THE EFFECT OF MERGERS AND ACQUISITIONS ON CLIENT RETENTION

IN THE KENYAN BANKING SECTOR

BY

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SUMMER 2015
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.

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

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ABSTRACT

The purpose of the study was to assess the effect of mergers and acquisitions on client retention in the Kenyan Banking Sector. The study sought to answer the following research questions: What is the effect of financial stability in mergers and acquisitions on client retention in the Kenyan Banking Sector? How do the culture and human factors in mergers and acquisitions affect client retention in the Kenyan Banking Sector? Does pricing in mergers and acquisitions have any effect on client retention in the Kenyan Banking Sector? And what is the effect of relationship management in mergers and acquisitions on client retention in the Kenyan Banking Sector?

This study adopted a descriptive survey design and it only sought to establish whether there is any relationship between the mergers and acquisitions and client retention. The target population comprised of 381 senior and middle level marketing managers in the 36 banks that have undergone a merger or acquisition in Kenya. Simple random sampling was used to pick the banks senior and middle level managers. A sample population of 191 managers was arrived at by calculating the target population of 381 senior and middle level managers with a 95% confidence level and an error of 0.05. A structured questionnaire was used to collect primary data. Data was collected using a self-administered questionnaire. Frequency tables, percentages and means were used to present the findings. Responses in the questionnaires were tabulated, coded and processed by use of a computer Statistical Package for Social Science (SPSS) version 21.0 Program to analyze the data using descriptive statistics.

The study found out that financial stability influenced client retention and growth to a great extent. Profitability analysis measures financial performance to the management and shareholders as it cushions them against adverse conditions such as losses due huge claims or unexpected adverse changes to the investment portfolio. Additionally, long-term solvency has an effect on client retention and growth as well. The ability of a company to survive for a period of more than one year is very important to the customers. Mergers and acquisitions improve on the solvency of the bank which in turn increases client retention and growth. Merging increases the assets ratio hence reduces the riskiness of the company.

The study also found that culture and human factors affect client retention and growth to a very great extent. The study revealed that a match of the employees and the customers promotes customer retention and hence contributes to the growth of the business.
Autonomy decrease takes place from the acquired side of the merger. This step by the banks promoted the utilization of both the physical and human facilities more efficiently than previously. There is however utmost care in removing autonomy from any of the given entities due to the negative or positive effects that can be acquired when doing so.

The study further found out that pricing affects client retention and growth also to a great extent. Price matching has an influence on the client retention given that prices are the main consideration of the customers. The management of the merging banks incurs expenses to set up the premises which in turn help to retain previous customers. It was also revealed that relationship management affects client retention to a great extent. There is proper management of customer relationships in order to efficiently maximize revenues. On the other hand customer loyalty programs affect the retention of the clients. There are creative ways that are developed to retain the existing customers and attract new ones.

The study concludes that relationship management had the greatest effect on the client retention in the Kenyan banking sector, followed by culture and human factors then financial stability while pricing had the least effect to the client retention in the Kenyan banking sector.

The study recommends that the banking sector should adopt proper analysis for the profits made in the entity. The banks should further focus on cutting the expenditures of the entity to increase the margin between revenue and expenses which will further improve the profit analysis and increase customer retention.

The study further recommends for teamwork among the employees to improve the relationship among the workers. The two merging institutions ought to conduct team building activities often to successfully merge the different workers for better performance of job. There also should be improved price savings since existing customers focus less on price savings than new customers.

The study finally recommends more effective CRM programs with the aim of appreciating customers. The banks should set up more customer care units to reach out to higher number of customers who need service.
DEDICATION

I would like to dedicate this work to my wife Betsy Gonnah-Oluoch and Daughter Eva
Rose Oluoch.
I would like to acknowledge my supervisor, Dr. Paul Katuse, for the guidance and wise counsel during the development of this thesis. He gave me very helpful insights in a timely manner. I would also like to acknowledge my colleagues in class and at work, lecturers, friends and my family for their support.
# Table of Contents

**Declaration** ........................................................................................................ iii

**Copyright** ............................................................................................................... iv

**Abstract** ............................................................................................................. v

**Dedication** .......................................................................................................... vii

**Acknowledgement** .......................................................................................... viii

**Table of Contents** ............................................................................................. ix

**List of Tables** .................................................................................................... xi

**Abbreviations** ...................................................................................................... xii

**Chapter One** ........................................................................................................ 1

1.0 Introduction ........................................................................................................ 1

1.1 Background of the Problem ............................................................................... 1

1.2 Statement of the Problem .................................................................................. 4

1.3 Purpose of the Study ......................................................................................... 5

1.4 Research Questions ........................................................................................... 5

1.5 Significance of the Study .................................................................................. 5

1.6 Scope of the Study ............................................................................................ 6

1.7 Definition of Key Terms ................................................................................... 7

1.8 Chapter Summary ............................................................................................. 7

**Chapter Two** ....................................................................................................... 8

2.0 Literature Review ............................................................................................. 8

2.1 Introduction ....................................................................................................... 8

2.2 Effect of Financial Stability in Mergers and Acquisitions on Client Retention .... 8

2.3 Effect of Culture and Human Factors in Mergers and Acquisition on Client Retention .......................................................................................................................... 12

2.4 Effect of Pricing in Mergers and Acquisition on Client Retention ................. 17

2.5 Effect of Relationship Management in Mergers and Acquisition on Client Retention ............................................................................................................................. 22

2.6 Chapter Summary ............................................................................................. 26

**Chapter Three** .................................................................................................... 27

3.0 Research Methodology ....................................................................................... 27
CHAPTER FOUR ................................................................. 33

4.0 RESULTS AND FINDINGS ......................................................... 33
  4.1 Introduction ........................................................................ 33
  4.2 General Information ................................................................. 33
  4.3 Effects of Financial Stability on Mergers and Acquisitions .............. 35
  4.4 Effects of Culture and Human Factors on Mergers and Acquisitions ...... 36
  4.5 Effects of Pricing on Mergers and Acquisitions ................................ 38
  4.6 Effects of Relationship Management on Mergers and Acquisitions .......... 39
  4.7 Client Retention ...................................................................... 40
  4.8 Regression Analysis .................................................................. 40
  4.9 Chapter Summary ...................................................................... 42

CHAPTER FIVE ............................................................................. 43

5.0 SUMMARY, DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS .......... 43
  5.1 Introduction ........................................................................ 43
  5.2 Summary of the Study .................................................................. 43
  5.3 Discussions .............................................................................. 45
  5.4 Conclusions ............................................................................ 51
  5.5 Recommendations .................................................................... 52

REFERENCES .................................................................................. 54

APPENDICES ................................................................................ 59
  Appendix I: Research Questionnaire .................................................. 59
  Appendix II: List of Mergers and Acquisitions in the Kenyan Banking Sector ...... 62
LIST OF TABLES

Table 3.1: Population ........................................................................................................... 28
Table 3.2: Sample Size .......................................................................................................... 29
Table 4.1: Gender of respondents ....................................................................................... 34
Table 4.2: Age of the respondents ...................................................................................... 34
Table 4.3: Level of experience ........................................................................................... 35
Table 4.4: Education level .................................................................................................. 35
Table 4.5: Extent to which financial stability affects client retention ............................... 36
Table 4.6: Effect of financial stability on client retention .................................................. 36
Table 4.7: Extent to which of Culture and Human Factors influence interest rate spread 37
Table 4.8: Attributes of culture and human factors influence on client retention .......... 37
Table 4.9: Extent of pricing influence on client retention and growth ......................... 38
Table 4.10: Attributes of pricing influence on client retention and growth ................... 38
Table 4.11: Extent of relationship management influence on client retention and growth ................................................................................................................................. 39
Table 4.12: Attributes of relationship management influence on client retention and growth ................................................................................................................................. 39
Table 4.13: Trend of various aspects of customer retention after merger and acquisition 40
Table 4.14: Model Summary .............................................................................................. 40
Table 4.15: Summary of One-Way ANOVA results .......................................................... 41
Table 4.16: Regression coefficients of the relationship between client retention and the four predictive variables ................................................................. 41
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>CBK</td>
<td>Central Bank of Kenya</td>
</tr>
<tr>
<td>CLV</td>
<td>Customer Lifetime Value</td>
</tr>
<tr>
<td>ECB</td>
<td>Equatorial Commercial Bank</td>
</tr>
<tr>
<td>M &amp; A</td>
<td>Mergers and Acquisitions</td>
</tr>
<tr>
<td>PIMS</td>
<td>Profit Effect of Market Strategy</td>
</tr>
<tr>
<td>SCBC</td>
<td>Southern Credit Banking Corporation</td>
</tr>
<tr>
<td>SPSS</td>
<td>Statistical Package for Social Science</td>
</tr>
</tbody>
</table>
CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Problem

The world is in a state of flux, being influenced by the forces of globalization and fast technological changes and as a consequence firms are facing intense competition. To face the challenges and explore the opportunities, firms are going for inorganic growth through various strategic alternatives like mergers and acquisitions (M & A), strategic alliances, joint ventures etc (Stunda, 2014). The M & A are arguably the most popular strategy among firms who seek to establish a competitive advantage over their rivals. In the last seven years, during the fifth merger wave, the value of acquisitions has increased dramatically (Bauer, Miles & Nishikawa, 2009).

Due to changes in the operating environment, several licensed institutions, mainly commercial banks, have had to merge (combine their operations in mutually agreed terms) or one institution takes over another’s operations (acquisitions) (Akinyomi & Olutoye, 2014). Some of the reasons put forward for mergers and acquisitions are: to gain greater market power, gain access to innovative capabilities, thus reducing the risks associated with the development of a new product or service, maximize efficiency through economies of scale and scope and finally in some cases, reshape a firm’s competitive scope (Hitt, Harrison & Ireland, 2009). Other reasons include a short-term solution to finance problems that companies face due to information asymmetries, revitalize the company by bringing in new knowledge to foster long-term survival and to achieve synergy effects.

According to Boateng and Bjørtuft (2008), a merger is the combination of businesses which occurs when two companies, more or less on equal footing, decide to join forces. On the other hand, acquisitions are business combinations which occur when one company takes over another company. For the entire Mergers and acquisition (M & A) process to be a success, there must be a transfer of the capabilities and knowledge for cost effective synergies to become a reality (Krug & William, 2009). There are certain objectives and reasons for mergers and acquisitions that propel the increase in mergers and acquisitions (Rani, Yadav & Jain, 2013).
An acquisition is the taking over by one company of the share capital of another in exchange for cash, ordinary shares, loan stock or a combination of this. This results in the identity of the target being absorbed into that of the acquirer, Pike and Neale (2010). The definition by Hill and Jones (2009), a takeover is when the acquiring company gains control of another without the cooperation of its existing management. The acquiring company usually joins forces with the key shareholders, purchase stock on the open market or by soliciting proxies (Sinkin & Putney, 2014).

The motives for mergers and consolidations are both financial and non-financial in nature. The financial motive is where a merger allows the acquiring firm to enjoy a potentially desirable portfolio effect by achieving risk reduction while perhaps maintaining the firm’s rate of return. If two firms that benefit from opposite phases of the business cycle combine, their variability in performance may be reduced. Risk-averse investors may then discount the future performance of the merged firm at a lower rate and thus assign it a higher valuation than that assigned to the separate firms (Block et al., 2009).

The non-financial motives for mergers include the desire to expand management and marketing capabilities as well as the acquisition of new products. Mergers are often with companies in allied but not directly related fields. Perhaps the greatest management motive for a merger is the possible synergistic effect i.e. the whole is greater than the sum of the parts. This synergy is as a result of eliminating overlapping functions in production and marketing, Block et al (2009). According to Brigham and Daves (2010), synergy exists when the whole is greater than the sum of the parts.

Many managers today regard buying a company for access to markets, products, technology and resources as less risky and speedier than gaining the same objectives through organic growth (Jemison & Sitkin, 2009). Acquisitions and mergers are investment decisions that should be evaluated on essentially the same criteria as when new assets such as machinery and equipment are purchased. Indeed, the ‘make or buy’ decision can be conceptually applied to the acquisition process (Pike and Neale, 2008). According to Hill and Jones (2009), most mergers and acquisitions will be pooled to attractiveness of the target in areas like product design, manufacturer’s technology, good management, tight financial discipline and the market share (Griffin, 2013).

At the microeconomic level, factors such as regulations, competition and CBK legislation influence M & A projects. Mergers have become a common phenomenon in Kenya over the
recent past. In 2008, the then Finance Minister Amos Kimunya proposed to raise the minimum core capital for banks to 1 billion shillings from 250 million shillings, giving 2012 as the deadline for all banks to comply (Kenyan Banks Consolidation, 2010). Subsequently, Kenyan banks are set for consolidation to meet the deadline to boost minimum core capital. In the case of Equatorial Commercial Bank (ECB) and Southern Credit Banking Corporation (SCBC) the main reason behind the merger was to meet the Central Bank of Kenya (CBK) requirement that was set by end of June 2010.

Mergers have become a common phenomenon in Kenya over the recent past. In 2008, the then Finance Minister Amos Kimunya proposed to raise the minimum core capital for banks to 1 billion shillings from 250 million shillings, giving 2012 as the deadline for all banks to comply (Kenyan banks consolidation, 2010). The local implications on banks of enhanced capital rules abroad following the 2008 global financial crisis may also encourage mergers and acquisitions in the sector. Increased competition and capital adequacy requirements under Basel III are likely to be the key drivers behind sector consolidation. Among the recent mergers are CFC/Stanbic Bank mergers, EABS-Akiba Bank merger, EABS/Ecobank. As a result of the challenging local and global macroeconomic environment, slowed economic performance and credit rating downgrades of major economies, (CBK) embarked on a significant monetary tightening stance, in an effort to reduce rising inflation and stabilize the Kenya shilling.

According to the Deposit Protection Fund Board Report of 2010 (Deposit Protection Fund Board, 2010) the Kenyan banking industry has continued on a growth trajectory in response to globalization, technological advancement, competition, economic vibrancy and increased customer sophistication calling for aggressive re-orientation of products and services. This has been in efforts to meet the ever changing customer needs and preferences as well as reach the un-banked groups. As such the financial institutions were required to re-state the deposits that form the input to CBK monthly return and deposits for the purposes of insurance premium assessment to include products in the market that are deposits in nature such as foreign currency deposits and transactions accounts (CBK, 2010).

According to the Central Bank of Kenya, to date there have been 44 bank mergers and acquisitions in Kenya since 1989, of which 82% are between mainstream banks and their internal non-bank financial institution arms (CBK, 2010). While these mergers have been have been fairly simple to undertake and carried out with a marked level of success, there
is no evidence of any research carried out on specific dimensions of customer relationship in Kenya to determine the effect of these consolidations on customers and consequently customer loyalty.

1.2 Statement of the Problem

The incidence of mergers and acquisitions (M & A) has continued to increase significantly during the last decade, both domestically and internationally. A major motivation of strategic M & A is the synergistic effect. In the upsurge of M & A at home and abroad, failed to achieve the synergistic effect is one of the important reasons of a high failure rate of M & A (Sinkin, and Putney, 2014). The sectors most affected by M & A activity have been service- and knowledge-based industries such as banking. According to Hayward (2008) the best results come from those organizations who take a modest break in their acquisition process to allow the lessons learnt from acquisitions to be processed, i.e. a break long enough for management to consolidate key lessons, but not so long that those lessons are forgotten. Guest et al (2009) concluded that if a first merger does not succeed, it is not worthwhile pursuing future mergers.

Considering this justification and the seemingly poor post-merger financial performance of the banks as well as the service situation after merger, questions arose whether the Bank mergers may also have a positive effect on the customer by providing additional services like larger credit limits due to enhanced balance sheets, increased branch network or negative effect such as high pricing and negative customer perceptions. As such, paying due attention to customers in a merger situation is necessary as insufficient attention may cause these customers to move their business elsewhere (Stunda, 2014). This situation may also be contributed by a real or perceived notion that following a merger, the bank becomes too big to pay attention to small customer needs, which may lead to customer defection for fear of being neglected (Urban & Pratt, 2008).

Whereas shareholder value can be easily quantified and measured in terms of profits or dividends or stock value, customer value is not easily measurable because it is a cognitive outcome which is inherent in the consumer of a service (Maxham, 2009; Griffin, 2013). On the backdrop of existing knowledge, which indicates that customer service quality often fails almost immediately following a merger (Akinyomi & Olutoye, 2014), a study of the
condition of customer service in a merger situation in Kenya is undeniably of managerial interest and ignites intellectual enquiry.

Studies focusing on client retention aspect of mergers and acquisitions appear scanty, especially in the banking sector where client retention is affected by the conflicts brought about by the differences in structures and cultures of the merged organizations (Agarwal et al., 2010; Muiu, 2009). This is despite the voluminous reports and articles indicating the need to have customer-centric strategies to ensure client growth and retention. It is in this light that the study aimed to fill the existing knowledge gap by carrying out a study on the effect of mergers and acquisitions on client retention in the Kenyan banking sector. The study sought to answer the question: What is the effect of mergers and acquisitions on client retention in the Kenyan Banking Sector?

1.3 Purpose of the Study

The purpose of the study was to assess the effect of mergers and acquisitions on client retention in the Kenyan Banking Sector.

1.4 Research Questions

The study was be guided by the following research questions:

i. What is the effect of financial stability after mergers and acquisitions on client retention in the Kenyan Banking Sector?

ii. How do the culture and human factors in mergers and acquisitions affect client retention in the Kenyan Banking Sector?

iii. How does pricing in mergers and acquisitions affect on client retention in the Kenyan Banking Sector?

iv. What is the effect of relationship management in mergers and acquisitions on client retention in the Kenyan Banking Sector?

1.5 Significance of the Study

1.5.1 Shareholders of Commercial Banks

This study will also be of benefit to shareholders of the banks after mergers and acquisitions and managers/executives of banks who might want to merge to assess the post-merger financial performance (profitability) and the returns expected out of mergers. This will add
knowledge on the understanding of the effects of mergers on financial performance and therefore they can be able to forecast their returns more prudently. They will find this study stimulating because they can use it as a reference point when advising bank managers and boards of directors on the pros and cons of mergers of banks.

1.5.2 Other Institutions

Merger and acquisition is not only a concept in the banking industry but other sectors as well. The research will be applicable in other sectors and the findings will contribute to strategy formulation and implementation that will yield better performance.

1.5.3 Policy Makers

This study will be important to the policy makers in the banking industry as they will be able to know for certain what effects are brought about by mergers and acquisitions which affect the client retention. The study will also help the Kenya Government in focusing and encourage commercial banks to enhance successful mergers and acquisitions in the country and thereby realization of economic pillar of Kenya’s Vision 2030.

1.5.4 Researchers and Academicians

The results of this study will be invaluable to researchers and scholars, as it will form a basis for further research. The students and academics will use this study as a basis for discussions on mergers and acquisitions. The study will be a source of reference material for future researchers on other related topics. It will also help other academicians who undertake the same topic in their studies.

1.6 Scope of the Study

The study focused on the effect of mergers and acquisitions on client retention in the Kenyan Banking Sector. The study focused on the environment created by the mergers and acquisition and specifically looks at its effect on client retention. This involved collecting information from the top, middle and lower level management staffs in the banks. Data was collected from the banks headquarters located in Nairobi. The study was conducted between the months of January to March 2015.
1.7 Definition of Key Terms

1.7.1 Acquisition

The taking over by one company of the share capital of another in exchange for cash, ordinary shares, loan stock or a combination of this. This results in the identity of the target being absorbed into that of the acquirer (Pike & Neale, 2010).

1.7.2. Merger

The combination of businesses which occurs when two companies, more or less on equal footing, decide to join forces (Boateng & Bjørtuf, 2010).

1.7.3. Financial Stability

The condition where the financial intermediation process functions smoothly and there is confidence in the operation of key financial institutions and markets within the economy (Weber, 2008).

1.7.4 Pricing

The process of determining what a company will receive in exchange for its product or service (Srivastava & Lurie, 2009).

1.7.5 Relationship Management

Refers to a system for managing a company’s interactions with current and future customers. It often involves using technology to organize, automate and synchronize sales, marketing, customer service, and technical support (Young, 2010).

1.8 Chapter Summary

Mergers and Acquisitions provide a business entity with valuable opportunity for cost saving through scope and scale economies. Revenue enhancement is also realized. Kenya has new opportunity in the wake of the country’s rebasing its economy. The country is now a middle income economy. Banks will need to also focus on the best customer centric strategies so the clients are not negatively affected and hence lost to international banks. The next chapter reviewed literature on mergers and acquisitions giving a background on what other researchers’ have done in the field of study.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter summarized the information from other researchers who have carried out their research in the same field of study. Important issues and practical problems are brought out and critically examined so as to determine the current facts. This section was vital as it determined the information that links the current study with past studies and what future studies will still need to explore so as to improve knowledge.

2.2 Effect of Financial Stability in Mergers and Acquisitions on Client Retention

Broadly financial stability describes the condition where the financial intermediation process functions smoothly and there is confidence in the operation of key financial institutions and markets within the economy. With reference to customers’ perception, financial stability is the foreseen possibility of the bank being in operation many more years to come. This perception leads to customers increased confidence in the bank and results to customers desire to increase its business dealing with the bank such as banks more money, place its assets for safe custody among other transactions. Kenyan citizens have seen a lot of companies going under receivership as well as illegal companies swindle customers hard earned money therefore the financial stability aspect is very key and largely affects customer loyalty (Weber, 2008).

According to Pandya (2008), the following are the main measures of financial stability:

2.2.1 Profitability Analysis

This is the most common measure of financial stability and it’s used to assess how well management invests the company’s total capital. Profitability is the most important measure of financial performance to the management and shareholders as it cushions them against adverse conditions such as losses due huge claims or unexpected adverse changes to the investment portfolio. Return on Equity and Return on Assets are the most common profitability ratios used to assess financial performance of companies and were employed in this study.
Profit is the difference between revenues and expenses over a period of time. According to Muhammad (2011), financial managers should continuously evaluate the efficiency of the company in terms of profit to ensure its survival. Profitability ratios indicate what the firm is earning on its sales, assets or equity.

Pandey (2008) cites return on asset (ROA) and return on equity (ROE) as the measures of profitability. Return on assets (ROA) is a comprehensive measure of overall performance of an entity from an accounting perspective. According to Mitchell and Mulherin (2008), ROA is a primary indicator of managerial efficiency as it indicates how capable the management of an entity has been converting the entity’s assets into net earnings. It is computed by dividing the Earning after interest and taxes over the total assets of an entity.

According to Myers and Majluf (2011), Return on equity (ROE) measures accounting profitability from the shareholder’s perspective. It actually illustrates the rate of return flowing to the entity’s shareholders as it approximates the net benefit that the stockholders have received from investing their capital. It is computed by dividing the earnings after interest and taxes over equity.

Njoroge (2009) in a survey of mergers and acquisitions experiences by commercial banks in Kenya came up with findings on enhanced profitability. From the findings carried out on nine respondent banks, she observed that 33% of banks agreed that post acquisition activities enhanced profitability, 11% strongly agreed, 33% neither agreed nor disagreed and 22% disagreed. So in essence the conclusion was that mergers and acquisitions is a strategy of enhancing profitability and thus firm stability.

Studying on merger restructuring and financial stability of commercial banks in Kenya, Chesang (2008) concluded that though some banks showed a decline in performance in the post-merger period, merger restructuring could still be considered as a recommended option to improve the overall financial performance of weak and ailing small medium sized banks with a narrow business. She noted that merger restructuring is likely to positively affect financial stability due to renewed attention to new business growth strategies, improved management, accounting and reporting systems, legal regulatory systems, better credit assessments and reduced staffing levels. These operational efficiencies are likely to achieve higher rates of return for the merged firm.
In his study on effects of mergers and acquisitions on financial stability of non-listed banks in Kenya, Marangu (2009) compared data of banks that merged and those that did not merge. The non-merged non-listed banks were selected randomly but within the same period that the merged banks were considered. The research concluded there was significant improvement in stability for the banks after the merger.

Korir (2011) studied the effects of mergers and acquisitions on financial performance of companies listed at the Nairobi Stock Exchange. The sample included 10 companies that had merged and 10 that had not merged. Over a ten year period and the secondary data used was from Nairobi Stock Exchange and other published reports for the period under study. The measures of performance used were turnover, volume, market capitalization and profit. After analyzing the results, the study concluded that mergers improve performance of companies listed at the Nairobi Securities Exchange (NSE).

Ndura (2010) in his study on the effect of mergers on financial performance of insurance companies in Kenya chose a period of 10 years between 1995 and 2012. The study concluded that the mergers had no positive effect on the profitability of insurance companies in Kenya and that the profitability of the merged companies either remained the same as before the merger or deteriorated in the first four years after the merger. The study also concluded that the merger had no effect on the level of capital adequacy and long-term solvency of the merged insurance companies. On the performance, measures that are unique to the insurance industry and which focus on solvency, liquidity and leverage, the study concluded that mergers have positive effect on the financial performance of insurance companies in Kenya that transact general insurance business while it has adverse effect on the financial performance of insurance companies in Kenya that transact life business.

2.2.2 Capital Adequacy Ratios

They relate to a company’s overall use of financial leverage. Generally companies with high financial leverage experience more volatile earnings behavior. These ratios indicate the extent to which a company’s base covers the risks inherent in its operations. Important capital adequacy ratios include Shareholders’ equity to total assets and shareholders’ equity to total loans. This study concentrated on shareholders’ equity to total assets ratio.

Capital adequacy refers to a relative measure; it establishes the maximum level of leverage that a financial institution is allowed to reach on its operations (Jansson, 1997). It is measured by the ratio of risk-weighted assets relative to regulatory equity, which has been
internationally recommended to be equal to 12.5 times, or commonly known as a capital adequacy ratio of 8% (Jansson, 1997). Nonetheless, it has to be remembered that this prudential standard proposed by the Basel Committee was intended to be applied to international and large banking institutions from developed countries, and that it has been translated to several financial systems in developing countries despite the well-known differences in institutional risk profile, scale of operations and national economic environments (Guidotti et al., 2004).

The prudential standards in Ghana specify minimum capitalization requirements for licensed MFI and rural banks. There are indications that a significant number of MFIs and rural have capital adequacy deficiencies largely because of unfavorable operating guidelines, rapid growth in loan portfolios and inadequate provisions for bad loans (Anupam, 2012). This indicates sound capital of the Sacco relative to the potential risk. The aim is to protect members’ deposits. The Capital adequacy is measured in terms of the absolute minimum as prescribed in the regulations. The minimum core capital currently prescribed by the regulations is Kshs 10 million. Amer et al (2011) suggested that the performance is positively and significantly affected by the asset quality, capital adequacy, credit risk and liquidity of banks. The findings however contradict those by Ab-Rahim et al (2012) who found a negative relationship between capitalization, asset quality and Management quality with various measures of financial performance.

2.2.3 Long Term Solvency

Solvency refers to the ability of a company to survive over a long period of time i.e. for more than a year. It’s the same concept as liquidity except that it is for long term rather than short term. Long term solvency ratios measure the riskiness of a company and include: Total Liabilities to Total Assets which measures the proportion of assets financed by creditors, Shareholders’ Equity to Total Assets which indicates the proportion of assets financed by the owners of funds and Shareholders’ Equity to Total Loans which gives an indication of the proportion of loans covered by the owners of the funds.

According to Pandey (2008), solvency ratios measure the financial soundness of a firm and how well the firm can satisfy its short and long term obligations. Solvency ratios that can be used to evaluate an entity’s financial performance include: quick ratio, current ratio, current liabilities to net worth ratio, total liabilities to net worth ratio and fixed asset to net worth ratio. Quick ratio or acid test ratio considers only cash, marketable securities (cash
equivalents and account receivable) because they are considered to be the most liquid forms of current assets. It is calculated as dividing the sum of cash and account receivables by the current liabilities.

Current liabilities to net worth ratio indicate the amount due to creditors within a year as a percentage of the owners or stakeholders investment. The smaller the net worth, the larger the liabilities and the less security for creditors, the ratio is calculated by dividing the current liabilities by the net worth of the entity. Total liabilities to net worth ratio show how all of a company’s debt relates to the equity of the owner or stock holders. The higher the ratio, the less protection there is for the creditors of the business. The ratio is calculated as total liabilities over the net worth. Fixed asset to net worth ratio on the other hand shows the percentage of assets centered in fixed assets compared to total equity. The ratio is computed by dividing the fixed assets with the net worth of an entity.

A large factor determining a company’s short-term financial health is liquidity, the definition of which depends on context. In stock trading, liquidity is the degree to which the market is willing to buy a particular stock. As a characteristic of an asset, liquidity refers to the ease with which an asset can be converted into cash (Anupam, 2012). This is an accounting ratio which measures the ability to pay short term liabilities as and when they fall due.

Abdul (2013) in his empirical study to identify parameters which are important in the determination of financial performance by publicly quoted companies also found out that liquidity positively influences a company’s financial performance. According to Ahmed and Javad (2009), firms which are more liquid are likely to pay financial performance than firms with liquidity problems hence liquidity is an important determinant of financial performance, on the other hand Anupam (2012) in his study states that firm liquidity is not significant in influencing firm performance.

2.3 Effect of Culture and Human Factors in Mergers and Acquisition on Client Retention

2.3.1 Cultural Fit

When two organizations merge, two distinct organizational cultures come together and need to be combined. It is often argued that the success of a merger is dependent upon the cultural fit between the two organizations, and moreover that a cultural fit between both
organizations is not self-evident (Slangen, 2011). Cultural fit is the compatibility of employees' norms, values, and beliefs with the organizational structure (Ostroff, Shin & Kinicki, 2012). In general, it is argued that the greater the cultural differences, the less the cultural fit between both organizations. However, as with organizational culture, there is a difficulty: since in organizational cultures multiple subcultures interact, the cultural fit may vary across the different subcultures of the organization.

According to the majority of the literature concerning this topic, merging different organizational cultures always results in human integration problems. Human integration problems are often referred to as cultural clashes; and the larger the differences between both organizations, the greater the clash (Stahl & Voigt, 2012). The difficulties caused by human integration may add significant cost to the integration process and may undermine the realization of the potential synergies of the merger (Weber, 2008). Previous research indicates that cultural clashes reduce the commitment and cooperation of employees, and therefore negatively affect employee performance which has a direct effect on customer retention (Ostroff et al., 2012).

Furthermore, it is argued that a cultural clash is best noticeable at the acquired side of the merger (Very et al., 2009). Hence, it can be stated that the cultural fit between both organizations explains the success of the merger and that a lack of cultural fit can undermine the ability to create synergistic benefits. Above all, a lack of cultural fit has frequently been mentioned as a key failure factor in many mergers and acquisitions (Weber et al., 2008). The effect of cultural fit on performance is characterized by attitudinal variables including the satisfaction and commitment of employees (Meyer et al., 2010). It can be argued that when a cultural fit is present, individuals' satisfaction and commitment increase, and as a result the overall performance of the organization also increases. Hence it is proposed that performances will decrease after a merger when organizational cultures are different.

2.3.2 Integration

To create synergistic value in mergers, the two organizations need to be integrated. Integration is the making of changes in the functional activity of arrangements, organizational structures and systems, and cultures of combining organizations to facilitate their consolidation into a functioning whole. The level of integration depends on the merger type and thus on the amount of synergy necessary to be created; moreover, level of
integration is known as the degree of post-merger change and varies between low, moderate and high (Chakrabarti & Mitchell, 2012).

Previous research indicates that the degree of relatedness between both organizations is positively related to the level of integration (Elsass & Veiga, 2009). Furthermore, a low level of integration results in a limited degree of sharing financial risk and resources, while basic management systems and processes are standardized. A moderate level of integration involves increased alternations in the value chain, e.g., selective adjustment of reporting relationships, authority, structure and cultural elements. And a high level of integration results in extensive sharing of all resources in the acquiring and the acquired organization (Chakrabarti & Mitchell, 2012). Thus, it can be stated that: horizontally related mergers require a high level of integration, while in vertically related mergers a moderate level is sufficient and in unrelated mergers a low degree of integration is satisfactory because only financial synergies need to be achieved (Nahavandi & Malekzadeh, 2008).

The process of post-merger integration can be separated in task and human integration. Task integration involves the integration of production and technology. Human integration involves the integration of customers, employees, together with their systems, procedures and practices (Chakrabarti & Mitchell, 2012). It follows that the integration of organizational cultures takes place in the human integration process. Research indicates that one third of all merger failures are caused by incorrect integration of the two organizations and are in particular caused by failures during the cultural integration process (Shrivastava, 1993). Furthermore, it is argued that the likelihood of a cultural clash is greater when the level of integration is higher (Birkinshaw et al., 2008). Moreover, the ability to integrate both organizations was ranked as the most important factor for merger success, the cultural integration process of both organizations is actually creating the value of the merger (Schuler & Jackson, 2009). Zollo and Singh (2009) state that to realize merger success, striking the right balance between the necessary levels of integration and minimizing the cultural clash is mandatory.

Hence, it follows that the relationship between cultural differences and performance is likely to be influenced by the level of post-merger integration (Stahl & Voigt, 2008). Since a high level of integration implies that the acquiring organization imposes all of its practices on the acquired organization and these practices are highly culture-specific, they are therefore causing friction and incompatibility between both organizational cultures.
Friction and incompatibility lead to post-merger integration problems and consequently to a lower post-merger performance (Stahl & Voigt, 2008). Nevertheless, higher levels of integration are also associated with more difficulties when there is a cultural fit; hence friction between the combining organizations is also present when there is a cultural fit and may add to the cost of the integration process (Chakrabarti & Mitchell, 2012).

Managerial skills and the process of acculturation are part of integrating the two organizations. Firstly, the managerial skills play an important role in providing structure and strategy, managing the change process, communicating with stakeholders, and in the retention and motivation of key employees (Schuler & Jackson, 2009). Furthermore, managerial experience in integrating companies is positively related to merger. Second, acculturation is the process whereby the beliefs, values and assumptions of the two independent organizations form a jointly determined culture, and forms also part of the integration process. Acculturation can be defined as the changes induced in two cultural systems as a result of the diffusion of cultural elements in both direction. The mode of acculturation depends on the degree of cultural differentiation and on the degree of relatedness between the organizations (Teerikangas & Very, 2009).

Otherwise, when the degree of cultural differentiation is high there appears to be no cultural fit (Larsson & Lubatkin, 2009). Furthermore, the degree of relatedness between the two organizations, determines the level of integration. It is argued that the higher the degree of cultural differentiation, the more likely a cultural clash will develop; since the organizations need to be integrated to create synergies (Weber, 2008). Moreover, the magnitude of the clash depends on the degree of integration of both organizations and is therefore most likely to occur in ‘integration’ modes (Very et al., 2009).

2.3.3 Autonomy Decrease

Generally, in most mergers some form of autonomy is removed from the acquired side of the merger (Weber, 2008). The motivation behind this decrease in autonomy is that the acquiring organization believes that it can utilize the acquired firm’s physical and human capital more efficiently than was the case beforehand. Moreover, in exceptional situations the autonomy from the acquiring organization is decreased. It is argued that the amount of autonomy given to either the acquired and/or the acquiring organization affects the culture-performance relationship of the combined organization (Schweiger & Very, 2010).
Hence, at first sight a decrease in autonomy has a positive effect on the performance of the organization, because synergies can be created. However, in practice, the removal of autonomy from the acquired organization generally has a negative effect on the performance of the combined organization. A decrease in autonomy is an indicator of a diminished relative standing of employees (Weber, 2008). It is argued that during the combination process of two organizations at least the autonomy of the acquired organization is removed and their organizational culture is changed (Teerikangas & Very, 2011). This indicates that autonomy decrease is positively related to the likelihood of cultural conflicts; since the more autonomy removed from the organization, the more likely that employees feel dominated by the other organization (Larsson & Lubatkin, 2009). On the other hand, when acquired organizations have been granted a considerable degree of autonomy, it results in less post-merger stress and higher levels of commitment; and ultimately an increase in the performance of the employees (Stahl & Voigt, 2008). Therefore, when cultural differences are great, autonomy decrease should be reduced to prevent a cultural clash from developing.

When cultural differences are great, the effects of a decrease in autonomy on performance are characterized by an increased turnover and reduced intention to stay of the employees, and hence negatively affecting the culture-performance relationship. Furthermore, previous research indicates that efficiencies are only realized when cultural conflicts are minimized. It is also argued that when cultural differences are great, the efficiencies will be outweighed by the costs of cultural conflicts (Chakraborti et al., 2009).

2.3.4 Uncertainty about the Future

Uncertainty about the future of the companies during the post-merger integration process moderates the relationship between cultural differences and client retention. Uncertainty can be defined as a lack of information provided to the clients of the combined organization” (Schweiger & Very, 2010). Several factors make clients concerned about their future in the combined organization, such as slow speed of implementation, poor communication and lack of strong leadership (Chakraborti & Mitchell, 2012). Nevertheless, despite the wide variety in literature about the moderating effects of the level of integration and decrease in autonomy on the culture-performance relationship, the literature base about the moderating effect of uncertainty on the culture-performance relationship is small (Waldman, Ramirez & House, 2009).
2.4 Effect of Pricing in Mergers and Acquisition on Client Retention

Since the 1960s, marketing reflects more of a customer-centered point of view, shifting its emphasis from short-term transactions, to long-term relationships with clients (Rust, Lemon & Zeithaml, 2009). In fact, marketing must be seen as an investment which improves brand perception, leading to an increase in customer acquisition, retention and add-on selling. The aforementioned effects generate increases in Customer Lifetime Value (CLV), which increases firm value (Rust et al., 2009). Because of this, decisions about precisely how much money to spend on each marketing effort become particularly important. Consequently, in marketing there is a need to develop models that focus on maximizing, rather than just measuring CLV.

The practice of promoting products “on sale” can accomplish both short- and long-run objectives (Cranston, 2008). Short-run objectives include creating product awareness and interest, increasing store traffic and sales, reducing inventory, and enhancing perception of savings and value. Long-run objectives include establishing a specific price image for the advertiser to achieve a competitive positioning and customer loyalty. Marketers promoting lower prices must thus decide how much to reduce the price as well as how to communicate the price reduction (Della Bitta, Monroe & McGinnis, 2012).

Both marketing theory and practice generally recognize that customer loyalty is an essential asset in service industries (Keaveney, 2008). Indeed, evidence shows that loyalty is more prevalent for services than for products (Bloemer & de Ruyter, 2008). Many studies emphasize the benefits of customer retention (e.g., Johnson et al., 2009; Johnson and Selnes, 2009; Libai et al., 2008). Gupta et al., (2009) indicate that a 1% improvement in the customer retention rate improves firm value by 5%. Similarly, Reichheld and Sasser (1990) show that a 5% increase in customer retention increases a firm’s profits at a range between 25% and 85%.

2.4.1 Price Matching

Price may be one of the most important determinants of customer decisions (Srivastava & Lurie, 2009). Managers could utilize price matching to stimulate repeat purchase behavior (reducing price defection), because price matching may indicate a commitment to protect customers (objectives: to keep customers happy so they would come back and buy again). Nevertheless, previous research findings suggest that existing customers focus less on price savings than new customers. Understanding long-term price matching effects on customers
is important in order to determine whether price matching has a lasting effect on customer behavior that is evaluating the effectiveness of these policies in stimulating customer retention, in addition to customer acquisition (Kukar-Kinney, 2011).

An appreciation of how sensitivity to a price increase differs according to customer tenure and breadth would contribute to academic knowledge in the services area, and would also be useful to practitioners. For marketers, long-tenure and broad-breadth customers represent priorities for retention, since both tenure and breadth are linked to customer profitability (Garland 2010). Therefore, knowing if long-term and broad relationship customers are more (or less) sensitive to price increases would help develop customer retention programs, and make ‘winback’ initiatives (Thomas et al, 2009) easier to plan.

According to the literature, longer-term customers should be less price sensitive (Reichheld & Teal, 2008). Customers with broader relationships with the firm are, likewise, expected to be less price sensitive, on the basis that increased points of contact between the firm and the customer create switching costs (Kamakura et al., 2010). Conversely, expectations of reciprocity (Gouldner, 2008) might in theory heighten the price sensitivity of customers who have a broad relationship with the firm. However, there is a lack of empirical evidence on these issues.

Due to the lack of empirical evidence, managers have little guidance as to the vulnerability of customer groups to a price increase. Indeed, the literature has emphasized a general lack of knowledge about customer responses to price increases (Bijmolt et al., 2012) and, specifically, price increases in services contexts (Homburg et al., 2012). This research consequently investigates how customers with varying levels of tenure and relationship breadth respond to price increases from a service provider.

2.4.2 Customer Tenure and Relationship Breadth

Customers are increasingly recognized and managed as assets to the firm (Hogan et al., 2008). A customer base represents a source of future revenue, from repeat-purchases and cross buying of other products offered by the provider. If the firm incurs set-up costs to attract or recruit new customers, it is financially desirable to retain current customers rather than constantly lose customers and incur the expense of replenishing the customer base. It is also recognized that current customers who buy more products are each more valuable to the firm than light or infrequent buyers. Therefore, building ‘share of wallet’, otherwise known as relationship breadth, is seen as an important goal in services industries (Bolton
et al., 2009). In turn, a broader relationship arguably benefits the firm by enhancing customer retention (Coyles & Gokey, 2008; Kamakura et al., 2009). In the loyalty literature, retention means the number of customers who stay with the provider in the course of an established period, for example a year.

Tenure is the length of time a customer remains a customer. Relationship breadth is defined as the number of products the customer purchases from the firm. Multiple benefits accrue from longer tenure and broader relationship depth. The benefits of tenure include amelioration of acquisition costs, enhanced overall revenue arising from a longer relationship time period, easier servicing due to customer learning, more referrals, greater tolerance of higher prices, and less likelihood of customer defection in future years. The benefits of relationship breadth are more revenue per customer, greater opportunity to learn about customer needs, and the potential to build switching costs that further strengthen the relationship (Kamakura et al., 2009). Tenure and relationship breadth are mutually reinforcing: tenure provides the opportunity to build relationship breadth, and building relationship breadth is one mechanism for improving tenure.

Many companies have recognized the above benefits of customer retention, tenure, and relationship breadth. As a consequence, they have embraced customer satisfaction (Ranaweera & Prabhu, 2010) and relationship marketing initiatives to retain customers longer, or increase their share of wallet. However, companies might sometimes choose, or be forced, to pursue routes that potentially have an unfavorable effect on customer sentiment (Homburg et al., 2012). A prime example of such action is a price increase. Price increases are sometimes unavoidable, for example when input costs rise. More broadly, organizations have a powerful profit incentive to ensure their prices adequately reflect value and achieve margin objectives (Marn & Rosiello, 2008). If the firm does raise prices, one of the basic tasks of marketing is to minimize the potential effect on the customer base. However, price increases represent a potential threat to the establishment and maintenance of long-term customer relationships and loyalty.

2.4.3 Suitability of Products Offered

Kusstatscher and Cooper (2004) point out that in a merger deal, one or both of the brands is typically changed and a new company with a new brand identity is formed. As a result, this can be very confusing and emotionally draining especially to the staff of the target company who may feel a real sense of loss of identity. Additionally, customers may
perceive this lack of brand focus and confusion as an indicator of lack of management commitment to the merged operations. Therefore, the logic and business rationale of re-branding, selective branding, and product line consolidation should be made clear enough as early as possible in the deal communication process.

Typically, high-switching costs enhance the bank's market power by making it easier for the merged banks to charge higher prices to their existing customers. High switching costs for example can lead to borrowers being locked into their current bank relationship despite the increase in prices. Switching costs can also arise endogenously when the lending banks accumulate information about their borrowers through their relationship and this information is not easily communicated to outsiders, thus giving the incumbent bank an advantage over competitors when pricing loans to the borrower. This advantage discourages competitors from offering attractive loan rates (Von Thadden, 2004).

Differentiation strategy is an approach under which a firm aims to develop and market unique products for different customer segments. Usually employed where a firm has clear competitive advantages, and can sustain an expensive advertising campaign. It is one of three generic marketing strategies that can be adopted by any firm. To maintain this strategy the firm should have: strong research and development skills, strong product engineering skills, strong creativity skills, good cooperation with distribution channels, strong marketing skills, and incentives based largely on subjective measures, be able to communicate the importance of the differentiating product characteristics, stress continuous improvement and innovation and attract highly skilled, creative people.

Research within service sector (Prescott, 2012), concludes that product differentiation is a common way of differentiating the firm's offerings from those of its competitors.

Firms that succeed in a differentiation strategy often have access to leading scientific research, highly skilled and creative product development team, strong sales team with the ability to successfully communicate the perceived strengths of the product and corporate reputation for quality and innovation (Prescott, 2012). Successful differentiation is based on a study of buyers' needs and behaviour in order to learn what they consider important and valuable. The desired features are then incorporated into the product to encourage buyer preference for the product. The basis for competitive advantage is a product whose attributes differ significantly from rivals' products. Efforts to differentiate often result in higher costs. Profitable differentiation is achieved by either keeping the cost of
differentiation below the price premium that the differentiating features command, or by offsetting the lower profit margins through more sales volumes (Grant, 2011).

With the differentiation strategy, on the other hand, the unique attributes or perceptions of uniqueness and characteristics of a firm’s product other than cost provide value to customers. The firm pursuing differentiation seeks to be unique in its industry along some dimension that is valued by customers, which means investing in product R and D and marketing. It is the ability to sell its differentiated product at a price that exceeds what was spent to create it that allows the firm to outperform its rivals and earn above-average returns (Dess & Davis, 2010).

A product can be differentiated in various ways. Unusual features, responsive customer service, rapid product innovations and technological leadership, perceived prestige and status, different tastes, and engineering design and performance are examples of approaches to differentiation (Stunda, 2014). Rather than cost reduction, a firm using the differentiation needs to concentrate on investing in and developing such things that are distinguishable and customers will perceive. Overall, the essential success factor of differentiation in terms of strategy implementation is to develop and maintain innovativeness, creativeness, and organizational learning within a firm.

By considering ways to grow via existing products and new products, and in existing markets and new markets, there are four possible product-market combinations. The market penetration strategy is the least risky since it leverages many of the firm’s existing resources and capabilities. In a growing market, simply maintaining market share will result in growth, and there may exist opportunities to increase market share if competitors reach capacity limits. However, market penetration has limits, and once the market approaches saturation another strategy must be pursued if the firm is to continue to grow (Griffin, 2013).

Diversification is the most risky of the four growth strategies since it requires both product and market development and may be outside the core competencies of the firm. In fact, this quadrant of the matrix has been referred to by some as the suicide cell. However, diversification may be a reasonable choice if the high risk is compensated by the chance of a high rate of return. Other advantages of diversification include the potential to gain a foothold in an attractive industry and the reduction of overall business portfolio risk,
Continuing improvement in operational efficiency at a pace faster than competitors is necessary to sustain superior profitability over time. The rapid diffusion of best practices, though, allows competitors to quickly imitate management techniques and practices. Most generic solutions that can be used in multiple settings diffuse the fastest (Sinkin & Putney, 2014).

Market development options include the pursuit of additional market segments or geographical regions. The development of new markets for the product may be a good strategy if the firm's core competencies are related more to the specific product than to its experience with a specific market segment. Because the firm is expanding into a new market, a market development strategy typically has more risk than a market penetration strategy (Sinkin & Putney, 2014). A product development strategy may be appropriate if the firm's strengths are related to its specific customers rather than to the specific product itself. In this situation, it can leverage its strengths by developing a new product targeted to its existing customers. Similar to the case of new market development, new product development carries more risk than simply attempting to increase market share.

### 2.5 Effect of Relationship Management in Mergers and Acquisition on Client Retention

Globalization, increasing competition, decreasing customer loyalty and advances in information and communication technology, has forced companies to focus on managing customer relationships in order to efficiently maximize revenues. Therefore, there is a major paradigm shift in the way companies organize themselves, as businesses switch from product based to customer based structures. A key driver of this change is the advent of CRM which is underpinned by information and communication technologies. Customer relationship management (CRM) is the key competitive strategy that businesses need to stay focused on the needs of the customers and to integrate a customer facing approach throughout the organization (Piccoli et al., 2013). By using information and communication technology, businesses are trying to get closer to the customer so that they can create long-term relationships. Thus, deploying CRM initiatives has become very common.

CRM focus on managing the relationship (Falk, 2011). To be effective, a CRM strategy must encompass and integrate all customer-facing activities. It should ensure that no matter
where, when, or how a customer interacts with the company, the contact is personalized, consistent, and demonstrates that the company knows and values that customer.

CRM helps companies to service their customers and be cost effective, thus making it a must for the manufacturing industries. Customer focus can be achieved by this relatively new concept wherein all the activities involved are aimed at creating value for the customers. With the advent of hyper competition, the need for survival and success has compelled manufacturing firms to find out varied ways to be more and more competitive and reach their customers efficiently (Griffin, 2013). The only 'mantra' to be competitive is to be cost effective.

2.5.1 Customer Information Management

Customer information can be managed through relationship management systems which offer customer relationship management platforms. The goal of the system is to track, record, store in databases, and then data mine the information in a way that increases customer relations. The relationship management system codifies the interactions between the business and the customers so that a business can maximize sales and profit using analytics and KPIs to give the users as much information on where to focus their marketing and customer service to maximize revenue and decrease idle and unproductive contact with the customers. The contact channels use such operational methods as contact centers. The relationship management software is installed in the contact centers, and help direct customers to the right agent or self-empowered knowledge. Relationship management software can also be used to identify and reward loyal customers over a period of time (Young, 2010).

Ryals and Payne (2009) argue that the successful adoption of relationship management strategy requires a relationship marketing focus in which the organization recognizes that it is long-term relationships with customers and not products that are the primary drivers of customer value. Successful implementation also entails cross-functional working and even structural organizational change. The firm should effectively manage and utilize captured customer information within its data banks to build successful relationship management strategies.

Baldwin (2011) suggests that relationship management is the successful execution of customer-centric strategies through the careful integration of people, processes and technology. The end result is a customer-centric business model in which organizational
functions focus on identified customer needs through integrated processes and sharing critical customer information through common tools and information resources. Becoming a truly customer-centric business can help create a sustainable differentiated competitiveness.

2.5.2 Customer Attraction

Attraction as a driver of customer commitment means something that makes the service provider interested in a given customer or the other way round so attraction can be based on financial, technology or social constructs. Consequently, even social contacts that are highly appreciated may form a source of attraction that can lead to a business relationship. If attraction exists between two parties, the basis for a relationship is developing. Indeed, understanding the role of attraction in a customer commitment decision is the key issue that little attention has been paid on it the service-marketing area (Grönroos, 2009).

The firm can create trust by means of signals sent to the market: warranty, reputation, service quality (investments on quality and technology) or advertising and promotions (Izquierdo et al., 2010) and according to Morgan and Hunt (1995), trust will initiate relationship in consumer market. Gilbert (2008) suggested that quality should play role of the chief facilitator to achieve the objectives of relationship marketing, such as commitment to the brand, emotional involvement, and active interaction. In this study Attraction in industrial market is measured by Service quality. Gale and Chapman (2009) in Profit effect of market strategy (PIMS) state that companies that offer superior service can charge eight percent more for their products and also achieving above average market share growth. Offering a service with high quality is one visible way by which a company can compare itself with its competitors in building a close relationship with customers and attaining a competitive advantage.

Creating strong customer-focused relationships requires understanding the needs of specific customers and the firm’s success in meeting these needs. Such as, a means to measure the perceptions of customers’ experiences in the services encounter is important (Parasuraman et al., 2011). Delivering more effective service quality than others is one of the ways that a firm can be a successful in achieving today’s business environment is to (Lai et al., 2009).
2.5.3 Customer Loyalty Programs

Marketing managers should develop creative ways to attract new customers and keep them for a long run. One of the most popular marketing tools used for this purpose is a loyalty instrument which is found in every industry. These loyalty instruments can vary anywhere and upgrades to customers who accumulate certain levels of points to that offer in-store cards and give discounts on selected items within the store (Kumar & Petersen, 2012).

Commitment to customers and service qualities enhance satisfaction, which leads to close and successful relationships. If we admit that, it is more profitable holding on to existing customers than winning new customers (Izquierdo et al., 2009), the company will try to achieve the satisfaction of their existing customers providing them inducement such as discounts, free products or fidelity cards. These loyalty programs are structured marketing attempts, which reward, and therefore encourage, loyal behavior. Loyalty program customers should show changes in repeat-purchase loyalty which is not evident amongst non-program members: decreased switching to non-program brands, increased repeat purchase rates, increased used frequency or greater propensity to be exclusively loyal (Izquierdo et al., 2012). Raeyruen et al. (2012) provide a picture of how relationship quality can influence customer loyalty or loyalty in the business-to-business on text.

In order to maintain customer loyalty, a supplier must enhance all four aspects of relationship quality which are trust, commitment, satisfaction and service quality. Specifically, in order to enhance customer’s trust, a supplier should promote the customer’s trust in the supplier. In efforts to emphasize commitment, a supplier should focus on building affective aspects of commitment more than calculative aspects. Satisfaction appears to be an important factor in maintaining purchase intentions though service quality will strongly enhance both purchase intentions and attitudinal loyalty (Raeyruen, 2012).

Successful loyalty programs need to make offers to encourage customers to continue to make purchases from the company, but more important, successful loyalty programs need to manage loyalty and profitability properly. However many managers in the past have felt that the most profitable customers in the firm are the loyal ones, a recent article (Reinartz & Kumar, 2008) shows that the most loyal customers are not necessarily the most profitable. We can say that loyal customers cost less to serve, loyal customers pay higher prices for the same goods, and loyal customers do more marketing on behalf of the company.
Close relationship does exist between customers' loyalty and high levels of customers' satisfaction which brings customer delight. Firms should not only meet their customers' expectations, but they should try to excite them in one or another way. Loyalty, building satisfaction and profitability is not something that can be decided upon in a second or a day and then be implemented. It can only come from building and sustaining close and long term relationships, therefore we can conclude that in services much attention must be paid to relationship marketing. Relationship management replaced traditional, transaction oriented, approaches of managing by placing more emphasis on the creation of customer value by means of developing and maintaining relationships (Ossel et al., 2010).

2.5.4 Customer Interaction

The customer interaction can be defined in programs such as contacting customers, answering adequately to their complaints, enhancing personal and friendly relations with them and customizing services. Many companies perceive that the best initial approach toward relationship marketing is investing in complaint handling process to show commitment to customers. Satisfaction with handling complaint has direct effect on trust and commitment and can cancel out the original negative experience if handled to the customer's satisfaction or delight (Izquierdo et al., 2012). The customer interaction process is based on the importance for researchers and managers of understanding the interaction between active buyers and sellers in continuing business relationships (Ford et al., 2008). Companies should ensure that they maintain healthy relationships with clients at all time.

2.6 Chapter Summary

Overall, the literature points to the fact that the motivation for mergers is economic considerations and as a result, the measurement of the success or failure of a merger is principally in economic terms. However, owing to unprecedented merger failure, this subject has attracted a lot of research interest to determine the reasons for merger failure. The literature indicates that because of the high risk of service disruption in a merger environment and the important role of service quality dimensions in customer evaluations of the service delivery, the service outcome and the overall corporate image of a merged firm cannot be underestimated. As a result, there is strong motivation in the academic and business arena to understand these linkages especially in a merger scenario. The next chapter shall describe the research methodology, sampling technique and the method of data analysis obtained from the field work.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction
This chapter discusses the methods used to implement the study including the sources, collection and analysis of data. It identifies and describes the study design, the overall and target population and sampling methods used. Presentation of techniques, design and procedure for collecting and recording data together with an explanation of data analysis procedure used and the development of plans for contingency.

3.2 Research Design
Cooper and Schindler (2006) abridges the essentials of research design as an activity and time based arrangement; constantly focused around the research question; controls the determination of sources and types of data; a schema for pointing out the relationship among the study variables and structures the systems for each question. The design of this study was a descriptive survey research as the study only seeks to establish whether there is any relationship between the mergers and acquisitions and client retention. This design alludes to a set of strategies and systems that describe variables. Descriptive design is ideal as the study was carried out in a limited geographical scope and hence is logistically easier and simpler to conduct considering the limitations of this study (Mugenda, 2008). The design also has enough provision for protection of bias maximized reliability (Gorard, 2013). Descriptive design uses a preplanned design for analysis. In this study measures of central, dispersion distribution was applied.

3.3 Population and Sampling Design

3.3.1 Target Population
A population is the group that the research focuses on (Wimmer & Dominick, 2011). According to Schutt (2011), a population is a well-defined set of people, services, elements, events, group of things or households which are being investigated. The target population comprised of 381 senior and middle level marketing managers in the 35 banks that have undergone a merger or acquisition in Kenya.
### Table 3.1: Population

<table>
<thead>
<tr>
<th>Category</th>
<th>Target Population</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Managers</td>
<td>105</td>
<td>27.6%</td>
</tr>
<tr>
<td>Middle Managers</td>
<td>276</td>
<td>72.4%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>381</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

3.3.2 Sampling Design

3.3.2.1 Sampling Frame

A sampling frame is a list of population units or elements from which to select units/elements to be sampled (Gorard, 2013). The banks which have undergone a merger or acquisition in Kenya constituted the sampling frame. The sample elements were the senior and middle level managers in headquarters of the banks that have undergone a merger or acquisition in Kenya.

3.3.2.2 Sampling Technique

Cooper and Schindler (2006) define sampling as selecting a given number of subjects from a defined population as representative of that population. Stratified random sampling was applied to pick and develop sample that satisfied the needs of the study. Stratification was used to divide the population into different strata (senior and middle level managers) so as to draw randomly a predetermined number of units. Simple random sampling was used to pick the banks senior and middle level managers from each stratum using simple random numbers.

3.3.2.3 Sample Size

Naoum (2009) defines a sample size as finite part of a statistical population whose properties are studied to gain information about the whole. The major criterion used when deciding on the sample size is the extent to which the sample size is representative of the population. A sample population of 191 managers was arrived at by calculating the target population of 381 senior and middle level managers with a 95% confidence level and an error of 0.05 using the following formula from Mugenda (2008):
From Normal distribution the population proportion can be estimated to be

\[ n = \frac{Z^2 \cdot P \cdot Q}{\alpha} \]

Where:  
- \( Z \) is the \( Z \) value = 1.96
- \( P \) Population proportion = 0.50
- \( Q = 1 - P \)
- \( \alpha \) = level of significance = 5%

\[ n = \frac{1.96^2 \cdot 0.5 \cdot 0.5}{0.05^2} \]

\[ n = 384 \]

Where:  
- \( Z \) is the \( Z \) value = 1.96
- \( P \) Population proportion = 0.50
- \( Q = 1 - P \)
- \( \alpha \) = level of significance = 5%

\[ n = \frac{1.96^2 \cdot 0.5 \cdot 0.5}{0.05^2} \]

\[ n = 384 \]

Adjusted sample size

\[ n' = \frac{384}{1 + \left( \frac{384}{381} \right)} \]

Approx. = 191 managers

Table 3.2: Sample Size

<table>
<thead>
<tr>
<th>Level of management</th>
<th>No. Of staff</th>
<th>Sample size proportion</th>
<th>Sample size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior managers</td>
<td>105</td>
<td>0.5</td>
<td>53</td>
</tr>
<tr>
<td>Middle managers</td>
<td>276</td>
<td>0.5</td>
<td>138</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>381</strong></td>
<td><strong>0.5</strong></td>
<td><strong>191</strong></td>
</tr>
</tbody>
</table>

3.4 Data Collection

The two most commonly used sources of data involve collecting primary and secondary data. For the purpose of collecting data on the effects of mergers and acquisition on client retention, primary data (information gathered directly from respondents) was collected using questionnaires. On the other hand, secondary data, (where previous documents or materials were used to support the data received from questionnaires), was collected from
newspapers, published books, journals and magazines as well as other sources such as banks annual reports. The primary and secondary data collected was both qualitative and quantitative in nature.

A structured questionnaire was used to collect primary data. The questionnaire was divided into six sections. The first section sought to establish the demographic information of the respondents while the subsequent five section seek to achieve the research questions including measuring the dependent variable organized into section on financial stability in mergers and acquisitions, culture and human factors in mergers and acquisitions, pricing in mergers and acquisitions, relationship management in mergers and acquisitions and also client retention. The questionnaires were preferred in this study because respondents of the study were literate and quite able to answer questions asked adequately. According to Mugenda and Mugenda (2003), questionnaires are commonly used to obtain important information about a population under study.

3.5 Research Procedures

This study used questionnaires for primary data collection. The questionnaires had a number of sub-sections that was sub-divided based on the major research questions except the first sub-section (section A) that was meant to capture the background information of the participants. Other sections covered the main areas of the study. Questionnaires are appropriate for studies since they collect information that is not directly observable as they inquire about feelings, motivations, attitudes, accomplishments as well as experiences of individuals. The questionnaires were used because they are held to be straightforward and less time consuming for both the researcher and the participants (Owens, 2009).

The questionnaire were carefully designed and tested with a few members of the population for further improvements. This was done in order to enhance its validity and accuracy of data to be collected for the study. According to Mugenda and Mugenda (2003), validity is the accuracy and meaningfulness of inferences, based on the research results. One of the main reasons for conducting the pilot study was to ascertain the validity of the questionnaire. The study used both face and content validity to ascertain the validity of the questionnaires. As a check on face validity, test/survey items were sent to the pilot group to obtain suggestions for modification (Rousson, Gasser & Seifer, 2002). Content validity draws an inference from test scores to a large domain of items similar to those on the test.
Content validity is concerned with sample population representativeness. Gillham (2008) stated that the knowledge and skills covered by the test items should be representative to the larger domain of knowledge and skills.

Reliability of the questionnaire was evaluated through administration of the said instrument to the pilot group of 20 respondents from the target population. Cronbach Alpha was used to test the reliability of the research instrument. A construct composite reliability coefficient (Cronbach alpha) of 0.6 or above, for all the constructs, was considered adequate for this study (Rousson, Gasser & Seifer, 2012).

The researcher obtained an introductory letter from the University to collect data from the banks then personally deliver the questionnaires to the respondents and have them filled in the presence of the researcher. The researcher dropped the questionnaires at the respondents’ place of work in the banks. Nevertheless, where it proved difficult for the respondents to complete the questionnaire immediately, the researcher left the questionnaires with the respondents and picked them up later. Each questionnaire was coded and only the researcher knew which person responded. The coding technique was only to be used for the purpose of matching returned, completed questionnaires with those delivered to the respondents. The researcher assured the respondents about confidentiality of their responses.

3.6 Data Analysis

Completed questionnaires were edited for completeness and consistency. The data was then be coded and checked for any errors and omissions (Cooper & Schindler, 2006). The process of data analysis involved several stages namely: data clean up and interpretation. Data clean up involved editing, coding, and tabulation in order to detect any anomalies in the responses and assign specific numerical values to the responses for further analysis.

Responses from the questionnaires were tabulated, coded and processed by use of a computer Statistical Package for Social Science (SPSS) version 21.0 programme to analyze the data using descriptive statistics. This generated quantitative reports through tabulations, percentages, and measure of central tendency. Frequency tables and graphs were used to present the findings for ease of comparison.

In addition, the study conducted multiple regressions to measure the strength of the relationship between the dependent and independent variables. The regression equation was:
\[ Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \alpha \]

**Where:**
- \( Y \) is the dependent variable (Client retention),
- \( \beta_0 \) is the constant/Y-intercept,
- \( \beta_1, \beta_2, \beta_3, \beta_4 \) are the slopes of the regression equation,
- \( X_1 \) is the financial stability in mergers and acquisitions,
- \( X_2 \) is the culture and human factors in mergers and acquisitions,
- \( X_3 \) is the pricing in mergers and acquisitions,
- \( X_4 \) is relationship management in mergers and acquisitions
- \( \alpha \) is an error term.

In order to find out the value relevance of the effect of mergers and acquisitions on client retention in the Kenyan Banking Sector, the model must be significant. The significance of the model was tested using ANOVA. Results are said to be statistically significant within the 0.05 level, which means that the significance value must be smaller than 0.05. The significance was determined by the F-statistics.

### 3.7 Chapter Summary

Chapter three discussed the research methodology that was adopted in line with the research purpose outlined in chapter one. The variables in chapter two are used to guide the choice of research methodology. The population, sampling design, data collection methods and research procedures are highlighted. The chapter also describes how the data collected was analyzed.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

The main objective of the study was to investigate the effects of mergers acquisitions on client retention and growth in the Kenyan banking sector. Once the questionnaires were collected the data was coded and then analyzed using SPSS version 20. Pie charts, bar charts and tables have been used to represent the analyzed data.

The target population comprised of 381 senior and middle level marketing managers in the 35 banks that have undergone a merger or acquisition in Kenya.

Out of the targeted 191 respondents, 161 filled and returned the questionnaires. This gave the study a response rate of 84%. According to Mugenda and Mugenda, the statistically significant response rate for a study should be at least 50%.

Figure 4.1: Response rate

4.2 General Information

This is the general information about the respondents. The study gathered the position, experience and level of education of the respondents.
4.2.1 Gender of the Respondents

The study sought to establish the gender of the various respondents. Information gathered is represented in the table below. From the findings, majority of the respondents were male as represented by 80%. The rest of the respondents were female as shown by 20%.

Table 4.1: Gender of respondents

<table>
<thead>
<tr>
<th>Level of management</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>33</td>
<td>20</td>
</tr>
<tr>
<td>Male</td>
<td>128</td>
<td>80</td>
</tr>
<tr>
<td>Total</td>
<td>161</td>
<td>100</td>
</tr>
</tbody>
</table>

4.2.2 Age of the respondents

The study sought to establish the ages of the respondents. The table below represents the findings. From the data collected, majority of the were aged between 36-45 years, followed by 26-35 years, Above 16 years and 18-25 years as represented by 35%, 19% and 7% respectively.

Table 4.2: Age of the respondents

<table>
<thead>
<tr>
<th>Period</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-25 years</td>
<td>11</td>
<td>7</td>
</tr>
<tr>
<td>26-35 years</td>
<td>56</td>
<td>35</td>
</tr>
<tr>
<td>36-45 years</td>
<td>63</td>
<td>39</td>
</tr>
<tr>
<td>Above 46 years</td>
<td>31</td>
<td>19</td>
</tr>
<tr>
<td>Total</td>
<td>161</td>
<td>100</td>
</tr>
</tbody>
</table>

4.2.3 Level of Experience

The study further sought to find out the level of experience of the respondents in the bank. Data collected is as represented in the table below. The findings reveal that the highest number of respondents have worked in the bank for a period of above 6 years as shown by
58%, respondents with 4-5 years followed with 25%, 2-3 years by 14% while those below 1 year was represented by 3%.

Table 4.3: Level of Experience

<table>
<thead>
<tr>
<th>Number of years</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 1 year</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>2-3 years</td>
<td>22</td>
<td>14</td>
</tr>
<tr>
<td>4-5 years</td>
<td>41</td>
<td>25</td>
</tr>
<tr>
<td>Above 6 years</td>
<td>93</td>
<td>58</td>
</tr>
<tr>
<td>Total</td>
<td>161</td>
<td>100</td>
</tr>
</tbody>
</table>

4.2.4 Level of Education

The study also established the level of education of the respondents. Findings are as represented in the table below. The study found out that most of the respondents were post graduate as represented by 63%, undergraduates, diploma and certificate holders followed with 27%, 7% and 2% respectively.

Table 4.4: Education Level

<table>
<thead>
<tr>
<th>Level of education</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Post Graduate</td>
<td>101</td>
<td>63</td>
</tr>
<tr>
<td>Undergraduate</td>
<td>44</td>
<td>27</td>
</tr>
<tr>
<td>Diploma</td>
<td>12</td>
<td>7</td>
</tr>
<tr>
<td>Certificate</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>161</td>
<td>100</td>
</tr>
</tbody>
</table>

4.3: Financial Stability

The study sought to establish how financial stability affects client retention. The results are represented in the below table.
Table 4.5: Extent to which financial stability affects client retention

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very great extent</td>
<td>66</td>
</tr>
<tr>
<td>Great extent</td>
<td>81</td>
</tr>
<tr>
<td>Moderate extent</td>
<td>11</td>
</tr>
<tr>
<td>Little extent</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>161</strong></td>
</tr>
</tbody>
</table>

The findings showed that the managers agreed that financial stability affects client retention to a great extent as represented by 50% followed by very great extent, moderate extent and little extent as shown by 41%, 7% and 2% respectively.

4.3.1 Extent at which attributes of financial stability influence client retention

The study further assessed the attributes of financial stability that affect client retention in the Kenyan Banking Sector. A five point Likert Scale was used to range the agreement level. Strongly agree was given five points, agree was given four points, not sure was given three points, disagree was given two points and strongly disagree was given one point.

According to the findings, the respondents strongly agreed that profitability analysis affects client retention shown by 4.52. On capital adequacy ratios, the respondents agreed and scored a mean of 4.33. The respondents ascertained that long term solvency affected client retention moderately as shown by a mean of 3.26.

Table 4.6: Effect of financial stability on client retention

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>S.D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profitability Analysis</td>
<td>4.52</td>
<td>0.8</td>
</tr>
<tr>
<td>Capital Adequacy Ratios</td>
<td>4.33</td>
<td>0.6</td>
</tr>
<tr>
<td>Long Term Solvency</td>
<td>3.26</td>
<td>0.2</td>
</tr>
</tbody>
</table>

4.4 Culture and Human Factors

The study also sought to determine the influence of Culture and Human Factors on client retention. The responses are as shown in the table below.
Table 4.7: Extent to which of Culture and Human Factors influence client retention

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very great extent</td>
<td>71</td>
<td>44</td>
</tr>
<tr>
<td>Great extent</td>
<td>52</td>
<td>32</td>
</tr>
<tr>
<td>Moderate extent</td>
<td>32</td>
<td>20</td>
</tr>
<tr>
<td>Little extent</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>No extent</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>161</td>
<td>100</td>
</tr>
</tbody>
</table>

From the response above, managers who agreed to a great extent that culture and human factors influenced client retention are shown by 44%, followed by great extent 32%, moderate extent 20%, and little extent 4%. None of the managers agreed that culture and human does not influence client retention.

4.4.1 Extent at which attributes of culture and human factors influence on client retention

The study also established the extent at which attributes of culture and human factors influence client retention. The findings of the study are as below

Table 4.8: Attributes of culture and human factors influence on client retention

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>S.D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cultural Fit</td>
<td>4.15</td>
<td>0.8</td>
</tr>
<tr>
<td>Integration</td>
<td>3.43</td>
<td>0.6</td>
</tr>
<tr>
<td>Autonomy decrease</td>
<td>3.26</td>
<td>0.2</td>
</tr>
</tbody>
</table>

The findings found out that Cultural Fit influences client retention to a great extent as shown by a mean of 4.15. Integration and autonomy decrease influenced client retention to a moderate extent as represented by means of 3.43 and 3.26 respectively.
4.5 Pricing

The study further established the effect of pricing on client retention and growth. Data collected was as represented in the table below.

**Table 4.9: Extent of pricing influence on client retention and growth**

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very great extent</td>
<td>43</td>
</tr>
<tr>
<td>Great extent</td>
<td>83</td>
</tr>
<tr>
<td>Moderate extent</td>
<td>32</td>
</tr>
<tr>
<td>Little extent</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td>161</td>
</tr>
</tbody>
</table>

From the findings, majority of the respondents agreed that pricing influences client retention and growth to a great extent as presented by 52% followed by a very great extent with 27%, moderate extent 20% and little extent by 3%.

The research also sought to establish the extent at which attributes of pricing influences client retention and growth. The results are as shown in the table below.

**Table 4.10: Attributes of pricing influence on client retention and growth**

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>S.D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price matching</td>
<td>4.52</td>
<td>0.8</td>
</tr>
<tr>
<td>Customer tenure and relationship breadth</td>
<td>3.53</td>
<td>0.6</td>
</tr>
<tr>
<td>Suitability of products offered</td>
<td>3.26</td>
<td>0.2</td>
</tr>
</tbody>
</table>

From the findings it was found out that Price matching influenced client retention and growth to a very great extent as shown by a mean of 4.52. Customer tenure and relationship breadth had a great extent influence on client retention and growth as shown by a mean 3.52 while Suitability of products offered had a moderate influence on rates spread by a mean of 3.26.
4.6 Relationship Management

The study also assessed the influence of relationship management on client retention and growth. The response of the respondents are shown in the table below.

Table 4.11: Extent of relationship management influence on client retention and growth

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very great extent</td>
<td>56</td>
</tr>
<tr>
<td>Great extent</td>
<td>71</td>
</tr>
<tr>
<td>Moderate extent</td>
<td>23</td>
</tr>
<tr>
<td>Little extent</td>
<td>11</td>
</tr>
<tr>
<td>Total</td>
<td>161</td>
</tr>
</tbody>
</table>

The study found out that majority of the respondents ascertained that relationship management influenced client retention and growth to a great extent as shown by 44%, very great extent by 35%, moderate extent 14% and to a little extent by 7%.

The study also sought to establish the influence of attributes of relationship management on client retention and growth. Data collected is as represented in the table below.

Table 4.12: Attributes of relationship management influence on client retention and growth

<table>
<thead>
<tr>
<th>Attributes</th>
<th>Mean</th>
<th>S.D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Information Management</td>
<td>4.51</td>
<td>0.7</td>
</tr>
<tr>
<td>Customer attraction</td>
<td>4.12</td>
<td>0.6</td>
</tr>
<tr>
<td>Customer loyalty programs</td>
<td>3.22</td>
<td>0.4</td>
</tr>
<tr>
<td>Customer interaction</td>
<td>3.03</td>
<td>0.3</td>
</tr>
</tbody>
</table>

The findings reveal that Customer Information Management affected client retention and growth to a very great extent as shown by means of 4.51. On customer attraction the
respondents agreed that they affected client retention and growth to a great extent as shown by means of 4.12. The managers ascertained that customer loyalty programs and customer interaction influenced client retention and growth moderately as represented by a mean of 3.22 and 3.03 in that order.

4.7 Client Retention

The study further sought to establish the trend of aspects of customer retention after merger and acquisition. The results of the findings are as below.

Table 4.13: Trend of various aspects of customer retention after merger and acquisition

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>S. D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of customers</td>
<td>4.41</td>
<td>0.7</td>
</tr>
<tr>
<td>Number of customers turnover ratio</td>
<td>4.12</td>
<td>0.6</td>
</tr>
</tbody>
</table>

The findings ascertained that both the total number of customers and number of customer turnover ratio was good as represented by a means of 4.41 and 4.12 respectively.

4.8 Regression Analysis

In this study, a multiple regression analysis was conducted to test the influence among predictor variables. The research used statistical package for social sciences (SPSS V 21.0) to code, enter and compute the measurements of the multiple regressions.

Table 4.14: Model Summary

<table>
<thead>
<tr>
<th></th>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.8662</td>
<td>0.7503</td>
<td>0.6902</td>
<td>0.7325</td>
<td></td>
</tr>
</tbody>
</table>

R-Squared is a commonly used statistic to evaluate model fit. R-square is 1 minus the ratio of residual variability. The adjusted R², also called the coefficient of multiple determinations, is the percent of the variance in the dependent explained uniquely or jointly by the independent variables. 69.02% of the client retention could be attributed to the combined effect of the predictor variables.
### Table 4.15: Summary of One-Way ANOVA results

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>9.223</td>
<td>4</td>
<td>2.306</td>
<td>3.334</td>
<td>0.015</td>
</tr>
<tr>
<td>Residual</td>
<td>42.876</td>
<td>156</td>
<td>0.692</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>52.099</td>
<td>160</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The probability value of 0.015 indicates that the regression relationship was highly significant in predicting how financial stability, culture and human factors, pricing and relationship management influenced client retention in the Kenyan banking sector. The F calculated at 5% level of significance was 3.334 since F calculated is greater than the F critical (value = 2.5252), this shows that the overall model was significant.

### Table 4.16: Regression coefficients of the relationship between client retention and the four predictive variables

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>St. Error</td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>1.053</td>
<td>0.217</td>
</tr>
<tr>
<td>Financial stability</td>
<td>0.682</td>
<td>0.149</td>
</tr>
<tr>
<td>Culture and human factors</td>
<td>0.701</td>
<td>0.181</td>
</tr>
<tr>
<td>Pricing</td>
<td>0.599</td>
<td>0.196</td>
</tr>
<tr>
<td>Relationship management</td>
<td>0.763</td>
<td>0.091</td>
</tr>
</tbody>
</table>

As per the SPSS generated table above, the equation \( Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon \) becomes:

\[ Y = 1.053 + 0.682 X_1 + 0.701 X_2 + 0.599 X_3 + 0.763 X_4 \]

The regression equation above has established that taking all factors into account (Financial stability, Culture and human factors, Pricing and Relationship management) constant at zero client retention will be 1.053. The findings presented also show that taking all other
independent variables at zero, a unit increase in the financial stability would lead to a 0.682 increase in the scores of client retention and a unit increase in the scores of Culture and human factors would lead to a 0.701 increase in the scores of client retention. Further, the findings show that a unit increase in the scores of Pricing would lead to a 0.599 increase in the scores of client retention. The study also found that a unit increase in the scores of Relationship management would lead to a 0.763 increase in the scores of client retention.

Overall, Relationship management had the greatest effect on the client retention in the Kenyan banking sector, followed by Culture and human factors then financial stability while Pricing had the least effect to the client retention in the Kenyan banking sector. All the variables were significant (p < 0.05).

4.9 Chapter Summary

This chapter presents the findings of this study. The chapter covers general information, effect of mergers acquisition on client retention and growth in the banking sector. This was help in assessing the extent of financial stability, culture and human factors, pricing and relationship management influence on client retention and growth. The conclusion and recommendations of this study are presented in the next chapter.
CHAPTER FIVE

5.0 SUMMARY, DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The chapter provides the summary of the findings from Chapter Four, and it also gives the conclusions and recommendations of the study based on the objectives of the study. The objectives of this study were to assess the influence of financial stability, human factors, pricing and relationship management on the client retention in the Kenyan Banking Sector with reference to 35 banks that have undergone a merger or acquisition in Kenya.

5.2 Summary of the Study

The purpose of the study was to establish the effect of mergers acquisition on client retention and growth in the banking sector in 35 banks that have undergone a merger or acquisition in Kenya. The study sought to investigate the influence of financial stability, culture and human factors, pricing and relationship management influence on client retention and growth. This research problem was studied using stratified random sampling design. Data was collected from various managers of the 35 banks headquarters that have undergone merger or acquisition using a self-administered questionnaire. Data collected was analysed using descriptive statistics and multiple regressions.

The study found out that financial stability influenced client retention and growth to a great extent. profitability analysis measures financial performance to the management and shareholders as it cushions them against adverse conditions such as losses due huge claims or unexpected adverse changes to the investment portfolio. Mergers and acquisitions profitability analysis is important for the existing and new customers to establish the level of profitability of the bank and also whether the entity is a going concern or not. Capital adequacy ratios affect client retention to a great extent. It establishes the maximum level of leverage that a financial institution is allowed to reach on its operations.

Additionally, long term solvency has an effect on client retention and growth as well. The ability of a company to survive for a period of more than one year is very important to the customers. It is the same as liquidity ratio which measures the financial soundness of a firm. Mergers and acquisitions improve on the solvency of the bank which in turn increases
client retention and growth. Merging increases the assets ratio hence reduces the riskiness of the company.

The study also found that culture and human factors affect client retention and growth to a very great extent. Cultural fit can either be positive or negative. The study revealed that a match of the employees and the customers promotes customer retention and hence contributes to the growth of the business. Reduced cultural differences between two merging entities contribute to cultural fit and better performance of the employees. Good performance contributes to growth. Moreover, integration affects client retention and growth. In the merging banks, the level of integration depends on the merger type and thus on the amount of synergy necessary to be created. Merging took place between two related entities which has a positive impact on integration. Integration further affects growth and customer retention positively at the long run.

Autonomy decrease takes place from the acquired side of the merger. This step by the banks promoted the utilization of both the physical and human facilities more efficiently than previously. There is however utmost care in removing autonomy from any of the given entities due to the negative or positive effects that can be acquired when doing so. Positive autonomy is linked with less cultural conflicts. Employees do not feel threatened in the work place and hence perform their duties more effectively. Customer treatment is promoted yielding client retention and an overall growth of the bank.

The study further found out that pricing affects client retention and growth also to a great extent. Price matching has an influence on the client retention given that prices are the main consideration of the customers. Banks matches the prices during a merger to prevent the upsurge of prices which scares away potential customers who shift to the competitors. Utilization of price matching leads to repetition of customer behavior translating to growth of the bank. Customer tenure and relationship breadth represents a source of future revenue. The management of the merging banks incurs expenses to set up the premises which in turn help to retain previous customers. Banks grant relationship breadth to their frequent customers which give them an upper hand of retaining them.

Suitability of the products offered goes a long way in client retention and growth. Banks adopt suitable strategies that involve the switching costs to help retain their clients. Generic marketing strategies are adopted by the management to help make suitable offers for the
products in requirement by the customers. The banks maintains strong research and development skills, strong product engineering skills, strong creativity skills, good cooperation with distribution channels, strong marketing skills, and incentives based largely on subjective measures, be able to communicate the importance of the differentiating product characteristics, stress continuous improvement and innovation and attract highly skilled, creative people.

It was also revealed that relationship management affects client retention to a great extent. There is proper management of customer relationships in order to efficiently maximize revenues. Customer information management improves platforms of the merging banks and the personnel. Relationship management causes better interactions between the business and the customers making the business maximize sales and profit. Through information management customers are directed to the right agent or self-empowered knowledge. Customer attraction also helps in the client retention and growth of the banks after merging. Social contacts that are highly appreciated form a source of attraction that leads to business relationship.

On the other hand customer loyalty programs affect the retention of the clients. There are creative ways that are developed to retain the existing customers and attract new ones. The programs accumulate certain levels of points to that offer in-store cards and give discounts on selected items within the store. This enhances satisfaction, which leads to close and successful relationships and hence the growth of the business. Inducements such as discounts, free products or fidelity cards are some of the loyalty programs that are applied in the banking sector that help in customer retention after mergers and acquisitions.

5.3 Discussions

5.3.1 Financial Stability

Financial stability perception leads to customers increased confidence in the bank and results to customers desire to increase its business dealing with the bank such as banks more money, place its assets for safe custody among other transactions. The study found out that financial stability influenced customer retention and growth to a great extent, this is in line with Weber (2008) who postulated that Kenyan citizens have seen a lot of companies going under receivership as well as well as illegal companies swindle customers hard earned
money therefore the financial stability aspect is very key and largely affects customer loyalty.

It was further found out that profitability analysis is of great influence to client retention and growth. This is line with Muhammad (2011) who explains that financial managers should continuously evaluate the efficiency of the company in terms of profit to ensure its survival. Profitability ratios indicate what the firm is earning on its sales, assets or equity. Njoroge (2009) also explains that mergers and acquisitions is a strategy of enhancing profitability and thus firm stability. According to Chesang (2008) a decline in performance in the post-merger period, merger restructuring could still be considered as a recommended option to improve the overall financial performance of weak and ailing small medium sized banks with a narrow business.

The study made it clear that capital adequacy ratios influence client retention and growth in the banks that have undergone merger or acquisition. This concurs with Jansson (1997) who indicates that capital adequacy ratios is measured by the ratio of risk-weighted assets relative to regulatory equity, which has been internationally recommended to be equal to 12.5 times. Performance is positively and significantly affected by the asset quality, capital adequacy, credit risk and liquidity of banks which are measured by capital adequacy ratios. Good performance accelerates growth. Further, Amer et al (2011) suggested that the performance is positively and significantly affected by the asset quality, capital adequacy, credit risk and liquidity of banks which is in line with the findings of our study. According to Pandey (2008), solvency ratios measure the financial soundness of a firm and how well the firm can satisfy its short and long term obligations. This is similar to the findings of this study that indicate long term solvency influences client retention and growth in the banking sector. Anupam (2012) also affirms that liquidity determines a company’s short-term financial health which the customers take into great considerations. The ability of a company to survive for a long period of time influences the decisions of the client whether to stay or leave. This however contradicts the findings of Ndura (2010) who concluded that the merger had no effect on the level of capital adequacy and long term solvency of the merged companies.

46
5.3.2 Culture and Human Factor

The success of a merger is dependent upon the cultural fit between the two organizations, and moreover that a cultural fit between both organizations is not self-evident. The study found out that culture and human factors influence client retention and growth to great extent. This is in line with Ostroff et al. (2012) who argues that cultural clashes reduce the commitment and cooperation of employees, and therefore negatively affect employee performance which has a direct effect on customer retention. Weber et al. (2008) postulates that the cultural fit between both organizations explains the success of the merger and that a lack of cultural fit can undermine the ability to create synergistic benefits. Above all, a lack of cultural fit has frequently been mentioned as a key failure factor in many mergers and acquisitions.

The findings of the study further suggest that integration has an influence on the client retention and growth in the banking sector moderately. This concurs with Chakrabarti & Mitchell, (2012) who found out that a high level of integration results in extensive sharing of all resources in the acquiring and the acquired organization. The relationship between cultural differences and performance is likely to be influenced by the level of post-merger integration as stated by Stahl & Voigt (2008). Striking the right balance between the necessary levels of integration and minimizing the cultural clash is mandatory in order to realize merger success. High level of integration implies that the acquiring organization imposes all of its practices on the acquired organization and these practices are highly culture-specific which may cause friction among the employees hence the need to have proper integration.

The study also deduced that there is a moderate relationship between client retention and autonomy decrease. This concurs with Schweiger and Very (2010) who argues that amount of autonomy given to either the acquired and/or the acquiring organization affects the culture-performance relationship of the combined organization. Decrease in autonomy has a positive effect on the performance of the organization, because synergies can be created which is an indication of a diminished relative standing of employees. Further, the effects of a decrease in autonomy on performance are characterized by an increased turnover and reduced intention to stay of the employees, and hence negatively affecting the culture-performance relationship.
5.3.3 Pricing

The findings of our study also revealed that pricing influences customer retention and growth by a great extent. This is in line with Rust, Lemon and Zeithaml (2009) who postulates that marketing effects generate increases in Customer Lifetime Value (CLV), which increases firm value. Cranston (2008) further reveals that promotion of product can accomplish creating product awareness and interest, increasing store traffic and sales, reducing inventory, and enhancing perception of savings and value. Long-run objectives include establishing a specific price image for the advertiser to achieve a competitive positioning and customer loyalty. It is therefore important for the banks to achieve customer retention after mergers and acquisition as it increases a firm’s profits at a range between 25% and 85% according to (Reichheld & Sasser, 1990).

Price may be one of the most important determinants of customer decisions as earlier stated by Srivastava and Lurie (2009). Price matching may indicate a commitment to protect customers. The findings of the study are in line with this statement after the revelation that price matching influences customer retention and growth to a very great extent. Garland (2010) further stipulates that for marketers, long-tenure and broad-breadth customers represent priorities for retention, since both tenure and breadth are linked to customer profitability. The effectiveness of these policies is in stimulating customer retention, in addition to customer acquisition.

Customer tenure and relationship breadth on the other hand influence client retention and growth by a great extent. This is in line with Bolton et al (2009) who suggests that customers who buy more products are each more valuable to the firm than light or infrequent buyers. Therefore, building ‘share of wallet’, otherwise known as relationship breadth, is seen as an important goal in services industries. Setting up costs to attract more customers renders maintaining older customers more economical than creating new ones. Kamakura et al. (2009) also mentioned that benefits of relationship breadth are more revenue per customer, greater opportunity to learn about customer needs, and the potential to build switching costs that further strengthen the relationship. The banking sector has recognized the benefits of customer retention, tenure, and relationship breadth and as a result embraced customer satisfaction. Marn and Rosiello (2008) further added that sometimes banks have to make decisions that can have negative impact to the customers such as an increase in prices. The customers’ loyalty is affected and maintaining long term clients becomes difficult.
In addition, the study found out that suitability of products offered influenced client retention and growth to a moderate extent. This is in line with Kusstatscher and Cooper (2004) who postulates that in case of a merger or acquisition this can be very confusing and emotionally draining especially to the staff of the target company who may feel a real sense of loss of identity. The moderate effect of suitability arises from the fact that customers may perceive this lack of brand focus and confusion as an indicator of lack of management commitment to the merged operations. The banking sector employs differentiation strategy as an approach to develop and market unique products for different customer segments. Maintenance of this strategy requires among others strong research and development skills, strong product engineering skills, strong creativity skills, good cooperation with distribution channels, strong marketing skills, and incentives based largely on subjective measures. Prescott (2012) also argues that entities having good strategy have access to leading scientific research, highly skilled and creative product development team, strong sales team with the ability to successfully communicate the perceived strengths of the product and corporate reputation for quality and innovation. Differentiation strategy is different if the firm’s strengths are related to its specific customers rather than to the specific product itself.

5.3.4 Relationship Management

The study also deduced that relationship management influenced client retention and growth in the banking sector to a great extent. This is in line with Piccoli et al. (2013) who explain that there is a major paradigm shift in the way companies organize themselves, as businesses switch from product-based to customer-based structures. He further states that globalization, increasing competition, decreasing customer loyalty and advances in information and communication technology, has forced companies to focus on managing customer relationships in order to efficiently maximize revenues. Banks get closer to the customer so that they can create long-term relationships by using communication and technology in the workplace.

The study further established that customer information management influenced client retention and growth in the banking sector to a very great extent. This is in line with Young (2010) who found out that relationship management system codifies the interactions between the business and the customers so that a business can maximize sales and profit. The banking sector has adopted management software which is installed in the contact centers, and helps direct customers to the right agent or self-empowered knowledge. The
Software can also be used to identify and reward loyal customers over a period of time. The findings of our study also concur with Baldwin (2011) who further postulates that becoming a truly customer-centric business can help create a sustainable differentiated competitiveness.

Moreover, customer attraction influenced client retention in the banking sector to a great extent. The findings of our study are in line with those of Grönroos (2009) who states that attraction that can lead to a business relationship and if attraction exists between two parties, the basis for a relationship is developing. Advertisements and promotion further lead to trust which initiates relationship in consumer market. Lai et al. (2009) also argues that delivering more effective service quality than others is one of the ways that a firm can be a successful in achieving today's business environment.

On customer loyalty programs the study further found out that customer retention and growth was influenced to a moderate extent. The findings of the study are in line with Kumar and Petersen (2012) who postulates that loyalty instruments can vary anywhere and upgrades to customers who accumulate certain levels of points to that offer in-store cards and give discounts on selected items within the store. The variance of the instruments causes the moderate effect to client retention. The findings also further state that it is more profitable holding on to existing customers than winning new customers. Banks enhances the all four aspects of relationship quality which are trust, commitment, satisfaction and service quality in order to maintain customer loyalty.

Customer interaction was also found to influence client retention and growth to a moderate extent. Izquierdo et al. (2012) identifies programs such as contacting customers, answering adequately to their complaints, enhancing personal and friendly relations with them and customizing services for the purposes of customer interaction. It is essential for banks to maintain a healthy relationship with the clients at all times. This helps in creating an enabling environment for all and better work performance in general. Customer interaction process is based on the importance for researchers and managers of understanding the interaction between active buyers and sellers in continuing business relationships.
5.4 Conclusions

5.4.1 Financial Stability
Based on the above findings, the study concludes that financial stability influences client retention and growth to a great extent. The banks have created perceptions that lead to customers increased confidence in the bank and results to customers desire to increase its business dealing with the bank such as banks more money, place its assets for safe custody among other transactions. Kenyan citizens have seen a lot of companies going under receivership as well as well as illegal companies swindle customers hard earned money therefore the financial stability aspect is very key and largely affects customer loyalty.

5.4.2 Culture and Human Factors
The study also came to the conclusion that culture and human factors influence client retention and growth to a great extent. The banks that have undergone merger and acquisition strive to merge different organizational cultures always to prevent human integration problems. The management further employs a moderate level of integration involving increased alternations in the value chain, e.g. selective adjustment of reporting relationships, authority, structure and cultural elements.

5.4.3 Pricing
The study further concludes that pricing affects client retention and growth to a very great extent. The banking sector involving a lot of marketing investment which improves brand perception, leading to an increase in customer acquisition, retention and add-on selling. The aforementioned effects generate increases Customer Lifetime Value (CLV), which increases firm value. Marketers also promote lower prices thus decide how much to reduce the price as well as how to communicate the price reduction to the customers for the purposes of adjusting to the new prices.

5.4.4 Relationship Management
Finally, the study concludes that relationship management influences customer retention and growth to a moderate extent. The management in the banks focuses on developing good relationship between a business and its current and prospective customer base, as a key to success. The banking sector aims at excellent customer service and is cost effective to be able to retain their clients. Operational methods such as contact centers are created for customer service purposes.
5.5 Recommendations

5.5.1 Recommendations for Improvement

5.5.1.1 Financial Stability

The study recommends that the banking sector should adopt proper analysis for the profits made in the entity. This is because profits are the most essential element of measuring a company’s performance. The banks should further focus on cutting the expenditures of the entity to increase the margin between revenue and expenses which will further improve the profit analysis and increase customer retention. The study further recommends for improvement in the loan portfolios so as to increase the sound capital of the banking institution which will in turn attract more customers and retain the old ones.

5.5.1.2 Culture and Human Factors

The study further recommends for team work among the employees to improve the relationship among the workers. The two merging institutions ought to conduct team building activities often to successfully merge the different workers for better performance of job. The managerial department of the bank should also strive to retain old employees in the organization for smooth integration of work performance. Customers will be happier dealing with old faces as opposed to new employees in the organization.

5.5.1.3 Pricing

This study also recommends for the retention of the pricing policy of the merging institutions. It is said that a rise in prices scares away the clients hence the management should strive to retain their old prices. There also should be improved price savings since existing customers focus less on price savings than new customers. There should be more advertisements on the products offered by the banks to create awareness and earn competitive advantage over potential competitors. This will reduce customer poaching by other banks in a great way.

5.5.1.4 Relationship Management

The study finally recommends more effective CRM programs with the aim of appreciating customers. The banks should set up more customer care units to reach out to higher number of customers who need service. Additionally, there should be hotlines imposed for the customers to make enquiries regarding any matter at their own convenience. Online consultations and availability of information should also be put in place and improved in
case they are already in existence. Further, the banking sector should focus on ways to attract customers such as giving warranty and having more advertisements to earn the trust of the clients.

5.5.2 Suggestions for Further Research

The study focused on customer retention and growth only in the banking sector. Studies should be conducted in other sectors of economy about the customer retention. Similar studies should be conducted in a field such as in entrepreneurship to establish whether mergers and acquisitions have an effect on the customer retention and growth of the businesses.
REFERENCES


Appendix I: Research Questionnaire

Kindly respond to the following questions by ticking on the appropriate box (✓) or filling the answers in the blank spaces.

SECTION A: DEMOGRAPHIC INFORMATION

What is your gender?

Male ( ) Female ( )

What is your age?

18-25 years ( ) 26-35 years ( ) 36-45 years ( ) 46 years and above ( )

For how long have been serving in this organization?

Below 1 year ( ) 2-3 years ( ) 4-5 years ( ) 6 years and above ( )

What is your highest level of education? ( )

Tertiary college ( ) Undergraduate ( ) Postgraduate ( )

SECTION B: FINANCIAL STABILITY IN MERGERS AND ACQUISITIONS

To what extent do financial stability in mergers and acquisitions affect client retention in the Kenyan Banking Sector?


Indicate the extent to which various aspects of financial stability in mergers and acquisitions affect client retention in the Kenyan Banking Sector. (Place a check mark in the appropriate box).

<table>
<thead>
<tr>
<th></th>
<th>Very Great Extent</th>
<th>Great Extent</th>
<th>Moderate Extent</th>
<th>Little Extent</th>
<th>Very Low Extent</th>
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<tbody>
<tr>
<td>Profitability Analysis</td>
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<tr>
<td>Capital Adequacy Ratios</td>
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<tr>
<td>Long Term Solvency</td>
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### SECTION C: CULTURE AND HUMAN FACTORS IN MERGERS AND ACQUISITIONS

To what extent do culture and human factors in mergers and acquisitions affect client retention in the Kenyan Banking Sector?


**Great extent** [4]  **Low extent** [2]

1. Indicate the extent to which various aspects of culture and human factors in mergers and acquisitions affect client retention in the Kenyan Banking Sector. (Place a check mark in the appropriate box).

<table>
<thead>
<tr>
<th>Aspect</th>
<th>Very Great Extent</th>
<th>Great Extent</th>
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<tbody>
<tr>
<td>Cultural Fit</td>
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<td>Integration</td>
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<td>Autonomy decrease</td>
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### SECTION D: PRICING IN MERGERS AND ACQUISITIONS

To what extent do pricing in mergers and acquisitions affect client retention in the Kenyan Banking Sector?


**Great extent** [4]  **Low extent** [2]

Indicate the extent to which various aspects of pricing in mergers and acquisitions affect client retention in the Kenyan Banking Sector. (Place a check mark in the appropriate box).

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<th>Aspect</th>
<th>Very Great Extent</th>
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<th>Moderate Extent</th>
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<tbody>
<tr>
<td>Price matching</td>
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<tr>
<td>Customer tenure and relationship breadth</td>
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</table>
**SECTION E: RELATIONSHIP MANAGEMENT IN MERGERS AND ACQUISITIONS**

To what extent do relationship management in mergers and acquisitions affect client retention in the Kenyan Banking Sector?

- **Very great extent** [5]
- **Moderate extent** [3]
- **Very low extent** [1]


Indicate the extent to which various aspects of relationship management in mergers and acquisitions affect client retention in the Kenyan Banking Sector. (Place a check mark in the appropriate box).

<table>
<thead>
<tr>
<th>Aspect</th>
<th>Very Great Extent</th>
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<th>Moderate Extent</th>
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<tbody>
<tr>
<td>Customer Information Management</td>
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<td>Customer attraction</td>
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<td>Customer loyalty programs</td>
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<td>Customer interaction</td>
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**SECTION F: CLIENT RETENTION**

2. How can you rate the trend of the following aspects of customer retention in your firm after merger or acquisition? (Place a check mark in the appropriate box).

<table>
<thead>
<tr>
<th>Aspect</th>
<th>Very poor</th>
<th>Poor</th>
<th>Fair</th>
<th>Good</th>
<th>Excellent</th>
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<tbody>
<tr>
<td>Total number of customers</td>
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<td>Number of customers turnover ratio</td>
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</tbody>
</table>

THANK YOU
Appendix II: List of Mergers and Acquisitions in the Kenyan Banking Sector

1. Consolidated Bank of Kenya Ltd
2. Credit Agricole Indosuez
3. Transnational Bank Ltd.
4. Bank of Baroda (K) Ltd.
5. First American Bank (K) Ltd.
6. Bank of India (Africa) Ltd.
7. Stanbic Bank Kenya Ltd
8. Ambank Ltd.
9. Delphis Bank Ltd.
10. Commercial Bank of Africa Ltd
11. Trust Bank (K) Ltd.
12. NIC Bank Ltd.
13. Giro Commercial Bank Ltd.
14. Guardian Bank Ltd
15. Diamond Trust Bank (K) Ltd.
17. Standard Chartered Bank (K) Ltd.
19. Habib Bank A.G. Zuric
20. Paramount Universal Bank
22. Citibank NA
23. Southern Credit Banking Corp. Ltd.
24. Cooperative Bank of Kenya Ltd
25. Investment & Mortgage Bank Ltd.
26. Commercial Bank of Africa Ltd
27. EABS Bank Ltd
28. Prime Bank Ltd.
29. CFC Stanbic Bank Ltd.
30. Kenya Commercial Bank Limited
31. Jamii Bora Bank Ltd.
32. Equatorial Commercial Bank Ltd
33. Dubai Bank Ltd.
34. Bank of Africa Bank Ltd.

35. Ecobank Bank Ltd.