INVESTIGATION OF THE EFFECT OF CUSTOMER RELATIONSHIP MANAGEMENT
ON CUSTOMER RETENTION IN COMMERCIAL BANKS
A CASE OF KCB LIMITED IN KENYA NAIROBI REGION

CHARITY WAIRIMU WANJAU

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DECLARATION

This research project is my original work and has not been presented for a degree in any other University or any other award

Signature: …………………………… Date:……………………..……………

Charity Wairimu Wanjau

This research project has been submitted for examination with our approval as the University supervisors

Signature: …………………………… Date: ……………………………………..

Chrispen Maende

This research project has been submitted for examination with my approval as the Chairman of Department of Business Administration

Signature: …………………………… Date: …………………………………....

Dr. S.M. Muathe

Chairman

Department of Business Administration, School of Business

Kenyatta University

DEDICATION

I wish to dedicate my research work to my lovely mum Elizabeth Wangeci, whom I am today is because of your love and guidance, my lovely husband Gideon and to my adorable kids, Claire and Blaire. I cherish your love, encouragement, support, and guidance through the years we have shared. Above all, thank you so much for understanding the need for me to undertake this journey.

ABSTRACT

Customer relationship management (CRM) is a combination of organizational strategy, information systems, and technology that is focused on providing better customer service. The main objective of CRM is to acquire new customers, retain the current customers, and nurture a favorable relationship with the existing customers. CRM as a methodology of creating and evolving an organization in the marketplace while at the same time influencing positively the perception of the organization in individual customers. Today, consumers are more educated, better informed, more technology savvy, have more purchasing power and hence, more demanding in the products and services they buy. Therefore, companies should use CRM as a strategy that goes beyond simply making the customer feel important and strives to make the customer an extension of the research and development team, the marketing team, the advertising team, and any other line of business that can benefit from direct contribution by the ultimate consumer. Kenya Commercial Bank has managed to weather this competition to stand out as one of the successful Kenyan businesses today. This study sought to analyse the Customer Relationship Management strategies that are being used by Kenya Commercial Bank to retain and attract new customers. The variables include customer recognition practices, brand visibility, promotion and technological systems and how they affect customer retention. To achieve this objective, the researcher used structured questionnaires. The target respondents were front office employees of Kenya Commercial Bank who were picked randomly from 44 branches in its Nairobi region. The data was analyzed using both descriptive and inferential statistical analyses. The main importance of the findings was to assess the influence of Customer Relationship Management on customer retention as a strategy for maintaining competitive edge in the banking industry. The study found out that the customer recognition was not used mainly in the customer retention effort while that would have been most preferred, however technology, brand and promotion were extensively used which had led to increased customer retention and profitability but had created resentment by customer with most of them thinking that the bank was using them to make huge profits and that the bank did not genuinely care about their relationship. The research showed that there was need at promoting a healthier relationship between customers and the bank in general. The utilization of the technology was good and should be encouraged, brand awareness and loyalty was also high plus the promotional activities were seen to be working extensively and the momentum should be maintained. It was however necessary to look at thing that did not work. There was need to increase focus in customer recognition and enhancing the relationship that traditional banking used to elicit to its customers. There was also need of proactive public relations by banks that they would make the general public aware of the difficulty of the environment it operated in so that they would not see them as organization who were meant to fleece their customer in order to make huge profit margins.

ACKNOWLEDGMENT

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DEFINITION OF OPERATIONAL TERMS

Bank

A company carrying on or proposes to carry on banking business in Kenya (Banking Act Cap 488).

Customer Relationship Management

This concept has been coined as an operational business strategy consolidating customer information, analyzing data, understanding customer's behavior and creating interactive and highly personalized relationships (Swift, 2001).

Customer

Any person capable of opening and transacting a bank account, loan account, and also those with potential to transact with the bank (Wang and Splegel, 1994).

Customer Acquisition

The methodologies and systems used to manage customer prospects and inquiries (Wang and Splegel, 1994).

Customer Retention

The activity that a selling organization uses to reduce customer defections (Wang and Splegel, 1994).

Brand awareness

extent to which KCB brand is recognized by potential customers and is correctly associated with a particular product.

Brand recognition   the extent to which a consumer can correctly identify a particular KCB product or service by just viewing the KCB's logo, tag line, packaging or advertising.

Customer satisfaction   the degree of satisfaction provided by the goods or services being offered by the KCB bank.

Customers' loyalty   likelihood of existing customers to continue being faithful to the products being offered by KCB.

Integration   improvement of the capabilities of understanding customer behavior, develop predictive models, build effective communications with customers and respond to those customers in real time and with accurate information

Technology advancement   improvement and innovation of the IT services to improve on customer service.

Customer incentives   something that incites or tends motivate to action or great effort as a reward offered for increased productivity or returns.

Cross selling   the practice of selling or suggesting related or complimentary products to a prospect or customer

Customer complaint   grievances by customer regarding a service or a product being offered.

Innovators   are technology enthusiasts; they are venturesome and enjoy
                               tinkering with new product and mastering their intricacies.
                               In return for low process, they are happy to conduct alpha
                               and beta testing and report on early weakness

Early adopters   are opinion leaders who carefully search for new
                               technologies that might give them a dramatic competitive
                               advantage. They are lesser price sensitive and willing to
                               adopt the product if given personalized solutions and good
                               service support.

Early majority   are deliberate pragmatists who adopt the new technology
                               when its benefits are proven and a lot of adoption has
                               already taken place. They make up the mainstream market.

Late majority   are skeptical conservatives who are risk adverse,
                               technology shy, and price sensitive.

Laggards   are tradition bound and resist the innovation until they find
                               that the status quo is no longer defensible.

LIST OF ACRONYMS AND ABBREVIATIONS

ATM   Automated Teller Machine

CRM   Customer Relationship Management

CBK   Central Bank of Kenya

KCB   Kenya Commercial Bank

LTV   Life-Time Value

ROI   Returns on Investment

SACCOs   Savings Credit and Cooperative Societies

LTD   Limited

CAM   Customer Asset management

CE   Customer Equity

LTV   Life time value.

PR   Public Relations

SME   Small and Micro Entrepreneurs

CHAPTER ONE

INTRODUCTION

1.1   Background to the study

All company revenue is achieved from two groups of customers-new and repeat customers. It is substantially more cost-effective to retain existing customers than attract new ones. Existing customers have known and identified needs that have been satisfied by the organizations products or services in the past. By focusing the organizations marketing strategy on the profitable segments of their customer base an organization will normally produce most of the required revenue and increase their market share without investing in acquiring new customers which is much more expensive than retaining old ones. Loyal customers not only repurchase, but also advocate products and services to their friends pay less attention to competitive brands and often buy product and service line extensions (Baumeister, 2002).

To develop effective retention strategies an organization has to have an in depth knowledge of customers behavior and needs. Loyalty is a physical and emotional commitment given by customers in exchange for their needs being met (Stone, et al 2002). Customer   loyalty that leads to retention will develop over time if the parameters   for the relationship are planned and implemented correctly. In a democratized market it is the quality and depth of the customers' relationships-physically   and psychologically   that ultimately differentiates between brands (Burnett, 2004).

Customer retention refers to keeping a client's business rather than have the client use competitors' services or products. Repeat customers are people who buy from you again

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and again. Customer retention embodies repeated behavior and reflects relationship continuation. Customer retention is an essential part of customer relationship management and organizations must take this into account (Watkins, 1999) .The longer a customer stays with an organization the more utility the customer generates to the organization. Maintaining high levels of satisfaction will not, by itself, ensure customer loyalty. Organizations lose satisfied customers who have relocated, retired, or no longer need certain services. As a consequence, retaining customers becomes a priority.

Companies that have a monopoly or exclusive product of some sort easily retain customers. A customer may not be thrilled by an organization but the rational experience (convenience) outweighs the emotional experience (the fact that you dislike them). In this case, customer retention numbers may appear high, but it's built on a false premise. As soon as an alternative is available, many customers will disappear. The emotions evoked by a customer experience act as a chief mediator for customer retention (Chen & Popovich, 2003). When combined with an organization's strong reputation and recognized expertise, customer emotions are the chief determinant of customer retention. Without the emotional bond necessary to retain customers, customer loyalty is impossible. Interactions that evoke negative feelings, stress or manipulative tactics negate trust. And while there are a few notable exceptions, most companies do not intend to negate trust. Failure to craft a deliberate customer experience puts organizations at risk for doing just that.

The advantage of customer retention to the organization is that it provides for cost savings, risk taking -comfort with a company and trust in their expertise leads people to try new things, preferential shopping- most people tend to go to one or two organizations over and over again

for a reason: They know what is going to be there, where to find it, etc. Evangelism-customers who like your products and feel like you have treated them well will sell your product for you. They may not sell it hard, but they will recommend it to friends, tailoring Your Wares -when you know a customer, you can make informed recommendations or ensure that you carry a certain item that you know they are going to want.

The most lasting way of retaining customers, however, is through conscientious service that includes following up on any issues or complaints. If a consumer has a negative shopping experience with a company, he or she may deal with that business less often or not at all. If the firm sincerely apologizes and takes the time to have a polite representative telephone the customer occasionally to see how they can meet his or her needs, the consumer may reconsider and keep dealing with that company despite any past unpleasantness. In this light, this proposal uses a case study to examine how CRM has influenced its processes and outcomes, especially in regard to customer retention, in KCB bank. Customers have always been the main concern for businesses all over the world. This chapter offers a background of the study and outlines the objectives that the paper seeks to accomplish.

1.1.1   The Benefits of Retaining Customers

According to Dawkins and Reichheld (1990), the benefits of retaining customers takes the same form as our discussion of customer retention, i.e. it is both quantitative and qualitative or, more specifically, it addresses both economic benefits and non-economic benefits. Arguments which justify the strategy of retaining customers as opposed to acquiring new customers are underpinned by microeconomic theory and, in particular, the concept of customer LTV. The assumption is that, in a relationship, a seller seeks to minimize their costs

and maximize their revenues. Customer retention affects both elements of the profitability equation, where Profit = Revenue - Expenses or Cost. Customer retention helps increase revenue through increases in sales volume and/or premium prices as well as reducing the expenses or costs of generating those revenues. An increase in retention rate has been argued to have led to a corresponding increase in profit (Reichheld & Kenny, 1990).

Reichheld (1996) identified six economic benefits of retaining customers: savings on customers' acquisition or replacement costs, a guarantee of base profits as existing customers are likely to have a minimum spend per period, growth in per-customer revenue as, over a period of time, existing customers are likely to earn more, have more varied needs and spend more, a reduction in relative operating costs as the firms can spread the cost over many more customers and over a longer period, free of charge referrals of new customers from existing customers which would otherwise be costly in terms of commissions or introductory fees and price premiums as existing customers do not usually wait for promotions or price reductions before deciding to purchase, in particular with new models or versions of existing products.

The assertion that retention has non-economic benefits is underpinned by behavioral or psychological arguments. Morgan & Hunt (1994) argued that, in a network comprising partnerships with external parties, namely buyers, suppliers, competitors, governments and non-profit organizations and with internal parties, namely employees, departments and business units, commitment and trust in relationships engender cooperation, acquiescence, a reduced tendency to leave the network, reduced uncertainty and the belief that conflict will be functional (when disputes are resolved amicably). Existing customers not only provide feedback about products and services, but also work together with suppliers to

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add value to a particular product by improving its functional features or by modifying the manufacturing or work processes which use the product (Ahmad & Buttle, 1999).

1.1.2   Relationship   Banking and Customer   Retention

The end goal of marketing activities in any sector, irrespective of the way sales are made, whether by transactional encounters or relationships is to maintain customers. Successful institutions are those which manage to turn their customers into clients (Berry & Parasuraman, 1991) and from prospects into partners (Peck et al., 1999). Others such as (Vandermerwe, 1996) have pointed out that successful institutions are those that 'own' their customers and pursue ongoing values for them. (Fornell & Wemerfelt, 1987) emphasized that marketing resources may be better spent on keeping existing customers than acquiring new ones. This was based on the assumption that existing customers are cost less to keep than to replace.

Firms therefore have to be aware of the stability of not just their products but also their customers. Contrary to its belief, the KCB bank found that it's independent financial advice and the sale of associated investment products contributed to the high expense levels associated with staff time (Kaplan, 1995). The overwhelming argument for customer retention is that it is cheaper to retain customers than to acquire new ones (Payne & Frow, 1999).

Payne and Frow (1999) illustrated how an additional £5.5 million increase in expenditure, when directed at increasing the number of existing customers, could result in an £18 million increase in stability. They computed that the additional expenditure would increase the number of customers by 6 percent. This increase would in turn result in a corresponding 4.8 percent increase in customer retention. Customer retention clearly deserves some attention and should form part of strategic marketing goals rather than simply being seen as the end result

of 'good' marketing management. However, attempts to integrate customer retention goals and strategies into their strategic planning process need to consider other practical issues.

1.1.3 Commercial Banks

The banking industry is among the most important sectors of any economy because it acts as a driving force for economic activities and banks occupy a significant place in every nation (Soyibo & Adekaye, 1991). Commercial banks play an integral role in the national economy providing important value added products and services in addition to contributing to wage employment and tax revenue The earning performance of a bank has implications on the welfare of its customers and in the long run on economic growth. A bank's core activities in all its departments include transferring money and financial information, and by doing so transform money, maturities and risks. It does this by lending money, accepting deposits, issuing securities, asset management and foreign exchange trading.

The banking industry is facing an increasing level of competition around the globe as the dynamics of the business environment changes. Technology, commoditization, deregulation and globalization have changed the face of banking (Joyner, 2002). In Kenya, for example there has been the successful introduction and adoption of telephone money transfer, micro finance banking and savings credit and cooperative societies (SACCO'S) financial services with little or no differentiation and at sometimes cheaper prices and have greatly threatened and eaten into the share market of the convectional commercial banks. Banks have understood the need to capitalize on CRM strategies to gain advantage in the competition by exploiting their customer base, brand value and costly infrastructure investments in order to increase profits. There is a direct link between customer satisfaction and profitability.

CRM is a strategy that enables a bank to analyze customer profiles, detect their needs and potential profitability areas and establish the necessary actions to achieve customer satisfaction, competitive advantage and thus the profitability (Woodcock, Foss & Stone, 2005). From a customer's points of view, the competition brings them various choices and increases their bargaining power. Customers are searching for various benefits from banks including better services, lower transaction fees, and higher interest rates for their deposits, sign of affluence, new products, and access to the bank from different convenient channels among others. This has made commercial institutions to rethink of new ways to satisfy customers so as to remain in business. CRM is one way that a commercial bank can differentiate itself from other financial institutions and encourage brand loyalty among its customers.

According to the Central Bank of Kenya (CBK) website (*www.centralbank.go.ke - 2013*) there are 43 licensed commercial banks and 1 Mortgage Finance Company. Of these 44 institutions, 24 are locally owned, 14 have foreign interests either by incorporation or ownership and the remaining 6 have government participation in their activities. Commercial banks in Kenya are licensed and guided by prudential guidelines formulated by the CBK. Kenyan commercial banks display cartel like characteristics with 10 banks owing 75% of the total assets in the industry (Market Intelligence, 2000). As profit driven institutions commercial banks are predisposed to adapt various strategies to improve service delivery in order to attract and retain more clients. And as (Swift, 2000) defines CRM as an enterprise approach to understanding and influencing customer behavior through meaningful communication in order to improve customer acquisition, customer retention, customer

loyalty and customer profitability then banks are left no choice but to adopt CRM so as to remain profitable.

1.1.4   Kenya Commercial Bank Group

According to the Kenya Commercial Bank website (*www.kcbbankgroup.com - 2013*) the bank's history starts back in 1896 when the National Bank of India set up a base at the coastal town of Mombasa during the start of the construction of the railway line to Uganda. In 1958 Grindlays Bank of Great Britain merged with the National Bank of India to create the National and Grindlays Bank. On independence in 1963, the government of Kenya acquired 51% shareholding in the National and Grindlays Bank as the government wanted to help locals to access credit to help in growing the country's economy. In 1970, the government acquired complete ownership of the largest commercial bank and changed its name from National & Grindlays to Kenya Commercial Bank.

CRM in the early days of the bank's operations was not emphasized since the organization was fully run by government and its business strategy was not geared towards customer centricism. The organization operated from inside out and was blurred by a lot of bureaucracy and insensitivity towards customers. In fact for several years the bank operated at a loss despite being monopolistic in nature because competition was very low making the bank largely unconcerned about building customer relationships.

As the government owned financial institution continued to grow, locals were steadily allowed the opportunity to acquire greater shareholding. Today, the public including private and institutional investors own over 82% of the bank's share value while the government owns the rest. Being a public company has enabled locals to play an active participatory role

in the decision making processes at the bank. KCB LTD has a large regional network that covers 6 countries i.e. Kenya, Uganda, Tanzania, Rwanda, South Sudan, Burundi. Its aim is to provide banking and financial services to facilitate cross border trade in East Africa and the larger eastern and central Africa. The bank has a total of 222 branches, 2,396 Agents, a regional network of a total 403 ATMs units while partnership with PesaPoint and Kenswitch provides access to another 519 ATMs. KCB is among the three largest banks (with Barclays Bank Kenya and Standard Chartered Bank Kenya) in Kenya with over two Million customers in two customer groups, retail and corporate, assets valued at over Kshs. 220 billion and shareholder capital worth over Kshs. 40 billion.

1.2 Statement of the Problem

The importance of customers has been highlighted by lots of researchers and academicians all around the world. Top performing financial institutions believe that customers are the purpose of what they do and they very much depend on them; customers are not the source of a problem and they should never make a wish that customers „should go away‟ because their future and security will put in jeopardy. That is the main reason why financial institutions of today are focusing much attention on customer satisfaction, loyalty and retention (Zairi, 2000). Satisfaction is an overall customer attitude or behavior towards a service provider, or an emotional reaction towards the difference between what customers expect and what they receive, regarding the fulfillment of some desire, need or goal (Hansemark, & Albinsson, 2004; Kotler, 2000; Hoyer, & MacInnis, 2001).

Customer loyalty, on the other hand, is the result of an organization's creating a benefit for customers so that they will maintain and increasingly repeat business with the organization (Anderson, & Jacobsen, 2000). Equally well, dissatisfied customers are more likely to tell

another ten people about their unfortunate experiences with a particular organization. In order to achieve customer satisfaction, organizations must be able to build and maintain long lasting relationships with customers through satisfying various customer needs and demands which resultantly motivates them to continue to do business with the organization on on-going basis (La Barbera & Mazursky, 1983). Although, previous research has attempted to examine the link between (a) customer satisfaction and customer loyalty and (b) customer satisfaction and customer retentions to switch in various industries but there are still lack of research in banking sector to investigate whether customer relationship management influences customer retention in commercial banks. It is evident that there was need to carry out further studies to establish whether customer relationship management influences customer retention in commercial banks. This study therefore intends to establish the effects of customer relationship management on customer retention in commercial banks using the case of Kenya Commercial bank Limited.

1.3   Research Objectives

1.3.1   General objective

The study sought to investigate the effect of Customer Relationship Management on customer retention in Commercial Banks in Kenya.

1.3.2   Specific objectives

1. To determine the effect of customer recognition practices on customer retention

2. To determine the influence of KCB's brand visibility on customer retention

3. To determine the effect of promotion tools on customer retention

4. To establish the influence of technological systems on customer retention

1.4   Research Questions

1. Do customer recognition practices affect customer retention at KCB?

2. How has KCB's brand visibility affected customer retention?

3. How have promotion tools affected customer retention at KCB?

4. How have technological systems affected customer retention at KCB?

1.5   Significance of the study

The study is important to the researchers as it equips the student with research and analytical skills that are important in enhancing the student's capability to understand real life business management issues and enabled them be in a better position to comprehend and solve organizational problems in a professional manner. The study is also useful to consumers of financial products because it highlighted the necessity to integrate customer centric management methods that placed strategic significance on satisfying specific consumer needs.

1.6   Scope of the study

This was specific to KCB Head office staffs that are all based at Kencom House along Moi Avenue and the branches in Nairobi. The target group was senior team who include the directors and unit heads, middle management, junior management and unionizable staff. The unionizable staff and junior staff were the majority. The total number expected to respond to the questionnaire is 425 staff members. This was expected to take a period of three weeks to obtain feedback from the group.

1.7   Limitation of the Study

In the course of the research study, the following obstacles were experienced: The available time for research is quite limited, this is considering the researcher is on full time employment, thus had to manage her time well to cope.   To get appointments with management might was difficult. The researcher had to be patient and explained to the management the importance of the study.   Sourcing for funds was a challenging task especially considering the nature of the research work.   The finances were required for stationery, photocopy and typing services.   The study covered only one financial institution, KCB Limited, Nairobi region. The generalization of the study was therefore limited as the challenges of one Bank which may not be the same as other Banks and so there could be some problems not researched on.

CHAPTER TWO

2.0   LITERATURE   REVIEW

2.1   Introduction

This chapter presents a review of the related literature on the subject under study presented by various researchers, scholars, analysts, authors and theoretical orientation on the same. The materials are drawn from several sources which are closely related to the theme and the objectives of the study.

2.2   Theoretical Review

2.2.1   Relationship Marketing Theory

The challenge for most companies today is to thrive in a relationship economy (Cap Gemini Ernst & Young, 2005). Competition for the most profitable customer relationships is extremely tough and companies need to know who their customers are. This includes aspects like their preferences, their habits, and their experiences with companies and very importantly, their value. Customers have become very demanding and their expectations have increased to new heights. The environment has evolved into a complex landscape, which has resulted in the high value placed on relationship marketing today. Relationship marketing has evolved from a primary focus on consumer goods in the 1950s, industrial marketing in the 1960s, non-profit and societal marketing in the 1970s, services marketing in the 1980s and finally, relationship marketing in the 1990s (Christopher, Payne & Ballantyne, 1991). Grönroos (1994a) states that a paradigm shift is evolving in marketing from the focus on the four P's of marketing – product, price, place and promotion – to a new approach based on building and management of relationships. Relationship marketing, as part of marketing, involves the relationships and interactions between customers, suppliers, competitors, and others. This

however, does not mean that the four P's are less valuable, but that the focus has moved to a new paradigm where a more market-oriented drive and the customer as focal point are suggested as the marketing concept. Relationship building can be seen as the cornerstone of marketing (Grönroos, 1994b). Relationship marketing has focused on customer retention, service, and product benefits, a long-term scale, service emphasis, high customer commitment, customer contact, quality, and finally customer loyalty (Cheese, 1994; Gummesson, 1998; Abratt & Russell, 1999). Relationship marketing's focus is to move customers up the ladder of loyalty (Voss & Voss, 1997). The relationship marketing strategy also seeks to change the market demands in favour of a particular company by providing unique value, which must be sustainable over time. Relationship marketing is seen as a combination of quality, customer service, and marketing. The key relationship is based on the relationship between the supplier and the customer. All of this reflects the notion that the centre of the relationship marketing philosophy is to make the most of existing customers (retention) to enable the company to make long-term profits.

Relationship marketing is similar to the concept of one-to-one marketing. One-to-one marketing means "to be willing and able to change your behaviour toward an individual customer based on what the customer tells you and what else you know about that customer" (Peppers, Rogers & Dorf, 1999: 3). It is grounded in the principle of establishing a learning relationship with each customer, with the focus on your most valuable ones. The marketing concept sees customer satisfaction as the highway to profits (Perreault & McCarthy, 2002). However, although it seems logical, it is not automatic, as satisfaction does not by itself lead to profits (Gummesson, 1998). The customer relationship must be maintained to sustain repurchase loyalty and retention, which will lead to profitability. Customer value reflects

benefits and costs, or the difference between the benefits from the market offering and the costs of obtaining the benefits. Providing continuous value to customers underpins the relationship (Cram, 2001).

Banks that embrace the marketing concept see relationship banking as the way to build loyal and profitable long-term relationships with each customer. Relationship based marketing can result in long-term retention, which leads to improved financial and market performance, and an increased competitive edge. It is further concerned with the building of bonds with customers to ensure long-term relationships of mutual advantage. Figure 2 below illustrates the inter-relationships that exist between the bank, customer and employee. For relationship marketing to be successful two-way relationships must exist between the three parties of the triangle (Bennett & Durkin,2002).

Figure 1   Inter-Relationships of Relationship Marketing In Banks

Bank

Customer   Employee
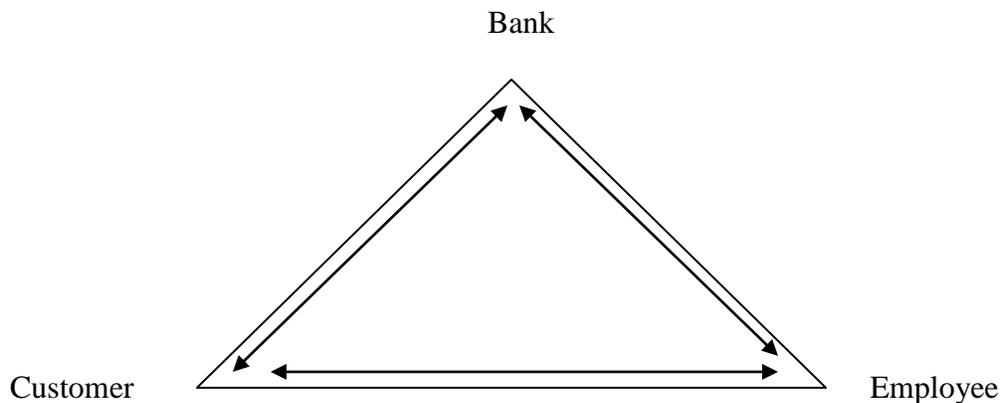
Source: Bennett & Durkin (2002: 204)

Part of the wide field of marketing is concerned with the exchange relationships between a company and its customers. Companies need to be marketing-oriented, customer-focused and customer-orientated (Christopher et al, 1991). Relationship marketing has been addressing the importance of getting customers, but also, more importantly, keeping customers and building an ongoing relationship (Rayner, 1996). It is no longer sufficient to merely provide the customer with technical solutions to be competitive. To create customer loyalty, various value-added services, which start long before the transaction and continue far beyond it, must be delivered (Wetzels, de Ruyter & van Birgelen, 1998). The concept of relationship marketing is embedded in services marketing and incorporates service delivery processes. The relational exchange can provide a competitive advantage and create barriers to switching. To be effective and successful the relationship marketing philosophy needs the support of the people in the other departments and business functions on an integrated basis. However, it is not always possible for companies with large customer bases to have close relationships with all their customers (Bennett & Durkin, 2002). Not all relationships also need to be at the same level of intimacy. An appropriate relationship marketing strategy will ensure that customers are managed by market or segment level. According to Gummesson (1998) and Abratt & Russell (1999) there are certain themes emerging in the relationship marketing literature: Placing emphasis on the relationship rather than on a transaction approach to relationship marketing. The focus is to increase customer loyalty and customer retention. Banks need to know their customers, what their needs are and cross-sell throughout the banking group. The relationship is also based on equal and respectful terms; Companies must understand the economics of customer retention. They need to ensure the appropriate allocation of marketing resources to existing customers. The increased retention will lower costs and can lead to

increased productivity; Customer segmentation is critical for an effective relationship marketing strategy. This involves targeting certain profitable customers and maximizing the lifetime value of desirable customers and customer segments. The relationship is based on a win-win scenario where all parties involved receive increased and mutual value; Marketing and quality customer service needs to be integrated. The extent to which the client perceives the relationship banker to be acting ethically will influence relationship quality. This will lead to the establishment of trust and will build commitment throughout the length of the relationship; Companies need to care for existing customers and increase their share of spending; The four P's (marketing mix – product, price, promotion and place) do not adequately explain the key issues of building a sustained long-term relationship; There is a growing awareness of the importance of operational issues such as organisational structure and training for banks. As knowledge about the customer builds up, the bank moves into a position to better satisfy individual customer needs; Relationship marketing can be applied to various market domains and not just consumer markets. Relationship marketing can differentiate a company and lead to competitive advantage. An example is customers who become less sensitive to price over time.

2.2.2 Relationship-based selling

Relationship-based selling represents a structured and scientific customer relationship management system to optimise customer value (Council on Financial Competition, 2002). The focus is no longer only based on volume driven cross-sales and winning new customers. York (2001) points out that companies must become outward looking and achieve their objectives through customer satisfaction and developing customer loyalty. Selling must be based on the needs of the customer and must be a dimension of service (Ferreira, 2004). A key

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dependent of relationship selling is the development of a culture of employee empowerment (Bennett & Durkin, 2002).

Competition in the retail banking environment has become more complex and dynamic. To achieve retention and loyalty, banks have to pay more attention to the relationships with their clients. A higher level of commitment in the relationship will result in more durable loyalty (Reichheld, 1994; Iniesta & Sánchez, 2002). Commitment is the highest level of relational union (Wetzels, De Ruyter & van Birgelen, 1998), and will invariably lead to sales to satisfy needs. Bennett & Durkin (2002) state the importance of a relationship-based sales culture, which is based on the following three sets of relationships: internal relationships within the bank; relationships between staff and customers; and the relationship between the bank and the environment. The successful application of this model should lead to high levels of employee commitment and an integrated and focused customer relationship management strategy.

2.3   Customer Relationship Management (CRM) concept

Perreault & McCarthy (2002: 84) define CRM as an approach where "the seller fine-tunes the marketing effort with information from a detailed customer database". String fellow et al (2004: 45) define CRM as "understanding customer needs and leveraging that knowledge to improve a company's long-term profitability". CRM is a customer-centric approach and focuses on the long-term relationship with customers (Gray & Byun, 2003). CRM aims to provide the customers' benefits and values from their point of view and not based on what the company wants to sell. The main principles of CRM implementation include personalization, loyalty, and life time value. Customers need to be treated individually; customer loyalty needs

to be acquired and retained through a personal relationship; and they need to be selected based on lifetime value (select "good" customers, not "bad" customers).

The four basic roles or goals of CRM include the following: Customer identification. The company builds up information about its customers over time through transactions, interactions and other marketing channels. They need to know who their customers are and what their needs are to enable them to provide a value offering service or products: Customer differentiation. Customers are different based on lifetime value, unique demands and requirements. Customer interaction. The company continuously needs to learn about the customers as their demands change. In addition, it is important that the company keeps track of customer behaviour and needs; Customisation/personalization. The motto of CRM is that customers need to be treated in a unique manner. Customer loyalty can be increased through a personalisation process.

The main benefits of CRM include the following: Improved retention and acquisition ability of the company; to maximise the customer's lifetime value; improving customer service, without an increase in costs. A CRM programme that is successful will help a company to create wealth and sustain growth by linking with customers and receiving value through the relationship (Cap Gemini Ernst & Young, 2005). Companies cannot generate sustainable growth without growing the value of its customer base. A disciplined CRM programme can assist the company to realise relationship value and growth through either effective targeting or acquiring customers, cross-selling, cultivating existing relationships and by improving customer loyalty.

2.3.1 Customer relationship management systems

Being close to your customers has undoubtedly been one of the key successes of relationship management. Konusuke Matsushita, the legendary founder of the Matsushita electronics group, counselled his sales team to take the customer's skin temperature every day (Bhote, 1996). The bonds of trust that build up between a company and its core customers are based mainly on the close and personal relationship between the relationship banker and customers. This close relationship does not refer to any kind of friendship or favouritism, but rather to a partnership or relationship that brings mutual benefit. The success of the relationship also depends on the partners understanding each other (Cheese, 1994). Part of this process is building up data on customers as well as storing the data, which again should be easily available for usage at any point in time. Due to the volume of customer information it should be stored on a computer database or customer relationship management system. The data usually includes data on customers' past purchases as well as additional segmenting information.

Customer relationship management is an approach where the company improves the marketing effort with information from a detailed customer database (Perreault &McCarthy, 2002). The underlying purpose of CRM is to unlock the value of the relationship assets in a company to enable acceleration in revenue and profit growth (Ellis, 2004; Kennedy, 2004). Utilising CRM in meeting the customer's immediate and long-term needs enables companies to build customer loyalty and long-term relationships to the benefit of both parties. The implementation of CRM systems in the banking sector provides the means to conduct interactive, relevant and personalized communications with customers (Grigoroudis et al,

2002). An integrated CRM system will also deliver a seamless and consistent customer experience (Cap Gemini Ernst &Young, 2005).

CRM systems can be used by the relationship bankers in providing them with a detailed profile of each customer or a single view of the customer (Stoneman, 1999). These powerful customer–information systems have become a critical strategic focus for banks around the world. Relationship banking builds on the current trend of CRM or data driven optimisation of customer relationships (Cram, 2001). The CRM system does not create customer loyalty by itself, but assists in identifying critical information about customers and who the most valuable customers are. It supports the process of relationship banking in moving closer to the customer (Jarrar & Neely, 2002, Barnes & Howlett, 1998). CRM techniques are also used to support communication and to promote consistent messages throughout a business to both customers and staff (Lovewell, 2005). The CRM system is also a tool to firstly store and secondly share customer information held by relationship bankers (Murray, 2004).

It is however very important that banks use the confidential information sensitively and with utmost respect (Fournier et al, 1998). Customers experience a level of discomfort when banks continuously request similar information from them, but from different business units. The collection of data must be coordinated from a single point of contact, and distributed to other units or product divisions as required. A further irritation for customers is if the information is not utilised effectively.

2.3.2   CRM and customer loyalty

Customer relationship management is all about building relationships with the most valuable customers of companies (Rigby, Reichheld & Dawson, 2003). The aim is to know customers

well enough and determine the kind of relationship those customers want. CRM is a strategy and tool that can assist companies with increasing customer loyalty by tracking satisfaction levels, defection and retention. To start with companies need a customer-centric strategy, they need to realign the organisation and processes to fit this strategy and then choose the most suitable CRM system to support this strategy. The CRM efforts will assist companies to grow, nurture and protect their most valuable asset, which is their customer relationships (Cap Gemini Ernst & Young, 2005).

2.3.3   Measuring   Customer   Retention

Dawkins & Reichheld's (1990) seminal paper on customer retention implied that a relatively small percentage increase in the retention rate can lead to a large increase in the net present value of customers. This suggests that customer retention may be measured in terms of absolute number of those staying as a percentage of the original number over a period, for example 1 year. DeSouza (1992) referred to this form of measure as a crude rate. However, this method poses a further question. How do we determine 'a period'? Some products, such as cars, clearly have longer purchasing cycles than others, for example tyres. The appropriate interval at which a retention rate should be measured, therefore, need not necessarily be 1 year but, as Stewart (1996) argued, depends on the nature of the business and, more specifically, on the repurchase cycle appropriate in the industry. It would be misleading to suggest that 'A' has defected if 'A' has not purchased a new car in year 2 when the usual repurchase cycle of a new car is 3 years. It is therefore more meaningful for car dealers to measure customer retention every 3 years instead of every 12 months.

A much more complex computation arises when customers have multiple suppliers, a few customers have a disproportionate spend relative to other customers and individual customers have several accounts with a single supplier. A building contractor may buy bricks from several different sources depending on their proximity to its building sites. A newsprint paper company, which needs to import pulp, may buy 70 percent from a main supplier and the remaining 30 percent from three separate suppliers. A bank customer may have several accounts with a single bank. It is essential for a supplier to recognize the relative importance of a particular customer vis-a-vis other customers (Dawkins, 1990).

DeSouza (1992) suggested a measure of a weighted retention rate rather than a crude retention rate. A weighted retention rate refers to the rate that recognizes the relative importance of the buyers in terms of the volume of sales. If a defected customer had unit purchases that were double the average of all customers, his/her weighted retention rate should also be doubled or counted as equivalent to two customers. In addition, suppliers may also have to account for customers' relative importance in terms of potential growth in their demand. This may be measured in terms of the growth in their spending relative to the growth in the market (Berger& Nasr, 1998).

In the third scenario, capturing a targeted proportion of the total spend of an individual customer is amuch more useful measure than merely ensuring that accounts are not closed. Using the same illustration, the bank may aim to capture the largest proportion of its customer's 'lifetime value' (LTV) in terms of needs for banking products and services (Wang & Splegel, 1994). The LTV of a customer refers to the customer's net present value to a seller. If the cost of attracting a customer is considered as a 'sunk cost' then the focus can be directed at achieving a surplus of revenue on the costs of selling and servicing the customer. If

the period of relationship and future revenues and costs can be projected then the net value can be calculated and discounted at a chosen discount rate (usually a rate that takes into account the company's cost of capital and risk) in order to arrive at the LTV of a particular customer.

According to Dwyer (1989), customer LTV is an important construct in designing and planning a customer acquisition programme. Many researchers have studied its managerial implications in direct marketing (Dwyer, 1989) and broader managerial applications (Wayland & Cole, 1997). Berger & Nasr (1998) discussed LTV in the context of positive scenarios, i.e. with different combinations of assumptions such as discrete cash, continuous cash and historical purchasing behavior. Wayland & Cole (1997) discussed a general application based on their consulting experience. According to (Keane & Wang, 1995), although in theory LTV is a useful form of measure, in practice it is difficult to implement. The difficulty lies in the lifetime construct. How do we determine the span of a lifetime? For a consumer, should it be his/her nominal age or working life? It would be expected life of the products to sells which is a suitable measure of customer lifetime? Clearly, the important consideration that a supplier should examine is the ability of a particular customer to continue to purchase or consume its products or use its services. The second difficulty lies in the process of building value information (Magson, 1998).

2.4   Technology

Technology refers to computing capabilities that allow a company to collect, organize, save and use data about its customer. Technology is the enabler for CRM systems to achieve their objectives of collecting, classifying and saving valuable data on customers. Integration

technologies allow organizations to develop a better relationship with customers by providing a wider view of customer behavior (Thompson, 2006). Thus, organizations are required to integrate IT to improve the capabilities of understanding customer behavior, develop predictive models, build effective communications with customers and respond to those customers in real time and with accurate information (Chen & Popovich, 2003).

With advanced technologies, tasks are done faster and more accurately thus customers get better service. The onset, growth and availability of technologies in the financial services market in Kenya has allowed for one branch banking within even the region (KCB customers for example can access their accounts in all the countries in which it is present), mobile money transfers, transfers between banks take a day for completion of the transaction, depositing or withdrawing money into ones bank account using their mobile phones and establishing call centers among others.

The essence of the information technology revolution and, in particular, the World Wide Web is the opportunity to build better relationships with customers than has been previously impossible in the offline world. By combining the abilities to respond directly to customer requests and to provide the customer with a highly interactive, customized experience, companies have a greater ability today to establish, nurture, and sustain long-term customer relationships than ever before. The ultimate goal is to transform these relationships into greater profitability by increasing repeat purchase rates and reducing customer acquisition costs. Indeed, this revolution in customer relationship management or CRM as it is called has been referred to as the new "mantra" of marketing (Iconocast, 2001). Companies like Siebel, E.piphany, Oracle, Broad vision, Net Perceptions, Kana and others have filled this CRM space with products that do everything from track customer behavior on the Web to predicting

their future moves to sending direct e-mail communications. This has created a worldwide market for CRM products and services of $34 billion in 1999 and which is forecasted by IDC to grow to $125 billion by 2004 (Iconocast, 2000).

The need to better understand customer behavior and focus on those customers who can deliver long-term profits has changed how marketers view the world. Traditionally, marketers have been trained to acquire customers, either new ones who have not bought the product category before or those who are currently competitors' customers. This has required heavy doses of mass advertising and price-oriented promotions to customers and channel members. Today, the tone of the conversation has changed from customer acquisition to retention. The impetus for this interest in CRM came from Reichheld (1993) where he showed the dramatic increase in profits from small increases in customer retention rates. For example, his studies showed that as little as a 5% increase in retention had impacts as high as 95% on the net present value delivered by customers (advertising agencies) with a low of 35% (computer software). Other studies done by consultants such as McKinsey have shown that repeat customers generate over twice as much gross income than new customers. The considerable improvements in technology and innovation in CRM related products have made it much easier to deliver on the promise of greater profitability from reduced customer "churn" (Iconocast, 2001).

2.5   Brand Visibility

A brand is a name, term, design, symbol, or any other feature that identifies one seller's good or service as distinct from those of other sellers (Kotler, 2003). Brands are a company's most valuable assets adding both economic and strategic value to its proprietors. Brand awareness refers to customers' ability to recall and recognize the brand under different conditions and

link to the brand name, logo and jingles among others to certain associations in memory or the extent to which a brand is recognized by potential customers, and is correctly associated with a particular product (Kotler & Keller, 2006). It is usually as a percentage of target market brand awareness is the primary goal of advertising.

Brand visibility consists of both brand recognition and brand recall. It helps the customers to understand to which product or service category the particular brand belongs and what products and services are sold under the brand name. It also ensures that customers know which of their needs are satisfied by the brand through its products (Kotler & Keller, 2006). Brand awareness is of critical importance since customers will not consider your brand if they are not aware of it (Kotler & Keller, 2006). Brands do not exist without consumers and consumers do not exist without brands (Kotler, 2003). Brands serve as a temptation that utilizes other intermediaries to lure customers from whom value is extracted. Customers serve as a profit-medium for brands to cash their brand value (Watkins, 1999).

Greater brand visibility will lead to recognition by customers who if attracted to the brand can then lead to brand loyalty. High loyalty levels lead to less marketing expenditure because the brand loyal customers promote the brand positively (Reichheld, 1996). Brand loyalty acts as a means of launching and introducing more products that are targeted at the same customers at less expenditure. It also restrains new competitors in the market. Brand visibility can be developed through various measures such as quick and efficient service, just in time, quality products, continuous improvement, wide distribution network, good corporate practice, sponsorships, corporate social responsibility etc. These measures will attract customers in different ways and their levels of loyalty will be different as well. When consumers are brand loyal they will minutely consider any other alternative brand as a

replacement. As brand loyalty increases, customers will respond less to competitive moves and actions. Brand loyal customers remain committed to the brand, are willing to pay higher price for that brand, and will promote their brand most of the time (Lindstrom, 2005).

2.6 The Concept of Promotion Mix

Consumers stand in the middle of all the marketing activities. The main objective of marketing is to establish a strong and profitable customer base to accelerate sale of the company. For this mission, the company sets a marketing strategy whereby it segments the total market into certain groups, targets the group it wants to serve and lastly focuses how to satisfy the target customers. Thus marketing strategy comprises of three elements segmentation, targeting and positioning. Under this market strategy, a company detects a marketing mix consists of product, price, place & promotion. According to Kotler and Armstrong (2006), Promotion means activities that communicate the merits of the product and persuade the target customers to buy it. Usually under promotion mix a company adopts six tools.

2.6.1 Advertising

It is a non-personal form of communication through which a company presents and promotes ideas, goods or services to persuade the audience to purchase or take some action. It includes the name of a product or service and how that product or service could benefit the consumer, to persuade a target market to purchase or to consume that particular brand. A number of media can be used for advertisement, like- TV, Radio, Newspaper, Website etc. Meidan (1996) states that due to the impression of banks as impersonal institutions with no interest in their customers as people, and of financial services as abstract and quite similar, the

institutional advertising has become more and more important. Brand advertising follows closely in the footsteps of institutional advertising. Its purpose is to create awareness the bank's name and to advertise the different services it is offering.

2.6.2   Sales Promotion

Through sales promotion a company offers different short term incentives to customers to motivate the purchase or sell of a product. The incentives may come in different forms, like discount on price, free gifts, buy one get one free etc. Peatti & Peatti (1994) claim that normally coupons, special offers and other forms of price manipulation are the dominant forms of sales promotion. Meidan (1996) states that sales promotion within financial services appears to be the most effectively used in combination with advertising.

2.6.3   Personal Selling

Sometimes companies build up an efficient sales team who with personal interaction try to motivate potential customers to purchase from the company. The personal selling may focus initially on developing a relationship with the potential buyer, but will always ultimately end with an attempt to "close the sale". According to Julian & Ramaseshan (1994) the relationship between the salesperson and the customer is perceived as being of great importance for the marketing of a bank. Verhallen et al. (1997) indicate that banks should see the selling as a problem solving process in which the sales force engages and co-operates towards the customer, trying to find a solution to the customer's problem, rather than only persuading him to purchase the products or services. Lee (2002) state that personal selling can be performed either face-to-face or through technological aids such as the Internet.

2.6.4 Public Relations

To establish a good relationship with the different parties of a company. PR covers a range of activities, like creation & maintenance of corporate identity and image; charitable involvement, media relation for the spreading of good news etc. (Grankvist, Kollberg and Persson, 2004). Meidan (1996) claims that the importance of public relation is being increasingly attended, and financial services often have public affairs officers, working actively to generate publicity.

2.6.5 Direct Marketing

According to Kotler (2006) direct marketing indicate direct connections with carefully targeted individual customers to both obtain an immediate response and cultivate lasting customer relationships. The use of telephone, mail, fax, e-mail, the Internet etc. is the different tools of direct marketing. Lee (2002) states that the fast advances in technology over the past 30 years have reshaped how consumers today interact with their financial institutions. The financial sector has extended its face-to-face selling towards direct marketing of products and services in the form of phone, mail or computer transactions.

2.6.6 Event & Experience

The last component of promotion, i.e. event and experience is a new dimension in promotion activities of companies. By participating in different events like trade fair, export fair, seminar etc. companies try to make people aware about themselves. Commercial banks now a day are participating in different events and thus try to promote their products. Banks participate in SME Fair, Financial Institutions Fair, Remittance Fair etc. Besides they sometimes arrange training programs, seminars, conferences as a part of their promotion.

2.7   Customer Recognition

According to Buttle (2004) a company should build long-term mutually-beneficial relationships with its strategically-significant customers. Some customers are merely expensive to acquire and service. Buttle (2004) has identified four types of strategically significant customer (SSC) such as the high life-time value (LTV) customer that is a key SSC and the present day of all margins that might be earned in a relationship. Tempting as it may be to believe, not all high volume customers have high LTV. If they demand just in time service (lIT), customized delivery, or are in other ways costly to serve, their value may be significantly reduced. The second group of SSC is "benchmarks" who are customers that other customer's copy. The third groups of SSCs are customers who are 'inspirations'. They are the ones that find new applications, come up with new product ideas, and find ways of improving quality or reducing cost. They may be the most demanding of customers, or frequent complainers, and though their own LTV potential low, they offer other significant sources of value. The fourth groups deals with what (Buttle, 2004) calls "cost magnets" relating to those that absorb a disproportionately high volume of fixed cost, thus enabling other, smaller customers to become profitable.

Organizations need to segment their customers in order to determine which of customers are most profitable. The result the companies should seek is realizing their target customer base. They should rate and segment their clients into groups that are most desirable to do business with, and then they meet their criteria for what a desirable customer is. This is called the Customer Portfolio Analysis (Stevenson, 2007). The organization then needs to deal with the customer intimacy. Having found the segments the firms want to pursue, they need to get to know the ones in that segment very well and better than their competition

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knows them. They would want to appear that they know their customers intimately by, for example, in knowing their birthdays, the number of children they have and their respective birthdays, their preferred tastes among others.

The third stage relates to Value Proposition Definition. Thus having understood as much as they can about the customers they have chosen to serve, companies are then in a position to create a specific and tailored value proposition for them. The organization then engages itself in developing, with the network's compliance, propositions which make value jointly to the customer and the company. At this stage so far, the network has to work together to create and deliver the chosen value(s) to selected customers, Great value is found more effective and more efficient solutions of customers problems (Buttle, 2000). Finally the organization needs to seriously manage its customer relationships as well. Companies need to manage each customer through their lifecyc1e. To enable the management of the customer lifecyc1e and the stages within of portfolio analysis, intimacy, and value proposition development, automated data systems are necessary.

2.8 Summary and gaps to be filled by the study

There are three hurdles that companies face in the process of adopting the CRM concept. These are: Organized resistance - that is, some departments view the CRM strategy as a threat to their powers in the organization. Slow learning companies take a long time to grasp the necessary principles required to organize and run CRM functions in organizations. Fast forgetting that is, even after strong strategies have been installed in the organization management must fight a strong tendency to forget basic CRM principles. Many traditional businesses view the attempt to provide maximum customer satisfaction as a

stumbling block to their achievement of satisfactory returns on investment (ROI). This assumption on customer satisfaction has led the researcher to go ahead and study the subject. In conclusion CRM systems remain a key strategy that organizations have to adopt in order to counter competition, and remain relevant in the industry. CRM being relatively new in the industry needs to be given a chance by being adopted both at the system level and also as a long term practice for any service offering organization. Corporate culture must also grow to embrace CRM and its principles. Leadership of any organization must drive CRM's acceptance through their use of the system and their public commitment to its success.

2.9   Conceptual Framework

The conceptual framework shows the interconnectedness between the research questions stated in the first chapter and the conceptualized theories in this chapter. The research questions proposed in this study are focused on the topic of customer relationship management and its influence on customer retention.

Figure 2:   Conceptual   Framework

```
┌─────────────────────────────┐
│ Brand Visibility            │
│     • Brand awareness       │───┐
│     • Brand loyalty         │   │
└─────────────────────────────┘   │
                                  │
┌─────────────────────────────┐   │
│ Customer recognition        │   │      ┌─────────────────────────────┐
│     • Customer adoption     │───┤      │ Customer retention          │
│     • New customers'        │   ├─────▶│     • Customer acquisition  │
│       referrals'            │   │      │     • Customer incentives   │
└─────────────────────────────┘   │      └─────────────────────────────┘
                                  │
┌─────────────────────────────┐   │
│ Technology                  │   │
│     • Integration           │───┤
│     • Technology            │   │
│       advancement           │   │
└─────────────────────────────┘   │
                                  │
┌─────────────────────────────┐   │
│ Promotion                   │   │
│     • Public Relations      │───┘
│     • Sales promotion       │
└─────────────────────────────┘
```
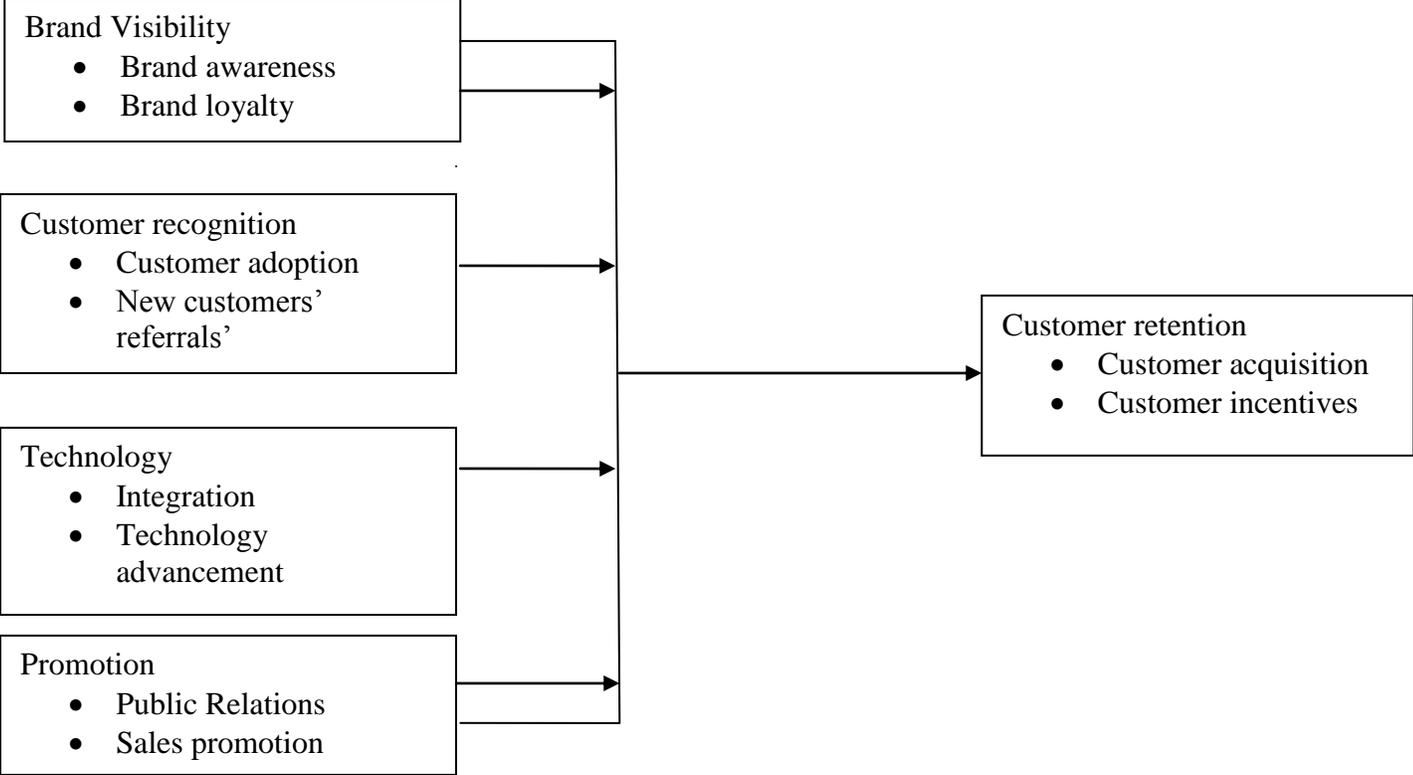
Independent Variables   **Dependent variable**

Source: (Researcher, 2013)

CHAPTER THREE

3.0   RESEARCH METHODOLOGY

3.1   Introduction

This chapter sets out various stages and phases that were followed in completing the study. It involved a blueprint for the collection, measurement and analysis of data. This stage presents decisions about how research was executed and how respondents were approached, as well as when, where and how the research was completed. Therefore in this section the research identified the procedures and techniques that were used in the collection, processing and analysis of data. Specifically the following subsections were included; research design, target population, sampling design, data collection instruments, data collection procedures and finally data analysis.

3.2   Research Design

Research design refers to the method used to carry out a research. The study used descriptive survey. A descriptive study attempts to describe or define a subject, often by creating a profile of a group of problems, people, or events, through the collection of data and tabulation of the frequencies on research variables or their interaction, (Cooper and Schindler, 2006). In this case, the research problem was examining the effect of Customer Relationship Management on customer retention in KCB Ltd, Nairobi region.

The research aimed at understanding the effect of CRM on customer retention in Commercial Banks in Kenya. Descriptive research is more rigid than other research designs and seeks to describe uses of a product, determine the proportion of the population that uses a product, or

predict future demand for a product. A descriptive research should define questions, people surveyed, and the method of analysis prior to beginning data collection.

3.3   Target Population

Target population   in statistics is the specific population   about which information   is desired. According   to Ngechu   (2004), a population   is a well-defined   or set of people,   services, elements,   and events, group of things or households   that are being investigated.   Population studies are more representative   because everyone has equal chance to be included in the final sample that is drawn according to Mugenda and Mugenda (2003).

The target population of this study was staff working at KCB branches in Nairobi and the banks' head office at Kencom house. The study focused on the section and particularly on staff who directly deal with customers since they are the ones conversant with the customers' needs and manages the customers' relationships. Mugenda and Mugenda, (2003), explain that the target population should have some observable characteristics, to which the researcher intends to generalize the results of the study. This definition assumes that the population   is not homogeneous.   So the researcher   intends to examine a sample of staff drawn from the population   of 425 management   and general staff working in KCB Ltd in Nairobi branches and Head office. The population characteristic is summarized in table 1 below.

Table 1:   Target population

Category	Frequency	Percentage %
Top management	27	6.36
Middle Level Management	66	15.53
Low level management	108	25.41
Unionizable staff	224	52.71
Total	425	100

Source: KCB Bank records, 2013

3.4   Location of Study

The study was conducted at the KCB Ltd Head office in Nairobi and its branches situated in the Nairobi region.

3.5   Sampling and Sampling Procedures

From the above population of two hundred management and general staff working at KCB Ltd, a sample of 30% from within each group will be taken using stratified random sampling which gave each item in the population an equal probability chance of being selected. This generated a sample of 142 respondents   for this study. Stratified   random sampling technique   is used when population   of interest is not homogeneous   and can be   subdivided   into   groups   or strata   to   obtain   a representative   sample. The characteristic   of the sample size is as given in table 1 below**.**

Table 2:   Sample size

Category	Frequency	Sample ratio	Sample
Top management	27	0.3	9
Middle Level Management	66	0.3	22
Low level management	108	0.3	36
Unionizable staff	224	0.3	75
Total	425	0.3	142

Source: KCB records, 2013

3.6   Data Collection Instruments

A structured questionnaire was used to get data from the respondent. Initially the researcher piloted the questionnaire's reliability with selected few staff members from the Retail Banking Division of KCB located on seventh floor of Kencom house.   Questionnaire is an instrument that asks the same question to all individuals in the sample. It is a self-administered instrument where the respondent will answer all the questions. Close ended questions had all possible alternatives from which the respondents will select answers that best describe the situation. The questions were easy to answer and open-ended questionnaire gives the respondent complete freedom of response and aid to the respondent.

3.7   Data Collection Procedures

The study used both primary and secondary data. The researcher used primary data collected using questionnaires and interview guides to carry out the study. The questionnaires included structured questions while interview guides included unstructured questions. The two instruments were administered through drop and pick method to respondents who were top,

middle, low level managers and general staff in the organization. The structured questions was used in an effort to conserve time and money as well as to facilitate easier analysis as they were in immediate usable form; while the unstructured questions were used so as to encourage the respondents to give insights to their feelings, background, hidden motivation, interests and decisions and give as much information as possible without holding back. At the same time, with the use of structured questions, the researcher was after information that he found easier for administration purposes, he used this method since the questionnaires and interviews were followed by alternative answers. The study collected secondary data from the published reports which include periodicals, journals and internet.

3.8   Ethical Issues in Research

Ethics is the core to human relations and dignity. Ethical codes are written to cover the specific problems and issues that researchers frequently encounter during research work. In this study a written request was sent to the respondents to give feedback and how their input is gather data was requested. The respondents were assured of confidentiality and protection of their name. It further be made it clear that the information gathered would solely be used for this study. Any deception in data collection is to be disclosed and explanation given.

3.9   Data Analysis and Presentation

Before processing responses, the completed questionnaire was edited for completeness and consistency. The data was then coded to enable the responses to be grouped into various categories. Data collected was analyzed by descriptive and content analysis techniques. The descriptive analysis employed statistical tools such as SPSs and MS Excel which assisted the researcher to describe the data and determine the extent used. The findings were used to

identify the relationship between the dependent variable (customer retention) and one or more independent variables (strategies). This enabled the researcher get the percentages and counts of the respondents' opinion on the issues being researched. The percentages and frequencies are summarize and describes the raw data. The analyzed data is represented by use of bar charts, graphs, tables, essays and narrations.

3.10   Expected output

At the end of the research, the researcher expects to have established effect of Customer Relationship Management on customer retention in KCB Ltd. The study was also expected to contribute to the body of knowledge to researchers and scholars who will undertake further studies in a related field. The researcher gained useful skill and experience that will aid in carrying out future research.

CHAPTER 4

4.0 DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents analysis and findings of the study as set out in the research methodology. The study findings were presented on the influence of CRM on customer retention in Commercial Banks in Kenya using the case of Kenya Commercial Bank Limited. The data was gathered exclusively from the questionnaires as research instruments. The questionnaires were designed in line with the objectives of the study. The chapter first presented the respondents rate, before giving the demographics of the respondents, then the analysis of the results before discussing the results.

4.1.1 Respondents' Rate

In analyzing the research it was important to understand what response rate of the research was. The response rate showed that the friendliness of the research tool as high response rate would represent that it was friendlier.

Table 3: Response Rate

Category	Sample	Response	Response Rate
Top management	9	5	56%
Middle Level Management	22	17	77%
Low level management	36	32	89%
Union Staff	75	70	93%
Total	142	124	87%

Source: Research Primary Data

Table 3 showed the response rate of the study. 142 questionnaires were distributed amongst 9 top management where 5(56%) responded, 22 middle level management where 17(77%) responded, 36 low level management where 32(89%) responded and 75 union staff where 70(93%) responded. The overall response was 124 which represented 87% response rate.

4.2   Respondents' Demographics

Fowler (1994) defines the response rate as the extent to which the final data set includes all sample members and it is calculated from the number of people with whom interviews were completed divided by the total number of people in the entire sample, including those who failed to participate and those who were unavailable. After established the response rate the study then looked at the respondents' demographics and by that it showed respondents' demographics by; gender, age, work experience and position.

4.2.1   Respondents' Demographics by Gender

It was important to find out the gender of the respondents. Studies that were based on the opinions of the respondents would require finding out the gender of the respondents in order to ascertain whether the gender was too heavy on one side or not. It would help to use have further diagnostics if an issue had been heavily skewed.

Figure 3:   Gender of the Respondents
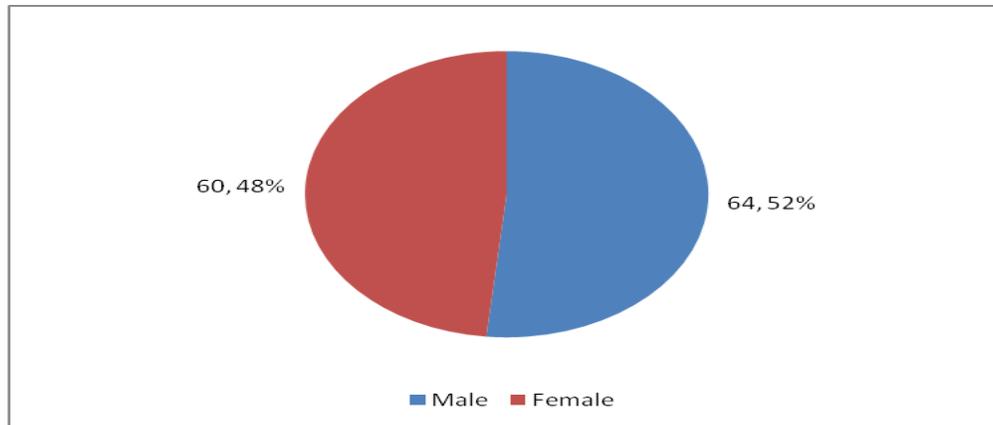
Source: Research Primary Data

Figure 3 showed that 60(48%) of the respondents were female while 64(52%) were male.

4.2.2   Respondents' Demographics by Age

It was important to find out the age of the respondents. Age of the respondents would easily tell how experienced in general life issues that a respondent was. How well equipped were they to respond to certain level of issues that would require experience beyond work and academics.

Figure 4:   Respondents' Demographics by Age
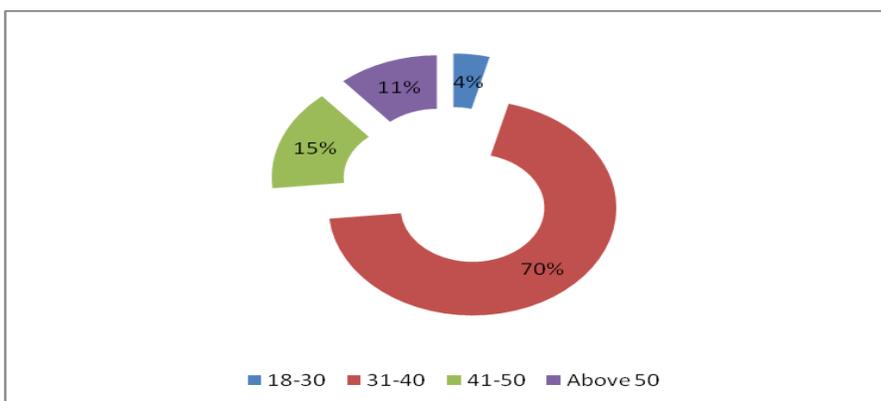
Source: Research Primary Data

Figure 4 showed that 86(70%) of the respondents were aged between 31 and 40 while 19(15%) were aged between 41 and 50, 14(11%) were above 50 while 5(4%) were aged between 18 and 30.

4.2.3 Respondents' Demographics by Number of Years they have worked in their Current Jobs

The study looked at the respondents' demographic to determine experienced the respondents were in their current jobs. Experience would help us find out whether they were able to understand the Customer Relationship Management issues that existed within their current organization, especially in their immediate set up.

Figure 5:   Respondents' Demographics by Number of Years worked in their Current Jobs.
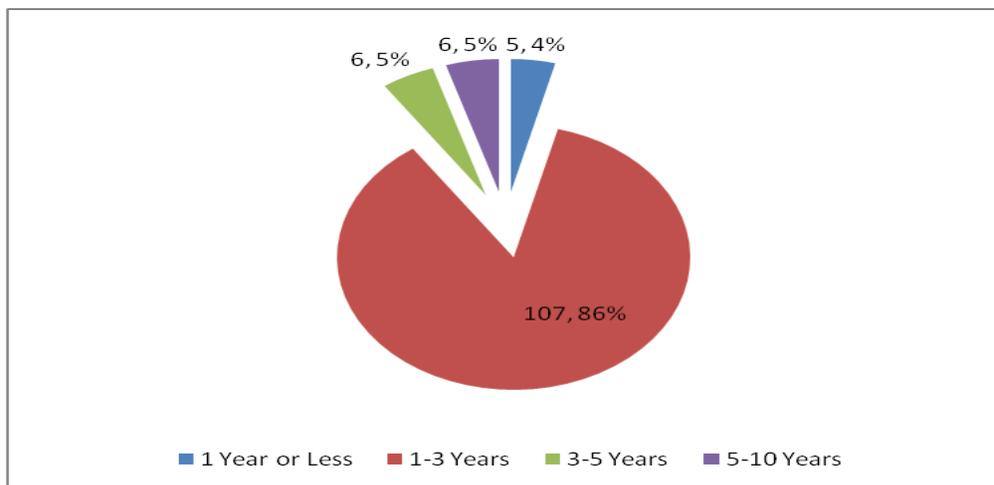
Source: Research Primary Data

Figure 5 showed that 107(86%) of the respondents had worked in their current jobs between 1 and 3 years while 6(5%) had either worked between 3 to 5 years or 5 to 10 years.5(4%) had worked for less than a year.

4.2.4 Respondents' Demographics by Position in the Company

The study looked at the respondents' demographic to understand the positions held by respondents. The reason for finding out the respondents' positions was to understand their decision making impact within KCB and understand how influential their opinion in the organization was.

Figure 6: **Respondents' Demographics by Position held by Respondents.**
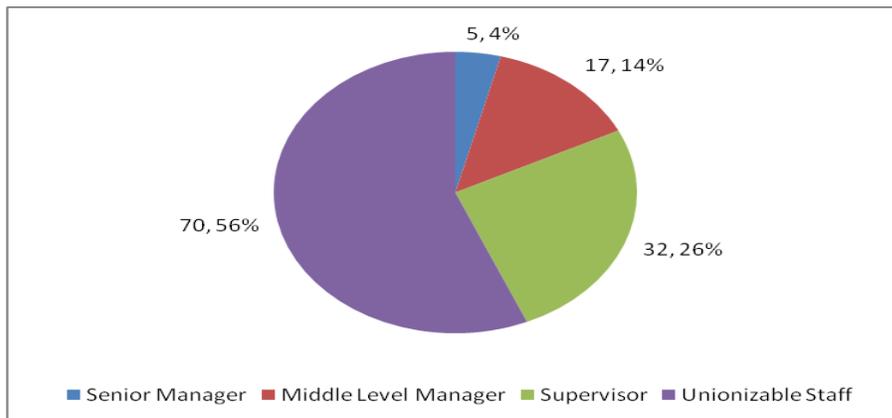
Source: Research Primary Data

Figure 6 showed that 70(56%) of the respondents were union staff, while 32(26%) were supervisors. 17(14%) of the respondents were senior management while 5(4%) were top management.

4.3 Descriptive Analysis of the results

The research embarked in providing the core findings. The core of the findings was to now understand; the likelihood of customer retention strategies succeeding;

4.3.1 The Likelihood of Customer Retention Strategies Succeeding

In evaluating the customer relationship management the research ventured to understand the likelihood of customer retention strategies succeeding in KCB. The aim was to find out what

strategies KCB employees perceived to be working. Their perception would have been driven by either use or observation of such strategies working.

Figure 7:   The Likelihood of Customer Retention Strategies Succeeding
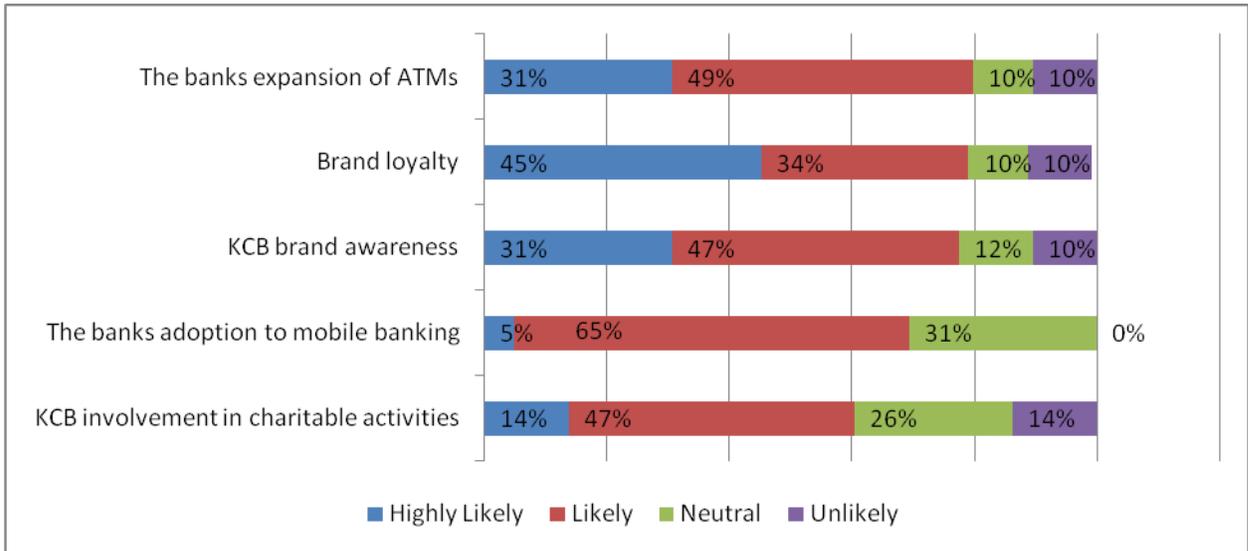
Source: Research Primary Data

Figure 7 showed that only 31% were highly likely to be retained because of bank expansion of ATMs and KCB brand awareness, 45% of them were highly likely to be retained due to brand loyalty, while 5% and 14% were highly likely to be retained because of the banks adoption to mobile banking and KCB involvement in charitable activities.

On whether KCB's Corporate Social Responsibilities (CSR) and sponsorship activities determined their continued banking with KCB, 62% of the customers indicated that KCB's Corporate Social Responsibilities (CSR) and sponsorship activities was likely to determine their continued banking with KCB while 38% were neutral as shown in figure 4.9 below. KCB is involved in several CSR activities in which it invests approximately 170 million (*www.kcbbankgroup.com 2013*) especially in the education, health ,entrepreneurial growth and sports sector of the economy though in this finding it needs then to make its activities

better placed in the mind of customers so as to encourage them to continue banking with them.
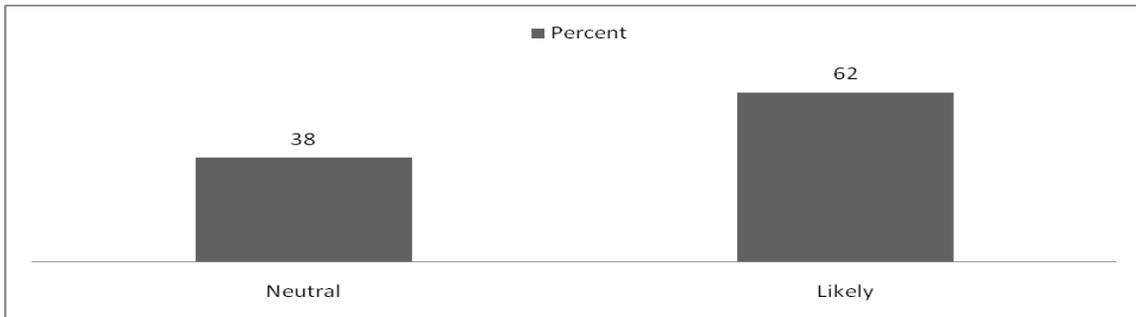
Figure 8: Influence of KCB's CSR and Sponsorship Activities

Regarding the customers satisfaction with the bank's services and products, majority (81%) of the respondents noted that they were strongly satisfied with the bank's services and products whereas 19% said they were satisfied with the bank's services and product as illustrated in figure 4.10 below. A large percentage of the respondents were just satisfied with the products and services offered by the bank meaning they were not totally loyal to the brand and could move to competition easily. KCB would need to reposition itself in market as well as in the mind of customers when offering its products and services aiming to strongly satisfy their needs so as to win their total loyalty.

4.3.2 Factors Influencing Customer Retention

The study ventured to look at which were the most critical factors that affected customer retention relative to KCB. Customer retention was seen as a key ingredient of the overall management of customer relationship.

Figure 9:   **Factors Influencing Customer Retention relative to KCB**
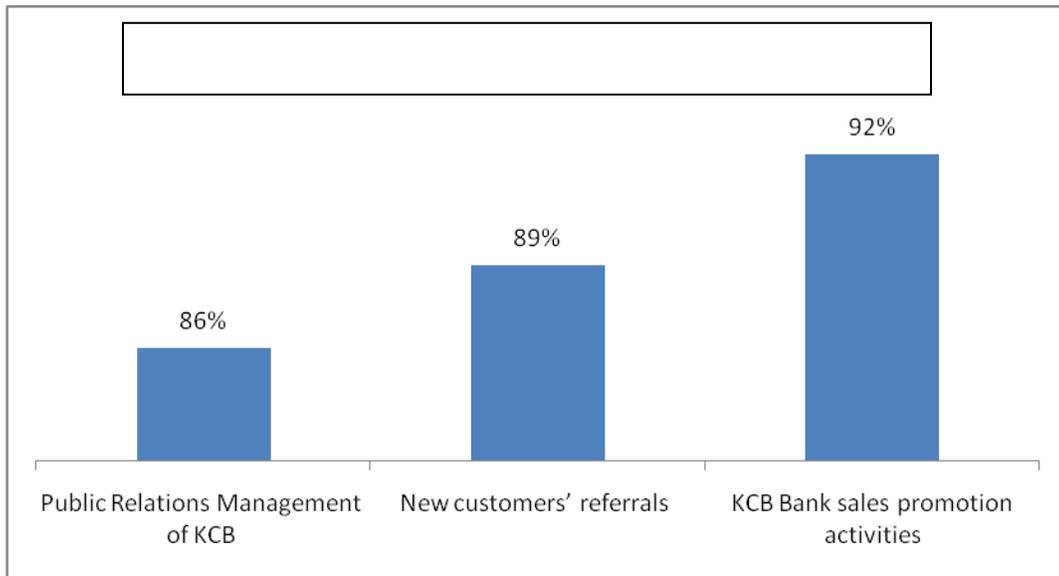
Source: Research Primary Data

Figure 9 showed that 86% of the respondents attributed the customer retention strategy of public relationship management as the best strategy while 89% felt that new customer referrals led to customer retention plus 92% of the respondents felt that KCB bank sales promotion activities created customer retention.

4.3.3   The Effect of Customer Service Activities

The study made a significant effort in understanding the effect of the different customer service activities that were being undertaken by KCB marketing and sales team. In looking at the customer relationship management it was very crucial to understand how the different customer service activities impacted the bank.

Figure 10:   Effect of Customer Service Activities
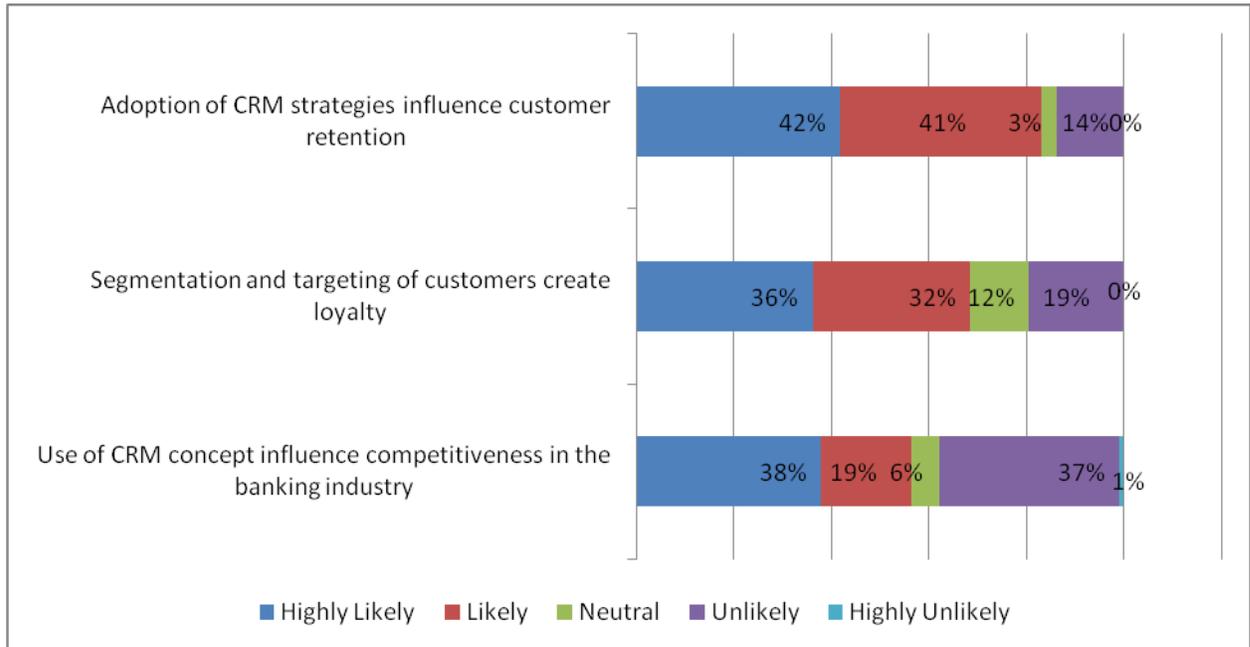
Source: Research Primary Data

Figure 10 showed that 42% of the respondents felt that adoption of CRM strategies were highly likely to influence customer retention. 36% of the respondents felt that segmentation and targeting of customers would highly likely create loyalty while 38% felt that use of CRM concept would highly likely influence competitiveness in the banking industry.

4.3.4   Factors Detected by the CRM System

The study set to find out what were the reasons behind a Customer relationship management system. There was need to understand the factors that would automatically be detected by system. After all the automation of the customer relationship management was meant to enable some key factors to be detected automatically and be pursued.

Figure 11:   Factors Detected by the CRM System
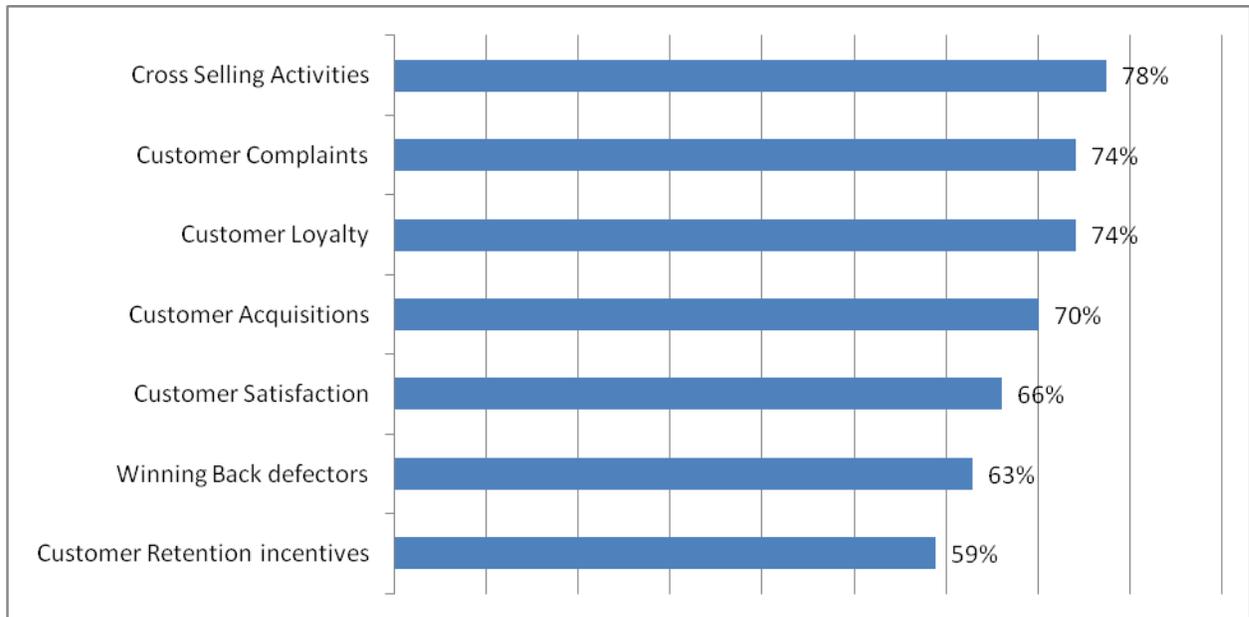
Source: Research Primary Data

Figure 11 showed that the CRM system could help detect the following customer activities; 59% of them felt it would detect customer retention incentives, 63% winning back defectors, 66% customer satisfaction, 70% customer acquisitions, 74% customer loyalty and customer complaints while 78% cross selling activities.

4.3.5   CRM Strategies to deal with Efficiency when Dealing with Customer Queries

The study then checked the customer relationship management strategies that were used to deal with efficiently with customer queries. The study wanted to check the degree of efficiency that CRM system provided to handling customer queries. There was a higher likelihood that KCB would use the CRM system if it had a higher degree of efficiently handling customer queries.

Figure 12: **CRM Strategies to deal with Efficiency when dealing with Customer Queries.**
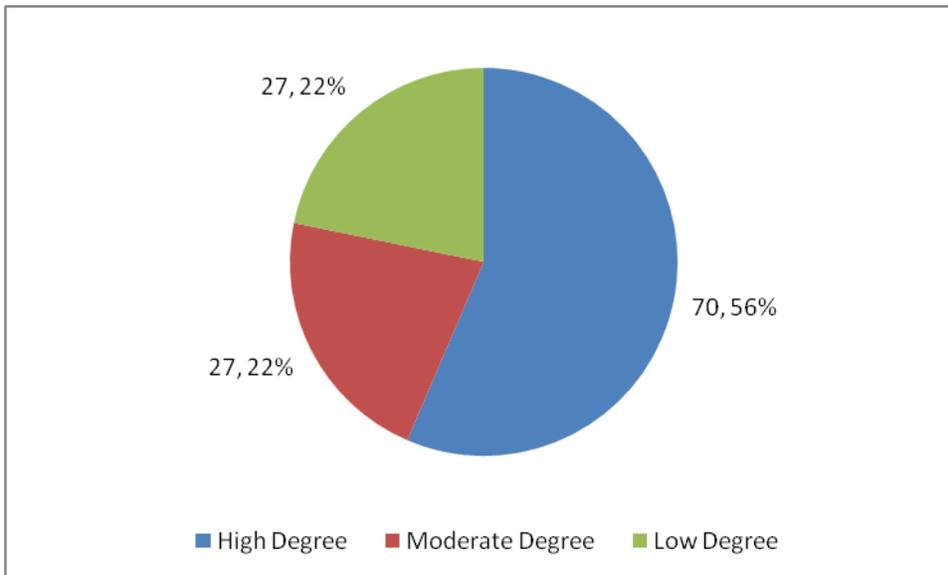
Source: Research Primary Data

Figure 12 showed that 70(56%) of the respondents felt that CRM had increased efficiency of complaint resolution by high degree while 27(22%) felt that it had either done so moderately or lowly.

4.3.6   The Utilization of Customer Relationship Management Strategies

The study then embarked in finding out how the customer relationship management strategies were being utilized in KCB. Utilization of the Customer relationship management was very important as it would help identify the strategy that was mostly utilized in enhancing customer relationship within the bank.

Figure 13:   The Utilization of Customer Relationship Management Strategies.
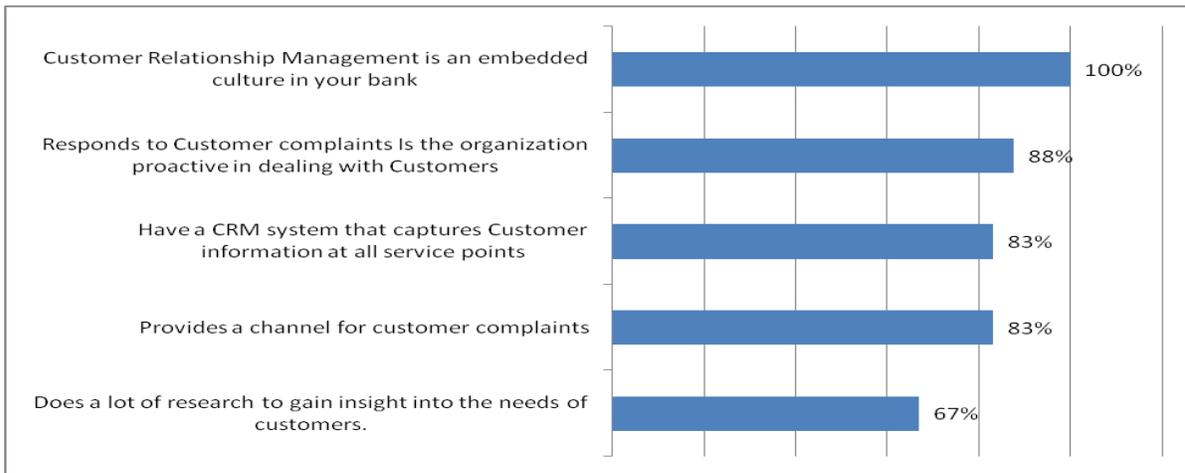
Source: Research Primary Data

Figure 13 showed that 67% of the respondent felt that KCB did a lot of research to gain insight into the needs of customers. 83% claimed that the bank had provided channel for customer complaints and had that it had a CRM system that captured information at all service points. The CRM system in that regard was not a unified automated system but multiple systems that captured customer relationship information in different platforms but within one engrained manual system. 88% claimed that KCB was proactive in identification of customer complaint and 100% confirmed that customer relationship management was embedded in KCB customer service culture.

4.4   Discussion of the Results

After presenting the results the study thought it necessary to have a discussion about the results, the reason being the need for putting the results into perspective so as to understand whether they were in line with the research objectives or not.

4.4.1 The Effect of Customer Recognition Practice on Customer Retention

Perreault &McCarthy, (2002) claimed that customer recognition was an approach where the company improves the marketing effort with information from a detailed customer database and that the underlying purpose was to unlock the value of the relationship assets in a company to enable acceleration in revenue and profit growth (Ellis, 2004; Kennedy, 2004).

The research however was not in congruence with the theories as it found that most organization did not invest enough into research to understand how the customers should be recognized and uplifted. KCB in particular research findings was so much into selling extra to the customer rather than recognizing the customer in order to retain the customer. The research unit focused more on new product innovation rather than how to recognize the current customer's value with aim at increasing the business within the same customer and enhance customer profitability. There was less focus on cross selling and more efforts was to expanding the network in order to reach out for more customers rather than have offer more service points to the existing customers.

KCB was focused more at use of technology to improve its relationship with the customers rather than focusing on the simple things that would delight the same customer and make them want to do more business with the bank. The essence of wanting to delight the customer without overreliance of technology was seen as a means of getting into the core of the customer issues and making them happy with or without the technology. The technology for the customer would only play a role in enhancing the speed of service which was not to be taken lightly but the most important was the need for the customers to be seen as human beings rather than mere accounts or profit centers other than partners in the development of

the bank where they relied on the bank for growing their business and personal lives while the bank was charging them a small fees for making them attain their levels of growth.

4.4.2   The Influence of KCB's Brand Visibility on Customer Retention

Kotler (2003) said that brands did not exist without consumers and consumers did not exist without brands. Brands served as a temptation that utilized other intermediaries to lure customers from whom value was extracted. Customers served as a profit-medium for brands to cash their brand value (Watkins, 1999). The research was in agreement with the theories as KCB was seen utilizing its brand to maximize their profitability on each of their customers. KCB was expanding its brand using several means including expansion of branches and ATMs, plus being involved in the charitable organization and providing service using multiple channels including internet and mobile banking. The numerous channels however were not yielding so much towards the expansion of its profits and creating the need for customer retention. The simple things like brand awareness and brand loyalty was what had contributed so much to their bottom-line. Most customers looked at the KCB history of banking and were confident that their money would be safe at KCB rather than any other bank and that the presence of the green logo with the lion was very visible and most customer was aware of the presence of KCB across all regions and it was amongst the two banks that would be on top of customers mind which meant that they would bank at KCB even when the banking industry would undergo turbulent times. The customers were verily aware of the KCB brand and were loyal to it. Their loyalty would go to great lengths and they would queue for long hours even when KCB was introducing new system which had some issues and would sometime mean that customers would not be able to be served the customer still remained loyal to the bank and KCB did not lose core of its customers during that period, a demonstration of the great

brand loyalty the customers had for KCB. During the period KCB increased its customer base and profitability enormously hence showing the advantages of the brand towards customer retention and by extension profitability.

4.4.3   The Effect of Promotion Tools on Customer Retention

According to Kotler and Armstrong (2006), Promotion meant activities that communicated the merits of the product and persuaded the target customers to buy it. Relationship marketing's on the other hand focus was to move customers up the ladder of loyalty (Voss & Voss, 1997). The research findings supported the theories as the promotion activities in KCB were very successful in creating customer retention and profitability to the bank. The most preferred promotional activities in KCB was found to be sales promotion where fresh graduate clerks would be hired and taken through KCB product training and then deployed to massively sell to the market. The idea was to ensure that they would sell as much as possible in order for the mass population to open massive number of accounts especially after the new core banking system in KCB had been implemented which had the capabilities to hold billions of accounts. The sales drive was seen as a means towards pushing for non funded income which was thin as a means of reducing the over reliance of the interest income whose margins were thinning with time and as such there was need to go for numbers rather than the quality of customers. The other preferred promotion was referrals by new customers and hence the need for investing in technology as once the new customer was delighted then it would be easier to refer others to the bank. The old customer however was totally neglected. Public relation was the least promotion method that was looked upon as public relationship management was seen as a reactive means towards ensuring that the company was not impacted greatly by negative publicity.

4.4.4   The Influence of Technological Systems on Customer Retention

Customer relationship management is an approach where the company improves the marketing effort with information from a detailed customer database (Perreault &McCarthy, 2002). The underlying purpose of CRM is to unlock the value of the relationship assets in a company to enable acceleration in revenue and profit growth (Ellis, 2004; Kennedy, 2004). The study supported the theories as it found that technology assisted it in identifying ways to detect customer retention incentives, winning back defectors, customer satisfaction, customer acquisitions, customer loyalty, customer complaints resolutions and potential to cross sell to the customers. It also found that CRM systems assisted significantly in addressing the issues of customer complaints more efficiently as the data was being collected regularly and being acted on. The manual CRM system existing in KCB with multiple system platforms was not the perfect CRM envisioned but was stable enough and had worked beautifully in managing especially the customer services. The use of contact centre to receive queries, recording and resolving them enabled the bank to understand what were the common issues where a communication could proactively be generated to preempt a situation before it got out of hand. The use of technology would also help the bank to drive targeted selling using the contact centre to compliment the sales promotion on the ground and therefore enhancing the probability of making more sales.

CHAPTER 5

5.0   SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1   Introduction

This chapter provided the summary of the findings from chapter four, conclusions and recommendations of the study based on the objectives of the study. It was a very crucial chapter as it would make summary of the whole research, conclude and make recommendations. The objectives of this study were to assess the effect of customer recognition practices on customer retention; to determine the influence of KCB's brand visibility on customer retention; and to establish the influence of technological systems on customer retention

5.2   Summary of findings

This study had a good response from the sample selected and provided with great insight on the study area. All the four objectives were handled properly and the findings were unique in their own right. The study objective was to investigate the effect of Customer Relationship Management on customer retention in Commercial Banks in Kenya. The findings was that there was overreliance on technology and promotional activities that left most customers feeling detached from the bank and that they were merely sources of profitability rather than partners of development.

5.3   Conclusion

The specific objectives of the research were to determine the effect of customer recognition practices on customer retention; to determine the influence of KCB's brand visibility on

customer retention; to determine the effect of promotion tools on customer retention; and to establish the influence of technological systems on customer retention. The study found out that the customer recognition was not used mainly in the customer retention effort while that would have been most preferred, however technology, brand and promotion were extensively used which had led to increased customer retention and profitability but had created resentment by customer with most of them thinking that the bank was using them to make huge profits and that the bank did not genuinely care about their relationship.

5.4   Policy Recommendation

The research showed that there was need at promoting a healthier relationship between customers and the bank in general. The utilization of the technology was good and should be encouraged, brand awareness and loyalty was also high plus the promotional activities were seen to be working extensively and the momentum should be maintained. It was however necessary to look at thing that did not work. There was need to increase focus in customer recognition and enhancing the relationship that traditional banking used to elicit to its customers. There was also need of proactive public relations by banks that they would make the general public aware of the difficulty of the environment it operated in so that they would not see them as organization who were meant to fleece their customer in order to make huge profit margins.

5.5   Study Limitations

The research methodology emphasized the use of self-administered questionnaires but would have been better had it provided room for one on one interview as such more qualitative data would have been drawn that would be extremely beneficial to the research.

5.6 Recommendation for Further Studies

There was need to understanding the customer retention efforts by the whole banking industry and as such a comparative analysis of customer retention strategies between tier one and tier two banks in Kenya. Other comparative studies could be across banking industry within East Africa for instance comparative study of customer retention strategies between banks in Kenya and Uganda or Tanzania. It would also be interesting in understanding how technology had impacted customer retention in banking or other service industries.

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APPENDICES

APPENDIX I   Research Budget Proposal

	ITEM / ACTIVITY	COST PER UNIT	NO. OF UNITS	TOTAL
1	Stationery	-	-	20,000.00
2	Typing & Printing	25.00	400.00	10,000.00
3	Photocopying	3.00	1,000.00	6,000.00
4	Transport	500.00	50.00	25,000.00
5	Telephone	500.00	10.00	5,000.00
6	Miscellaneous	-	-	20,000.00
	TOTAL			**86,000.00**

2013 / ACTIVITY	FEB	MAR-JULY	AUGUST				SEPTEMBER				OCTOBER				NOVEMBER				DECEMBER	
			W1	W2	W3	W4	W1	W2	W3	W4	W1	W2	W3	W4	W1	W2	W3	W4	W1	W2
CONCEPT PAPER PRESENTATION	█																			
CHAPTER ONE		█	█	█																
CHAPTER TWO		█	█	█																
CHAPTER THREE		█	█	█																
PROPOSAL DEFENCE					█	█														
DATA COLLECTION							█	█	█											
DATA ANALYSIS										█	█									
DATA PRESENTATION												█								
COMPILATION OF CHAPTER FOUR													█	█						
CHAPTER FIVE															█	█				
PRESENTATION OF THE COMPLETE PAPER																	█	█		
GRADUATION																			█	█

Dear Sir/Madam,

I am a Master of Business Administration (Strategic Management) student at Kenyatta University. I am conducting a research examining the effect of customer relationship management on customer retention in commercial banks. I considered having Kenya Commercial Bank Limited as my key bank representing the Commercial banks. This is basically because of it establishment which stretches back many years in the country and its dominance and country wide presence.

The attached questionnaire has been designed to help gather data on the project. I kindly request assistance on collecting the information by answering the questions herein as precisely and factual as possible.

The information collected shall be used for academic purposes only and strict confidentiality is assured.

Yours faithfully

Charity Wairimu Wanjau

Questionnaire

PART A

1. Name of the respondent

    (Optional)………………………………………………

2. Gender: Male ( )   Female   ( )

3. Age of the respondent (tick)

    18 - 30   [ ]

    31 - 40   [ ]

    41 - 50   [ ]

    Above 50 years   [ ]

4. How long have you worked in the front office?

    One year or less   ( )   one to three years   ( )

    Three - five years   ( )   five to ten years   ( )

    Over ten years   ( )

5. Respondent Category/Department

    ☐ Senior Manager

    ☐ Middle Manager

    ☐ Supervisor

    ☐ Unionizable staff

PART B

6. Is the banks adoption of Mobile banking likely to influence customer retention?

    i.   Highly likely   ( )

    ii. Likely   ( )

    iii. Neutral   ( )

    iv. Unlikely   ( )

    v. Highly Unlikely   ( )

7. Is the banks expansion of ATMs likely to influence customer retention?

    i.   Highly likely   ( )

    ii. Likely   ( )

    iii. Neutral   ( )

    iv. Unlikely   ( )

    v. Highly Unlikely   ( )

8. Does KCB outdoor branding to influence customer retention?

    i.   Yes   ( )

    ii. No   ( )

    iii. Not sure   ( )

9. Is brand loyalty likely influence customer retention at KCB?

i. Highly likely ( )

ii. Likely ( )

iii. Neutral ( )

iv. Unlikely ( )

v. Highly Unlikely ( )

10. Is KCB involvement in charitable activities likely influence customer retention?

vi. Highly likely ( )

vii. Likely ( )

viii. Neutral ( )

ix. Unlikely ( )

x. Highly Unlikely ( )

11. Does Public Relations Management of KCB effect on the banks' customer retention?

iv. Yes ( )

v. No ( )

vi. Not sure ( )

12. Do KCB Bank sales promotion activities influence customer retention?

i. Yes ( )

ii. No ( )

iii. May be ( )

13. How would you rate the existing customers' behavior towards new products introduction by the Bank?

     i.   Innovators   ( )

     ii.   Early adopters   ( )

     iii.   Early majority   ( )

     iv.   Late majority   ( )

     v.   Laggards   ( )

14. Do new customers' referrals influence customer retention at KCB?

     i.   Yes   ( )

     ii.   No   ( )

     iii.   May be   ( )

15. Is the segmentation and targeting of customers for different products and services likely to affect their choice to remain loyal to the bank?

     i.   Highly likely   ( )

     ii.   Likely   ( )

     iii. Neutral   ( )

     iv. Unlikely   ( )

     v.   Highly Unlikely   ( )

PART C

16.   Is the banks adoption of CRM strategies likely to influence customer retention?

    i.   Highly likely   ( )

    ii.   Likely   ( )

    iii.   Neutral   ( )

    iv.   Unlikely   ( )

    v.   Highly Unlikely   ( )

17.   Does the adoption and use of CRM concept in your bank influence its competitiveness and relevance in the banking industry

    i.   Highly likely   ( )

    ii.   Likely   ( )

    iii.   Neutral   ( )

    iv.   Unlikely   ( )

    v.   Highly Unlikely   ( )

17.   What information do the Banks CRM systems detect?

    i.   Customer Loyalty   ( )

    ii.   Customer satisfaction   ( )

    iii.   Customer Complaints   ( )

    iv.   Customer Acquisition   ( )

    v.   Customer retentions incentives   ( )

    vi.   Cross-selling customers   ( )

    vii.   Winning back defectors   ( )

18. To what degree has the banks adoption of CRM strategies increased its efficiency when

   dealing with customers' queries or feedback?

   i) High degree   ( )

   ii) Moderate   ( )

   iii) Low degree   ( )

19.   How important are the following activities to your institution in its pursuit to offer

   services to your customers? Please tick in the appropriate brackets

	Strongly Disagree	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**
Does a lot of research to gain insight into the needs of customers.	( )	( )	( )	( )	( )
Provides a channel for customer complaints	( )	( )	( )	( )	( )
Responds to Customer complaints	( )	( )	( )	( )	( )
Is the organization proactive in dealing with Customers	( )	( )	( )	( )	( )
Have a CRM system that captures Customer information at all service points	( )	( )	( )	( )	( )
Customer Relationship Management is an embedded culture in your bank	( )	( )	( )	( )	( )

20. Please give any other suggestions, opinions or comments that you may have regarding
    KCB

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