ( $\beta = 0.183$ ,  $p < 0.000$ ) and personal selling ( $\beta = 0.106$ ,  $p < 0.000$ ) had relatively less but positive and significant effect on customer satisfaction.

#### **4.8. Effect of promotional strategy on banks operational performance**

The main objective of this study was to examine the effect of Effect of promotional strategy on banks operational performance. According to the multiple regression analysis results, each specific objectives of the study is successfully achieved. The results of promotional strategy dimensions in relation to the previous research findings were discussed as follows:

The result of this study indicates that advertising ( $\beta = 0.358$ ,  $p < 0.000$ ) has positive and significant effect on banks operational performance than other promotional strategy dimensions of the study.

The finding of this study also indicates that sales promotion ( $\beta=0.257$ ,  $p<0.000$ ) has a positive and significant effect on customer satisfaction. Furthermore, the result of this study also indicates that public relation ( $\beta=0.264$ ,  $p<0.000$ ) has a positive and significant effect on operational performance. The finding of this study indicates that direct marketing ( $\beta=0.183$ ,  $p<0.000$ ) has positive and significant effect on banks operational performance. The finding further indicates that personal selling ( $\beta=0.106$ ,  $p<0.000$ ) has positive and significant effect on banks operational performance.

#### 4.9. Summary of Hypotheses Testing

The conceptual frame work developed under the literature review of this paper is tested by using tools in both descriptive and inferential analysis like mean, standard deviation, Pearson correlation and multiple regressions. The test result is summarized as follows.

Table 13 Summary of Hypothesis Testing

Hypothesis	Analysis Used	Fining		Result
H1	Multiple regression	$\beta=0.358$	Positive	Supported
		$p<0.000$	Significant	
H2	Multiple regression	$\beta=0.106$	Positive	Supported
		$p<0.000$	Significant	
H3	Multiple regression	$\beta=0.257$	Positive	Supported
		$p<0.000$	Significant	
H4	Multiple regression	$\beta=0.264$	Positive	Supported
		$p<0.000$	Significant	
H5	Multiple regression	$\beta=0.183$	Positive	Supported
		$p<0.000$	Significant	

Source: Own Survey, 2022



## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATION

#### 5.1. INTRODUCTION

This chapter is the final section which presents summary of finding, conclusion and recommendation of the study. The chapter reported summary for main findings of study as presented in result and discussion section. Then, conclusion and recommendations were made based on the findings. Then, as a result of limitation of the study, the researcher provided suggestion for future study.

#### 5.2. Summary of Findings

The primary objective of this study was to examine the effect of promotional strategy on banks operational performance in the case of bank of Abyssinia S.C. In order to do this, five determinants of promotional strategy variables are used. These are advertising, personal selling, sales promotion, direct marketing and public relation. This study also attempted to identify which determinant has the highest influence on banks operational performance of Bank of Abyssinia S.C.

The study adopted descriptive and explanatory research design and used qualitative and quantitative research approach. A total of 283 structured questionnaires were distributed to sample respondents and only 227 were collected, the remaining 56 of them were left uncollected due to the fact that respondents were not able to fill and submit on the given time frame. Hence, for this particular study 227 questioners were effectively used for analysis that indicates 80% response rate which is acceptable to undertake a study.

The demographic findings of the study were summarized as Most of respondents were males, majority of the respondents are first degree holders, Majority of the respondents are working at branch, Majority of the respondent's have 3.-6 years working experience in the bank and Bank mostly uses advertising to communicate banks product and services with customers.

As it has been mention clearly in the analysis section of this study, all developed hypotheses were supported by the research findings.

The respondents were asked to answer the influence of the five independent variables on banks operational performance. The researcher have tested the questionnaires before goes to the analysis by using the reliability test and the result showed that, the coefficient alpha for Advertising, sales promotion, public relation, direct marketing and personal selling was found to be 89.9%, 83.4%,

80%, 76.4% and 72.8% respectively . Since all the dimensions are greater than 70%, it was acceptable for further analysis.

The researcher had developed and tested the following hypotheses:

- H1: Advertising has a positive and significance relationship with operational performance of banks.
- H2: there is a positive and significance relationship between personal selling and operational performance.
- H3: there is a positive and significance relationship between sales promotion and operational performance.
- H4: Public relation has a positive and significance relationship with operational performance.
- H5: there is a positive and significance relationship between direct marketing and operational performance.

Then, analysis was made based on descriptive statistics, Pearson correlation analysis methods.

Correlation analysis result:

- ✓ Advertising and Operational performance are correlated with a strong and positive relationship ( $r = 0.687^{**}$ ).
- ✓ Sales promotion dimension and banks operational performance are related with positive and strong relationship ( $r = 0.683^{**}$ ).
- ✓ Public relation and Operational performance are correlated with positive and strong relationship ( $r = 0.620^{**}$ ).
- ✓ Direct marketing and operational performance are correlated with positive and moderate relationship ( $r = 0.572^{**}$ ).
- ✓ Personal selling and operational performance are related with positive and moderate relationship ( $r = 0.513^{**}$ ).

In addition to checking the degree of association between variables, the five variables were also examined their extent of explanation to banks operational performance jointly using multiple regression analysis, but before the researcher has made the regression analysis, the independent

variables were tested Multicollinearity. As per the VIF results all variables correlation coefficients is less than 10. Hence, Multicollinearity does not exist in these data.

In this research the promotional strategy dimensions factors that affecting banks operational performance are thoroughly analyzed. These factors, which are considered as a major component in most literatures, were: Advertising, sales promotion, public relation, direct marketing and personal selling. Advertising has been found central to banks operational performance.

### **5.3. Conclusion**

This study examined the effects of promotional strategy on banks operational performance in the case of bank of Abyssinia sc. by using advertising, sales promotion, public relation, direct marketing and personal selling as a determinants of banks operational performance. Based on the empirical research findings in this study, it can be concluded that promotional strategy has positive and significant effect on banks operational performance and operational performance is affected by the above mentioned determinants

Therefore, as per this research finding it can be conclude that:

- Advertising banks product and service has a positive and significant relationship with operational performance of banks.
- Promoting banks product and service using personal selling has a positive and significance relationship with banks operational performance.
- Promoting banks product and service using sales promotion has a positive and significance relationship with banks operational performance.
- Promoting banks product and service using public relation has a positive and significance relationship with banks operational performance.
- Promoting banks product or service using direct marketing has a positive and significance relationship with banks operational performance.

In general, when all promotional strategy dimensions taken as predictor of banks operational performance, advertising has high positive and significant effect on banks operational performance followed by sales promotion and public relation whereas direct marketing and personal selling have relatively less effect on banks operational performance.

#### **5.4. Recommendations**

After a thorough analysis of the sample survey, which was considered relatively large sample size, major correlation and regression analysis were computed. The developed hypothesis has been tested and all alternate hypotheses were supported with the research findings. Existence of multi-co linearity and multiple linear regressions were checked but found none.

All the factors used in this research are determined to have positive and strong association with banks operational performance. Although the data is collected only from bank of Abyssinia S.C, the finding of this empirical study can be generalized to those Banks operating in the Ethiopia as well. This is because the form of operation in the banking industry is the same.

Hence, Commercial banks in Ethiopia generally and bank of Abyssinia SC specifically, are highly recommended to:

- ❖ Company's should be able to effectively communicate the details of the product to the customer, from the result, BOA promotion activities suffers from lack of brand promotion, public relation and world class touch advertisement.
- ❖ To increase banks operational performance, The bank need to adopt effective promotion strategy like advertise products and services using television, magazines, newspapers, internet, direct mail, radio and social media such as Face book, blogs, Twitter, telegrams and others. The bank should promote their products or services using advertising so as reach masses of geographically dispersed buyers at a low cost per exposure, and it enables the seller to repeat a message many times.
- ❖ Mostly banks should use Sales promotions to get new customers and enable potential customers to take action quickly, make larger purchases, and make repeat purchases. Banks should promote their products by sponsoring other events, papering refund campaign on merchant location when their customers purchase using their visa card.
- ❖ Banks should use personal selling persons so as to sell their products and services like ATM cards, for new account opening, to increase online banking users because involves personal interaction between two or more people, so each person can observe the other's needs and characteristics and make quick adjustments.
- ❖ Banks should have their own public relations and initiate and arranges conferences, meetings and get together with its customers so as to build strong relationship.

- ❖ Since direct marketing is delivering personalized promotional materials directly to individual consumers, the bank should use direct marketing to communicate with the customers and it's the most important for banks to promote products and services of the bank through e-mail, text (SMS) and well-designed flayers.

### **5.5. Suggestions for Future Study**

Based on the limitations of this study, the following suggestions are recommended for future studies. Because of time and finance constraint, the study has limited to bank of Abyssinia S.C. However, and there are other commercial bank in the banking industry. Therefore, other researchers are recommended to include and conduct a research on those commercial banks.

In addition, this research is limited itself only on the five variables namely: advertising, sales promotion, personal selling, direct marketing and public relations. Nevertheless, there might be other factors. Hence, other researchers are recommended to include other factors which are not covered in this study. Also it is recommended if the future research can analyse the effect of each promotional strategy on banks operational performance.

Further, this study is confined to examine only the effect of promotional strategy on banks operational performance. The effect of other department activities like digital banking, finance department, credit department and human resource department is not include in the study therefore; other researchers are recommended to include the effects of other department activities on banks operational performance.

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**APPENDICES**  
**APPENDIX I: QUESTIONNAIRES**



ST. MARY'S UNIVERSITY  
SCHOOL OF GRADUATE STUDIES

MASTER OF BUSINESS ADMINISTRATION

The effect of promotional strategy on banks operational performance: the case of bank of Abyssinia s.c - company perspective Questionnaires to be filled by employee's bank of Abyssinia marketing departments and branches manager and business managers.

Dear Respondents

This questionnaire is designed to collect data for “The effect of promotional strategy on banks operational performance: the case of bank of Abyssinia s.c” This will be used as an input for the partial fulfillment of master's degree in business administration. The information you provide in response to the questionnaire is valuable for the success of the research and will only be used for the intended research and will be kept strictly confidential.

Thank you, in advance for devoting your precious time and for your indispensable cooperation.

Part I – General Information

Put “√” for your choice in the box provided

1. Gender? A. Male  B. female
2. Age A. 18-28  B. 29-39   
C. 40-50  D. over 51
3. Educational back ground A. Diploma  B. degree   
C. Masters  D. PHD
4. Work experience A. under 2 years  B. 2-5 years   
C. 5-10 years  D. over 10 years

5. Department /place you are working:

A. Marketing and promotion  B. operation manager

Part II

Marketing mix

6. What is your opinion about product quality in your bank?

A. very good

B. good

C. medium

D. poor

E. very poor

7. Do you think that your service and product out late expansion is enough?

A. Yes  B. No

8. The company's product and service availability and accessibility are?

A. Very good

B. Good

C. Fair

D. Poor

9. Which promotional mix element does the bank mostly use to communicate with their customers?

Advertising  Personal selling  Sales Promotion

Public relations  Direct Marketing

### Part III

#### Promotional strategy tools

Please indicate your level of agreement for the following statements.

**Strongly Agree (SA) =5, Agree (A) =4, Neutral (N) =3, Disagree (D) =2, Strongly Disagree (SD) =1**

8. To what extent do you agree with the effect of promotional mix element on Abyssinia banks operational performance?

NO.	Advertising	5	4	3	2	1
1	Adverts of the bank meet the intended audience.					
2.	Media used by the bank are accessible by all the target customers.					
3	Bank of Abyssinia Advertising provides enough Information about its products.					
4	Bank of Abyssinia Advertising demonstrates product differentiation.					
5	Bank of Abyssinia advertising uses a celebrity or famous person to endorse a product.					
6	Advertising of the bank make viewers feel certain emotions, such as excitement, sadness, or fear.					
7	Brief messages are designed chiefly to keep a product in the mind of the consumer once the product is already familiar.					
8	Uses an extensive advertising campaign seasonally.					
No.	Personal selling	5	4	3	2	1
1	Sales persons of the bank has made sales activity through meeting and calls.					
2	Sales persons of the bank do their sales by identifying qualified potential customers.					
3	Sales persons of the bank has understand all about their banks product and services.					

4	Sales persons of the bank has real time information.					
No	<b>Public Relation</b>	5	4	3	2	1
1	Community types of public Relation activities are implemented by bank of Abyssinia.					
2	The bank has good relationship with its customers based on providing up-to-date press release.					
3	The bank initiates and arranges conference, meeting and get together with its customers to promote better relationship.					
4	The bank communicates to both employees and customers when they introduce new products.					
5	public relation of bank results in increase on banks operational performance					
No	<b>Sales promotion</b>	5	4	3	2	1
1	Coupons encourage customers to open a new account in bank of Abyssinia					
2	It tend to visit bank of Abyssinia more often when a bank introduce a coupon					
3	Coupon of the bank influence customers to make unplanned visit and positive image.					
4	Customers are willing to work with the bank only when the bank offers free gifts.					
5	Customers use bank of Abyssinia POS machine only when a bank introduces refund some %age of purchase price.					
6	Sales promotion tools are the means to build positive brand image					
No	<b>Direct Marketing</b>	5	4	3	2	1
1	Bank of Abyssinia uses text(SMS) marketing to reach individual customers and send message to large group of people at a low cost					
2	The bank communicates its products and services to its customers via of email.					
3	The bank distribute well design flayers to communicate its service or products to customers.					

4	The bank sells its products and services via online marketing.					
No	<b>Operational performance</b>	5	4	3	2	1
1	The number of new ATM card users increases as a result of strong promotion made by bank of Abyssinia.					
2	The number of new Mobile banking and internet banking users increase as a result of strong promotion made by bank of Abyssinia.					
3	Number of new account opened due to the increase in promotion made by the bank.					
4	Both the number and volume of transaction increase due to the promotion made by the bank.					
5.	Opens new branches due to strong promotion made by the bank.					

9. If you have further comments please indicate in the space below

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*THANK YOU!!*