

Price Positioning Strategies and Organizational Performance of Tier 1 Commercial Banks in Kenya

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Abstract- Kenya's largest banks set their prices inside a sector marked by close regulatory disclosure, competitive convergence and customers who weigh value as much as cost, which raises the question of how much pricing can still contribute to performance. This study assessed how price positioning strategies affect the organizational performance of Tier 1 commercial banks in Kenya and how far customer satisfaction carries that effect. The study used a mixed methods explanatory sequential design and drew on Porter's competitive advantage theory, the resource based view and expectancy disconfirmation theory. A sample of 264 branch and operations managers from the eight Tier 1 banks, selected through stratified random sampling, completed a structured questionnaire, and the survey evidence was supported by sixteen executive interviews and four customer focus group discussions analysed through reflexive thematic analysis. Quantitative data were analysed using descriptive statistics, Pearson correlation, simple linear regression and bootstrap mediation analysis. Price positioning was practised at a moderately high level, with a composite mean of 3.77 on a five point scale, and managers rated fee transparency highest and segment based pricing tiers lowest. The correlation between price positioning and performance was positive and significant though the weakest among the four positioning dimensions, and the regression showed that price positioning accounted for 13.5 per cent of the variance in performance, so the null hypothesis was rejected. Bootstrap mediation analysis established that customer satisfaction partially mediated the relationship and carried 66.0 per cent of the total effect, the largest mediated share of any dimension. The qualitative evidence traced this pattern to regulatory disclosure, price convergence among the banks, transparency as a substitute for low prices and uneven price sensitivity across segments. The study concludes that pricing is a constrained lever whose influence reaches performance mainly through perceived fairness and transparency, and recommends that the banks compete on clear and fair pricing rather than on price levels.

Keywords: Price Positioning, Organizational Performance, Customer Satisfaction, Competitive Positioning, Tier 1 Commercial Banks, Kenya

I. INTRODUCTION

Competitive positioning describes how a firm sets itself apart from competitors in the perception of customers in order to earn better returns over the long run (Paul, Roy, & Merchant, 2020). Research on commercial banking groups these positioning choices into four recurring dimensions, namely product differentiation, price positioning, brand equity and innovation. Price positioning concerns the pricing decisions through which a bank signals value to its target customers relative to rivals, and it works through instruments such as deposit and lending rates, transaction and account fees, foreign exchange margins and the pricing tiers attached to premium and digital services (Srivastava, Das, & Kulkarni, 2024).

Price positioning corresponds to the cost and value side of Porter's competitive advantage theory, and the empirical record treats its performance effect as more conditional than that of differentiation, brand or innovation (Porter, 1985; Ishengoma & Mwaitete, 2018). Where customers can compare offers easily and are sensitive to cost, aggressive pricing tends to win short term share at the expense of margin, whereas where customers rely on brand, relationship and service quality, pricing produces smaller and less durable effects (El-Hassan & Tulunay, 2017; Goodie, 2022). A growing body of work argues that pricing reaches performance indirectly, through competitive advantage or customer satisfaction, rather than directly (Nafuna, Turyakira, Kyagante, & Tumwine, 2019; Waithaka, 2024).

The Tier 1 banks dominate the Kenyan financial system, holding over 70 per cent of the sector's assets and more than two thirds of its deposits, and earning returns above those of most comparable banking markets in Africa (Central Bank of Kenya, 2024; Kenya Bankers Association, 2024). Pricing is a sensitive matter for these banks. Survey evidence shows that high transaction fees are among the leading reasons customers give for switching banks, and the banks still depend heavily on net interest income while the fee based income tied to value added pricing has not grown (Kenya Bankers Association, 2024).

Two features of the sector narrow the room within which pricing can work as a competitive lever. Banks must disclose their effective rates and fee schedules to the Central Bank of Kenya in a standard format, so no bank can price aggressively while concealing the true cost of its services, and the eight Tier 1 banks watch one another's pricing closely and tend to match material moves, so no bank can hold a price position far from the rest of the tier for long (Central Bank of Kenya, 2024; Kenya Bankers Association, 2024). Under these conditions, pricing competition has shifted from the level of prices towards the clarity and fairness with which prices are explained to customers.

Kenyan and East African research confirms that pricing matters for bank performance, but the studies to date have looked at pricing across the whole sector or through small samples, and few have tested the channel through which pricing reaches performance (Waithaka, 2024; Fabian, Murithi, & Chege, 2023). The role of customer satisfaction as that channel has been assumed more often than it has been tested in the Tier 1 segment, which leaves the management of the largest banks without firm evidence on whether, and how, pricing decisions translate into performance.

This study addressed that gap by assessing how price positioning strategies bear on the organizational performance of Tier 1 commercial banks in Kenya, and to establish whether customer satisfaction mediates it. The specific objective that guided the study was to assess the influence of price positioning

strategies on the organizational performance of Tier 1 banks in Kenya. The matching null hypothesis stated that there is no significant relationship between price positioning strategies and the organizational performance of Tier 1 banks in Kenya. The rest of the paper reviews the theoretical and empirical literature, sets out the methodology, presents the quantitative and qualitative findings, and closes with recommendations for the management of the Tier 1 banks.

II. THEORETICAL REVIEW

The study rested on three theories that together account for price positioning as the predictor, organizational performance as the outcome, and customer satisfaction as the mediating mechanism. Each theory is set out in terms of its proponent and central claims, its relevance to the study, its strengths, and its weaknesses with the way those weaknesses are addressed.

2.1 Porter's Competitive Advantage Theory

Michael E. Porter set out the competitive advantage theory in his 1985 book *Competitive Advantage: Creating and Sustaining Superior Performance*, drawing on his work on competitive strategy and the five forces (Porter, 1985; Keskin, Akgün, & Koçoğlu, 2021). The theory holds that a firm earns superior returns by committing to one of three generic strategies, namely cost leadership, differentiation or focus. Cost leadership rests on achieving lower total costs than rivals, which a bank can express through competitive interest rates and lean fee structures, and pricing decisions are the visible face of that strategy. The theory frames the study's predictor. Price positioning in Tier 1 banking, expressed through competitive, penetration, value based or dynamic pricing, is the mechanism through which a bank signals cost or value to its customers, and the theory's prediction that a defensible competitive position yields stronger performance frames the hypothesis tested here (Murunde & Paul, 2023; Srivastava, Das, & Kulkarni, 2024).

The framework is clear and practical, and it captures the choices bank executives weigh as they trade competition on price against differentiated service or

a narrow segment focus. Its weakness for the pricing question is that it gives limited attention to the regulatory and institutional conditions that set the bounds of pricing, and critics note that it treats the firm in isolation from the wider competitive system (Culpan, 2008; Barney, Ketchen, & Wright, 2021). The study addresses this by placing the analysis inside the disclosure and supervision regime of the Central Bank of Kenya, so that the institutional limits on pricing that the theory understates are part of the account.

2.2 The Resource Based View

The resource based view took shape in Penrose's 1959 work on the growth of the firm, was carried forward by Wernerfelt in 1984, and was set out in full by Jay Barney in his 1991 article on the value, rarity, imitability and organisation of resources (Barney, 1991; Barney, Ketchen, & Wright, 2021). On this account, firms in the same industry hold different bundles of resources, and it is that variation, more than industry structure on its own, which explains why some outperform others. A resource yields lasting advantage when it is valuable, rare, hard to imitate and supported by organisational routines.

The view explains why pricing is a weak source of durable advantage. A price level is easy for rivals to observe and match, so it fails the rarity and imitability tests, which is why pricing rarely produces the lasting performance gains that brand equity or proprietary capabilities can secure (Malhotra, Taneja, & Jaiswal, 2024). The view therefore predicts that pricing will reach performance only when it is bound up with harder to copy resources such as a fair pricing reputation or a transparent service relationship.

The view offers a clear test for distinguishing durable from imitable advantage, and it has been extended to fast moving environments through the dynamic capabilities perspective (Barney, Ketchen, & Wright, 2021). Its limitations are that it says little about how firms build valuable resources, and that its tests are hard to apply in services where the relevant resources sit in tacit knowledge and customer relationships (Burvill, Jones-Evans, & Rowlands, 2018). The study addresses this by measuring pricing through

perceptual indicators of fairness, transparency and value, which capture the relational resources the view points to, and by drawing on executive accounts of how pricing is managed.

2.3 Expectancy Disconfirmation Theory

Richard L. Oliver set out expectancy disconfirmation theory in a 1980 article in the *Journal of Marketing Research* and developed it in his 1997 book on consumer satisfaction (Oliver, 1997). The theory holds that satisfaction comes from the comparison of what customers expected before purchase with what they perceive afterwards. When perceived performance exceeds expectations the customer is satisfied, when it falls short the customer is dissatisfied, and satisfaction shapes loyalty, retention and advocacy.

The theory supplies the mechanism through which pricing reaches performance. Pricing shapes the fees, rates and value that customers compare against their expectations of fair treatment, the resulting comparison produces satisfaction or dissatisfaction, and satisfaction feeds the retention and market share outcomes that make up organizational performance. The theory therefore grounds the mediation hypothesis, and it fits the finding that pricing in this sector works through perceived fairness rather than through the absolute price (Restuputri, Pratama, & Asnawi, 2024).

The theory is the most tested account of customer satisfaction in services research and it allows for both reasoned and felt responses to price, which supports the use of several satisfaction indicators (Oliver, 1997). It has been criticised for giving little weight to mood and context and for assuming that expectations hold steady when they may move during a service encounter (Restuputri, Pratama, & Asnawi, 2024). The study addresses this by adding customer focus group evidence that captures the felt and situational sense of fair pricing that a survey scale cannot reach on its own.

III. EMPIRICAL REVIEW

Six empirical studies set out the state of knowledge on the relationship between price positioning and

bank performance across developed, Asian and African markets.

El-Hassan and Tulunay (2017), in a study titled Competitive pricing strategies and market share in the banking sector, examined retail financial products in Australia through an analysis of pricing and product complexity. They found that complex products tended to be priced above what they cost to provide, and that banks selling simpler products at openly stated prices held on to customers for longer than those leaning on hard to read price premia. The research gap is that the study centred on product complexity rather than on customer satisfaction as the route from pricing to performance, and it was set in a mature market unlike the tiered Kenyan sector.

Thapa and Shah (2023), in a study titled Strategic positioning and competitive performance in Nepalese commercial banks, examined strategic orientation across commercial banks in Nepal using survey and regression methods. They reported that a price based orientation had a weaker effect on profitability than differentiation or brand based orientation, though price competition still mattered for acquiring customers in the lower income segment. The research gap is that pricing was treated as one orientation among several without a formal test of how it reaches performance, and the Nepalese market differs from the Kenyan Tier 1 segment.

Ali, Hussain, and Yousaf (2022), in a study titled Strategic misalignment and sustained declines in bank performance, examined competitive strategies among banks in Pakistan. They found that low cost strategies produced performance gains only when supported by enterprise risk management capabilities, which partially mediated the link between pricing choices and performance. The research gap is that the mediator examined was risk management rather than customer satisfaction, and the study did not focus on a dominant tier of banks.

Goodie (2022), in a study titled Aggressive price positioning and margin erosion in retail banking, examined pricing strategies across the telecommunications and financial services sectors in Nigeria. The study found that value based and cost

based pricing both improved performance when they matched customers' sense of fair pricing, while pricing that exploited information gaps produced short term gains at a long term reputational cost. The research gap is that the study spanned two sectors rather than isolating the banking segment, and it did not model customer satisfaction formally.

Nafuna, Turyakira, Kyagante, and Tumwine (2019), in a study titled Competitive advantage as a mediator between pricing strategies and performance of Ugandan enterprises, examined 164 private enterprises in Uganda. They established that competitive advantage fully mediated the link between pricing strategies and performance, so that pricing produced performance gains only when it was converted into a defensible position in the customer's view. The research gap is that the study covered enterprises in general rather than the banking sector, and the mediator examined was competitive advantage rather than customer satisfaction.

Waithaka (2024), in a study titled Competitive advantage as a mediator between pricing strategies and commercial bank performance in Kenya, modelled competitive advantage as the mediator between pricing and the performance of Kenyan commercial banks. The study found that pricing by itself predicted neither profitability nor market share well, and did so only where it was converted into a lasting competitive advantage. The research gap is that the study did not focus on the Tier 1 segment within a single integrated model and did not separate the mediating role of customer satisfaction from that of competitive advantage.

The six studies agree that pricing influences bank performance, but they also agree that its effect is conditional and usually indirect. The developed and Asian market studies show that transparent and fair pricing builds durable relationships while opaque or purely low pricing does not, and that pricing is weaker than differentiation or brand as a performance lever (El-Hassan & Tulunay, 2017; Thapa & Shah, 2023; Ali, Hussain, & Yousaf, 2022). The African studies confirm the same pattern and point to mediation, with Goodie (2022) tying pricing to perceived fairness, and Nafuna et al. (2019) and

Waithaka (2024) showing that pricing reaches performance through competitive advantage. Two gaps run through the literature. First, the channel from pricing to performance has been modelled through competitive advantage or risk management rather than through customer satisfaction. Second, no Kenyan study has examined pricing on the Tier 1 segment within a single design that tests the satisfaction channel directly. The present study addressed both gaps.

IV. RESEARCH METHODOLOGY

The study used a mixed methods explanatory sequential design within a pragmatic philosophy that drew on both positivist and interpretivist elements, so that a quantitative phase was followed by a qualitative phase that explained the statistical patterns (Creswell & Plano Clark, 2018; Bryman, 2016). The population was the senior and middle management of the eight banks classified as Tier 1 in Kenya, together with their retail and corporate customers. A sample of 264 branch and operations managers was drawn through stratified random sampling, with the strata set by bank so that each bank was represented in proportion to its share of the sector, and the sample size was fixed using Cochran's formula adjusted for a finite population (Hair, Black, Babin, & Anderson, 2019). Price positioning and organizational performance were each measured through six item scales on a five point Likert format, and every scale passed the conventional reliability threshold of 0.70 on Cronbach's alpha (Hair, Risher, Sarstedt, & Ringle, 2019).

The quantitative data were analysed through descriptive statistics, Pearson correlation, simple linear regression and bootstrap mediation analysis based on 5,000 bias corrected resamples, with the hypothesis tested at the five per cent level (Field, 2018; Hayes, 2018). The qualitative phase comprised sixteen semi structured executive interviews and four customer focus group discussions held in Nairobi, Mombasa, Kisumu and Eldoret, and the data were analysed through reflexive thematic analysis using the six phase procedure in NVivo software (Braun & Clarke, 2019; Bell, Bryman, & Harley, 2019). The two streams of evidence were brought together so

that the qualitative themes explained the mechanisms behind the statistics. Research permits were obtained from the Kibabii University Graduate School and from the National Commission for Science, Technology and Innovation, and the confidentiality of all participants was protected.

V. QUALITATIVE FINDINGS

The reflexive thematic analysis identified one principal theme on price positioning, namely that pricing is a constrained dimension of competitive strategy in the Tier 1 segment, expressed through four sub themes that describe how pricing is set and experienced.

5.1 Sub theme one: Regulatory constraints on pricing as a competitive tool

Executives described a setting in which rates, the main categories of fees and the relative cost of products appear in a shared sector format, which leaves a bank little room to price aggressively while hiding the full cost of what it provides. They saw the room for pricing as a pure differentiator as having shrunk over recent years.

Pricing as a competitive tool has been progressively narrowed over the last five or six years. The disclosure regime from the Central Bank means that any customer can compare effective rates across banks in a standardised format. We cannot price aggressively and hide the full cost in fees the way it might have been possible historically. The space for pricing as a pure differentiator has shrunk considerably.

This account helps explain the modest standardised coefficient on price positioning in the univariate regression and the loss of its significance once the other dimensions enter the model, since the executives themselves treat pricing as a constrained and shrinking part of their competitive strategy.

5.2 Sub theme two: Price convergence among Tier 1 banks

A second sub theme is that the banks watch one another's pricing closely and that a move by one is usually followed by matching responses from the

rest, so that no bank can hold a price position far from the tier for long without either triggering a response or signalling a weakness.

If we see a competitor move on a flagship fee or on an interest rate on a major product, we know within about a week and we have to decide whether to match, hold, or differentiate through something else, which is usually service. Nobody wants to be the outlier on price in either direction. An outlier raises questions from customers and from the regulator, and neither of those conversations is productive.

Convergence explains why pricing keeps only a modest effect on performance. When the eight banks price their main products within a narrow band, pricing becomes closely tied to the other positioning dimensions and adds little independent explanatory power, which shows up as the shared variance that absorbs the pricing effect in the combined model.

5.3 Sub theme three: Transparency as a competitive substitute for price

A third sub theme, raised by executives and confirmed by customers, is that the banks compete on the clarity of their pricing communication rather than on the level of their prices. The ability to explain a fee schedule in terms customers understand has become a more important lever than the price itself, because customers tend to choose the bank whose prices they trust rather than the cheapest bank.

Customers ask us about fees constantly, but what they are really asking is whether they are being charged the right amount for what the contract says. If we can show them the fee schedule transparently, in most cases the conversation ends there. They are not shopping for the cheapest bank. They are making sure they are not being quietly overcharged by the bank they have already chosen for other reasons.

I do not know the exact fees my bank charges. What I know is that when I withdraw money at an agent, the amount feels reasonable for what I am transacting, and the bank sends me an SMS showing the breakdown immediately. That is what I care about, not whether the fee is the lowest in the country.

The agreement between the bank and customer accounts is telling. The banks have grasped that customers do not mainly shop on price, and customers describe their attention as fixed on the fairness and transparency of fees. This gives the mechanism for the large share of the pricing effect that runs through customer satisfaction, since pricing reaches performance through the satisfaction customers take from fair and clear charges rather than through the lowest cost.

5.4 Sub theme four: Segment sensitivity in the effect of pricing

A fourth sub theme is that the effect of pricing on satisfaction and retention varies across customer segments. Small enterprise and lower income retail customers watch fees closely because they transact often and fees weigh heavily against their cash flow, while salaried middle income and corporate customers notice fees mainly when something looks unusual.

Small business customers watch the fees very carefully because they transact many times a month and a shilling a transaction adds up quickly. The middle class salary customer, by contrast, only looks at the monthly statement and only notices the fees when something feels unusual compared to the previous month. The two segments require very different pricing communication strategies.

Segment sensitivity shows that the aggregate pricing effect is an average across segments that differ in how closely they watch price, and it identifies the more price sensitive segments as the place where the effect is concentrated. This matters for reading the combined model result and for the recommendations that follow.

VI. FINDINGS

6.1 Descriptive Findings

Price positioning was practised at a moderately high level, with a composite mean of 3.77 and a pooled standard deviation of 1.02, and the scale returned a Cronbach's alpha of 0.822. Transparent communication of fees and charges drew the strongest agreement, at a mean of 3.96, while the

operation of differentiated pricing tiers for separate customer segments drew the weakest, at a mean of 3.62. These scores show that the Tier 1 banks are strongest on fee disclosure and weakest on segment based pricing tiers. The composite mean sits below the figure recorded for product differentiation, which suggests that managers see their banks as less assertive on pricing than on the distinctiveness of their products.

6.2 Correlation Analysis

The Pearson correlation matrix in Table 1 reports the associations among the study variables. Price positioning was positively and significantly correlated with organizational performance at .368, with customer satisfaction at .412, with product differentiation at .423, with brand equity at .385 and with innovation at .441, and every association was significant at the 0.1 per cent level.

Table 1 Pearson Correlation Matrix for Study Variables

Variable	1	2	3	4	5	6
1. Product Differentiation	1.00					
2. Price Positioning	.423	1.00				
3. Brand Equity	.548	.385	1.00			
4. Innovation	.512	.441	.574	1.00		
5. Customer Satisfaction	.506	.412	.618	.537	1.00	
6. Organizational Performance	.489	.362	.602	.523	.640	1.00

Note. N = 264. All off-diagonal correlations significant at $p < .001$ (two-tailed). Source: Research Data (2026).

Price positioning moved in the same direction as performance, but its correlation of .368 was the weakest of the four positioning dimensions, behind brand equity at .602, innovation at .523 and product differentiation at .489. Its correlation of .412 with customer satisfaction was also the lowest of the four, though still of medium strength. Pricing is therefore a real but comparatively minor element of the bank's competitive posture, and the gap between its weak link with performance and its stronger link with satisfaction already hints that pricing reaches performance mainly through the satisfaction channel. These correlations are associational and do not on their own establish the direction or size of effect, which the regression and mediation analyses then test.

6.3 Regression Analysis

A simple linear regression of organizational performance on price positioning strategies was fitted of the form $OP = \beta_0 + \beta_1PP + \epsilon$. The results are reported in Table 2.

Table 2 Regression of Price Positioning Strategies on Organizational Performance

Statistic	Value	Statistic	Value
R	0.368	F (1, 262)	40.886
R ²	0.135	p (model)	< .001
Adjusted R ²	0.132	B (PP)	0.346
Std. error of estimate	0.744	Std. error (B)	0.054
Cohen's f ²	0.156	β (PP)	0.368
Constant (B ₀)	2.595	t (PP)	6.395
		p (PP)	< .001

Note. N = 264. Predictor: price positioning strategies. Dependent variable: organizational performance. Source: Research Data (2026).

The coefficient of determination of 0.135 indicates that price positioning strategies account for 13.5 per cent of the variance in organizational performance, and Cohen's f² of 0.156 places the effect just above the medium threshold (Field, 2018; Hair, Black, Babin, & Anderson, 2019). Pricing therefore explains a modest share of the variation in performance, well

below the share explained by product differentiation. The model was statistically significant, with an F statistic of 40.886 and a p value below .001, which confirms that the relationship is not the product of sampling error. The unstandardised coefficient of 0.346 indicates that a one unit rise in the pricing score is associated with a rise of 0.346 units in performance, and the standardised coefficient of 0.368 was significant at a t value of 6.395 and a p value below .001. The estimated equation was $OP = 2.595 + 0.346PP$.

On the strength of these results, the null hypothesis that price positioning strategies have no significant relationship with organizational performance was rejected at the five per cent level, and the alternative hypothesis of a significant positive effect was supported. For the banks, this confirms that pricing is worth managing but that it carries a smaller return than the other positioning dimensions, so it should be treated as a supporting rather than a leading element of competitive strategy.

6.4 Mediation Analysis

Customer satisfaction was entered as a mediator and the indirect effect was tested through bootstrap analysis, with the results reported in Table 3.

Table 3 Mediation of the Pricing and Performance Relationship by Customer Satisfaction

Path / effect	Estimate	95% CI LL	95% CI UL
a path (PP to satisfaction)	0.368		
b path (satisfaction to performance)	0.620		
Total effect (standardised)	0.368		
Direct effect c' (standardised)	0.125		
Indirect effect (ab)	0.228	0.164	0.298
Proportion mediated	66.0%		
Type of mediation	Partial		

Note. N = 264. Bootstrap analysis based on 5,000 bias corrected resamples. Source: Research Data (2026).

The standardised direct effect of price positioning on performance reduced from 0.368 in the univariate model to 0.125 once customer satisfaction was included, while the indirect effect of 0.228 carried a 95 per cent bias corrected confidence interval of 0.164 to 0.298, which excludes zero. Because a significant direct effect remained alongside a significant indirect effect, customer satisfaction partially mediated the relationship (Hayes, 2018). The proportion of the total effect carried through satisfaction was 66.0 per cent, the largest mediated share of any of the four positioning dimensions, so most of the influence of pricing on performance runs through the satisfaction customers take from fair and transparent charges rather than through the price itself. Pricing decisions therefore pay off most when they are framed and communicated to raise perceived fairness, and a low price that customers do not register as fair or clear delivers little of the available benefit.

The integrated model adds a further qualification. When price positioning was evaluated together with product differentiation, brand equity, innovation and customer satisfaction, its direct effect on performance fell to a level that could not be distinguished from zero, as the qualitative evidence on regulatory disclosure and price convergence would predict. In practice, then, pricing reaches performance almost entirely through customer satisfaction, with its small remaining influence shared with the other positioning dimensions. Pricing is best managed as part of a wider competitive strategy built on satisfaction, brand and service rather than as a stand alone lever.

VII. CONCLUSIONS AND RECOMMENDATIONS

The study concludes that price positioning strategies carry a positive and significant, though comparatively small, influence on the organizational performance of the Tier 1 commercial banks in Kenya. Evaluated on their own, pricing strategies explain about a one eighth share of the variance in performance, carry an

effect size just above the medium threshold and produce a significant coefficient that led to the rejection of the null hypothesis, yet their influence is the smallest of the four positioning dimensions. Pricing in the Tier 1 segment is bounded by the disclosure regime of the Central Bank of Kenya and by close price convergence among the banks, and managers see their banks as strongest on fee transparency and weakest on segment based pricing tiers.

The study further concludes that the influence of pricing on performance is realised mainly through customer satisfaction, which partially mediates the relationship and carries two thirds of the total effect, the largest mediated share of any positioning dimension. The qualitative evidence explains this pattern, showing that the banks now compete on the clarity and fairness of their pricing rather than on its level, and that customers judge pricing by whether it feels fair and is clearly communicated rather than by whether it is the lowest. Pricing is most effective, therefore, when it is set within a wider strategy built on satisfaction, brand and service and when it is communicated transparently to the segments that watch fees most closely. The study makes the following recommendations.

1. The management of Tier 1 commercial banks should treat price positioning as a supporting rather than a leading element of competitive strategy, since pricing carries a smaller and largely indirect return than brand equity, innovation or product differentiation.
2. Because two thirds of the pricing effect runs through customer satisfaction, the banks should compete on the fairness and transparency of their pricing rather than on price levels, and should invest in clear fee disclosure, real time transaction messaging and accessible pricing information.
3. The banks should strengthen segment based pricing tiers, the weakest element of their pricing, by moving beyond the broad retail and corporate split towards finer segmentation that matches price structures to the needs and sensitivities of distinct customer groups.
4. The banks should direct their clearest pricing communication at the more price sensitive

segments, in particular small enterprise and lower income retail customers, who watch fees closely and whose satisfaction is most affected by perceived fairness.

5. Given the close convergence of prices across the tier, the banks should seek advantage not through price moves that rivals will quickly match but through the service, relationship and trust dimensions that pricing cannot easily replicate.
6. Policymakers at the Central Bank of Kenya and the Kenya Bankers Association should sustain the disclosure regime that supports fair pricing, while monitoring its effect on the fee based income on which the banks depend, so that transparency and sector stability are balanced.
7. Future research should test the pricing and performance relationship across the second and third tiers of the banking sector and over time, and should separate the mediating roles of customer satisfaction and competitive advantage, so as to establish whether the pattern found in the Tier 1 segment holds more widely.

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