THE IMPACT OF RELATIONSHIP MARKETING ON CUSTOMER RETENTION IN BANKS IN KENYA: A CASE STUDY OF THE BANK OF AFRICA

BY

SILPAH ANYANGO OWICH

ID 632385

A Project Report Submitted to the Chandaria School of Business in Partial Fulfillment of the Requirement for the Degree of Global Executive Masters in Business Administration (GEMBA).

UNITED STATES INTERNATIONAL UNIVERSITY

Spring 2011
STUDENT’S DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than the United States International University in Nairobi for academic credit.

Signed: __________________________  Date: ____________________________

SILPAH ANYANGO OWICH (ID 632385)

This project has been presented for examination with my approval as the appointed supervisor.

Signed: __________________________  Date: ____________________________

PROF. FRANCIS WAMBALABA

Signed: __________________________  Date: ____________________________

DR. PETER KIRIRI
ACKNOWLEDGEMENT

As I begin to reflect on the magnitude of this project, I would like to thank the Almighty God for providing the resources and energy to make this research project a reality. I wish to extend my deep felt gratitude to all the people who offered their support and assistance.

I am very grateful to my supervisors, Prof F Wambalaba and Dr P Kiriri for their dedication, support and guidance as I prepared this project. Prof Wambalaba particularly provided me with the confidence and encouragement without which this work would have been a mere dream. I have enjoyed and benefited from their constant availability to discuss my work and the interest they have shown in my arguments.

I thank the United States International University (USIU) most sincerely for enabling me to undertake this program.
DEDICATION

This project is dedicated to my family who are a living example of unconditional love and support.
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>STUDENT'S DECLARATION</td>
<td>i</td>
</tr>
<tr>
<td>ACKNOWLEDGEMENT</td>
<td>ii</td>
</tr>
<tr>
<td>DEDICATION</td>
<td>iii</td>
</tr>
<tr>
<td>TABLE OF CONTENTS</td>
<td>iv</td>
</tr>
<tr>
<td>ABSTRACT</td>
<td>viii</td>
</tr>
<tr>
<td>LIST OF FIGURES</td>
<td>xi</td>
</tr>
<tr>
<td>LIST OF TABLES</td>
<td>xi</td>
</tr>
<tr>
<td>CHAPTER ONE</td>
<td>1</td>
</tr>
<tr>
<td>1.0 INTRODUCTION</td>
<td>1</td>
</tr>
<tr>
<td>1.1 Background of the Study</td>
<td>1</td>
</tr>
<tr>
<td>1.2 Problem Statement</td>
<td>4</td>
</tr>
<tr>
<td>1.3 Purpose of the study</td>
<td>5</td>
</tr>
<tr>
<td>1.4 Research questions</td>
<td>6</td>
</tr>
<tr>
<td>1.5 Significance of the Study</td>
<td>6</td>
</tr>
<tr>
<td>1.5.1 Bank managers and staff and the banking industry as a whole</td>
<td>6</td>
</tr>
<tr>
<td>1.5.2 Scholars and researchers</td>
<td>6</td>
</tr>
<tr>
<td>1.5.3 Bank customers (public)</td>
<td>6</td>
</tr>
<tr>
<td>1.5.4 CBK (Central Bank of Kenya)</td>
<td>7</td>
</tr>
<tr>
<td>1.6 Scope of the Study</td>
<td>7</td>
</tr>
<tr>
<td>1.7 Definition of Terms</td>
<td>7</td>
</tr>
<tr>
<td>1.7.1 Relationship marketing</td>
<td>7</td>
</tr>
<tr>
<td>1.7.2 Bank marketing</td>
<td>7</td>
</tr>
<tr>
<td>1.7.3 Strategic Pricing</td>
<td>7</td>
</tr>
</tbody>
</table>
2.0 LITERATURE REVIEW

2.1 Introduction .................................................................................................................. 9
2.2 Types or Approaches Towards Relationship Marketing .................................................. 9
  2.2.1 The 4 Ps (Place, Price, Promotion and Product) ......................................................... 9
  2.2.1.1 The 4 Cs vis-a-vis the 4Ps .................................................................................. 11
  2.2.1.2 Consumer wants and needs (Products) ................................................................. 12
  2.2.1.3 Cost to satisfy (Price) ......................................................................................... 13
  2.2.1.4 Convenience to buy (Place) ................................................................................ 14
  2.2.1.5 Communication (Promotion) ............................................................................. 14
  2.2.2 Levels of relationship marketing ............................................................................ 15
  2.2.3 Bank Marketing ....................................................................................................... 15
2.3 Effects of Relationship marketing to customer satisfaction ............................................. 16
  2.3.1 Factors that enhance customer satisfaction ............................................................... 16
    2.3.1.1 Increase of customer contact centers ............................................................... 16
    2.3.1.2 Use of Technology in Banks ........................................................................... 17
    2.3.1.5 Diversified Products and Improved Customer Relations ............................... 19
  2.3.2 Effects of Relationship Marketing to Customers ....................................................... 20
    2.3.2.1 Bank loyalty .................................................................................................... 20
    2.3.2.2 Products that enhance customer satisfaction ..................................................... 21
2.4 Aspects of Relationship marketing that enhance Profitability ...................................... 22
  2.4.1 Role of M-Banking and E-Banking on Pricing ............................................................ 22
  2.4.2 Diversification and profitability ............................................................................. 23
  2.4.3 Strategic Pricing ...................................................................................................... 24
  2.4.4 Relationship Based Pricing ................................................................................... 25
  2.4.5 Complex Pricing Models ....................................................................................... 25
2.5 Chapter summary ........................................................................................................... 26
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction .......................................................................................................................................................... 27
3.2 Research Design .................................................................................................................................................... 27
3.3 Population and Sampling Design ...................................................................................................................... 27
  3.3.1 Population .......................................................................................................................................................... 27
  3.3.2 Sampling Design .............................................................................................................................................. 28
    3.3.2.1 Sampling Frame ......................................................................................................................................... 28
    3.3.2.2 Sampling Techniques ................................................................................................................................ 28
    3.3.2.3 Sample Size ................................................................................................................................................. 29
3.4 Data Collection ...................................................................................................................................................... 29
3.5 Data Analysis Methods ......................................................................................................................................... 30
3.6 Chapter Summary .................................................................................................................................................. 31

4.0 ANALYSIS, DISCUSSIONS AND INTERPRETATION .......................................................................................... 32

4.1 Introduction .......................................................................................................................................................... 32
4.2 Demographic Data ................................................................................................................................................ 32
  4.2.1 Duration of Work Experience in Banking Industry ...................................................................................... 32
  4.2.2 Worked elsewhere .......................................................................................................................................... 33
  4.2.3 Experience of working with other banks .................................................................................................. 33
4.3 Types or Approaches of Relationship Marketing that Banks use to Attract and Retain Customers ............................................................................................................................................................................................ 34
  4.3.1 Establishing better Customer Care relations with customers ..................................................................... 34
  4.3.2 Establishing convenient branch network ...................................................................................................... 35
  4.3.3 Personalized and better diversified products ............................................................................................... 36
  4.3.4 Enhanced customer support during account opening .............................................................................. 38
  4.3.5 Convenient banking accessibility and personalized services ..................................................................... 39
4.3.6 Affordable accounts maintenance, low charges on withdrawals, better rates for deposits and loans .................................................................40
4.3.7 Better rates on loans, deposits and account maintenance .................................................................41

4.4 Effects of relationship marketing on customer satisfaction .................................................................43
4.4.1 Better and fast customer service ........................................................................................................43
4.4.2 Easily accessible bank services like ATM and banks .........................................................................44
4.4.3 Continuous review of products on offer so as to coincide customers changing lifestyle ..................45
4.4.4 Personalized banking, better services and diversified products .........................................................46
4.4.5 Use of mobile and internet banking services to bring services closer to customers .........................47
4.4.6 Effects of the level of satisfaction to customer attraction/loyalty .........................................................48
4.4.7 Other factors enhancing customer satisfaction in banks ......................................................................49

4.5 Aspects of relationship marketing that enhance profitability in banks ..................................................49

4.6 Chapter Summary ..................................................................................................................................51

5.0 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS 52

5.1 Introduction ............................................................................................................................................52
5.2 Summary of the Study ............................................................................................................................52
5.3 Conclusions ............................................................................................................................................53
5.3.1 The types/approaches of relationship marketing that bank in Kenya use to attract and retain customers ........................................................................................................................................53
5.3.2 The effects of relationship marketing to customer satisfaction ..........................................................54
5.3.3 The aspects of relationship marketing that enhance profitability ......................................................54

5.4 Recommendations .................................................................................................................................54
5.4.1 Recommendations for Improvement ..................................................................................................54
5.4.2 Recommendations for Further Study .................................................................................................55
5.4.2.1 Approaches of relationship marketing ..........................................................................................55
5.4.2.2 Effects of relationship marketing on customer satisfaction ..........................................................56
5.4.2.3 Aspects of relationship marketing that enhance profitability .......................................................56
REFERENCES

APPENDICES

Appendix I: Cover Letter
Appendix II: Questionnaire
Appendix III: Research Budget
Appendix IV: Implementation Plan
Appendix V: Breakdown of sample frame from each BOA branch
ABSTRACT

The aim of this study was to determine the association between relationship marketing and retention of customers in banks in Kenya. To accomplish this, the research study aimed at answering the following research questions: - What are the different types or approaches of relationship marketing that banks use to attract and retain customers? What are the effects of relationship marketing to customer satisfaction? And, what are the aspects of relationship marketing that enhance profitability?

The study used a descriptive research design which gave the desired information the researcher targeted. The targeted population included that of managers and staff of Bank of Africa (Kenya) together with a number of selected bank account holders with the bank. The sample size was 80 and it comprised 16 managers, 24 general staff members and 40 account holders (selected from the 8 branches of the bank within Nairobi). The purposive sampling method was used to identify the sample among the banking staff while accidental sampling was used to sample the account holders. A questionnaire was used for the data collection process.

Out of a total 80 respondents, only 68% responded to the questionnaires adequately. The finding from these was that relationship marketing is a very important method of either defensive or offensive marketing strategy. Banks were found to be using a variety of approaches in executing relationship marketing, among them were better offers on products, convenience of access, customized services, and the use of E-Banking solutions (technological) among others. The study also established that there are certain effects of relationship marketing that impact the satisfaction of customers towards their banks. These were better customer care services, convenient location of the bank/ATM, continuous review of products on offer so as to coincide with customers’ changing lifestyles, better pricing rates, personalized banking, better services with diversified products, and use of mobile and internet banking services to bring services closer to customers. The research also found out that there were several factors that enhanced customer value and improved business performance; open, honest and frequent communications; enhanced ethics and trust between the customers and the direct sales representatives; appropriate
client knowledge and progressive friendship to retain existing customers; enhanced quality services by keeping promises to customers; maximum and sustained customer satisfaction; and building and maintaining long-term customer relationships that affected the profitability of a bank.

The study concluded that relationship marketing is a very important way of enhancing defensive and offensive marketing in banks. It was also observed that banks used several strategies of relationship marketing to enhance customer loyalty and attraction. Banks also valued relationship marketing approaches as strategies of sustaining their stake in their customer retention capacities. The research also concluded that the different tools of relationship marketing enhanced customer satisfaction in the services that banks offered and that high level of satisfaction influenced customer attraction as well as customer retention positively. The study also concluded that there are several factors of relationship marketing that when enhanced, increase profitability in banks through enhancing customer attraction and retention. It was however established that though these factors enhanced profitability on a general level, some of them had a higher chance than others of enhancing profitability.

Due to the increased competition in the banking industry, this study therefore recommends that banks and other firms in the service sector should indulge deeply in devising better strategies/approaches relevant for the retention and attraction of customers to cushion firms from the high competition threats as well as make them remain profitable. Concerning effects of relationship marketing to customer satisfaction, the study recommended that due to the likeliness of imitation, banks should always be highly innovative so as to create unique tools that will enable them to provide exceptional quality and satisfactory services to their customers. To be able to enhance the effect of relationship marketing on profitability in a positive way, the study further recommends that banks and other companies at large should observe the necessary measures that keep their trust and commitment to customers hence establish better relationships with them so that, through the relationships, the banks can be able to remain profitable.

The study finally recommends that further research needs to be done to assess whether the three levels of relationship marketing strategies can be fused into one major approach and whether the
three levels should be used concurrently. Further research effort should also be expended in clearly establishing the relationship between the mentioned aspects of relationship marketing to quantity the profits a company is expected to achieve on implementation.
# LIST OF FIGURES

<table>
<thead>
<tr>
<th>Figure 4.1:</th>
<th>Worked in other banks.................................................</th>
<th>35</th>
</tr>
</thead>
<tbody>
<tr>
<td>Figure 4.2:</td>
<td>Work experience in other banks.......................................</td>
<td>36</td>
</tr>
<tr>
<td>Figure 4.3:</td>
<td>Better customer care relations and services..........................</td>
<td>37</td>
</tr>
<tr>
<td>Figure 4.4:</td>
<td>Providing Better and Diversified products............................</td>
<td>39</td>
</tr>
<tr>
<td>Figure 4.5:</td>
<td>Affordable Accounts and Competitive Interests........................</td>
<td>42</td>
</tr>
<tr>
<td>Figure 4.6:</td>
<td>Interests on Loans and Deposits........................................</td>
<td>43</td>
</tr>
<tr>
<td>Figure 4.7:</td>
<td>Better and Fast customer Services......................................</td>
<td>45</td>
</tr>
<tr>
<td>Figure 4.8:</td>
<td>Continuous Product Review ...............................................</td>
<td>47</td>
</tr>
<tr>
<td>Figure 4.9:</td>
<td>E-banking Services ................................................................</td>
<td>49</td>
</tr>
</tbody>
</table>
**LIST OF TABLES**

<table>
<thead>
<tr>
<th>Table</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Table 3.1:</td>
<td>Population and Sampling.</td>
<td>31</td>
</tr>
<tr>
<td>Table 4.1:</td>
<td>Length of work Experience with BOA.</td>
<td>34</td>
</tr>
<tr>
<td>Table 4.2:</td>
<td>Convenient Branch Network.</td>
<td>38</td>
</tr>
<tr>
<td>Table 4.3:</td>
<td>Customer Support at Account Opening.</td>
<td>40</td>
</tr>
<tr>
<td>Table 4.4:</td>
<td>Access to Banking and Services.</td>
<td>41</td>
</tr>
<tr>
<td>Table 4.5:</td>
<td>ATM location and delivery channels.</td>
<td>46</td>
</tr>
<tr>
<td>Table 4.6:</td>
<td>Better Services and Diversified Services.</td>
<td>48</td>
</tr>
<tr>
<td>Table 4.7:</td>
<td>Effects of High Customer Satisfaction on Customer Loyalty and Attraction.</td>
<td>50</td>
</tr>
<tr>
<td>Table 4.8:</td>
<td>Aspects of Relationship Marketing that lead to Profitability.</td>
<td>51</td>
</tr>
</tbody>
</table>
CHAPTER ONE

1.0   INTRODUCTION

1.1   Background of the Study

The start of the 19th century through to the 20th century saw an increase in growth in the banking industry all over the world. This was attributed to the increased need to make savings, the need for mortgages, loans and privacy of customer’s documents. Klein and Lambert (1987) concur that banks existed solely for the safekeeping of the customer’s funds. However, according to Genesys (2010), these needs were at a saturated level by the start of the 21st century after the number of banks in the market increased enormously, leading to increased competition. In the face of slowing industry growth and the new increased competition, today’s retail banks are under tremendous pressure to grow organically. The terrifying competition from both traditional brick and mortar operations and emerging internet banks has made a large number of banks to have trouble meeting performance expectations due to difficulties in differentiating their businesses, difficulties in reaching customers likely to respond positively to new sales opportunities and difficulties in making the most of their valued staff.

Banks that define and implement solutions to such problems as identified above are those that will successfully compete and thrive into the future. These are the banks that can be able to keep their main asset - customers in place. Such banks therefore need to establish good relationships with their customers so as to create a customer loyalty image that in turn will lead to their sustenance (Huber and O’Gorman, 2008). In this relation, the American Marketing Association (2004) notes that marketing is very vital. The association, in defining what marketing is, further explains marketing as an organisational function that comprises a set of processes that create, communicate and deliver value to customers and manage customer relationships in ways that are beneficial to the organisation and its stakeholders (American Marketing Association, (AMA), 2004). This view establishes marketing as a very vital factor in the success of banks. Berry (1995) opines that the intangible nature of products in the service industry - banks comprising this service industry - makes it difficult for customers to evaluate them. He adds that customer centred marketing easens this process.
Since many banking products are undifferentiated commodities, retail banks are constantly looking for ways to set themselves apart from the competition to help them win and retain customers and to improve the banks bottom line. As customers begin to view all banks as the same and make their product selections based solely on the best price, one method that retail banks can employ to differentiate themselves is to optimize their customer service (Genesys, 2010). Wright (2002), in concurrence with Genesys, notes that the best way to keep up with the high competition in the banking industry is to hold on to the existing customers as well as acquire many more customers as possible. Abratt and Russell (1999) explain that keeping clients through development of relationships with them is crucial to establishing and maintaining a competitive advantage in the market.

According to Rao (2000), most banks in the world and specifically in the developed countries concentrated most on the systems and accounting rather than on the operations and marketing. When competition increased, towards the latter half of the 20th century, these banks started realizing the importance of marketing in enhancing customer loyalty as well as attracting more new customers than competitors. This heat-up led to the extensive and wide practice of marketing - an arm that greatly took customer needs into consideration as opposed to the previous strategies. Rao (2000) further notes that marketing in banks involves being customer oriented which means that banks should strive to create new and innovative services while keeping in view the changing needs of their customers. To further specify the target of the marketing strategy, Ennew and Binks (1996) wrote that the higher relative cost of acquiring new customers had shifted the emphasis on maintaining long term customer relationships to improve profitability as part of the marketing plan.

Though relationship marketing was highly emphasized in the early 80’s, it started being used during the earlier days of business. Grönroos (1994) confirms this from a Middle East ancient proverb among merchants: “As a merchant, you’d better have a friend in every town.” Though that is the case, relationship marketing appeared in literatures in the early 80’s (Barness, 1994; Grönroos, 1994). Schneider (1980) recounted that during the period preceding the 80’s, researchers and business people had concentrated more on how to attract consumers to products and services rather than how to retain these customers.
As a confirmation of how banks were adopting the issue of relationship marketing, Kumar (2005) says that the focus of financial institutions has shifted towards empowering customers with the right financial solution comprising of the right product mix, and most importantly, at the right price. The concept of relationship based pricing, therefore, is not an opportunity, but merely an eventuality. Additional factors that have seen the high adoption of relationship marketing are identified as maturing of services marketing; increased recognition of potential benefits for the firm and the customer; and technological developments (Berry, 1995). Brown and Molla (2005) say that "Most banks are continually looking for alternative ways of relating to customers, reducing costs, (and) improving efficiencies" as these have a history of reduction in costs and increases in profitability.

Cohen, Gan, Yong and Choong (2006) while commenting on New Zealand banks’ customer retention strategies noted that banks in collaboration with the government have enhanced adjustments in bank rates, policies governing bank services and management and the bank branch locations so as to reduce, as much as possible, the barriers between customers and the bank and thus bring up the level of customer loyalty and customer attraction. In India, skepticism prevented managers from adopting marketing as a strategy for competition. It was only in the early 70’s, after the nationalization of banks, that banks realized the need for marketing their services. The State Bank of India started this pace by reorganizing itself on the basis of major market segments, a framework that saw the fulfillment of Drucker’s philosophy on the purposes and fruits of segmentation (Shrivastava, Pandey, and Vidyarthi, 2007).

Across Africa and specifically in South Africa, the need to service customers has changed drastically over the last 20 years. Berry (1995) reports that the needs of most banks have shifted from attracting new customers, as the main marketing tool, to retaining them as well. The incorporation of more customer friendly services has contributed to this great change. The only banks of the 1980’s- the original branch has evolved into sophisticated electronic delivery channels such as telephone banking, Automated Teller Machines (ATMs), online banking, and more recently, cell phone banking. These innovations were implemented so as to keep customer service between the bank and customers on a stable and consistent level that would be desirable not only to the existing customers, but also to new (targeted) customer.
In Kenya, Laura (2005) notes that customer retention has been, and is still, a thorn to most Kenyan banks. She notes that most banks in Kenya lose up to 40% of their customers before the customers' first-year anniversary. These is a shocking result, putting in mind that a lot of investment is put to task for the banks to be able to get the customers. Laura however notes that banks attract many customers due to their lucrative offers but are unable to keep them as expected.

With increased competition and the need to cut on costs to enhance profitability, managers realized the importance of dwelling more on the customers that are already within their system than those who are not yet theirs. This may have been brought about by the realization that dwelling more on retaining already available customers was cheaper than attracting new customers as Reichheld and Sasser’s (1990) experiments showed. Some authors like Berry considered relationship marketing the backbone of any service industry business and the core strategy that ensured that a company got the customers it required to run. He emphasized that attraction of new customers should be viewed only as an intermediate step in the marketing process. Solidifying the relationships, transforming indifferent customers into loyal ones and serving customers as clients should also be considered as marketing (Berry, 1983).

The Bank of Africa is one Kenyan bank that has been provided with the environment of attracting new customers as well as maintaining those already attracted as a way of responding to the high competition experienced in the industry since its inception in 2004. To be able to enhance their customer contact, the bank increased its branches from two in 2004 to seventeen in 2010 with eight of the seventeen being in Nairobi. It also reduced rates charged on bank transactions, offered diversified products and services as well as increased hours of contact with customers (BOA\(^1\), 2011).

\(^1\) Bank of Africa
1.2 Problem Statement

In the ancient days, the marketing perspective of many service firms was basically devoted to attracting new customers rather than retaining them (Schneider, 1980), a strategy that led to the increase in the cost of acquiring new customers (Ennew and Binks, 1996). The increase in competition in most business sectors in the world coupled with the need for a change in the marketing perspective have led managers to develop strategies that enable them keep up with the growing competition. Since this competition is very stiff, managers thought of holding onto the available customers on the same level as attracting new ones. Levitt (1981) writes that customers’ behavior of establishing relationships with people rather than goods has also pushed for customer relationship marketing to meet the customer needs. This meant that an overhaul from the purely systems processes to operations processes was important and viable for the retention of customers. This is aimed at making the organization profitable even when the recruitment of new customers is very low. Originally, banks emphasized most of their time on the systems rather than the operations in bank activities as a way of keeping up with competition. This was only to last with stiffer competition due to the reduction in the penetrable market. At this point, holding onto the available market was a major item.

The need to keep hold of the already available customers led to managers in banks looking for relationship marketing, an item that kept customers to banks. Previous studies showed that relationship marketing had helped banks to hold on to their available customers and keep up with profitability (Reichheld and Sasser, 1990). However, some people like Laura (2005) insist that Kenyan banks still have problems with retention of customers even with the implementation of relationship marketing. These banks lose customers to new banks because they do not have better strategies of enhancing customer loyalty. Other scholars like Huber & O’Gorman (2008) explain that the relationship between customer retention and bank success cannot be quantified or be given a definite direction. They claim that it all depends with the practicing bank. Heskett, Sasser and Hart (1990) on the other hand advise that, to achieve customer satisfaction, a superior level of service and customer orientation is required lest the desires of adoption of relationship marketing would not be achieved.
Few banks in Kenya have shown a little improvement in customer retention when it comes to the implementation of relationship marketing. In other areas though, relationship marketing has borne fruits, a result that is significantly different from the Kenyan scenario.

1.3 Purpose of the study

The purpose of this study was to determine the impact of relationship marketing on retention of customers among Kenyan banks.

1.4 Research questions

To accomplish the aim of this study, the research study relied on the following research questions:

1.4.1 What are the different types or approaches of relationship marketing that banks use to attract and retain customers?
1.4.2 What are the effects of relationship marketing to customer satisfaction?
1.4.3 What are the aspects of relationship marketing that enhance profitability?

1.5 Significance of the Study

The study would be very important and useful to the following groups of people:

1.5.1 The Banking Industry as a whole

Managers of banks would use the findings of this project to establish the relevance of relationship marketing in their organizations and thus know how to use the operations and systems of the bank to enhance the level of relationship marketing. Other staff in the bank would be able to know the stake relationship marketing provides to the bank and thus know the priority areas to keep the bank running effectively. Generally, the findings of this study will be very useful to the improvement of the banking industry which would generally use these findings to edge their competitive tools as relates to relationship marketing so that they can outshine their counterparts.
1.5.2 Scholars and Researchers

This study would also act as a base for reference and information to other researchers willing to develop on the topic. The research would also compel other researchers to do researches on critiquing the facts mentioned in this study’s findings.

1.5.3 Bank Customers (public)

Since the study revealed the importance of relationship marketing in attracting and retaining customers, it would give the general public an idea of what they would expect from banks so that they can easily identify value for their investments. It would also enable the public to identify banks that meet their needs.

1.5.4 CBK (Central Bank of Kenya)

The information in this project provides a rough idea on the scale of competition in the banking industry and thus enabling the CBK to offer operation licenses to new entrants into the banking industry on a much regulated basis. The findings would also be beneficial in providing a base of creating the required regulatory policies governing competition and fair play. For instance, a policy on tariffs - the range of charges a bank should charge on loans or transaction fees would arise from its observations.

1.6 Scope of the Study

The study sought to identify the impact of relationship marketing to customer retention in the Kenyan branches of the Bank of Africa. Though the study was specific on doing the case of Bank of Africa, it was aimed at investigating the impact of relationship marketing to customer retention on the whole banking industry in Kenya. There are 43 commercial banks in Kenya, as at May 2011, which together with the Central Bank of Kenya form the banking industry. The scope of this study revolves around this industry.
1.7 Definition of Terms
1.7.1 Relationship marketing

Relationship marketing is the process of attracting, maintaining, and enhancing long-term relationships with key people in a firm or organization (DeYoung, 1988). According to Grönroos (1990:138), relationship marketing is “to establish, maintain and enhance relationships with customers and other partners, at a profit, so that the objectives of the parties are met. This is achieved by a mutual exchange and fulfillment of promises”.

1.7.2 Bank marketing

This is the creation and delivering of want satisfying services to the present and prospective customers at a profit to the bank by integrating all the banking activities effectively (Rao, 2002).

1.7.3 Strategic Pricing

Strategic pricing clarifies the relationship between market segmentation and price, and delivers the tools an organization needs to stay focused on value as it determines break-even, defines price elasticity, and analyzes tradeoffs between features and price points. Using strategic pricing tools yields a better positioning approach (Industrial Relations Center (IRC), 2011).

1.7.4 Service industry

This is an industry made up of companies that primarily earn revenue through providing intangible products and services. Companies in the service industry are involved in retail, transport, distribution, banking services, as well as other service-dominated businesses. The service industry is also called the service sector or tertiary sector of industry (Clarke, 2000).

1.8 Chapter Summary

This chapter started by introducing the background information about the topic of the study. From this background, the chapter then developed the problem statement for the study and then defined the purpose of doing the study. It went ahead to pose the research questions that the study aimed to answer, spelt out the beneficiaries of the findings of the study, and defined the scope within which the study would confine itself. The chapter finalized by noting the meanings
of operational words used in the study. The next chapter reviews the literatures related to relationship marketing as per the research questions created in chapter one.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter explores the literature related to relationship marketing and its impacts to customer retention and attraction. The chapter is built around the three research questions, i.e., What are the different types or approaches of relationship marketing that banks use to attract and retain customers; what are the effects of relationship marketing to customer satisfaction; and what are the aspects of relationship marketing that enhance profitability?

2.2 Types or Approaches towards Relationship Marketing

2.2.1 The 4 Ps (Place, Price, Promotion and Product)

Based on the definition of marketing by the American Marketing Association as elaborated in 1985- “the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational objectives”, the essence of the transactional perspective as centered on the concept of the marketing mix is vividly captured. Basically, based on this view of marketing, a company should attain an optimal combination of goods and services offering price, promotion and distribution in order to attract and satisfy customers. Here, consumers are viewed as passive; they are limited to accepting or not accepting the combination of the 4 Ps and buying or refusing the offer (Maxim, 2009). This approach of transactional marketing proved very efficient in the context of the post World War II economic boom of the United States and other countries whose economies were growing very fast (Lindgreen et al., 2004). Egan (2008) says that McCarthy elaborated this principle of marketing into the current 4Ps in 1960.

In relationship marketing, the 4Ps is an offensive marketing strategy that according to Gurjeet, Sharma and Sharma (2003), is only aimed at winning new customers and not retaining them. While offensive marketing is very good at attracting new customers, it is also noted that defensive marketing is equally important for enabling a bank keep hold onto the available customers and thus keep its profits. When the 4Ps are customer centered as opposed to marketer
centered, they change to 4 Cs\(^2\) according to Kotler’s analogy. The 4Ps refer to the **Product** the banks offer, the **Price** they attach on these products, the **Place** where these products are accessed and the **Promotional** means used to avail these products to consumers.

Though transactional marketing was supported by many scholars who considered it a better way of enhancing a firm’s better ways of producing and dispensing products that in turn lead to profitability, some authors like Hollensen (2003) considered it not market considerate enough. Hollensen summarized this transactional model of marketing into three assumptions which are very hard to meet in the current competitive business environment. The assumptions are that:

- There exists a large number of potential customers;
- Both customers and their needs are reasonably homogeneous; and
- Lost customers are relatively easy to replace with new ones.

The thoughts of Hollensen were criticized by many scholars who saw it as a discriminative way of the market variables and types of businesses involved (Gummesson, 2008).

In the ’70s and ’80s several authors such as Gummesson, Grönroos, Berry, Sheth, Hammarkvist, Hakansson and Mattson began to question the validity of the transactional approach as the general marketing theory just as Hollensen (2003) had done. They argued that the socio-economic changes imposed a shift of the marketing efforts from the area of transactions to that of relationships. The term relationship marketing was thereafter proposed by Berry in 1983. Relationship marketing implies the development of long-term relationships between the customers and the marketers, so as to create benefits to all those involved as well as to allow the co-creation of value as opposed to its unilateral distribution. Contrary to transaction marketing where the focus was on attracting new customers and generating as many transactions as possible, relationship marketing aimed not only at attracting but also at retaining customers and understanding them better (Maxim, 2009).

---

\(^2\) Customer needs/wants, Costs to the customer, Convenience, and Communication
Scholars who initiated relationship marketing argue that it is the best definition meeting the marketing mix theory. Bruhn (2003), for instance, analyzed findings from various empirical studies and concluded that the retention of customers offered advantages from a turnover perspective as well as from a cost perspective. Apart from maintaining the current turnover level, customer retention can favor both cross-selling and an increase in purchasing frequency. Furthermore, the customers become less sensitive to price and are willing to accept price premiums in exchange for a reduced risk. Long-term relationships, on top of the benefits mentioned above, ensure a reduction of costs by the experience effect: the operational costs for an old customer are much smaller than those for a new one. The relational approach to marketing enjoyed a distinctive attention in the literature of the last decades and represents the first theoretical development that threatens the supremacy of marketing mix (Maxim, 2009).

2.2.1.1 The 4 Cs  Vis-avis the 4Ps

According to Grönroos (1990), Berry suggests that the foundation for maintaining service relationships is the fulfillment of promises made to customers. This suggestion presents the customer as the key determinant in the marketing mix as opposed to the marketer being the key determinant as in transactional marketing. Relationship marketing was hence born based on that. One of the best ways of meeting this requirement to customers is by considering the 4Cs and providing them in the right balance to the customer. In relationship marketing, the 4Ps as well as the 4 Cs are very important because they establish the mutual benefit that both the customer and the marketer wants from a product or item being sold. The 4Ps determine how the marketer will present and achieve the benefit he expects from his services or products while the 4Cs on the other hand determine what the consumer requires in the products/services provided to him by the marketer. An agreement must occur to the two ends for business to occur. Czepiel (1990) confirms the importance of mutual benefit to relationship marketing by asserting that good relationship marketing involves the mutual recognition of a special status between the exchange partners. According to Barnes (1994), on the other hand, a mutual benefit must be present to the parties in a relationship for the relationship to occur.

According to Morgan and Hunt (1994), relationship marketing is all about commitment-trust theory. Here Morgan and Hunt conclude that relationship marketing is built on two strong things:
commitment and trust. In **Commitment**, on the one hand, the parties (customer and marketer) must be committed to starting, perpetuating and enhancing the relationship to survive to maturity. In this case both the marketer and the customer must be benefiting from their commitment in the relationship as one of the keys to continuing their relationship. In **Trust**, on the other hand, the parties in relationship must trust each other so that each party is free to give-and-take without distrusting the other party’s involvement. For any relationship to last, there must be trust amongst its parties so that each of them feel adequately represented as well as adequately benefiting from the relationship. The two authors claim that commitment and trust are effected best when the marketer and the customer create more time to interact with each other fully.

### 2.2.1.2 Consumer Wants and Needs (Products)

This refers to the wants and needs of the consumers which in turn determine which product or services they are likely to be in need of and one which can be consumed by them. The wants demand that a marketer has to study consumer wants and needs and then create that which they need/want before attracting them one by one. In most cases, the bank has to find out what people want and then "build" it for them, their way.

Kumar (2005) writes that due to the high competition in the banking industry, financial institutions now realize the significance of customer retention on market dynamics; that rewarding customers for continued loyalty and their individual value offering is integral for sustaining long-term relationships. Kumar however warns that though the initial strategies in this direction are encouraging, breakthrough performance requires far more than having a few highly tailored products. To get the most out of relationship insights in packaging and pricing, institutions need to be strengthened in areas of product breadth and relationship value management. He concludes that to adopt multiple strategies for various customer segments, banks require a sophisticated system to support flexible product packaging and pricing. With a drastic growth in the number of customer-centric products and services being introduced, the
demand is going to be for an enterprise-wide relationship management framework wherein customers are differentiated based on the overall value they bring to the organization.

2.2.1.3 Cost to the Customer (Price)

The products to meet the wants/needs of customers must have a satisfactory cost. Their price must be within reach of the consumers so that they can utilize them. Berry and Parasuraman (1991) acknowledge that pricing can be the other factor enhancing customer loyalty in firms. However, price should never be used as the main competing tool because reliance on it too much creates a vulnerability to competition in the long term. To confirm this, Falkena (1984) writes that such factors as pricing and tangible technological advancements are easily imitated and therefore may not be the best tools to use in attracting and retaining customers. Levitt (1981) advises that firms need to engage in marketing intangible products so as to enhance constant reselling efforts. In doing so, the practicing company increases its customer loyalty rate. Parasuraman, Berry and Zeithaml (1991), based on their experiments on relationship marketing, found out that customers in the service industry desired more personalized and closer relationship with service providers. This provided a clue that once the customers’ desires were awarded, and then in appreciation of that, they were more likely to stick to that company’s services thereby demonstrating loyalty.

Genesys (2010) observes that competition amongst banks has been very high in this 21st century to an extent that banks that cannot put up with it are being bought out by bigger banks. According to Laura (2005), competition in the banking sector in Kenya has been very high. This has led to bank managers looking for aggressive ways of ensuring retention of customers among them competing on price. Some of the measures used in meeting the price the customer will be attracted to are the reduction of rates and flexibility of terms regarding borrowing loans, deposits, mortgage financing and other services banks offer. The PWC report on the banking industry adds that the stiff competition is due to the increased number of banks as well as institutions that handle money. As at December 2008, there were forty six banking and non-bank institutions,
fifteen microfinance institutions and one hundred and nine foreign exchange bureaus in Kenya (PWC\textsuperscript{3}, 2011).

To add on to the stiff competition experienced in the banking industry, the PWC report notes that other challenges that exist like bank regulations, global financial crises and declining interest margins are some of the factors putting pressure on the profitability of banks. The requirement that banks and mortgage firms build a minimum core capital of KShs 1 billion by December 2012, though aimed at transforming small banks into more stable organizations, poses a challenge to some of the existing small banks which may be forced to merge in order to comply (PWC, 2011). All these put pressure on the price a bank can charge its customers by raising it high - a rate that might not be afforded by as many people as would in the absence of the challenges. Due to these challenges, bank managers devise strategies that will enhance their profitability and thus compliance with these demands. As Rao (2002) notes, banks sought to restructure from the system operations which centered more on the banks processes to the customer centered operations which ensured that banks offered services that were customer friendly in terms of time, cost, place and quality.

2.2.1.4 Convenience to Buy (Place)

A marketer must be realistic on the convenience to buy instead of the place. He has to know how each subset of the market prefers to buy and provide to them in that way. In what seems a confirmation of this, Wright (2002) recognizes that in the last few years there has been increased creativity in the marketing strategies of banks in a bid to create the convenience to buy. This, he says, has been foreseen by the widespread use of supermarket banks, telephone lending, telemarketing, and packaging services. He adds that technology that is speedily obtainable and provides real information has also been incorporated in banks to be able to provide customers with relevant information at their convenience.

\textsuperscript{3} Price Waterhouse Coopers – An International Audit firm
2.2.1.5 Communication (Promotion)

This C (communication) considers promotion as manipulative and notes that communication is the important tool here. Communication requires a give and take between the buyer and seller. Being creative in communication with customers and giving them a chance of listening is the best way of promoting products.

Wright (2002) notes that all the factors mentioned above are aimed at enhancing customer care services in the service industry, like in banks. Berry (1995) summarizes his paper on relationship marketing by identifying that the main ways through which service firms can enhance their competitive nature is through attracting more new customers, doing more business with existing customers and/or reducing the loss of customers. These three components, though components of defensive and offensive marketing, form part of relationship marketing that banks and other service industry firms should base on. Wright (2002) warns that though marketing may seem the all important factor in attracting and retaining customers, it is useless if customers perceive a bank as unsound and not well run. When the perception is of this nature, then no amount or kind of marketing is likely to succeed. However, customers are only likely to perceive a bank as unsound if the 4Cs and 4Ps that the banks offer are unrealistic to them.

2.2.2 Levels of Relationship Marketing

Since enhancing customer loyalty has been identified by Gurjeet, Sharma, & Sharma (2003) as one of the methods of defensive marketing, it is important to examine how companies and businesses achieve customer loyalty in relationship marketing. According to Berry and Parasuraman (1991), relationship marketing can be practiced at multiple levels depending on the types of bonds used to foster customer loyalty. They mention three levels that can be adopted in this relationship marketing; level one, level two and level three relationship marketing.

Level one relationship marketing relies on pricing incentives to secure customer loyalty. For instance, a bank may offer higher interest rates to those bank account holders who have stayed long with the bank. At this level, price incentives to loyal customers are likely to increase their loyalty. The second level of relationship marketing relies on social bonds although aggressive
pricing may be a vital element of the market mix. Czepiel (1990) recognizes that this level capitalizes on the reality that many service encounters are also social encounters. The third level rests on the structural solutions to important customer problems. Here, marketers offer target market value adding benefits that are difficult or expensive for customers to provide and that are not readily available elsewhere.

2.2.3 Bank Marketing

Rao (2002) notes that one of the approaches to relationship marketing in banks is what he calls ‘bank marketing’. Rao is of the view that through bank marketing, a bank is able to identify the present and future markets for bank services, select the market segment to be served and identify the needs of the customers within each segment and finally to set short and long term goals for existing and new services. To achieve this, a good employee base must be present so that they can accurately monitor and determine the customer needs that need to be addressed. Employees who have stayed long in a company are in a better position to serve customers since they have the right experience and rapport with the customers on individual basis (Reichheld, 1993). Crosby et al. (1990), on the other hand, assert that relationship marketing is built on a foundation of trust. Employees who have interacted more with their customers are likely to develop trust in each other thus meet this requirement. In a nutshell, bank marketing should be able to penetrate and identify new markets through attracting new customers, guard the available customers so that they remain loyal to the bank as well as provide justified segments and services that will attract and hold them.

2.3 Effects of Relationship Marketing on Customer Satisfaction

Though relationship marketing has been identified as a way of defending as well as offending the marketing strategy of a company hence enhancing profits, Berry (1995), it has also been identified as a way of increasing customer satisfaction in a given product/service offered to him (Czepiel, 1990). Other effects of relationship marketing are explained in the following discussions. To be able to understand the effects relationship marketing has on customer satisfaction, the chapter first reviews the factors that enhance customer satisfaction in banks.
2.3.1 Factors that Enhance Customer Satisfaction
2.3.1.1 Increase of Customer Contact Centers

According to the BOA, after the bank entered the market, it saw a potential of unpenetrated market that needed more of its service. This motivated the bank to create ways of increasing access of its customers to its services, an idea that led to the birth of more branches of the bank across the country from the previous two that it had in 2004. According to the bank’s website, this increase in branches was aimed at taking the bank’s services close to its customers, a fact that would contribute greatly to customer retention. Bitner (1995) writes that the relationship between a customer and employees of a service company is increased when the contact between the two groups is increased. An increase in the number of branches creates more contact centers for customers to interact with their company and therefore widens the number of customers getting specific attention from the company as well as giving the customers more time to interact with their company. In a bid to increase this contact with customers, the BOA has over time networked all its branches apart from offering operations on online basis with extended opening hours (weekdays 8:30 a.m. – 4.00 p.m., Saturdays 9.00 a.m. – 1.00 p.m. with the Monrovia Street Branch having longer banking hours of between 9.00 a.m. and 8.00 p.m, Monday to Saturday) as a continued strategy to attract as well as hold on to more customers and thus keep up with competition (BOA, 2011).

Experiments on other banks have shown that the increase in bank branches increases the customer base. An increase in the customer base on the other hand has proved to have a higher percentage of leading to higher profits than the reverse. In one of the banks, for instance, its expansion into Uganda and Southern Sudan, according to Maggio (2009), led to the opening of an additional 62 branches in the first half of the year. As of August 15, 2009, the fruits of this process were seen in an increase of the bank’s customer numbers by over 1.5 million. Reichheld (1993) acknowledges that the increase in the number of branches a bank or company has is a way of enticing customers to remain loyal to that company through the provision of services close to them. However, he warns that the enticing must only be done to customers who have presented themselves to the bank, beyond reasonable doubt, as profitable. He says this is so because only loyalty of profitable customers will lead to the bank making profits and not losses.
2.3.1.2 Use of Technology in Banks

Technological developments increased to a very great extent in the 20th century as regulation controls eased. One-stop banking where banks were providing a wider range of products and services became a new industry trend. Electronic developments enhanced the service equality but also focused increasingly on transaction marketing. The intense competition led to service-fee rebates as banks scrambled to reposition themselves in the market. As the main marketing tool used by banks was pricing, interest rates shaved as price wars reduced bank margins (Falkena, Fourie and Kok, 1984). The available marketing tools including pricing were easily emulated by competitors thus making banks to look for other measures that could help them attain sustainability and outdo their competitors. These made the use of technology a very crucial tool in enhancing competition.

2.3.1.3 Use of Mobile-Phone Banking

Cell phones are part of the technological tools used in banks in this century. Technology has been adopted in the service industry because it decreases the costs and increases the practicality of relationship marketing while its potential benefits are becoming better known. Technology enhances the efficiency of performance of certain activities in banks (Berry, 1995). Perumal and Shanmugam (2004) concur that reduction in transaction costs is a major benefit of electronic banking.

Cell phones have been identified as the one mechanism that can fundamentally change the relationship between banks and their customers. Cell phone banking has also been identified as having remarkable potential in retaining bank customers and converting cell phone users to banking users (De Bruijn et al., 2009). Just like the other banks in Kenya, BOA Kenya uses the mobile banking strategy to provide banking services to their customers anytime and anywhere (BOA, 2011). Mobile banking has proved a resourceful item for increasing market penetration and retention. Wambari (2009) noted that offering banking products through the mobile phone is one option that offers great potential for reaching the unbanked people. This means that by banks adopting mobile banking, they penetrate the market that used to be segregated by banks in the early 90’s (e.g. the poor). Bonyo and Nyabiage (2011) in an article concur that through the
mobile telephony service, the Equity bank CEO, Dr James Mwangi, said that the bank was able to link about 3,000 accounts a day, suggesting that the demand for mobile banking is high in this market. On the same product, Barclays Bank launched a mobile money product dubbed “Hello Money”. All these products were aimed at increasing the banking market as well as retaining customers who may have a lower loyalty rate.

2.3.1.4 Use of Computers and Information Technology in Banks

The technology used in banks is not just limited to mobile phones but also comprises the use of IT and computers. These are used also to enhance relationship marketing hence increase customer loyalty to practicing banks. Computers can be used to capture and store customer information so that it can be easy to enhance customer loyalty among them. Zielinski (1994) writes that some service companies like the Brady’s use personal computer systems to capture customer information such as demographics, preferences and purchasing history among others. Through this information, the company is able to personalize services to customers like sending them birthday cards during their birthdays - a strategy that increases the relationship between the customers and the company hence customer loyalty. According to the Business Week of 1994, advances in IT are creating the opportunity for firms to shift from segmenting markets based on groups to segmenting by individual households - data base marketing (“A potent New Tool,” 1994; Shajahan, 2006).

2.3.1.5 Diversified Products and Improved Customer Relations

In what seems as a fulfillment of Rao’s analogy on bank marketing, the BOA has also provided a variety of products to its customers - a source of segmentation. These products are aimed at accommodating every customer through the provision of variety as well as product specifications. It is noted that BOA Kenya offers all the facilities its customers have come to expect from the bank, including Personal, Corporate Banking, and international trade financial products. These, according to the banks website, help the bank keep hold of their customers as well as attract those customers who cannot be provided with the same services elsewhere (BOA, 2011).
In what seems as a customer attraction strategy, banks in Kenya have been seen to target the low class earners, a fact that has propelled the bank to its success. It is even noted that over 50% of customers in one of these banks, Equity bank, are small income earners (Wahome, 2011). Maggio (2009) also concurs with the statistics by noting that the bank has 52% of bank accounts in Kenya with over 4.1 million accounts. The closeness of the bank to its customers has ensured that it grows tremendously; this can be proved from the fact that the bank was named the Micro Finance Bank of the Year in Africa for assisting local communities and aspiring entrepreneurs to raise finance, ultimately contributing to their growth and development. The bank associates itself more with the problems facing its customers and thus provides the benevolent care to them luring most of these customers, as Gerald Warui noted while receiving the award, that the award demonstrated the resilience of the microfinance sector in Africa in reducing poverty and accelerating the attainment of the Millennium Development Goals (EBL, 2009).

BOA Kenya has also ensured that its customers have an all-time access to their funds through the ATM machines so that its customers do not have to migrate to other banks. To make these more effective, the bank’s customers can access their money from any Kenswitch branded ATMs and VISA branded ATMs anywhere in Kenya. The bank also offers loans that suit each of their customers’ needs. The bank’s website gives business loans or personal loans as the products the bank provides for its customers. The bank also claims to be among the few banks in Kenya that can allow their customers to deposit money in their raw currency without changing them to a local currency. This, the bank states, gives customers value for their currency even when the local currency is strong against the currency in which the deposit was made (BOA, 2011).

Concerning customer attraction strategies, BOA Kenya allows an easy and fast way of opening an account so as not to tire up those who may want to take the shortest time possible. On-boarding of new customers is a strategy BOA uses to embed strong relationship with its clients since managing first impression deepens customers’ share of wallet. BOA Kenya also engages in Corporate Social Responsibility in a bid to give back to their customers as well as advertise the bank. In the recent CSR service, the bank in partnership with Nairobi Women’s Hospital offered

---

4 Gerald Warui received a Global Banking Award on behalf of Equity Bank
breast cancer awareness initiative to benefit women both staff and customers in selected branches in Nairobi (BOA, 2011). Other banks like Equity and Cooperative Bank have also ensured the strategy works for them by taking the account opening process to customers’ homes/villages (Wahome, 2011).

2.3.2 Effects of Relationship Marketing to Customers
2.3.2.1 Bank Loyalty

Genesys (2010), in determining the effects of customer service, established that convenient customer service products are deemed positive by the customers. Most customers appreciate it more when they have someone from the bank to listen to their problems and as such are more likely to confide in the person. Di Vanna (2009) concurs that customers are always loyal to banks that are loyal to them. And as Crosby et al. (1990) add, once a bank establishes better customer relations, it buys the trust of the customers to it, hence boosting customer loyalty. Banks can increase that customer trust through helping clients navigate to the right products DiVanna (2009). Service relationships are achieved by “mutual exchange and fulfillment of promises” (Grönroos, 1990). It is this mutual exchange and benefit that banks use to establish better relationships with their customers so that the right threshold of the trust required is attained from the customers.

Though good customer relations enhance customer trust and satisfaction, banks are experiencing trouble realizing the potential strategic value of their contact centers. This is because interaction channels are not being used as broadly as they should, and also because these channels aren’t fully integrated. The result is that banks cannot execute on the goals of the company as a whole — such as creating a great customer experience, cross-selling and up-selling more products and services and increasing agent productivity and satisfaction (Genesys, 2010).

2.3.2.2 Products that Enhance Customer Satisfaction

Just because high-value customers are decreasing their visits to bank branches due the extensive use of mobile banking doesn’t also have to mean that banks will subsequently lose their personal connection to these customers. Banks should offer exceptional customer experience via multi-channel interactions comprised of branches, ATMs, phone, fax, e-mail, SMS and Web chat so
that customers can conduct business exactly when and how they like, as well as keep the connection with the bank (Shajahan, 2006). BOA Kenya seems to have followed this concept by its introduction of web banking and the connection of all branches such that customer experience can be continued (BOA, 2011).

Service personalization is perhaps the most critical aspect of gaining the customer mind share and hence profitability (Zielinski, 1994). Financial institutions exercise market segmentation and achieve the desired personalization through product bundling based around the solution of particular customer problems. Product bundling is most appealing when it is tailor-made for specific customer segments, and at the right price (Kumar, 2005).

The BOA has indulged in the provision of some of the best product and services that ensure that their customers are provided with the best services that will ensure their satisfaction. The bank has an Agence Elite centre that is specifically designed to those people who have a busy lifestyle and don’t have enough time to do their banking or work towards their financial goals. Agence Elite is a premium banking service that recognizes customers’ lifestyle and makes banking for them more convenient and personalized. The bank notes that this service guarantees customers with a busy schedule the satisfaction they need as they can do their banking services as well as enjoy their lifestyle. It is also noted that due to the bank’s high quality customer services, it received an award as the best bank in customer satisfaction in the Kenyan banking awards held in April 2009 and April 2011 (BOA, 2011), a proof that its services were superior in comparison to those of other banks.

2.4 Aspects of Relationship Marketing that Enhance Profitability

Kumar (2005) suggests that as banks compete for customers and the need to do business in the fiercely competitive banking industry; pricing should not be underscored since it is what keeps them going - lest they cease to exist due to losses. Berry and Parasuraman (1991) already have established one of the levels of relationship marketing as being based on price. This shows how strong pricing can be in determining the marketing strategy to use. With dynamic pricing tools, banks can now introduce innovative service packages targeted at specific customer segments, thereby improving on their differentiation and profitability, thus maintaining their
competitiveness (Kumar, 2005). On pricing, Bernhardsen, and Kai (2003) caution that banks should only lower their prices to a reasonable margin so that their goal remains—making profit. If a bank on average prices its loans too low in relation to the risk associated with the loans, the bank's financial strength will deteriorate over time and that bank is likely to collapse unless the problem is solved.

2.4.1 Role of M-Banking and E-Banking on Pricing

In support of the use of mobile telephony as an innovation that provides mobile services to customers at their convenience, Perumal and Shanmugam (2004) and (De Bruijn et al., 2009) separately recognize that it can provide the banking services ‘anywhere, anytime’ better than other delivery channels. They note that mobile telephones serve as powerful sales channels for financial services, banking and other products. This, they note, adds to the sales of the respective banks practicing the innovation. Bonyo and Nyabiage (2011) add that the use of mobile banking in Kenya has led to banks cashing in on the profits that mobile phone users bring. They give an example of the Equity Bank which has drawn very many investments from the users of the M-Kesho - a mobile banking service partnering Equity Bank and Safaricom mobile phone service provider.

According to the BOA financial report of 2009, the bank’s strong points are the high level customer service they offer through such services as corporate social responsibility, technological advanced banking, customized/personalized services, reduced charges on customers’ transactions and M-banking, all of which are customer centered. The report claims that most of the financial improvements that the bank got emanated from these activities (BOA, 2011).

Mas and Kumar (2008) report that increasing market penetration – especially the currently underserved market segments, selling more services to existing customers, retaining customers; and reducing the cost of service provision are the strategic drivers for banks to implement cell phone banking as;: The report emphasizes the benefits of cell phone banking and how it can address each of these factors even though it does not quantify the results. This is in a bid to try and assert the importance of mobile banking to banks concerning profitability and returns.
2.4.2 Diversification and Profitability

Some authors give credit to diversification of services for its effect to increase the number of customers hence an increase in the final revenues/profits. A report by Equity Bank Limited confirms that the bank posted a growth in profit before tax to close at Kshs 5.2 billion in 2009 compared to Kshs 5.0 billion in 2008. According to the bank’s CEO, this growth was attributed to the opening of new branches in the Sudan and Kenya and the acquisition of the Uganda Microfinance; a service that enhanced customer service through taking the bank’s services close to the customers (making the place more convenient for the customers) (EBL, 2009).

Laura (2005) tries to explain how customer attraction, through the creation of new branches, leads to profitability. She notes that, while the strategies and tactics may be simple, benefits of the increasing penetration of direct deposit can be significant. For instance, she says that “for a bank with 50,000 new customers per year and a 30 percent attrition rate for new-to-bank customers, a 2.5 percentage point improvement in customer attrition, easily realizable with a direct deposit campaign, can lead to a $500,000 profit gain per year”. Shrivastava, Pandey and Vidyarthi (2007) advise that retention of older customers is more profitable than acquiring new ones from the fact that older customers bring new ones.

2.4.3 Strategic Pricing

Interest rates may be used strategically by banks to acquire new and retain existing customers. The bank may have a good profit margin on "secondary" products which may be sold in combination with the loan. Products such as payment services, insurance and financial advice may therefore cross-subsidize interest rates. In a market segment where competition is weak, the bank may want to under price risk for a period if they see an opportunity to increase market power at a later time. A bank which can offer customers a wide range of services will normally have a greater opportunity to pursue such a strategy than a specialized lender (Bernhardsen & Kai, 2003).

---

5 Equity Bank Limited
Though strategic pricing is less common, Bernhardsen and Kai (2003) note that it does not necessarily have a clear-cut effect on interest rate setting. A bank with experience understands that the profitability of its lending operations is higher during periods of expansion than during periods of contraction, and that the risk calculations made when the economy is doing well are not necessarily correct in the event of an economic turnaround. Therefore, a good, long-term strategy for the bank may be to factor in extra risk in periods when profitability is high. It may be tempting to deviate from this strategy in the short term, especially when competing with less well-established loan providers which may operate with risk premiums that are too low in an effort to win market shares during a period when the market is especially profitable.

The BOA group in its “Group Customer Charter” put forward the theme that they are committed to high communication to customer enquiries and transactions like responding to loan applications within 5 days, responding to customer questions with personalized answers and executing transfer orders within 24 or 72 hours. The group notes that these fast services to customers, apart from adding to the satisfaction of the customers, also earn the banks high returns. Fast processing of loans and cheques means that the bank covers more people who in turn pay higher cumulative interests (BOA, 2011).

Though most of the literature above shows that customer retention is directly related to profits, Huber & O’Gorman (2008), in their contribution to the same assert that there is a correlation between customer retention and profitability and successful banks but it is not clear the cause of the relationship. They say that it can be either positive or negative depending on the bank and its marketing strategy.

2.4.4 Relationship Based Pricing

According to Kumar (2005), bank customers nowadays are no longer subscribers of a service, but rather a challenge to their service providers. To counter this, banks have picked up the gauntlet - the mechanism of relationship based pricing. This pricing model advocates that each customer is unique, and deserves to be treated differently. Barlow (1992) opines that customers feel well taken care of when they are handled on a one-on-one basis while Jackson (1993) points out that relationship marketing addresses the basic specific human needs to feel important.
Reward levels such as special pricing on loan and deposit products, along with other free services, based on the services and balances that the customer holds with the bank are typical instances where relationship-based pricing comes into the picture. Simply put, it is how a financial institution looks at a relationship, with its customer, partners like credit card or collection agencies and with other banks in case of inter-bank clearances and settlements. It is about defining a relationship and charging the customer for the kind of services it offers to them.

### 2.4.5 Complex Pricing Models

Complex pricing models comprise the other factors that banks use to provide relationship marketing to their customers so that through the pricing, the banks are able to attract and retain as many customers as possible. Wright (2002) identifies modern pricing structures being adopted by financial institutions as being highly complex and understandable while Kumar (2005) stresses that, from contract pricing based on anticipated volumes over time, as in the case of corporate banking, to complicated product packaging, as in the case of retail banking, flexibility is of paramount importance (e.g. All in one bouquet account for retail customers). The strategy adopted in banking to provide these pricing needs gives prominence to information, and sales and services, i.e. collection of maximum information about customers, their tastes and preferences, and bringing people to the front to give effect to these relationships. However, banks are now aiming at reflecting true relationships with customers through different dimensions, for example, organization and its financial structure in case of corporate banking. Clearly, banks do not possess the capability to dynamically drive such pricing models.

### 2.5 Chapter summary

The chapter started by reviewing literature related to the different approaches banks used to effect customer retention as well as customer attraction. The chapter then went on to review literature related to customer satisfaction obtained from relationship marketing and finally the review of literature on the relationship of customer retention to profitability and success of banks. All the review took in consideration the 4 Ps/4 Cs as the base of reference for the study’s relationship marketing.
The next chapter, the research methodology, explains how the findings of the research were achieved. The chapter explains the design used for the study, the target population, the sample and sampling procedures, the instruments and the data analysis methods that were used to come up with the findings from which conclusions are drawn.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter highlights the various methods and procedures the researcher adopted in conducting the study in order to answer the research questions posed in the first chapter. The chapter is organized in the following structure: the research design, population and sample, data collection methods, sampling design and sample size, research procedures, data analysis methods and, lastly, the chapter summary.

3.2 Research Design

Monsen and Van Horn (2008) claim that the descriptive design is an effective way to obtain information used to formulate a hypothesis and propose associations. This study aimed at revealing the associations between relationship marketing and customer retention—a reason why descriptive design was used here. Monsen and Van Horn also add that while using this design, data collection may be spread over a large population or over a large geographic area. Since this study is going to collect data that will be applied to all banks in Kenya, the descriptive design remains a feasible option. Descriptive studies describe characteristics associated with the subject population. According to Copper and Schindler (2000), descriptive statistics discovers and measures cause and effect relationship among variables.

3.3 Population and Sampling Design

3.3.1 Population

According to Sharp and Howard (2006), a population refers to the total collection of elements from which reference is made in a research process. The population for this study comprised a group of top level managers and a selection of employees from the marketing and customer care departments of BOA Kenya. Old account holders with BOA Kenya were also part of the population. This population was selected from 8 branches of BOA Kenya bank in Nairobi.
The target population for the study involved the top level management as well as senior staff working in the marketing and customer care departments, not forgetting the public who comprised account holders of BOA Kenya who have stayed with the bank for at least one year. Top level managers comprised the target population because they had access to the relevant information regarding the profitability of the bank in relation to customer relations. They also gave the researcher relevant information regarding the relationship between relationship marketing and customer satisfaction, customer retention and customer attraction. Other staff members were important in giving the researcher their accounts of encounters with customers. Customers of the bank, on the other hand, gave relevant information concerning employee satisfaction.

3.3.2 Sampling Design
3.3.2.1 Sampling Frame

A sampling frame is the set of source materials (a section of the population) from which the sample size is selected. It is an objective list of the population from which the researcher can make a selection. The purpose of a sampling frame is to provide a means for choosing the particular members of the target population that are to be interviewed in the study (Turner, 2003). The sampling frame for the study comprised a total of 56 staff members from the eight branches of BOA Kenya in Nairobi and a total of 1,644 account holders also from the eight branches, bringing the total members of the frame to be 1,700. The breakdowns of the sample frame as well as the size are shown in table 3.1 below. A clear breakdown of the sample frame is presented as appendix III.

3.2.1.2 Sampling Techniques

The researcher first stratified the sample size as top level managers, marketing/customer care department staff and customers. The three groups (Strata) are believed to be in the right positions to be able to give the researcher the kind of information needed. According to Coopers and Schindler 2000, stratification increases sample statistical efficiency and provides adequate data for analysing various sub populations enabling different research methods to be used on different strata. After stratification, the researcher used the purposive sampling method to select the
sample population from each group (Stratum). Purposive sampling was used because it helped the researcher easily identify respondents, among the bank’s employees, who were not very busy at the time of data collection. Accidental sampling was also used to sample the account holders since getting access to them was difficult.

### 3.2.1.3 Sample Size

According to Williams et al. (2003) a sample size refers to a group of individuals in the population who are going to be interviewed in the study and whose responses will be used to generalize the characteristics of the population. The sample for the study comprised a group of 16 top level managers selected from the eight branches. This number was thought to be representative enough of the expected findings of the study. A sample of 24 employees from the marketing and customer care departments was also selected to be part of the sample. This number was believed by the researcher to be representative enough for the eight Nairobi branches of the bank. The sample also had a group of customers, 40 in number as demonstrated in the table 3.1 below. Each of the eight branches produced a group of 5 account holders. The researcher is confident that this group was representative enough to give ample results about relationship marketing as well as customer satisfaction. When combined, the two groups were representative enough to give results that could be generalizable to the whole population.

<table>
<thead>
<tr>
<th>Population</th>
<th>Sample Frame</th>
<th>Sample Size</th>
<th>Percentage (%) of size to frame</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top level managers</td>
<td>24</td>
<td>16</td>
<td>67</td>
</tr>
<tr>
<td>Customer care/marketing department staff</td>
<td>32</td>
<td>24</td>
<td>75</td>
</tr>
<tr>
<td>Account holders</td>
<td>1644</td>
<td>40</td>
<td>3%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1700</strong></td>
<td><strong>80</strong></td>
<td><strong>5%</strong></td>
</tr>
</tbody>
</table>

*Table 3.1 Population and Sampling*
3.3 Data Collection

The instrument used to collect primary data was the questionnaire (Interview guide) that was developed by the researcher on the basis of the research questions. A questionnaire minimizes the cost attached to collecting data in a research study. It collects a large amount of data within a short period and with limited costs attached to it. It also gives the respondent the chance to answer questions at his or her own time (Dörnyei & Taguchi, 2010). Since the researcher was targeting the collection of data from people who were likely to be busy, questionnaires were the most appropriate data collection tools.

3.4 Data Collection Procedure

The researcher started the data collection process by visiting the head office branch of BOA Kenya to seek permission to collect data from their branches. After this permission was granted, the researcher also visited the other branches of BOA Kenya within Nairobi area and sought permission for the research. After being assured of permission, the researcher requested for names of customers who had banked with the bank for at least 1 year from which the sample was selected. The researcher, with the help of the bank, then called each of the sampled clients and arranged data collection sessions. Confidentiality was assured to those clients.

A second visit was done to these areas where the researcher selected the sample population from the sample frame. At this time, the remaining individuals of the frame were allocated numbers as stand-by respondents in case the chosen candidates would not turn up for the study. After the sampling, the research questionnaire was piloted after which a date for the actual study was set. A date for rehearsals and briefing on the study was set prior to the actual study date. A date for collecting the answered questionnaires was set and all the participants in the study were informed and requested to avail themselves on these dates.

The research questionnaire used in this study was pretested in a pilot study to ascertain the validity, reliability and suitability of the instrument before the actual administration. Pretesting was done by administering the questionnaire to ten respondents selected randomly from the sample size.
Questionnaires were then coded according to each research question of the study to ensure minimal margins of error and accuracy during analysis and then administered on the actual study date through delivery by the researcher. After the expiry of the answering period, the researcher then collected the answered questionnaires on the set date and did the analysis to arrive at the findings of the study as presented in chapter four.

3.5 Data Analysis Methods

The study used the quantitative method of data analysis. This analysis is applied using descriptive statistics. According to Denscombe (1998), descriptive statistics involves a process of transforming a mass of raw data into tables, charts with frequency distribution and percentages which are vital part of making sense of the data.

The specific mode of quantitative data analysis method used in this study was the Statistical Package for Social Sciences (SPSS) computer program because it is fast, efficient and cost effective, thus ideal for data analysis. Other data analysis methods used to analyze data were the Typology Method where data was analyzed based on its type, the Constant Comparison Method where there was a comparison of different facts, and the Logical Analysis where data was interpreted and presented in graphical, tabular and diagrammatic forms. All these methods were used to enable the study to draw firm conclusions from the observations gathered from the sample.

3.6 Chapter Summary

The chapter describes the methodology used to carry out the study. The research design is descriptive in nature. The sample, sample size, the sampling technique and the research questionnaire, as a primary data collection instrument, have all been described. The chapter also indicated that a pilot study was carried out before a refined questionnaire was administered to the respondents. The chapter also specifies that data analysis was accomplished by the use of the SPSS among other methods and presented in the form of charts and tables. The next chapter looks at the data collected and presents the findings together with their interpretations.
CHAPTER FOUR

4.0 ANALYSIS, DISCUSSIONS AND INTERPRETATION

4.1 Introduction

This chapter presents the findings of the study based on the analysis of the data collected. The chapter presents the findings as well as making meaning of them in relation to the objectives of the study. It also checks on the literature given by different authors concerning the same variable being tested.

The study had targeted a total of 80 respondents out of which only 54 returned their questionnaires. 30 of the respondents were bank staff while the rest were account holders. The total response rate was 68%, a rate that is above the threshold for analysis. Instruction Assessment Resource [IAR] (2011) explains that an adequate response rate when using mail or email should be 50% or more to meet analysis scales. Less than 50% is inadequate. The findings and discussions are as explained in the following subtopics.

4.2 Demographic Data

4.21 Duration of Work Experience in Banking Industry

Regarding general information, the study collected the data shown in the table 4.1 below:

<table>
<thead>
<tr>
<th>Duration of work with BOA</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than a year</td>
<td>13</td>
<td>24</td>
</tr>
<tr>
<td>1-3 years</td>
<td>26</td>
<td>48</td>
</tr>
<tr>
<td>3-5 years</td>
<td>9</td>
<td>17</td>
</tr>
<tr>
<td>Over 5 years</td>
<td>6</td>
<td>11</td>
</tr>
</tbody>
</table>

Table 4.1: Length of work experience with BOA
The data established that a majority of the respondents - 48% - had worked with the BOA for a period of 1-3 years. 24% had worked for less than a year and 17% for 3-5 years. Only 11% of the respondents had worked with the bank for more than 5 years. These results show that a majority of the people who were respondents on this study had the right exposure to the way the bank had carried out its relationship marketing for the past few years.

4.1.1 Worked Elsewhere

The study also enquired whether the respondents had worked elsewhere and the results were as shown in figure 4.1 below.

A majority (63%) of the employees in BOA had worked in other banks before and therefore had experience with the customer attraction and retention strategies used and could easily compare and identify those used by the BOA to bring them to light according to the questions asked. Only 37% had only worked with BOA alone. (Had not worked with another bank apart from BOAK)

![Figure 4.1: Worked in Other Banks](image)
4.12 Experience of Working with Other Banks

Figure 4.2 below shows how long the respondents had worked in other banks before coming to BOA.

Figure 4.2: Work Experience in Other Banks

According to Figure 4.2, a majority - 37% - of the respondents who had worked with other banks had work experience of between 5-10 years. 25% of them had experience of less that 5 years with other banks while 23% had experience of between 10-15 years. Only 15% had an experience of more than 15 years of working in other banks. These results show that a majority of the respondents had adequate experience in the banking sector that was relevant towards the response of the respondents.

4.2 Types of Relationship Marketing Strategies

The study sought to find out what factors attracted customers to banks and what the customers considered before choosing their banks. The results were found out as shown in the following figures 4.3 and tables.
4.21 Establishing better Customer Care Relations

The reaction of respondents about whether better customer care relations was an approach targeted at attracting and retaining customers are as shown in figure 4.3 below:

![Figure 4.3 Better Customer Care Relations and Services](image)

**Figure 4.3 Better Customer Care Relations and Services**

During the study as shown in figure 4.3, the researcher found out that a majority of clients were attracted by the better customer care relation and services of the BOA with a percentage of 52% whereby 43% of customers were really impressed by this service, (Sum total of 95% of the respondents were in agreement) 5% of respondents were neutral towards the service. Genesys (2010), in determining the effects of customer service, establishes that convenient customer service products are deemed positive by the customers while both Berry (1995) and Di Vanna (2009) also agree that most customers appreciate it more when they have someone to listen to their problems and as such are likely to confide in them and that customers are always loyal to banks that are loyal to them. From these findings, we actualize these statements since the findings are in support of the view of Genesys, Berry and Di Vanna.
4.21.1 Establishing Convenient Branch Network

Respondent views on the convenience of a branch network and how it attracts customers to banks and enables them to remain loyal. The tabulated results are displayed in table 4.2.

<table>
<thead>
<tr>
<th>Item</th>
<th>Strongly attracted</th>
<th>Attracted</th>
<th>Neutral</th>
<th>Failed to attract</th>
<th>Strongly failed to attract</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency</td>
<td>12</td>
<td>19</td>
<td>11</td>
<td>7</td>
<td>5</td>
<td>54</td>
</tr>
<tr>
<td>Percentage (%)</td>
<td>22%</td>
<td>35%</td>
<td>20%</td>
<td>13%</td>
<td>9%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Table 4.2 Convenient Branch Network

The findings reveal that a majority of the respondents were attracted by the bank’s well established and convenient branch network at a percentage of 57%, 22% of respondents were strongly attracted with 35% of them attracted to the bank due to its convenient branch network while 20% were neutral on whether the well established and convenient branch network attracted them to their banks. Surprisingly, 13% of respondents were not attracted by the convenience of the branch network. Another group of 9% responded that the branch network totally failed to attract them to the bank. These findings corroborate Laura’s (2005) hint that better branch networks increase profitability since they increase customer contacts.

4.3.3 Personalized and Better Diversified Products

The study also questioned whether providing personalized and better diversified products was also used as a strategy of attraction and retention of customers and the results are displayed in figure 4.4 below:
Figure 4.4 Providing Better and Diversified Products

The research found out that 50% of the respondents felt that diversified products attracted clients while 28% said that diversified products strongly attracted customers. 17% were neutral as to whether products affected attraction, while 6% said diversified products failed to attract customers. (Sum total of 78% are attracted to the bank due to personalization and diversification of the products)

These findings support the foundation of mobile banking as proposed by Bonyo and Nyabiage (2011) who claim that the role played by mobile telephony in banking has seen a new product being created-mobile banking. They assert that through the new technology of mobile banking, one bank (Equity Bank) acquired 3,000 accounts a day, confirming how diversified products increase customer attraction to banks. These findings also add meaning to BOA’s view of offering all the facilities its customers have expected from the bank, including Personal, Corporate banking, and international trade financial products. This, the bank notes, helps in customer retention as well as attracting those customers who cannot be provided with the same services elsewhere (BOA, 2011). Parasuraman, Berry and Zeithaml (1991), basing on their experiments on relationship marketing, found out that customers in the service industry desire more personalized and closer relationship with service providers. The findings of this study
confirm these claims. They also add value to Zielinski’s (1994) argument that personalized services not only increase customer loyalty but also attract more customers to banks.

### 4.21.2 Enhanced Customer Support at Account Opening

Table 4.3 presents the respondents’ reactions to the relationship between customer attraction and customer support/ease during the opening of an account.

<table>
<thead>
<tr>
<th>Item</th>
<th>Strongly attracted</th>
<th>Attracted</th>
<th>Neutral</th>
<th>Failed to attract</th>
<th>Strongly failed to attract</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency</td>
<td>16</td>
<td>29</td>
<td>5</td>
<td>4</td>
<td>-</td>
</tr>
<tr>
<td>Percentage (%)</td>
<td>30</td>
<td>54</td>
<td>9</td>
<td>7</td>
<td>-</td>
</tr>
</tbody>
</table>

**Table 4.3 Customer Support at Account Opening**

The study observes from the data in the Table 4.3 that 54% of the respondents agreed that customer support and ease of opening an account attracted customers to the bank by 54%. 30% of the customers were strongly attracted by this factor (Bringing a sum total of 84% being attracted by this factor) while 9% of them remained neutral but a meager 7% said customer care and ease during account opening did not attract customers to the bank.

Concerning customer attraction strategies, BOA Kenya’s On-boarding process, in which bank staff work closely with customers by helping them fill-in account opening forms and other activities, allows an easy and fast way of opening an account that enables the clients to take shortest time possible at the account opening stage. Morgan and Hunt (1994) also claim that the fulfillment of the commitment-trust theory is based on the convenience the marketer offers the customer. These findings confirm this through the fact that customers are more attracted by convenience of services they are offered and the support they get during account opening. The findings also concur with Levitt’s (1981) summary that marketers have shifted to forming relationships with people rather than products.
4.3.5 Access to Banking and Personalized Services

This study sought to find out the effect of accessibility to banking facilities and personalized services. Respondent impressions of this are displayed in table 4.3

<table>
<thead>
<tr>
<th>Item</th>
<th>Strongly attracted</th>
<th>Attracted</th>
<th>Neutral</th>
<th>Failed to attract</th>
<th>Strongly failed to attract</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency</td>
<td>20</td>
<td>26</td>
<td>6</td>
<td>2</td>
<td>-</td>
</tr>
<tr>
<td>Percentage (%)</td>
<td>37</td>
<td>48</td>
<td>11</td>
<td>4</td>
<td></td>
</tr>
</tbody>
</table>

Table 4.4 Access to Banking and Services

48% of the respondents agreed that accessibility to banking facilities their convenience and the availability of personalized services was the factor that most attracted customers. 37% of the customers were strongly attracted by this factor while 11% were neutral but 4% of respondents failed to be attracted by this factor. Taking the first two values, it means that accessibility to banking facilities and personalized banking attracts customers by a large margin of a summed total of 85%.

The cell phone is one of the mechanisms that enhances personalized banking and increases customer access to banking services. It has also changed the relationship between banks and their customers. BOA Kenya uses the mobile banking strategy to provide banking services to their customers anytime and anywhere thereby improving their access to banking services. The bank has also introduced web banking as well and connected all branches such that customer experience and access to services may be enhanced (BOA, 2011).
4.3.6 Affordable Accounts and Competitive Interests

The effect of Affordable accounts maintenance, low charges on withdrawals, better rates for deposits and loans on relationship marketing was assessed and the results presented as shown in figure 4.3 below.

![Chart showing affordability and low costs on accounts, loans, and deposits]

**Figure 4.5 Affordable Accounts and Competitive Interests**

According to Laura (2005), stiff competition in the banking sector in Kenya has made managers to institute strategies like the reduction of rates and flexibility of terms regarding the borrowing of a loan/Facility, deposits, mortgage financing and other services offered by the banks. Kumar (2005) however cautions that lowering of prices is risky to banks because by lowering the interest rates, the banks may not adequately cover the risks involved e.g. default risks.

Figure 4.5 reveals that BOA offered affordable accounts, low charges on withdrawals, better rates for deposits and account maintenance that attracted almost half of the respondents (40%), were attracted due to this factor with 9% strongly attracted and 31% attracted by the factor. 26% of respondents remained neutral about the effect of this factor, with the remaining 33% were not in agreement (20% disagree and 13% strongly disagreed). Since the findings show that most customers were attracted based on the affordability of charges and low interest rates, they seem
to add flesh in Laura’s words as mentioned. The fact that the findings show that most customers are satisfied by the fact that rates offered to them on banks services are fair mean that they will only stay with a bank that gives them this value for money. The findings also concur with Berry and Parasuraman’s (1991) acknowledgement that pricing can also be the other factor enhancing customer loyalty—this Berry and Parasuraman noted that low prices than competitor’s attracted and retained more customers. Bernhardsen and Kai (2003) also explained that “Interest rates may be used strategically by banks to acquire new and retain existing customers. The bank may have a good profit margin on "secondary" products which may be sold in combination with the loan; this shows that low interests are a stake in controlling the bank’s customers. This concurs with the findings in this study.

4.3.7 Better Interest Rates on Loans and Deposits

Figure 4.6 shows how better rates for deposits and account maintenance affected customer satisfaction and customer loyalty.

Figure 4.6 Interests on Loans and Deposits

Figure 4.6 presents the results of the respondents’ perceptions of how better rates for deposits and account maintenance influence customer retention and loyalty. 35% of the respondents got
their satisfaction based on the deposit rates and account maintenance costs. 28% were less satisfied by it, 19% of respondents were neutral. Those who had a strong view that better deposit rates and account maintenance were not satisfying and those strongly satisfied tied at 9% each. These findings show that most respondents (Sum total of 44%) were of the idea that offering better rates to customers was satisfying.

BOA Kenya uses the low account maintenance strategy so that it can accommodate more customers (BOA, 2011), a sign that the costs determine customer retention to a great extent.

The findings of this study confirm that pricing is a very important tool in leading a defensive strategy of retaining customers. They also give credence to Berry and Parasuraman’s (1991) recommendation of level one strategy in relationship marketing as an effective method of securing customer loyalty. They are also in agreement with Kumar’s observation that in order to meet with these trends, banks now compete based on price and rely on evolving long-term associations with customers (Kumar, 2005). This is proved correct in these findings when most of the customers attach satisfaction to the Interest rates and bank charges offered.

4.4 Effects of Relationship Marketing on Customer Satisfaction

4.4.1 Better and Fast Customer Service

The researcher sought to find out whether better and fast customer services offered by banks satisfied customers. The observations from respondents are in figure 4.7.
From the findings as displayed in figure 4.7, the researcher observed that 50% of respondents affirmed that better and fast services banks offered to customers strongly satisfied them. 37% of the respondents agreed that better and fast services satisfied them (i.e. sum total of respondents in agreement are 87%) while 7% considered it less satisfying but the remaining 6% said the service was neutral to them-neither satisfying nor dissatisfying.

The BOA Kenya notes that the fast services to customers, apart from adding to the satisfaction of the customers, also earn the bank high returns. Fast processing of loans and cheques means that the bank covers more people who in turn pay higher interest in cumulative terms (BOA, 2011). Parasuraman, Berry and Zeithaml (1991) basing on their experiments on relationship marketing, discovered that customers in the service industry desire given types of services which when awarded lead to enhanced customer loyalty. The findings of this study confirm that the moment better and fast services are awarded, a majority of the customers will be satisfied with the bank.
The Agence Elite, BOA’s premium banking service that recognizes customers’ lifestyle and makes banking for them more convenient and personalized, is an example of how the bank endeavors to provide a convenient service to customers. The BOA notes that this service leads to such customers with a busy schedule getting the satisfaction they need as they can do their banking services as well as enjoy their lifestyle.

4.4.2 Easily Accessible Bank Services

When determining how satisfactory the convenience of the location of banks and ATMs was to customers, the research received observations presented in table 4.4

<table>
<thead>
<tr>
<th>Item</th>
<th>Strongly satisfy</th>
<th>Satisfy</th>
<th>Neutral</th>
<th>Less satisfying</th>
<th>Strongly not satisfying</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency</td>
<td>19</td>
<td>23</td>
<td>7</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Percentage (%)</td>
<td>35</td>
<td>43</td>
<td>13</td>
<td>7</td>
<td>2</td>
</tr>
</tbody>
</table>

Table 4.5 ATM location and Delivery Channels

From the results collected, 43% of the customers were satisfied when the location of the ATMs and banks was accessible. Those who were strongly satisfied with this view were 35%. The total of those who were satisfied with location of their bank was 78%. (43% satisfied and 35% strongly satisfied) 13% of respondents were neutral while 9% were least satisfied (7 % less satisfied and 2 % strongly unsatisfied). From these findings we get the idea that the locations of the BOA outlets are closer to customers and greatly determine their satisfaction rate.

As noted from BOA (2011), convenient locations of banks enhance customer satisfaction as well as customer retention by the bank. Equity Bank has, for example, invested heavily in ATM machines countrywide with the financial report of 2009 stating their total to 512 Visa branded ATMs and 2500 Point of Sale terminals (POS). These are aimed at providing customers with ample access to their money anytime of the day anywhere (EBL, 2009).
4.4.3 Continuous Product Review

The research also sought to find out how the process of banks reviewing their products (Product innovation) affected customers in terms of satisfaction. The results are presented in figure 4.6

Figure 4.8: Continuous Product Review

From figure 4.8, continuous review of products on offer so as to coincide with customers’ changing lifestyles was supported strongly by majority with 51% of the respondents strongly satisfied and 39% of respondents were also satisfied. (A total of 90% of the respondents) 6% of the respondents were neutral to the factors while the remaining 4% were less satisfied with the factor.

The greatest percentage of those who strongly believe that changing products that banks offer to their customers will lead to satisfaction illustrates that the change in products offered by banks is very significant in retaining customers. This confirms BOA Kenya’s idea of providing specific products that meet the changing lifestyle of their customers so as to attract more of them as well as maintain customer loyalty. BOA gives Agence Elite as one such product (BOA, 2011).
In reference to the first C (consumer needs and wants) of the 4Cs, Hougaard and Bjerre (2009) refer to the wants and needs as consumers’ requirement that determine which products they are likely to be in need of. The consumer wants require a marketer to study consumer wants and needs and to create that which they need/want before attracting them one by one—The right product must meet the customer’s lifestyle. The statistics in figure 4.8 support this view.

4.21.3 Better Services and Diversified Products

The study also aimed determining the effects of personalized and better banking services and diversified products on customer satisfaction and the results are in table 4.6

<table>
<thead>
<tr>
<th>Item</th>
<th>Strongly satisfy</th>
<th>Satisfy</th>
<th>Neutral</th>
<th>Less satisfying</th>
<th>Strongly not satisfying</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency</td>
<td>27</td>
<td>18</td>
<td>5</td>
<td>4</td>
<td>-</td>
</tr>
<tr>
<td>Percentage (%)</td>
<td>50</td>
<td>33</td>
<td>9</td>
<td>7</td>
<td>-</td>
</tr>
</tbody>
</table>

Table 4.6 Better Services and Diversified Products

As it is shown in table 4.6, majority of respondents (that is 50%) were strongly satisfied by personalized banking, better services and diversified products, 33% of them were satisfied, (Total number of satisfied with the factor was 88%) 9% were neutral while 7% portrayed less satisfaction. These findings are in agreement with Bitner’s (1995) phrases that the relationship between a customer and employees of a service company is increased when the contact between the two is increased. This confirms that personalized services enhance satisfaction.

E-Banking Services

The study sought to establish the importance of the use of the mobile phone and E banking services to customer satisfaction. The results are shown in figure 4.9.
In the course of the study as per the figure 4.9, the researcher observed that 43% of respondents were satisfied with the use of mobile and internet banking services to bring services closer to customers while 39% of respondents gave a strongly clear satisfaction, (Total of 82% indicated satisfaction) 9% were less satisfied, 6% responded neutrally and 4% totally not satisfied. These findings show that mobile banking and E-banking channels are considered to be satisfying by a majority of the respondents. This justifies the interest most banks have put in the two services. BOA Kenya, for instance, uses the mobile banking strategy to provide banking services to their customers anytime and anywhere (BOA, 2011). Wambari (2009) also notes that offering banking products through mobile phones is one option with great potential for reaching the unbanked population. The findings also confirm the position of De Bruijn et al. (2009) that cell phone banking has also been identified as having remarkable potential in retaining bank customers and converting cell phone users to banking users.

Bonyo and Nyabiage’s (2011) report that, through mobile and internet service, Equity Bank was able to link about 3,000 accounts a day, suggesting that the demand for mobile banking is high in this market is also supported by these findings. BOA Kenya seems to have followed this concept by its introduction of web banking and the connection of all branches such that customer experience can be continued (BOA, 2011).
4.4.6 Level of Satisfaction to Customer Attraction/Loyalty

The study sought to establish the effects high level of customer satisfaction brought to customer attraction and retention and the results were tabulated in the table 4.7 below.

<table>
<thead>
<tr>
<th>Effect of high customer satisfaction on:</th>
<th>Increases</th>
<th>Constant</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
<td>Percentage (%)</td>
</tr>
<tr>
<td>Loyalty</td>
<td>46</td>
<td>85</td>
</tr>
<tr>
<td>Attraction</td>
<td>41</td>
<td>76</td>
</tr>
</tbody>
</table>

Table 4.7: Effect of high Customer Satisfaction on Customer Loyalty and Attraction

From the table, a majority (85%) of the respondents agreed that high customer satisfaction increased customer loyalty while only 15% said that the high satisfaction rate did not increase loyalty. On attraction, 76% of the respondents said high satisfaction levels increased customer attraction and only 24% had a contrary idea. These findings are similar to Czepiel (1990) who thought that relationships existed when there was mutual benefit among the parties involved. These benefits created satisfaction in the parties and hence increased customer loyalty. Berry and Parasuraman (1991) acknowledged that pricing “a lead to satisfaction” could also enhance customer loyalty; Cohen et al. (2006) also had a similar idea.

4.21.4 Other Factors enhancing Customer Satisfaction

The study sought to determine from the respondents the factors that enhanced customer satisfaction in banks. Several factors were given; some of them already looked at in the study. Among those not explored in this research are: Direct sales; Integrity; Creative and unique customer service experiences; Better service environments; Creating warm relationships not necessarily based on the business linkages, for instance, participating in birthday celebrations of customers; Under promising and over delivering services to customers; and Efficiency in the operations and systems concerned with customers.
4.22 Aspects of Relationship Marketing and Profitability

The study also sought to find out what factors of relationship marketing and to what extent they affected profitability of banks. Table 4.8 below presents the results that were collected.

<table>
<thead>
<tr>
<th>Service</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building and maintaining long-term customer relationships</td>
<td>11</td>
<td>20</td>
</tr>
<tr>
<td>Maximum and sustained customer satisfaction which induces satisfaction with the products and their price</td>
<td>10</td>
<td>19</td>
</tr>
<tr>
<td>Enhanced quality services by keeping promises to customers</td>
<td>9</td>
<td>17</td>
</tr>
<tr>
<td>Appropriate client knowledge and progressive friendship to retain existing customers</td>
<td>4</td>
<td>7</td>
</tr>
<tr>
<td>Enhanced ethics and trust between the customers and the direct sales representatives</td>
<td>8</td>
<td>15</td>
</tr>
<tr>
<td>Open, honest and frequent communications</td>
<td>5</td>
<td>9</td>
</tr>
<tr>
<td>Enhanced customer value and improved business performance</td>
<td>7</td>
<td>13</td>
</tr>
</tbody>
</table>

Table 4.8 Aspects of Relationship Marketing that lead to Profitability

From the table we can deduce that majority of the respondents strongly supported the fact that building and maintaining long term customer relationships was the main aspect enhancing profitability among banks with a percentage of 20% while another category of 19% backed maximum and sustained customer satisfaction to be the second leader to profitability in banks. 17% of respondents suggested that enhanced quality services through keeping promises to customers was the next enhancing profitability while 15% reckoned enhanced ethics and trust between the customers and the direct sales representatives was the key to profitability. Of the remaining respondents, 13% of them argued that profitability in banks leaned on enhancing customer value and improved business performance, 9% leaned on honest and frequent communication as the remaining 7% echoed appropriate client knowledge and progressive friendship to retain existing customers as a factor affecting profitability.
These findings show that banks use several factors to enhance customer retention and consequently profitability. These findings tally with those of several authors like Reichheld (1993) who considered that while enhancing activities can lead to customer loyalty, banks should make sure that the customers handled in the long-term relationships are profitable. Berry considered relationship marketing as the backbone of any service industry business in that it created the core strategy that ensured that a company got the customers it required to run hence enhanced profitability (Berry, 1983). Maxim (2009) writes that Long-term relationships, alongside other benefits, reduce costs by the experience effect: the operational costs for an old customer are much smaller than those for a new one. The literature justify the view of the majority-20% of the respondents concerning relationship marketing and profitability.

The observation of the 7% who chose appropriate client knowledge and progressive friendship to retain existing customers being the cause of profitability confirmed Morgan and Hunt’s (1994) argument that relationship marketing was based on commitment and trust to retain customers.

The arguments of other authors arguments like Berry and Parasuraman (1991), Czepiel (1990), Zielinski (1994), Berry (1995) and Reichheld and Sasser (1990) separately confirm each of the points mentioned above to be leading to profitability in banks.

4.23 Chapter Summary

This chapter presented the findings the study established from the data collected. The chapter analyzed these findings in relation to the objectives of the study and also reviewed what other writers had on the same variables being tested. The next chapter provides the summary of the findings mentioned in chapter four, the conclusions and the recommendations the study gives to the users of this research. The chapter also identifies the gaps established in the course of this study that needs to be researched on further.
CHAPTER FIVE

5.0 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes the findings identified in chapter four, drawing conclusions from these findings, making recommendations to the established findings/conclusions and finally, locating areas that should be subjects of further research so as to increase the knowledge base as well as iron out conflicting ideas about these areas.

5.2 Summary of the Study

The aim of this study was to establish the relationship existing between relationship marketing and customer retention in BOA Kenya. The study formulated three research questions which it answered in chapter four. The questions were:

1. What are the different types or approaches of relationship marketing that banks use to attract and retain customers?
2. What are the effects of relationship marketing to customer satisfaction? and
3. What are the aspects of relationship marketing that enhance profitability?

The research design used was descriptive design and the target population was top managers, marketing/customer care managers and account holders. The sample used was 80 where only 68% of them responded well (With a 68% response rate).

The findings illustrate that relationship marketing is a very important method of either defensive or offensive marketing and that banks use a variety of approaches in executing relationship marketing. The findings reveal that banks, with a large support, use better customer care relations and services, well established and convenient branch network, personalized and diversified products and services, high customer support services, affordable accounts and bank services like loans and convenience of accessibility to banking services to acquire and retain customers.
The study also reveals that there are certain effects of relationship marketing that impact the satisfaction of customers towards their banks. Among the aspects of relationship marketing that give customers satisfaction with their banks are good customer care services, convenient location of the bank/ATM and other delivery channels, and the continuous review of products on offer so to accommodate customers’ changing needs, better pricing rates, personalized banking, better services and diversified products and use E-banking services to bring services closer customers. Though these factors were the more satisfactory forms of relationship marketing to some customers more than others, they were generally satisfactory to all of them.

The research has also found out that there were several factors of relationship marketing that affect profitability in banks. All these factors have an effect on profitability though the extent depends on each factor since some factors are deemed to affect profitability than others. The factors are enhanced by customer value and improved business performance; open, honest and frequent communications; enhanced ethics and trust between the customers and the direct sales representatives; appropriate client knowledge and progressive friendship to retain existing customers; enhanced quality services by keeping promises to customers; maximum and sustained customer satisfaction; and building and maintaining long-term customer relationships.

5.3 Conclusions
5.3.1 Relationship Marketing Strategies Employed by Kenyan Banks

The research concludes that competition in the banking industry has become very fierce lately and that banks have explored the use of different relationship marketing strategies to remain competitive just as is borne out by Genesys (2010) who notes that competition in the recent past has been very stiff in the banking sector. The study also concludes that relationship marketing is very important in banks as a way of attracting and retaining customers in the sense of Berry (1995) who asserts that relationship marketing is a good tool for enhancing defensive and offensive marketing; Sharma and Sharma (2003) also concur. Another conclusion is that banks use several strategies of relationship marketing to enhance customer loyalty and attraction. Banks also value relationship marketing approaches as exemplified in their belief that they have a stake in their customer retention capacity; views that concur with Berry and Parasuraman (1991) and Hougaard and Bjerre (2009) that there are several methods which banks can use to
enhance customer loyalty. The different relationship marketing approaches provide a large surface area of accommodating more customers.

5.3.2 The Effects of Relationship Marketing on Customer Satisfaction

The research has also concluded that the different tools of relationship marketing enhance customer satisfaction in the services that banks offer. It has also been demonstrated that high level of satisfaction influences customer attraction as well as customer retention positively. This has legitimized Di Vanna’s (2009) sentiments that customers are always loyal to banks that are loyal to them. This conclusion also concurs with the beliefs of Morgan and Hunt’s (1994), Zielinski (1994) and Czepiel (1990 belief that commitment and trust lead to customer satisfaction thus loyalty)

5.3.3 Aspects of Relationship Marketing Enhancing Profitability

On this matter, the study also concludes that there are several factors of relationship marketing that enhance increases profitability in banks. It was however established that though these factors enhance profitability on a general level, some of them have a higher chance than others in enhancing profitability. Just as Reichheld and Sasser (1990); Kumar (2005) observe, this study also confirms that relationship marketing increases customer loyalty thereby enhancing profitability.

5.4 Recommendations

5.4.1 Recommendations for Improvement

5.4.2 Types of Relationship Marketing Strategies

Based on increased competition witnessed in the 21st century, the market for business maneuvering has reduced greatly leading to an increased cost of acquiring new customers compared to maintaining the existing ones. This study has gone ahead to assess the effects of strategies for ensuring customer loyalty and why managers should adopt them; it is therefore unwise for any manager ignore them. The study has also shown that relationship marketing attracts new customers. This study therefore recommends that banks and other firms in the
service sector should indulge deeply in devising strategies/approaches relevant for the retention of customers to cushion their firms from the high competition threats as well as make them remain profitable.

**5.4.3 Effects of Relationship Marketing on Customer Satisfaction**

Although there are a variety of tools used in relationship marketing that enhance customer satisfaction, most of those mentioned in this study can be imitated by competitors. Banks should, therefore, continue being highly innovative so as to create unique tools that will enable them provide exceptional quality and satisfactory services to their customers.

**5.4.4 What are the aspects of relationship marketing that enhance profitability**

Since the study has revealed that relationship marketing enhances customer loyalty hence company profitability, it is important that banks and other companies in service delivery observe the necessary measures that will keep their trust and commitment to customers sustained so that they may establish better relationships with them. Through this, companies will remain as profitable as possible.

**5.4.5 Recommendations for Further Study**

Berry and Parasuraman (1991) postulated some levels of relationship marketing which firms in the service industry could adopt in the course of enhancing relationship marketing. They talked of a firm either choosing to use level 1, level 2 and level 3 of the ways of relationship marketing to enhance customer loyalty. However, Zielinski (1994), while exploring ways that are used by some firms to enhance relationship marketing, talks of price and social bonds being used in a company at the same time. A study therefore, needs to be done to assess whether the three levels of relationship marketing strategies can be fused into one major approach or whether the three levels can be used concurrently.

**5.4.2.1**

The study has established that there is a relationship between relationship marketing and profitability. However, the study has not quantified how much profit each aspect of relationship
marketing brings to companies. A study should therefore be done to establish in clear terms the relationship of the mentioned aspects of relationship marketing to the quantity of profits the company is expected to achieve. This way, firms can be aware that the use of given aspects of relationship marketing result in higher profits in some banks than in others.
REFERENCES


APPENDICES

Appendix I: Cover Letter

Dear Mr/Mrs ..........

I am a Masters student at the United States International University - Africa pursuing Global Executive Masters in Business Administration (GEMBA). I have designed a questionnaire to gather information on “The Impact of Relationship Marketing on Customer Retention in Banks in Kenya: A Case study of the Bank of Africa”. I request you to assist me by answering the questions in the questionnaire as accuracy as you can.

Please note that any information you give will be treated with extreme confidentiality and at no time will it be used for any other purpose at all other than for this project. Your name will also not be used in this research but rather the research number given to you by the researcher. Your assistance is highly appreciated. I look forward to your prompt response. Thank you.

Yours Faithfully,

Anyango Owich Silpah.

ID. 632385
Appendix II: Questionnaire

Section A: Background information of respondents

1. How long have you been with this bank?
   - Less than a year
   - 1-3 years
   - 3-5 years
   - More than 5 years

2. Have you ever worked with another bank?
   - Yes
   - No
   If Yes, then for how long?
   - Less than 5 years
   - 5-10 years
   - 10-15 years
   - Over 15 years

Section B: Strategies Banks Employ to Attract and Retain Customers

Factors that enhance customer attraction

3. Is relationship marketing very important in attracting and retaining customers in your bank?
   - Yes
   - No
4. Rank the following items in order of which they have led to attraction of new customers to your bank; where 1 represents strongly attracted, 2 represents attracted, 3 represents least attracted while 4 represents failed to attract at all.

<table>
<thead>
<tr>
<th>Service</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>i. Better customer care relations/services</td>
<td></td>
</tr>
<tr>
<td>ii. Well established branch network</td>
<td></td>
</tr>
<tr>
<td>iii. Personalized and diversified products</td>
<td></td>
</tr>
<tr>
<td>iv. Location of bank to customers</td>
<td></td>
</tr>
<tr>
<td>v. Affordable accounts, low charges on withdrawals, high interest on deposits</td>
<td></td>
</tr>
<tr>
<td>vi. Convenient banking accessibility services (M-banking, Web banking)</td>
<td></td>
</tr>
</tbody>
</table>

**Factors that Enhance Customer Retention**

5. To what extent do the following aspects or approaches of relationship marketing contribute to customer retention in banks in Kenya?

<table>
<thead>
<tr>
<th>Service</th>
<th>Highly contribute</th>
<th>Contribute</th>
<th>Do not contribute</th>
<th>Strongly do not contribute</th>
</tr>
</thead>
<tbody>
<tr>
<td>i. Better customer care services and relations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ii. Fast and efficient services to customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>iii. Increasing the number of ATM and other outlets (Delivery Channels)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>iv. Better terms on loans, deposits and account</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Section C: Effects of RM on Customer Satisfaction

6. To what extent do the following customer satisfaction practices offered by your bank satisfy you?

<table>
<thead>
<tr>
<th>Service</th>
<th>Strongly satisfy</th>
<th>Satisfy</th>
<th>Neutral</th>
<th>Less satisfying</th>
<th>Strongly not satisfying</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fast customer service</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Convenience of location of the bank/ATM</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Better rates for deposits and account maintenance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Better interest rates and terms on loans (better prices)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ease of account opening</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personalized banking and services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Better and diversified products</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

7. What are the effects of high satisfaction level on:

   i. Customer attraction

   [Blank]
Increases attraction

Does not increase

ii. Customer retention

Increases loyalty

Does not increase

8. Give examples of practices that can enhance customer satisfaction in your bank.

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

9. What is the significance of customer satisfaction practices that can improve retention in your bank?

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

**Section D: Relationship marketing and bank’s profitability**

10. The following are different aspects of relationship marketing that enhance bank profitability. Rank them in the order in which they lead to profitability (1 is the most profitable while 12 is the least)

   i. Building and maintaining long-term customer relationships (   )
   ii. Maximum sustained customer satisfaction (   )
   iii. Employing superior level of service and orientation. (   )
   iv. Enhanced quality services keeping promises to customers (   )
v. Maximizing lifetime value of desirable customers and customer segments
vi. Direct sales representatives committed to customer services
vii. Appropriate client knowledge and progressive friendship to customers
viii. Much closer integration of quality and customer service
ix. Enhanced ethics and trust between the customers and the direct sales representative
x. Open, honest and frequent communications
xi. Enhanced customer value and improved business performance
xii. Offering competitive products
Appendix III: Breakdown of sample frame from each BOA branch

<table>
<thead>
<tr>
<th>Branch of BOA</th>
<th>Frame selected</th>
<th>Top Managers</th>
<th>Customer care/marketing staff</th>
<th>Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.  Nairobi</td>
<td>3</td>
<td>4</td>
<td></td>
<td>434</td>
</tr>
<tr>
<td>2.  Westlands’ Branch</td>
<td>3</td>
<td>4</td>
<td></td>
<td>324</td>
</tr>
<tr>
<td>3.  River Road Branch</td>
<td>3</td>
<td>4</td>
<td></td>
<td>143</td>
</tr>
<tr>
<td>4.  Embakasi Branch</td>
<td>3</td>
<td>4</td>
<td></td>
<td>102</td>
</tr>
<tr>
<td>5.  Ruaraka Branch</td>
<td>3</td>
<td>4</td>
<td></td>
<td>154</td>
</tr>
<tr>
<td>6.  Monrovia Street Branch</td>
<td>3</td>
<td>4</td>
<td></td>
<td>129</td>
</tr>
<tr>
<td>7.  Ngong’ Road</td>
<td>3</td>
<td>4</td>
<td></td>
<td>134</td>
</tr>
<tr>
<td>8.  Uhuru Highway Branch</td>
<td>3</td>
<td>4</td>
<td></td>
<td>224</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>24</strong></td>
<td><strong>32</strong></td>
<td></td>
<td><strong>1644</strong></td>
</tr>
</tbody>
</table>