

## Digital Marketing Contribution On Performance Of Commercial Banks In Rwanda: A Case Study Of Bank Of Kigali

Byamukama Eliab Mpora<sup>1</sup>Gatovu Ngenzi Justin<sup>3</sup> Kagabika Boaz<sup>2</sup>

<sup>1</sup>Faculty of Economics and Management Science, Kabale University,<sup>2</sup>Kigali Independent  
University ULK,<sup>3</sup>Kigali Independent University ULK.

<sup>1</sup>byamukamaeliab03@gmail.com,

ebyamukamampora@kab.ac.ug<sup>2</sup>kagabika.boaz@ulk.ac.rw<sup>3</sup>jgatovu@bnr.rw

### Abstract

The study assesses the digital market contribution on performance of commercial banks in Rwanda. This study employed a descriptive cross-sectional survey design where it was used to gather information on a population of 10 customers and 23 employees at a single point in time. The sample size was included by 10 staffs in sales department and 23 employees of marketing department from BK. The application of digital marketing helps in reducing marketing cost against traditional marketing in commercial banks in Rwanda where 30.0% in BK said that digital marketing reduces the cost at a very high level; while 70.0% respondents in BK said that digital marketing reduce the cost of marketing for Bank at a very high level. In a nutshell, according to the findings there is significant contribution of digital marketing on performance of commercial banks in Rwanda and Bank of Kigali in particular. As recommendation, the commercial banks in Rwanda should invest in digital platforms so as to be in a position to take full advantage of the digital marketing potential.

**Keywords:** Digital Marketing, Performance, and Commercial Banks

## 1. Introduction

In a competitive business environment, organizations try to reach their customers in the best possible way and this requires these firms to develop strategies that will create customer satisfaction, value and loyalty (Hugh and Elizabeth, 2006).

Increasing usage of digital media by consumers and the tendency of more potential users joining the digital age, more companies are using digital marketing to reach their target markets. Indeed, by the end of 2013, the numbers of Internet users around the world were over 2.5 billion and this vast information traffic will continue to double every 1 - 1.5 years (Kaynar and Amichai-Hamburger, 2014). Digital Marketing is the practice of promoting products and services using digital distribution channels and the ubiquitous nature of the Internet and its wide global access has made it an extremely effective mode of communication between businesses and customers (Rowley, 2011).

## Objectives

- i. To identify the effectiveness of digital marketing used by Bank of Kigali.
- ii. To determine the level of performance of Bank of Kigali.
- iii. To assess the contribution of digital marketing on performance of Bank of Kigali.

## Theory of the Porter's five forces perspective

The theoretical perspective views competitive advantage as a position of superior performance that a firm achieves through offering cost advantages or benefit advantages (Porter, 1980). This model attributes competitive advantage to the external environmental factors that a firm must respond to such as erecting barriers of entry to competitors, product differentiation, capital requirements, and buyer switching costs (Lado et al., 2002). The theory says that competition within an industry is determined by five forces namely; rivalry of industry competitors, threat of new entrants, bargaining power of buyers, bargaining power of suppliers, and the threat of substitute products (Porter, 1980). The theory further says that basing on the

strengths or weaknesses of industry players, the competitive position of individual firms is partly determined, the rest of the external threats notwithstanding. Secondly, prospective new entrants to the industry, the bargaining power of buyers, the bargaining power of suppliers, and threat of substitute products, altogether have a potential of reducing considerably the competitiveness of organizations in the marketplace.

### **The Effectiveness of Digital Marketing**

The growth of digital marketing depends on effectively adapting to change, improving customer insights, then turning them into improvements in customer experience and service. It also depends on engaging and building communities with target customers, improving the effectiveness of marketing to be heard and remembered, and adding creative channels to communicate value propositions (Shabgoo, Gilaninia, and Mousavian, 2011). It certainly depends on the quality of employees, their training, and their ability to operate as a team.

Financial institutions have been in the process of significant transformation. The

force behind the transformation of these institutions is innovation in information technology. Information and communication technology is at the Centre of this global change curve of digital marketing (Mirhoseini, 2010).

Modern digital marketing facilitates consumer-oriented marketing and market segmentation. Market segmentation facilitates formation of marketing-mix which is more specific and useful for achieving marketing objectives. Segment-wise approach is better and effective as compared to integrated approach for the whole market, it facilitates introduction of suitable marketing mix: Market segmentation enables a producer to understand the needs of consumers, their behavior and expectations as information is collected segment-wise in an accurate manner Such information is purposefully usable (Clark and Dorie, 2012).

### **The Level of Performance of Bank**

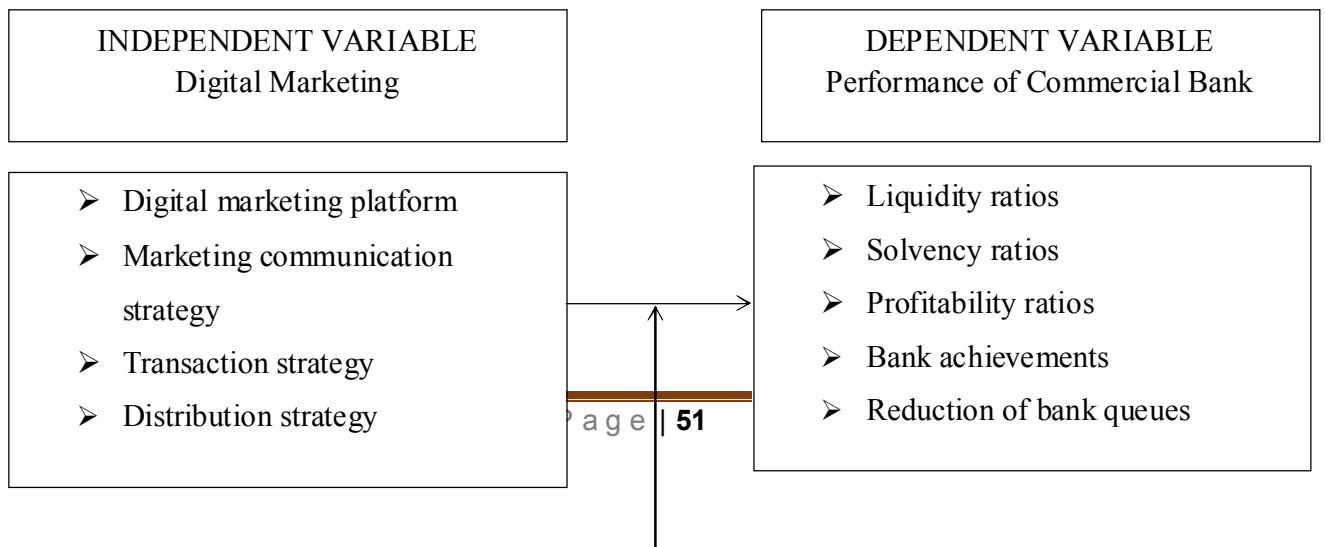
The financial performance of banks is expressed in terms of profitability and the profitability has no meaning except in the

sense of an increase of net asset. Profitability is a company's ability to earn a reasonable profit on the owner's investment. (Warren Buffett, 2005)

According to (I.M. PANDEY 1995:104), financial ratios are defined as the indicated quotient of two mathematical expressions and as the relationship between two or more things.

Daniel. W.Kimuda (2008:334), asserts that a ratio is an arithmetical or numerical relationship between given items normally expressed as a fraction or a percentage, use of ratios enables items appearing in financial statements to be translated and interpreted using any suitable basis such as the past record of the business.

**Conceptual framework**



### **The contribution of digital marketing on performance of Bank**

The key use of digital marketing is its ability to enable the banks reach and interact with its current clients as well as potential. It does not need to be expensive to reach online customers effectively (Kates & Matthew, 2013). This also allows them improve their products and services from the feedback given. Performance of banks is paramount for their success today. Success of business is gained through increased sales and acquisition of a market share from other competing firms. Internet marketing allows banks to formulate strategies that can enable them enhance their performance.

Evans (2009) noted that digital marketing enables a direct reaction from users towards the advertising companies (Perez-Latre 2009). It can even be 'one-to-one communication'. Moreover, direct actions (purchasing actions) by users are possible which is in particular attractive for companies with e-commerce activities. Another crucial aspect is the costs for digital marketing. Especially in comparison to newspapers, digital marketing represents a

cheaper method ad rates for online marketing are lower than for newspaper advertising (Perez Latre 2009).

Branding is important in the adoption of digital marketing purposes as well as the availability of adequate security procedures in one's site; this is because any online research and purchasing decisions are made solely based on trust. Inadequate security measures, expertise and financial means to guard against un-authorized access to confidential information by employees and from outsiders and hackers pose a hindrance to digital marketing adoption (Khan, 2007). Mcmillan & Schumaker (2011) noted that digital marketing allows organizations to have better control and feedback from their input as it brought about the capability to compile statistics regarding the viewing of the posted adverts on daily as well as hourly basis.

It enables one to view the exposure time of the client on an advert hence track the effectiveness of the advert. Marketers today are able to identify and satisfy consumer needs and preferences through monitoring of websites visitations either on email, online

surveys and chat rooms. Internet provides an opportunity to the businesses to get immediate and impulsive responses of the consumers through the marketing surveys and polls conducted online or via email.

### **Methodology of the study**

The researcher used a descriptive research design. Descriptive research seeks to establish factors associated with certain occurrences, outcomes, conditions or types of behaviour. This is deemed appropriate because the study will involve in depth a study of digital marketing strategies and its correlation to the performance of commercial banks institutions in Rwanda which will help the researcher in describing the state of the real current situation of commercial banks institutions. The sample size for bank's staff was 33 respondents. The study use structured questionnaires to elicit a wide range of baseline about marketing strategies paradigm in Commercial Banks of Rwanda. The considered respondents are Marketing Department.

### **Findings**

### **Effectiveness of Digital Marketing Strategies in Bank of Kigali**

Bivariate Correlation tests whether the relationship between two variables is linear (as one variable increases, the other also increases or as one variable increases, the other variable decreases). This type of bivariate correlation test requires that the variables both have a scale level of measurement (there is a rank order for the values and the distance in between the values can be determined).

Look at one of the numbers next to "Sig." (Both should be the same number). In Communication, it is convention that if this value is less than .05, then the correlation is considered to be significant (meaning that the researcher can be 95% confident that the relationship between these two variables is not due to chance). In this example, since the Sig value is .000 (which is less than .05), therefore there is a significant correlation between digital marketing and bank performance.

		Digitalmarketing	Performance
DigitalMarketing	Pearson Correlation	1	.947**
	Sig. (2-tailed)		.000
	N	91	91
Performance	Pearson Correlation	.947**	1
	Sig. (2-tailed)	.000	
	N	91	91

Findings indicate that banks use mobile apps strategy Website design /development for banks at 100%, Online advertising at 87.8%, Display advertising for banks at 90.9%, Mobile apps for banks at 100%, Social media at 90.9% and Email marketing for banks at 84.8%.From the findings it can be concluded that the banks have adopted several marketing platforms that will influence the perception of customers to improve competitiveness, grow rapidly, and attract customers due to emergence of new banks and competition between them.

The findings presented in the table above indicate that in marketing Communication Strategies, Internet marketing is adopted to communicate at 100%with international customers, Improved product information at 87.8%, There is availability of service at 90.9%, Reducing cost of communication at

competitiveness through convenience, reliability and efficiency.

## DISCUSSION

The study assesses the digital market contribution on performance of commercial banks in Rwanda. The specific objectives were to identify the common digital marketing platforms used by the commercial banks in Rwanda; to determine the extent to which the application of digital marketing has improved customers convenience as channel of performance of commercial banks in Rwanda; and to assess how the application of digital marketing helps in reducing marketing cost against traditional marketing in commercial banks in Rwanda. Findings in the study indicates a positive significance which explains that marketing strategies are positively effective to the

systems of banks of Kigali. This is inline with Peter mutiso, ( 2009), who attributed to marketing strategies that businesses can apply in marketing their products or services. Each business due to its unique nature must use the type of marketing strategy that best suits them that is significantly reliable to its operations as a business.

The study is also inline with wind & Rangaswamy (2011) noted that one of the most valuable benefits of using digital marketing is its capacity to offer consumers a personalized relationship personalization has also been shown to increase the level of loyalty a consumer holds toward a retailer. Online recommendations are one way to personalize a relationship. Online recommendations range from personal reviews from other customers to personalized recommendations provided by recommender engines or systems.

### **Conclusion**

The study examined the digital marketing contribution on performance of commercial

Banks in Rwanda taking into account of Bank of Kigali. It is found that the digital marketing strategies have a positive contribution to the banking sector of Rwanda. In observation, the study managed to understand the vital nature of digital marketing a major component to the bank performance whereby, the significant level was .000 which shows that digital marketing is highly effective to the performance. The study further concludes that digital marketing strategies adopted by the commercial banks have resulted in improved overall performance through increased uptake of bank products, revenue, and customer base of the bank and web traffic while at the same time reducing costs, working capital, fixed capital and reduced revenue volatility.

### **Recommendation**

From the study, digital marketing is vital in enabling the bank performance therefore banks ought to adopt them with cautions for instance, the study recommends the use of digital marketing strategies to allow technology innovation and standards in



Kigali Banking sector. The study also recommends that adoption of marketing strategies contributes to effective and efficiency of service delivery especially in conducting appropriate transactions.

### Acknowledgement

It is a very grateful to honor the contribution of Prof. Dr. Rwigamba Balinda for creating Kigali Independent University. It has been an exciting study period in the Kigali Independent University.

The study with great pleasure thanks the efforts of the management, Lecturers and staff of Kigali Independent University for their facilitation and support in my efforts. The study recognizes the contribution of supervisor Dr Eliab Byamukama Mpora for his exemplary guidance and support.

### Reference

Asare, A., Alejandro, T., Granot, E., & Kashyap, V., (2011). *The role of channel orientation in B2B technology adoption*, Journal of Business & Industrial Marketing, 26(3) 193-201.

Bandyo-padhyay, N. (2006). *E-commerce: Context, Concepts and Consequences*, UK, Berkshire: McGraw-Hill International, London

Barney, J. (1991). "Firm resources and sustained competitive advantage", Journal of Management, 17(1), 99-120.

Bickman, R.P., & Rog, G. (2008). *The effects of technology-mediated communication on industrial buyer behavior*. Industrial Marketing Management, 33, 107– 116.

Chevalier, J A. & Mayzlin, D. (2006). *The Effect of Word of Mouth on Sales*: online book Reviews. Journal of Marketing Research, 43(3), 345-354.

Goldenberg, J., Han, S., Lehmann, D. & Hong, J., (2009). *The Role of Hubs in the Adoption Process*, Journal of Marketing, 73(2) 1-13.

Hennig-Thurau, T., Malthouse, E., Rangaswamy, A. & Skiera, B., (2010). *The Impact of New Media on Customer Relationships*, Journal of Service Research, 13(3), 311-330