STRATEGIES ADOPTED BY COMMERCIAL BANKS FOR CUSTOMER RETENTION IN LAIKIPIA COUNTY, KENYA

BY

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DEDICATION

To my parents and brothers who made it possible for me to do this research project and have been with me and supported me since the beginning, to Richard Ochieng; though indirectly, your support made doing this research project much easier and to The Almighty God who has been my strength throughout this entire process.
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OPERATIONAL DEFINITION OF TERMS

Agent banking- A banking agent is a retail or postal outlet contracted by a financial institution or a mobile network operator to process clients’ transactions (Cranston, 2002).

Mobile Banking- According to Aker (2010) Mobile banking is a system that allows customers of a financial institution to conduct a number of financial transactions through a mobile device such as a mobile phone or personal digital assistant.

Customer satisfaction- It is a measure of how products and services supplied by a company meet or surpass customer expectation (Bargmont&Bengt 2002).

Financial institution- Is an institution that provides financial services for its clients or members. Deposit-taking institutions that accept and manage deposits and make loans, including banks, building societies, credit unions, trust companies, and mortgage loan companies(Tanner & Shipp 2005).

Internet Banking- Is banking channel that allows customers of a financial institution to conduct financial transactions on a secured website operated by the institution, which can be a retail bank, virtual bank, credit union or building society (Gikandi&Bloor 2010).

Strategy- Refers to a plan of action designed to achieve a particular goal (Christopher, 2003).

Retail banking- Alexander (2000) states that retail banking is the cluster of products and services that banks provide to consumers and small businesses through branches, the Internet, and other channels.

IT and application Systems- It refers to the current and expected capabilities that an institution has identified for handling data. It examines whether they have a preference for standard software for their core-banking landscapes, versus software developed in-house (Owens &Bantug-Herrera 2006)
<table>
<thead>
<tr>
<th>Abbreviation</th>
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<tr>
<td>IT</td>
<td>Information Technology</td>
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<td>ACSI</td>
<td>American Customer Satisfaction Index</td>
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<td>ICT</td>
<td>Information and Communication Technology</td>
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<tr>
<td>KYC</td>
<td>Know Your Customer</td>
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<tr>
<td>SME</td>
<td>Small and Medium Enterprises</td>
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<td>ATM</td>
<td>Automated Teller Machine</td>
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<td>SPSS</td>
<td>Statistical Package for Social Sciences</td>
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<tr>
<td>ROI</td>
<td>Return on investment</td>
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<td>CRM</td>
<td>Customer Relationship Management</td>
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<td>POS</td>
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ABSTRACT

Local studies done on customer retention in Kenya have not focused on strategies adopted to enhance customer retention in commercial banks and none of these studies sought to find out how relevant strategies can be used to enhance customer retention with bias to the commercial banks in Laikipia County. The main objective of this study was to find out the strategies adopted by commercial banks for customer retention in Laikipia County, Kenya. The specific objectives were to examine the strategies used for customer retention, determining the effects of customer defection on customer retention in the banking sector and to establish how customer relationship management influences customer retention in the banking sector. The target population of the study was the customers and staff of three commercial banks in Nyahururu (Cooperative Bank, Kenya Commercial Bank and the Barclays Bank). The customer base of the branches is forty six thousand customers. Random sampling was employed to identify the sample for the customers while purposive sampling was used to establish the sample of the staff. A sample size of 75 customers and 15 staff was obtained. Secondary data was obtained from the websites and other relevant publications and journals while primary data was collected using self-administered structured questionnaires. The study used external validity. Descriptive and inferential statistics was used to analyze the data. The statistical package for social sciences (SPSS) was used for this analysis and information presented by use of bar charts, graphs and pie charts. Study revealed that ease of technology was the strongest contributor to the retention of customers in the banks, while excess time waiting to be served was a significant contributor to defection of customers. The study revealed that customers prefer simple and easy to use technology. It also revealed that banks don’t reward customers’ for loyalty, the loyalty clubs are weak, and banks don’t take initiative to call up customers with inactive or less active accounts while regular communication with loyal customers was weak. The study further revealed that banks are able to handle customers well at entry but this treatment wanes with time, the system of addressing customer issues could be there but customers are either not aware about it or it does not address their issues comprehensively. The study recommends that commercial banks should ensure that they offer quick and efficient services in order to retain customers. They should ensure the technology they use is user friendly and should strengthen customer loyalty plans including calling up customers whose accounts are inactive or less active. In addition, they should ensure they are more open in communicating with loyal customers and should be consistent in the way they handle customer’s right from recruitment. Customers’ issues should be handled comprehensively while banks’ environment should be more open for customers to communicate with management. Banks should also make loyal customers feel special.
CHAPTER ONE

INTRODUCTION

1.1 Background of the study

A bank is a financial institution that creates money by lending money to a borrower and once they have given out these loans they are able to create new deposits elsewhere in the system. The money supply in banks is usually increased by the act of lending and reduced when loans are repaid faster than new ones are generated.

Modern banking has been influenced by globalization. Regulatory, structural and technological factors are significantly changing the banking environment throughout the world leading to intense competitive pressures. Customer satisfaction has come to be regarded as a key business strategy of every organization and a benchmark against which many banks have set their standards. According to Wang, Lin and Su (2003); Anubav (2010) and Parvatiyar and Sheth (2000), maintaining existing customers for organizations is ever more important than the ability to capture new ones. Customers are critical for any organization’s success. Without customers, organizations would have no resources, no profits and therefore no market niches that can enable them compete in the global arena.

In Kenya, at independence in 1963, banks consisted of nine foreign owned commercial banks, the largest of which were Barclays Bank, Standard Chartered Bank, National Bank and Grindlays Bank (Brownbridge & Harvey, 1998). In the 1990s the government introduced a number of policy reforms aimed at a gradual liberalization of the financial markets opening the banking sector to growth. As a result, the banking sector grew to 33 commercial banks and 50 non-bank financial institutions by 1994. By the end of 2009, this number amounted to 46 banks with a total branch network of 500 (Central Bank of Kenya, 2009). Currently the number stands at 43 due to mergers. Due to increased competition banks have put infrastructure in place namely, setting up Customer Service departments and Call Centers to address the needs of the customers. It is not clear if such measures amongst others have helped to improve satisfaction of the bank customer and their retention rates with the respective banks.

Customer retention refers to keeping a client's business rather than have the client use competitors' services or products. Businesses want to reduce customer defections to their competitors because a reduction in their market share and profits could result. Customer
service retention is a popular marketing strategy as it involves focusing on meeting or exceeding clients' expectations in order to maintain their loyalty, (Levesque and McDougall 1993).

Customers who have positive experiences at a bank are more likely to purchase the next financial product from the same financial institution. Banking relationships contribute to customer loyalty. Subsequently, by treating customers well, the result could be an improved bottom line, or profitability, at a retail bank.

The experiences that customers have in a bank are often tied to the culture within that institution. When employers treat employees well, for instance, this sentiment is more likely to continue to customers. Subsequently, bank customer loyalty has a good chance of improving. There is often robust competition in the banking industry where the only differentiating factor between rivals may be customer service. If an attitude of respect exists among the internal staff, that pleasant working environment could impact a bank's ability to retain customers.

According to Newman (2001), good customer retention is vital to any organization because a slight reduction (5%) in the customer defection rate has a disproportionately positive effect on profitability. Companies with high retention also grow faster. However, customers can only be retained if they are loyal and motivated to resist competition. When customers are merely satisfied with the service they receive they may still defect and go to other competitors in the market who are offering equivalent services. Teich (1997) argues that customer retention management relies on the combination of the following: High satisfaction with product performance and customer service, High intention to continue to do business with you and High willingness to recommend you to others.

1.2 Statement of the Problem

The Banking industry occupies a key position in the Kenyan economy. It creates deposits which affects money supply for business activities, carrying numerous financial services like deposits safety and creation of employment (Kamanu, 2010). Despite their central role in the economy, banks are faced with intense competition as a result of many similar products offered in the market, fast changing technological advancements and demanding customers. These challenges have rendered most traditional forms of competitive advantage like cost
management, technology, product features and robust marketing strategies ineffective (Kamanu 2010).

Despite the importance of consumer retention strategies in the banking industry, very few empirical studies have investigated constructs that could lead to customer retention (Fisher, 2001). According to Colgate et al., (1996) most banks claim that creating and maintaining customer relationships are important to them and they are aware of the positive values strategies adopted to enhance customer retention in commercial banks. Siboe (2006) did a study on customer retention strategies used by internet service providers in Kenya and he was able to discover that these strategies mainly included strategies that were biased to the technology sector and could not be replicated in the banking sector. In addition to this, Jerono (2008) conducted a study on relationship marketing practices and their impact on customer retention in the commercial banks in Kenya and he found out how different marketing practices affect the retention of customers in commercial banks. However, none of these studies sought to find out how relevant strategies can be used to enhance customer retention with bias to the banking sector and more specifically commercial banks in Laikipia County. This study therefore sought to fill the knowledge gap by assessing the strategies adopted by Commercial banks for customer retention in Laikipia County, Kenya.

1.3 Objectives of the Study

1.3.1 General Objective
The main objective of this study was to assess the strategies adopted by commercial banks for customer retention in Laikipia County, Kenya.

1.3.2 Specific Objectives:-

i) To find out how selected factors that result to customer defection in commercial banks affect customer retention in Laikipia County, Kenya.

ii) To investigate the strategies used in commercial banks for customer retention in Laikipia County, Kenya.

iii) To establish the influence of customer relationship management on customer retention in commercial banks in Laikipia County, Kenya.

1.4 Research Questions

The study specifically intended to explore answers to the following questions within the Context of Commercial banks in Laikipia County:

3
i. How do the factors that result to customer defection in commercial banks affect customer retention in Laikipia County, Kenya?

ii. What are the strategies used in commercial banks for customer retention in Laikipia County, Kenya?

iii. How does customer relationship management influence customer retention in commercial banks in Laikipia County, Kenya?

1.5 Significance of the study

This study is important because it will help players in the banking industry know the areas where there are loop holes that need to be addressed with reference to the strategies used to for customer retention. Implementation of its recommendations will enable such banks to look at ways to reformulate strategies if need be so that they can increase their capacity to retain their customers. The findings of this research will also assist academicians and future researchers interested in carrying out further studies in this area or in areas recommended for further research. The research will also help the future researchers in understanding limitations and the challenges that are likely to be faced when conducting a similar research.

1.6 Scope of the Study

The study was restricted to the main objective of this study which was to find out the strategies influencing customer retention in Commercial banks in Nyahururu, Laikipia County. The target institutions were three commercial banks located in Nyahururu, Laikipia County. A sample of 75 customers and 15 staff members were used. However the variables used in this study were only suitable for this study area and more variables may need to be used if the study is to be done in a broader area or in other Counties.

1.7 Limitation of the Study

The major limitation while carrying out this research was the fear of some of the respondents to participate or give in-depth information on the bank for fear of revealing their trade secrets, as well as divulging official communication without authorization. The researcher countered these challenges by assuring the respondents that the information given would be treated confidentially. Respondents were also not required to provide their names on the questionnaires so as to encourage honest responses.
CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This chapter presents the theoretical framework, the strategies used in the banking sector, the empirical review, the research gap and the conceptual framework for the study.

2.2 Theoretical Framework

This study is based on the consumer adoption theory, ACSI methodology and the customer loyalty model.

2.2.1 Consumer Adoption Theory

Adoption theory is aimed at understanding, explaining, or predicting how, why, and to what extent individuals or organizations will adopt or purchase new offerings. According to the adoption theory, there are multiple factors involved in influencing product or service adoption by an individual or organization and theories of adoption recognize all these factors. The knowledge and experience of the prospective adopter, the degree of innovation that is communicated by a new product or service offering and the extent that a potential adopter values innovativeness are just some examples of potentially influential factors in determining the rate and extent of adoption.

To facilitate new product adoption and make appropriate plans for the expected rate of adoption proper understanding, explaining, and predicting individual or organizational adoption is necessary, and this is what motivates the marketers to research the factors responsible for adoption by individuals or organizations in a given market. Knowledge of the adoption process as well as buyer influences and readiness can be highly beneficial in this regard.

2.2.2 ACSI Methodology

The American Customer Satisfaction Index (ACSI) was launched in 1994. The American Customer Satisfaction Index uses customer interviews as input to a multi-equation econometric model developed at the University of Michigan’s Ross School of Business. The ACSI model is a cause-and-effect model with indices for drivers of satisfaction on the left
side (customer expectations, perceived quality, and perceived value), satisfaction (ACSI) in the Centre, and outcomes of satisfaction on the right side (customer complaints and customer loyalty, including customer retention and price tolerance). The ACSI was based on a model originally implemented in 1989 in Sweden called the ‘Swedish Customer Satisfaction Barometer (SCSB). The ACSI uses two interrelated and complementary methods to measure and analyze customer satisfaction: customer interviewing and econometric modeling.

![ACSI Model](image)

**Figure 2:1 ACSI Model (Source: ACSI Methodology, www.theacsi.org, 2004)**

Vavra, (2007) views that the ACSI initiative has at least three primary objectives which include:

**Measurement:** to quantify the quality of economic output based on subjective consumer input; **Contribution:** to provide a conceptual framework for understanding how service and product quality relate to economic indicators; **Forecasting:** to provide an indicator of future economic variability by measuring the intangible value of the buyer-seller relationship. The ACSI survey process involves collecting data at the individual customer level. Casual sequence begins with customer expectations and perceived quality measures, as shown in the Fig 2.1 which are presumed to affect, in order, perceived value and customer satisfaction. Customer satisfaction, as measured by the ACSI index, has two antecedents: customer complaints, and ultimately, customer loyalty.

### 2.2.3 Customer Loyalty Model

Most scientists agree that customer loyalty is important. Customer loyalty is defined as; “a customer which over time engage one company to satisfy entirely, or a significant part, of her needs by using the company’s products or services” (Blomqvist, Dahl and Haeger, 2000). Customer loyalty means that the customer is loyal to the company and only turns to a
competitor in exceptional cases. For example, when customers are loyal to a specific hotel chain but the hotel chain does not have a hotel in the area where customers are. Customer loyalty is not a permanent thing. If the customer value decreases to such a level that it becomes obvious to customers that offers from competitors are better, customers will engage in the others instead. Customer loyalty is more important for certain companies. For example, a souvenir shop does not make big efforts in making customers loyal. Repurchase is important for the survival of other companies. According to Blomqvist et al (2000) there are two fundamental ways in how to put more effort in customer loyalty:

With the right marketing, it is possible to build up a loyal base of customers with a high frequency of purchases. With a loyal base of customers, the company can reach a stable market share which consists of loyal customers who are easier to defend from competitors.

Researches show that it costs five times more for a company to reach a new customer instead of trying to keep an existing customer. Losing a customer means a decrease in the income while the cost of keeping an existing customer often is limited.

![Diagram: The link between Quality - Customer Value - Customer Loyalty](Blomqvist et al, 2000).

Figure 2:2: The link between Quality - Customer Value - Customer Loyalty (Blomqvist et al, 2000).
2.3 Empirical Literature

2.3.1 Strategies Used in the Banking Sector

**Relationship surveys**—Many firms conduct annual relationship surveys on their customers. The current customers of a firm need to be surveyed in order to establish their perceptions on the received value, quality, satisfaction with services, and satisfaction with the service provider as opposed to competitors (Zeithaml & Bitner, 1996). A good and constant communication should be established between the firm and its 'best' customers, and this could be performed with face to face or over the telephone.

**Customer databases**—Zeithalm and Bitner (1996) argue that a well-established customer data base is a foundation to creating effective customer retention strategies. The data base could include information such as the firm's current customers (their names, their addresses, their phone numbers and so on), their purchasing behaviors’, their revenue rate, their related cost, and their preferences and so on. Also when customers leave the firm, information on the termination of the relationship should be included in the database.

**Loyalty programs**—In order to maximize customer retention metrics, many firms use relationship marketing instruments such as loyalty programs also known as frequency reward programs and direct mailings (Warden, 2008). According to Yi and Jean (2003), loyalty programs’ aim is to reward customers for repeated purchases thus building customer retention. Bolton, Kannan and Bramlett (2000), argue that loyalty rewards program has become common in several service industries. The authors argue that generally, the aim of such programs has been to increase customer retention in profitable segments by providing increased satisfaction and value to certain customers.

**Customer clubs**—Several service providers use customer clubs as a way of retaining their customers over time. Blomqvist, et.al (2000) argues that although this is a common phenomenon in many service firms, marketing literature around the subject is still scarce. The authors further argue that customer clubs formalizes the relations with the customers, however not all customers are part of a customer club, only those that the firm finds as being important and of value to invest in.
2.3.2 Customer Defection

Customer expectations - The expectations of many customers are dynamic. They keep on changing frequently. Banks should always seek and act on customer feedback. A University of Michigan study, 2004 reports that a 1% increase in customer satisfaction yields a 3% increase in shareholder value. Banks should determine what customers want and deliver it flawlessly. Improve customer satisfaction by resolving errors immediately. Customers generally are more concerned with speedy resolution than the errors themselves. The Tower Group reports that the average US consumer has 10.14 financial products with an average of 4.15 financial institutions.

Seventy percent of those polled want to consolidate into one institution, but only 20% believe one financial institution can meet all their needs competently.

Organization structure - Most banks do not have a structure that support customer retention program. They should design an organization to support the customer retention program and communicate the structure and rationale throughout the company. They should also hire and train employees eager to work with customers, Train employees how to bundle products, Train employees on the economics and importance of account retention. When a prospective customer comes into the bank or is approached by the sales staff, it is critical that the employees who will be dealing with those prospects are well trained, Train employees how to resolve problems effectively and allow them to resolve them at the customer touch point. Train employees to understand the impact of dissatisfied customers and how to turn them into opportunities. Ensure employees understand fee structures and how to communicate them effectively. Reward employees for retaining customers (Nyaga, 2003).

Processes - Long banking processes is a big turn off for customers. For example, long banking queues, slow IT systems and long waiting duration to acquire an ATM. Engineer processes that touch the customer. For example, shorten the cycle time for new accounts and monitor it closely to ensure a smooth setup. Ask customers what processes matter to them and engineer accordingly. Develop parameter-driven products to allow customization without creating exception processing (Peppers & Rogers, 2010)

Information - Determine what information is needed, then capture it, analyze it, and use the analyzed information. Technology - Obsolete and slow technology reduces customer retention rates. Identify technology requirements including integrating reporting or
accounting applications with existing architecture and infrastructure. Customers expect that banks have a unified view of them across all channels.

Scorecard – Banks should set measurable objectives for each plan element and monitor them. Although metrics will be unique for each element, they will link to support the overall objective, e.g., employee performance. Performix Technologies reports that several firms have researched the link between employees, their performance and profit. Companies with engaged employees are 56% more likely to have higher than average customer loyalty, 50% more likely to have lower staff turnover, 38% more likely to have above average productivity and 27% more likely to report higher profitability.

2.3.3 Customer Relationship Management

Customer relationship Management (CRM) appears to be a simple and straightforward concept, but there are many different definitions and implementations of CRM. At present, a number of different conceptual understandings are associated with the term Customer Relationship Management (CRM). There understanding range from IT driven programs designed to optimize Customer contact to comprehensive approaches for the establishment and design of long-term relationships.

The effort to establish a meaningful relationship with the customer is characteristic of this last understanding (Barnes 2003). CRM is a holistic process of acquiring, retaining and growing customers. It includes all in-line and off-line relationship management. (Strauss et al. 2003). As gray and Byun (2001) expound; CRM is an abbreviation for customer relationship management, not customer relationship marketing. Management is a broader concept than marketing because it covers strategic management, human resources management, marketing management, service management, knowledge management, sales management and research management and development management. Thus CRM requires organizational and business level approaches, which are customer centric, to doing business rather than a simple marketing strategy.

Loyalty is developed over a period of time from a consistent record of meeting, and sometimes even exceeding customer expectations (Teich, 1997). Kotler et al. (1999) states that the cost of attracting a new customer may be five times the cost of keeping a current customer happy. Gremler & Brown (1996) offers one definition of customer loyalty as the degree to which a customer exhibits repeat purchasing behavior from a service provider, possesses a positive attitudinal disposition toward the provider, and considers using only this
provider when a need for this service exists. According to Bloemer & Kasper (1995), loyalty is interpreted as true loyalty rather than repeat purchasing behavior, which is the actual re-buying of a brand, regardless of commitment. Banking retailers recognize that customer retention and ultimately satisfaction plays a key role in a successful business strategy (Aosa, 1999). However, they say that it is unclear the exact nature of that role, how precisely customer retention should be managed, and whether managerial efforts aimed at increasing customer retention and satisfaction lead to higher score in sales. Today, managers in the banking sector undertake substantial efforts to conduct customer retention surveys yet it appears that in most cases the data are used to simply monitor specific attributes, and especially overall satisfaction, over time. Unless the impact of customer retention and satisfaction on revenues is assessed, managers have little basis for allocation of resources.

The concept of customer care is concerned with customer retention putting the customer first, anticipating needs and problems, tailoring the product and services to meet needs and being nice to customers. It also includes service to the customer, delivery operation, employee relationship with customer and internal relationship between employee and management. In developing customer care strategies and programs, financial services organizations are managing products and services, delivery systems, environment and people so as to provide an efficient and caring service, getting things right the first time and maintaining standards. Organizations are increasingly interested in retaining existing customers while targeting non-customers. However, such strategies are affected by changing customer values and orientations; economic stagnation, environmental decline, increased global competition and a host of other economic, political and social problems (Kotler and Armstrong, 1997). In order to survive in the midst of all this intensive competition, companies have been forced to develop strategies that will help them maintain profitability and retain their share of the market. In the banking sector Aosa (1999) notes that, competition as a result of liberalization has led many banks merging, making strategic alliances, forming partnerships, making acquisitions and even taking to the drastic measures such as downsizing. Other strategies resorted to are introduction of new banking services products into the market and engaging in intensive and extensive promotional strategies (Malechi, 2004; Ngahu, 2001). These strategies have been noted however, to be costly and do not give an organization a competitive edge over her competitors. This is because these strategies are easily imitated. Due to this, most organizations like banks have started focusing more on customer retention as an effective tool.
Banks everywhere are delivering the same products. For example, there is usually only minimal variation in interest rates charged or the range of products available to customers. Bank prices are fixed and driven by the marketplace. Thus, bank management tends to differentiate their firms from competitors through quality service. Quality service is an imperative element impacting customers' satisfaction level in the banking industry. In banking, quality is a multi-variable concept, which includes differing types of convenience, reliability, services portfolio, and critically, the staff delivering the service. Customer satisfaction is merely a response to the value proposition offered in specific products/markets (Reidenbach, 1995). By this view, banks must determine how customers define value in order to provide added-value services.

2.4 Conceptual Framework

2.4.1 Strategies Influencing Customer Retention

Banks have introduced a number of channels that will enable them provide services to their customers more effectively and efficiently. In this study the independent variables will be the various strategies used in the banking sector, reasons for customer defection and customer relationship management. The dependent variable in the study will be customer retention.
to gain a strategic advantage and survive in today’s ever-increasing banking competitive environment.

The argument advanced for customer retention is relatively straightforward. It is more economical to keep customers than to acquire new ones. The costs of acquiring customers to "replace" those who have been lost are high. This is because the expense of acquiring customers is incurred only in the beginning stages of the commercial relationship (Cook, 2008). In addition, longer-term customers buy more and, if satisfied, may generate positive word-of-mouth promotion for the company. Additionally, long-term customers also take less of the company's time and are less sensitive to price changes (Kotler, 2001). The key variables influencing customers' selection of a bank include the range of services offered, interest rates, fees and prices charged (Alexander & Pollard, 2000). It is apparent that superior service, alone, is not sufficient to satisfy customers. Prices are essential, if not more important than service and relationship quality. Furthermore, service excellence, meeting client needs, and providing innovative products are essential to success in the banking industry. Most private banks claim that creating and maintaining customer relationships are important to them and they are aware of the positive values that relationships provide (Chepkwony, 2008). Given the significance of customers' retention in the banking industry, this study will examine the strategies employed by commercial banks for customer retention in Laikipia County.

2.3.4 Customer's Satisfaction

Customer's satisfaction for many years has been perceived as key in determining why customers leave or stay with an organization. Organizations need to know how to keep their customers, even if they appear to be satisfied. Reichheld (1996) suggests that unsatisfied customers may choose not to defect, because they do not expect to receive better service elsewhere. Additionally, satisfied customers may look for other providers because they believe they might receive better service elsewhere. However, keeping customers is also dependent on a number of other factors. These include a wider range of product choices, greater convenience, better prices, and enhanced income (Storbacka et al., 1994). Fornell (1992), in his study of Swedish consumers, notes that although customer satisfaction and quality appear to be important for all firms, satisfaction is more important for loyalty in industries such as banks, insurance, mail order, and automobiles. Ioanna (2002) further proposed that product differentiation is impossible in a competitive environment like the banking industry.
Independent Variable

- Selected factors that cause defection
- Organizational structure
- Processes
- Technology

Strategies used in the banking sector
- Monitoring customer relationship
- Use of loyalty programs
- Use of customer clubs
- Use of recovery strategies

Customer relationship management
- Customer care
- Feedback

Dependent Variable

- Customer Retention
- Rate of consumer re-buying
- Customer referrals

**Figure 2.3 Conceptual framework**
Source: Own Conceptualization (2015)

**Independent Variables**

Strategies used in the banking sector-The indicators used to measure this variable are:
- Customer relationship,
- Loyalty programs,
- Customer clubs and use of recovery strategies.

Reasons for defection: The indicators used to measure this variable are:
- Organizational structure,
- Banking processes,
- Technology.

Customer Relationship Management: The indicators used to measure this variable are:
- Customer care and customer feedback.

**Dependent Variable** Customer Retention: The indicators used to measure this variable are:
- Customer rate of re-buying and customer referrals
CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction
This chapter discusses how the study was conducted, explaining the methods and steps that were used to conduct this research. This include the research design, and population of the study, sample size, sample frame, data collection methods, research procedures, data analysis and presentation. The basis of any meaningful research depends on the methods and procedures employed in data collection and a clear definition of the target group of respondents.

3.2 Research Design
The researcher employed a descriptive research design. Descriptive research is a process of collecting data in order to test the hypotheses or answer research questions concerning the current status of the subjects in a study. According to Donald and Pamela (2000), a study concerned with finding out who, what, which and how of a phenomenon is a descriptive study design. Mugenda and Mugenda (2003) also supports that descriptive research design seeks to obtain information that describes existing phenomenon by asking individuals about their perception, attitudes, behavior or values. The main goal of this type of research is to describe the data and characteristics about what is being studied. Therefore, the study sought to establish the strategies employed by commercial banks for customer retention in Laikipia County.

3.3 Target Population
According to (Nachmias & Nachmias, 1996) a population is the total collection of elements about which we wish to make some references. The target population of the study was all the customers and staff of three Commercial banks in Nyahururu, Laikipia County. The total number of customers and staff of these commercial banks in Nyahururu who are twenty eight thousand three hundred and thirty three.
3.4 Sampling Design

According to Mugenda, &Mugenda (2003) in a survey research, a sample of 10-30% is sufficient to provide statistical inferences about the population. In this study a sample of not more than 30% was selected hence the sample was a total of 85 respondents (Mugenda & Mugenda, 2003).

Thus, a sample size of 75 customers, selected through random sampling, was considered whereas a sample size of 15 staff members, selected through purposive sampling, was considered. The banks that were considered for this study were selected using purposive sampling which enabled the researcher to pick the banks that provide a larger variety of clients and this will help in making the results of the research more accurate. The researcher considered this sample size representative for this study.

3.5. Data Collection

The primary data from all target respondents was collected by use of well-designed structured questionnaires. The study employed the use of structured questionnaire as a means of data collection. The researcher designed the questions, their wording and sequence. She further expected that a minimum of 90% of the questionnaires would be filled and returned to the researcher. For the purpose of the study Mugenda and Mugenda (2003), says that in social science research, the most commonly used research instruments are questionnaires, interview schedules, observational forms and standardized tests.

Questionnaires provide the researcher with a relatively easy accumulation of data. According to Kothari (2004), questionnaires give a relatively objective data which is relatively easy to analyze (Kothari, 2004). Therefore, the questionnaires to the respondents were by hand delivery and ensured that they are well distributed according to the population size. The respondents were also requested to complete the questionnaires and hand them over to their customer care consultants, where the researcher collected them from. Information collected from the respondents will strictly be kept confidential and only used for the purpose of the study. Secondary data was also collected by checking information from the institutions libraries and websites. In addition, trade journals and internal magazine/newsletters were reviewed to gain relevant information on the area of study.
3.6. Validity and Reliability.

Kendler, (2006) defines validity as the extent to which a concept, conclusion or measurement is well founded and corresponds accurately to the real world. This research used external validity this is because external validity signifies the extent to which the results of the study can be held to be true for other cases. It’s about whether findings can be validly generalized (Buttner, 1997).

Reliability on the other hand is the overall consistency of a measure (Ritter 2010). Randomization will be used so as to control the many extraneous variables (known and imagined). A random selection of participants who are considered to have the valuable information and relevant to the study was targeted.

3.7. Pilot Test

The researcher first carried out a pilot study at Tower SACCO OlKalou Branch being one of the branches in Kenya with many commonalities with other commercial banks in Nyahururu. This is in order to check the item wordings and to verify the ability of the items to capture the effects of multichannel strategy on customer satisfaction and the challenges dimensions of the study.

The questions not fully understood were identified and explained. Comments made during the filling in were considered when making the final draft of the questionnaires. Cronbach’s alpha which test internal consistency was considered and used. SPSS was used on the items of each variable in the construct to establish the consistency of understanding and responses.

3.8. Data Analysis and Presentation

Data analysis was based on the research questions designed at the beginning of the study. Before data analysis was done, the questionnaires/responses were fully edited, coded, tabulated and processed by means of a computer for completeness and consistency.

Descriptive statistics and inferential statistics were used to analyze the data. Data was entered into a computer system and was coded and analyzed using software such as Microsoft Excel and SPSS. The data was then presented through percentages, frequency distribution tables, bar charts, graphs and pie charts. Finally to determine the relationship between variables, a regression analysis was used. The regression was done based on the model below:
\[ Y = \alpha_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon \]

Where \( Y \) = Customer Retention

\( \beta_1, \beta_2, \beta_3 \) = coefficients of the independent variables

\( X_1 \) = strategies used in the banking sector

\( X_2 \) = reasons for defection

\( X_3 \) = customer relationship management

\( \epsilon \) = constant error term

This model determined the strength of each factor in relationship to customer retention.
CHAPTER FOUR

DATA INTERPRETATION, ANALYSIS AND PRESENTATION

4.1 Introduction

This chapter looked at the findings of the questionnaires filled by the respondents in the study; it analyzed the findings and then presented them in the form of tables and charts.

Response Rate

Out of the 85 sampled respondents 70, responses were received. This represented 82.4% response rate.

4.2 Personal data

The researcher sought personal data from the respondents and presented the data as follows.

4.2.1 Gender

The researcher sought to find out the gender of the respondents. The findings are presented in the table below;

<table>
<thead>
<tr>
<th>Responses</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>26</td>
<td>37.1</td>
</tr>
<tr>
<td>Female</td>
<td>44</td>
<td>62.9</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
<td>100.0</td>
</tr>
</tbody>
</table>

According to table 4:1 above, the study revealed that a majority (62.9%) of the respondents in the commercial banks in Nyahururu are female while the minority (37.1%) is male. This implies that there are more female staffs and customers in the commercial banks in Nyahururu than males.

4.2.2 Age

The study sought to analyze the age bracket of the respondents which mapped between below 25 years and 41 years and above and the responses were presented in the table below.

<table>
<thead>
<tr>
<th>Responses</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
</table>
Table 4:2: Age

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 25 years</td>
<td>9</td>
<td>12.9</td>
</tr>
<tr>
<td>26-30 years</td>
<td>12</td>
<td>17.1</td>
</tr>
<tr>
<td>31-35 years</td>
<td>32</td>
<td>45.7</td>
</tr>
<tr>
<td>36-40 years</td>
<td>17</td>
<td>24.3</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
<td>100.0</td>
</tr>
</tbody>
</table>

According to table 4:2 above, the study revealed that nearly half (45.7%) of the respondents were aged between 31-35 years and another (24.3%) are aged between 36-40 years. This gives a total of 70% of the respondents who are 31-40 years. This implies that the staffs and the customers are relatively young.

### 4.2.3 Banking channels used to operate account

The study sought to find out the banking channels used by majority of the respondents to access their accounts. The findings are as in the table below.

Table 4:3: Banking channels used to operate account

<table>
<thead>
<tr>
<th>Responses</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Counter service</td>
<td>17</td>
<td>30.9</td>
</tr>
<tr>
<td>ATMs</td>
<td>18</td>
<td>32.7</td>
</tr>
<tr>
<td>Mobile banking</td>
<td>9</td>
<td>16.4</td>
</tr>
<tr>
<td>Agent outlets</td>
<td>11</td>
<td>20.0</td>
</tr>
<tr>
<td>Total</td>
<td>55</td>
<td>100</td>
</tr>
</tbody>
</table>

According table 3 above, the study revealed that (32.7%) of the respondents used Automated Teller Machines while (30.9%) of the customers used counter services. This implies that a total of (63.6%) of the respondents used either counter services or ATMs to access their bank accounts. The results further revealed the number of customers using both mobile banking and agency banking were low. This implies that people are still hesitant in taking up newer technologies. This contrasts with literature review that shows that obsolete and slow technology reduces customer retention rates. Literature review shows that during what can be described as Omni-channel transition of banking services, success hinges on making digital channels convenient and defect-free, and on converting branches to more sales-oriented purposes (Bain Company, 2013).
4.2.4 Period you have used this channel

The study sought to establish the period which the respondents had used the bank channels stated in 4.2.3. The findings are as in the table below.

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-2 years</td>
<td>7</td>
<td>12.7</td>
</tr>
<tr>
<td>3-4 years</td>
<td>28</td>
<td>50.9</td>
</tr>
<tr>
<td>5-10 years</td>
<td>20</td>
<td>36.4</td>
</tr>
<tr>
<td>Total</td>
<td>55</td>
<td>100</td>
</tr>
</tbody>
</table>

In table 4 above, the study established that half (50.9%) of the customers had used their banking channels for a period of 3-4 years. This implies that most respondents have used their banking channels for 3-4 years. This finding shows that most of respondents had accessed services from their current bank over a period not exceeding 4 years. The contacted banks had existed for much longer period than four years. Consequently, that most customers had accessed banking channels for less than four years implied that banks are facing a challenge in terms of customer retention.

4.3 Selected factors that cause customers to defect

The study sought to establish the factors that cause customer to defect from commercial banks in Nyahururu and the findings are as follows.

4.3.1 Banks take long time to settle customer complaints

The study sought to establish the length of time taken by banks to settle customer complaints contributes to customer retention. The findings are as follows
In Figure 4.1 above, slightly more than a quarter of the respondents (25.71%) agreed, and another 18.57% strongly agreed that banks taking too long to settle customer complaints is a contributor to customer retention in commercial banks in Nyahururu. This gives 44.28% of the respondents who feel that banks take too long to address customers’ complaints was affecting customer retention. In addition, while 41.43% were neutral or not sure, only a total of 14.11% either disagreed (12.86%) or strongly disagree (1.43%). This implies that the time it takes for banks to handle customer complaints was affecting their capacity to retain customers. This means that one way for banks to improve customer retention will be by improving on the time it takes for them to solve customers’ complaints. These findings are in agreements with sentiments from Peppers & Rogers (2010) who argues that long banking processes is a big turn off for customers.
4.3.2 Customer services take time to complete

The study sought to investigate whether time it takes for banks to complete customer services is a factor that causes customer to defect from commercial banks in Nyahururu. The findings are as in the table below.

**Table 4.5: Customer services take time to complete**

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>4</td>
<td>5.7</td>
</tr>
<tr>
<td>Agree</td>
<td>29</td>
<td>41.4</td>
</tr>
<tr>
<td>Neutral/Not sure</td>
<td>10</td>
<td>14.3</td>
</tr>
<tr>
<td>Disagree</td>
<td>27</td>
<td>38.6</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
<td>100</td>
</tr>
</tbody>
</table>

In table 4.5 above a majority (41.4%) of the respondents agreed that the time it takes to complete customer services contributes to customer retention in commercial banks in Nyahururu. This implies that customer retention in commercial banks in Nyahururu is affected by the time it takes to complete services to customers. It suggests that there is a need for commercial banks to improve the time it takes to complete services. This with regards to observation by Peppers & Rogers (2010) that long banking processes is a big turn off for customers.

4.3.3 Technology used in bank is customer friendly

The study sought to investigate whether technology used by banks is customer friendly. The findings are presented in the table below.

**Table 4.6: Technology used in bank is customer friendly**

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>12</td>
<td>17.14</td>
</tr>
<tr>
<td>Agree</td>
<td>18</td>
<td>25.72</td>
</tr>
<tr>
<td>Neutral/Not sure</td>
<td>19</td>
<td>27.14</td>
</tr>
<tr>
<td>Disagree</td>
<td>21</td>
<td>30.0</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
<td>100</td>
</tr>
</tbody>
</table>

In table 4.6 above, majority (30.0%) of the respondents disagreed that technology used in the bank is customer friendly. On the other side while (25.72%) of the respondents agreed strongly agreed that technology used in bank is customer friendly. This shows that most (42.86%) of the respondents agreed that technology used in bank is customer friendly. This
implies that technology used is a relevant contributor to customer retention in commercial banks in Nyahururu. The findings also suggested there is need to improve on the extent to which technology is customer friendly. This is in agreement with Pepper and Roger (2010) that long banking processes is a big turn off for customers. They further asserts that, long banking queues, slow IT systems and long waiting duration to acquire an ATM usually put off customers and they opt to find services elsewhere.

4.3.4 Customers look for ease to use technology

The study sought to find out whether customers look for easy to use technology in other banks. The findings are as follows.

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>8</td>
<td>11.4</td>
</tr>
<tr>
<td>Agree</td>
<td>32</td>
<td>45.7</td>
</tr>
<tr>
<td>Neutral/Not sure</td>
<td>17</td>
<td>24.3</td>
</tr>
<tr>
<td>Disagree</td>
<td>11</td>
<td>15.7</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>2</td>
<td>2.9</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
<td>100.0</td>
</tr>
</tbody>
</table>

In table 4.7 above, (45.7%) of the respondents agreed and another (11.4%) strongly agreed that customers look for easy to use technology in other banks. This shows that (57.1%) of the respondents agreed that customers look for easy to use technology in other banks. This implies that customers prefer simple and easy to use technology in commercial banks in Nyahururu. It also suggests that technology is an important contributor to customer retention and therefore the banks should ensure that they use customer friendly technology. This finding suggests that banks that lack customer friendly technology could witness low customer retention. This finding collaborates with findings from Bain Company (2013) that shows that banks should accelerate the digital transformation. These views assert that as digital banking spreads; they should use technologies to delight customers through transactions such as remote deposit capture. Conversely, slow or confusing digital interfaces will quickly annoy customers (Bain Company, 2013 ).
4.4 Strategies used in the banking sector for customer retention

The study sought to find out the strategies used in the banking sector for customer retention. The findings are presented in the section below.

4.4.1 Are there strategies in the bank to monitor customer retention?

The study sought data from the staff members on whether there were strategies used in the bank to monitor customer retention. The findings are presented in the table below.

Table 4.8: There are strategies in the bank to monitor customer retention

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>2</td>
<td>13.33</td>
</tr>
<tr>
<td>Agree</td>
<td>6</td>
<td>40</td>
</tr>
<tr>
<td>Neutral/Not sure</td>
<td>4</td>
<td>26.67</td>
</tr>
<tr>
<td>Disagree</td>
<td>3</td>
<td>20</td>
</tr>
<tr>
<td>Total</td>
<td>15</td>
<td>100</td>
</tr>
</tbody>
</table>

Findings in Table 4.8 above show that majority (40%) of the staff agreed that their respective banks had strategies to monitor customer retention. Another (26.67%) of the respondents were not sure that banks had strategies to monitor customer retention. These results imply that the banks have strategies to monitor customer retention. Zenithal and Bitner (1996) agrees that a well-established customer data base is a foundation to creating effective customer retention strategies. They further observed that the data base could include information such as the firms' current customers (their names, their addresses, their phone numbers and so on), their purchasing behaviors, their revenue rate, their related cost, and their preferences and so on. Also when customers leave the firm, information on the termination of the relationship should be included in the database. This will enable the management understand reasons as to why customers are exiting and they can undertake necessary measure based on facts and could be one of the best way for monitoring customer retention.

4.4.2 Banks awards loyal customers

The study sought to find out whether the commercial banks in Nyahururu award its loyal customers. The findings are as in the pie chart below.
According to Figure 4.2 above, majority (54.29%) of the respondents disagreed and another (14.29%) strongly disagreed that banks award its loyal customers. This implies that (68.58%) of the respondents disagreed that the commercial banks in Nyahururu awards its loyal customers. These findings suggest that banks don’t have an award system for loyal customers. The findings suggest that there is a need for banks to design ways of rewarding loyal customers. This is in collaboration with sentiments from Yi and Jean (2008) that stipulates that rewarding customers contributes to customer retention while Bolton, Kanaan and Bramlett (2000) notes that rewarding customers increases customers retention as well as providing increased satisfaction and value to certain customers.

4.4.3 Bank established customer loyalty clubs
The study sought to establish whether commercial banks in Nyahururu have established customer loyalty clubs. The findings are presented in the section below.
Table 4:9: Bank established customer loyalty clubs

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>7</td>
<td>10.0</td>
</tr>
<tr>
<td>Agree</td>
<td>17</td>
<td>24.3</td>
</tr>
<tr>
<td>Neutral/Not sure</td>
<td>22</td>
<td>31.4</td>
</tr>
<tr>
<td>Disagree</td>
<td>24</td>
<td>34.3</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Results in Table 4:9 above shows that majority (34.3%) of the respondents disagreed while (24.3%) of the respondents agreed that there are loyalty clubs in commercial banks in Nyahururu. This implies that presence of customer loyalty clubs in the banks is not well known or it is not strong enough. This is evidenced by (31.4%) of the respondents who were not sure whether there are loyalty clubs in their commercial banks in Nyahururu. This implies that there is need to strengthen customer loyalty clubs in the banks in Nyahururu in order to increase customer retention. This is in agreement with Blomqvist, et.al (2000) argument that customer clubs formalizes the relations with the customers thus leading to customer loyalty and retention eventually.

4.4.4 Recovery Efforts for less active and not active at all accounts available

The study sought to investigate whether there are recovery efforts for less active and not active at all accounts in commercial banks in Nyahururu. The findings are as follows

Table 4:10: Recovery Efforts for less active and not active at all accounts are available

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>3</td>
<td>4.3</td>
</tr>
<tr>
<td>Agree</td>
<td>12</td>
<td>17.1</td>
</tr>
<tr>
<td>Neutral/Not sure</td>
<td>32</td>
<td>45.7</td>
</tr>
<tr>
<td>Disagree</td>
<td>23</td>
<td>32.9</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
<td>100.0</td>
</tr>
</tbody>
</table>

According to table 4.10, the majority (45.7%) of the respondents were not sure whether there are recovery efforts for less active and not active accounts in commercial banks in Nyahururu. Furthermore, a significant 32.9% of the respondents disagreed that there are efforts meant to recover less active and not active at all accounts. This implies that the banks do not follow up on those customers whose accounts are not active, but rather concentrate on those active customers. This implies that banks don't seek feedbacks from customers who
have defected to know why they left. This findings suggests that banks should make more efforts of ensuring inactive accounts are reactivated.

4.4.5 Bank keeps constant communication with its best customers

The study sought to investigate whether commercial banks in Nyahururu keeps constant communication with its best customers. The findings are in the chart below.

![Pie chart showing responses to whether banks keep constant communication with best customers]

Figure 4.3: Bank keeps constant communication with its best customers

According to figure 4.5 above, the study established that majority (34.29%) were not sure whether commercial banks in Nyahururu keep constant communication with its best customers. Another (31.34%) of respondents disagreed that commercial banks in Nyahururu keep constant communication with its best customers. This implies that commercial banks in Nyahururu don’t have special treatment for customers in a way that would ensure that they retain them. A good and constant communication should be established between the firm and its 'best' customers, and this could be performed with face to face or over the telephone. To reinforce this view, Nyaga (2003) observes that bank employees should be trained on how to resolve problems effectively and be allowed to resolve them at the customer touch point. This can only be possible in an environment in which the customer feels appreciated.
4.5 Customer relationship management

The study sought to establish the influence of customer relationship management on customer retention in commercial banks in Nyahururu. The findings are presented in the section below.

4.5.1 Bank has personnel to assist new customers in bank process

The study sought to investigate whether the bank has personnel who assist new customers in bank processes. The findings are in the chart below.

According to figure 4:4 above, the study established that majority (87.14%) of the respondents agreed that the commercial banks in Nyahururu have personnel who assist new customers in the bank processes. This implies that there are trained people who handle new customers in the banks. This suggests that banks are able to handle customers well at entry. However, comparing this with section on whether the banks retain communication with its best customers in section 4.4.5 the findings suggests that this treatment wanes with time. Nyaga (2003) agrees that banking institution should design a group to support the customer retention program and communicate the structure and rationale throughout the company.
They should also hire and train employees eager to work with customers. This will contribute largely in instilling a sense of belonging with the bank and eventually retention of customers.

4.5.2 Room for customer complaints created
The study sought to find out if commercial banks in Nyahururu had avenues for customers to raise complaints. The results were presented in the section below.

Table 4.11: Room for customer complaints created

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>8</td>
<td>11.4</td>
</tr>
<tr>
<td>Agree</td>
<td>17</td>
<td>24.31</td>
</tr>
<tr>
<td>Neutral/Not sure</td>
<td>18</td>
<td>25.71</td>
</tr>
<tr>
<td>Disagree</td>
<td>27</td>
<td>38.58</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
<td>100</td>
</tr>
</tbody>
</table>

According to table 4.11 the study found out that majority (38.58%) of the respondents disagreed that the commercial banks in Nyahururu have created a room for customer where they can air out their complaints while 25.71% were not sure. This findings show that the system of addressing customer issues could be there but customers are either not aware about it or it does not address their issues comprehensively. This suggests that there is a need for commercial banks to look at how they tackle customers’ complaints. The University of Michigan study (2004) report emphasizes banks should improve on customers’ satisfaction by resolving errors immediately. The report further indicates that Customers generally are more concerned with speedy resolution than the errors themselves.

4.5.3 Presence of an open Environment where customers communicate with management
The study sought to establish whether the commercial banks in Nyahururu have an open environment in which the customers are able to communicate with the management. The findings are presented in the table below.
Table 4:12: Open Environment where customers communicate with management

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>10</td>
<td>14.3</td>
</tr>
<tr>
<td>Agree</td>
<td>27</td>
<td>38.6</td>
</tr>
<tr>
<td>Neutral/Not sure</td>
<td>33</td>
<td>47.1</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
<td>100.0</td>
</tr>
</tbody>
</table>

In table 4:12 above, the study established that (47.1%) of the respondents were not sure while (38.6%) of the respondents agreed that the commercial banks in Nyahururu have a clear environment where customers can communicate with the management. This implies there is a mixed feeling on whether the environment is conducive enough for customers to communicate freely with the management. It also suggests that management of commercial banks in Nyahururu should ensure that they are more accessible to their customers in order to boost customer retention. This is supported by Performix Technologies a report that explains that companies that engage employees are more likely to have customer loyalty and are also likely to have better performance. This is also likely to influence customer retention for they are in contact with the customers.

4.5.4 Fair interest given to customers

The study sought to investigate whether customers in the commercial banks in Nyahururu are charged fair interest rates. The findings are as in the table below.

Table 4:13: Fair interest given to customers

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>9</td>
<td>12.86</td>
</tr>
<tr>
<td>Agree</td>
<td>18</td>
<td>25.71</td>
</tr>
<tr>
<td>Neutral/Not sure</td>
<td>11</td>
<td>15.71</td>
</tr>
<tr>
<td>Disagree</td>
<td>32</td>
<td>45.72</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
<td>100</td>
</tr>
</tbody>
</table>

In table 4:13 above, the majority (45.72%) disagreed while (25.71%) of the respondents agreed that commercial banks in Nyahururu charge fair interest rates to its customers. This implies that to most of customers, the interest rates in the commercial banks in Nyahururu are not fair.In addition it suggests that there is a need for banks to ensure that they make their interest rates attractive to customers so as to increase customer retention.
4.5.4 Banks charge services at fairer price to existing customers

The study sought to find out if commercial banks in Nyahururu sell their products fairer to its existing customers. The findings are in the table below.

Table 4:14: Banks sell products to existing customers at fairer price

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>5</td>
<td>7.1</td>
</tr>
<tr>
<td>Agree</td>
<td>6</td>
<td>8.6</td>
</tr>
<tr>
<td>Neutral/Not sure</td>
<td>59</td>
<td>84.3</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
<td>100.0</td>
</tr>
</tbody>
</table>

According to Table 4:14 above, majority (84.3%) of the respondents were not sure whether existing customers are sold products at a fairer price in commercial banks in Nyahururu. This implies that there is no special consideration given to existing customers when selling bank services and products. It also suggests that pricing is not a strategy that commercial banks in Nyahururu use in order to retain customers. Lohman (2015) posits that an effective pricing strategy can be the difference between being perceived as a market leader or follower. The wrong strategy can strip margin and make it difficult to survive or push consumers away encouraging them to shop your competition (Lohman, 2015).

4.6 Customer retention

The study sought to investigate the factors that show customer retention. The findings were presented as in the table and charts below.

4.6.1 Customers re-buying bank products

The study sought to investigate whether customers in commercial banks in Nyahururu re-buy bank products at the original set price.

Table 4:15: Customers re-buying bank products

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>8</td>
<td>11.43</td>
</tr>
<tr>
<td>Agree</td>
<td>27</td>
<td>38.57</td>
</tr>
<tr>
<td>Neutral/Not sure</td>
<td>18</td>
<td>25.71</td>
</tr>
<tr>
<td>Disagree</td>
<td>17</td>
<td>24.29</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
<td>100</td>
</tr>
</tbody>
</table>
According to table 4:15 the study revealed that that majority (38.57%) of the respondents agreed and another (11.43%) strongly agreed that customer in commercial banks in Nyahururu re-buy bank products at the original set price. This gives a total of (50%) of the respondents who agreed that customers buy bank products at the original set price. This implies that most of the customers are willing to re-buy products at the original set price.

4.6.2 Bank gets new customers through referrals
The study sought to find out if the banks in Nyahururu get new customers through referrals from their existing customer. The findings are on the pie chart below.

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>5</td>
<td>7.14</td>
</tr>
<tr>
<td>Agree</td>
<td>8</td>
<td>11.43</td>
</tr>
<tr>
<td>Neutral/Not sure</td>
<td>18</td>
<td>25.71</td>
</tr>
<tr>
<td>Disagree</td>
<td>27</td>
<td>38.57</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>12</td>
<td>17.15</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
<td>100</td>
</tr>
</tbody>
</table>

According to Table 4:16 above, the research found out that majority (38.57%) of the respondents disagreed while (17.15%) strongly disagreed that commercial banks in Nyahururu gets new customers through referral from the existing customers. This shows that (55.72%) of the respondents disagreed that commercial banks in Nyahururu gets to acquire new customers through referrals from the existing customers. This implies that most banks do not recruit new customers through referrals but probably through direct marketing and recruitment. Kotler (2001) postulates that long-term customers buy more and, if satisfied, may generate positive word-of-mouth promotion for the company and this may lead to referrals as a result of satisfaction. This suggests that banks are missing out on the aspect of getting to expand their market share through referrals. Referrals are indicative of the confidence a customer has with an institution. Therefore, lack of referring others to the institution is indicative that most of the customers may not have high confidence with the banks to an extent of referring them to others.
4.6.3 Customers give positive feedback about the bank services
The study sought to find out if customers gave positive feedback about the services offered in the commercial banks in Nyahururu. The findings are in the graph below.

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>5</td>
<td>7.14</td>
</tr>
<tr>
<td>Agree</td>
<td>11</td>
<td>15.71</td>
</tr>
<tr>
<td>Neutral/Not sure</td>
<td>25</td>
<td>35.72</td>
</tr>
<tr>
<td>Disagree</td>
<td>13</td>
<td>18.57</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>16</td>
<td>22.86</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
<td>100</td>
</tr>
</tbody>
</table>

According to table 4:17 above the study established that the majority (35.72%) of the respondents were neutral on whether customers sent back positive feedback about the services offered in the bank disagreed while (22.86%) strongly disagreed that. This implies that the customers are not giving positive feedback about the banks. This suggests there is low discontent among the customers that need to be addressed so as to enhance customer retention. This finding collaborates with those in 4.6.2 that shows most customers don’t make referrals.

4.6.4 Account Dormancy
The study sought data from staff to understand what proportion of the accounts opened with banks in the study had become dormant. The findings are in the table below.

<table>
<thead>
<tr>
<th>Responses</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1</td>
<td>3</td>
<td>20.0</td>
</tr>
<tr>
<td>2</td>
<td>8</td>
<td>53.3</td>
</tr>
<tr>
<td>3</td>
<td>3</td>
<td>20.0</td>
</tr>
<tr>
<td>4</td>
<td>1</td>
<td>6.7</td>
</tr>
<tr>
<td>Total</td>
<td>15</td>
<td>100</td>
</tr>
</tbody>
</table>
The findings in the table above show that out of every 10 accounts with the bank, majority of the banks (53.3%) reported having 2 dormant accounts. An additional 20% reported having both 1 and 3 dormant accounts out of every 10 accounts. This shows that the banks had a significant problem with accounts becoming dormant. This implies that customers may open accounts and not operate them or result to going to other banks.

4.7 Statistical Analysis

The study carried out a regression analysis on the various variables impact on the retention of customers in the banks. The findings are as follows

4.7.1 Model Summary of Factors

The study carried out regression analysis on the impact of the Factors affecting customer retention and the retention of customers at the banks in the study. The findings are in the model summary below.

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.617(^a)</td>
<td>.381</td>
<td>.343</td>
<td>.604</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Factors affecting customer retention

b. Dependent Variable: For every ten clients how many accounts are dormant

The table 4:19 above shows an R value of .617, and an R square values of 38.1%. A correlation greater than 0.8 is generally described as strong, whereas a correlation less than 0.5 is generally described as weak. The R square value indicates how much of the dependent variable (customer retention), can be explained by the independent variable (selected factors affecting customer retention). The R value indicates that there is a modest correlation between the factors that affect customer retention, and the customer retention in the banks. The R square value shows that there is a positive correlation between the selected factors which affect the customer retention, and the customer retention at the banks in the study.
The table above shows the information needed to arrive at Customer retention levels from Factors affecting customer retention. This is shows that Customer Retention = .270 + .553 (factors affecting retention)

### 4.7.2 Strategies used by Banks to Retain Customers

The study carried out regression for the Impact of the strategies used to retain customers, on the retention of customers by the banks in the study. The findings are as follows.

The findings in the table 4:21 above show an R value of .444 and R square value of 59.7%. This implies that there is fairly strong correlation between the independent variable (strategies for Customer retention) and the dependent variable (Customer Retention).
Table 4.22: Coefficient for Strategies for Customer Retention

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>.464</td>
<td>1.016</td>
<td>-.063</td>
<td>-.063</td>
</tr>
<tr>
<td>Strategies for Customer retention</td>
<td>.451</td>
<td>.177</td>
<td>.477</td>
<td>2.550</td>
</tr>
</tbody>
</table>

The table above shows the coefficients for determining customer retention using the strategies as follows: customer retention = .464 + .451 (Strategies for Customer retention)

4.7.3 Customer Relationship Management

The study carried out regression analysis for the impact of customer retention as follows

Table 4.23: Model Summary for Customer Relationship Management

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>RStd. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.689(^a)</td>
<td>.674</td>
<td>.442</td>
<td>.557</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Customer Relations Management

b. Dependent Variable: For every ten clients how many accounts are dormant

The table above shows the model summary for the relationship between customer relations management and the customer retention of the banks in the study. The R value of .689 indicates a strong correlation between customer relations and customer retention is modest. The R square value of 67.4% also shows a strong correlation.
Table 4.24: Coefficient for Customer Relations Management

<table>
<thead>
<tr>
<th></th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>5.334</td>
<td>.579</td>
<td>9.220</td>
<td>.000</td>
</tr>
<tr>
<td>Customer relations management</td>
<td>.517</td>
<td>.099</td>
<td>-5.205</td>
<td>.000</td>
</tr>
</tbody>
</table>

The table above shows the coefficients for determining customer retention using customer relations management as follows: customer retention = 5.334 + .517 (Customer relations Management).

Summary of Statistical Analysis

The forgoing shows that from the regression model

\[ Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \cdots + \epsilon \]

Where \( Y \) = Customer Retention

\( \beta_1, \beta_2, \beta_3 \) = coefficients of the independent variables

\( X_1 \) = strategies used in the banking sector

\( X_2 \) = reasons for defection

\( X_3 \) = customer relationship management

\( \epsilon \) = constant error term

Customer Retention = 5.334 + .517 (Customer relations Management)

Customer Retention = .464 + .451 (Strategies for Customer retention)

Customer Retention = .270 + .553 (factors affecting retention)
This shows that customer relations management has highest influence on customer retention, followed by factors affecting retention them strategies for customer retention.

Multiple regression shows that

Customer retention = 2.47 + .517 (Customer relations Management) + .553 (factors affecting retention) + .451 (Strategies for Customer retention) + \( \sigma_0 \)
CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introductions

This chapter summarized the findings made in the study. It then drew conclusions, and made recommendations, in line with the objectives of the study, and then suggested areas for further research.

5.2 Summary of Findings

5.2.1 Background Information

The study sought information on the background of the respondents reached in the study and made the following findings. With regards to the gender of the respondents, the study found that a majority (62.9%) of the respondents were female while the minority (37.1%) is males. This implies that there are more female staff and customers in the commercial banks in Nyahururu. On the issue of age of the respondents, the study found that it shows that a total of 70.0% of the respondents were 31-40 years. This implies that the staffs and the customers are relatively young.

On the channels used to access bank (32.7%) of the respondents used Automated Teller Machines while (30.9%) of the customers used counter services. This implies that a total of (63.6%) of the respondents used either counter services or ATMs to access their bank accounts The results further revealed the number of customers using both mobile banking and agency banking were low. This implies that people are still hesitant in taking up technology. On the time spent using a banking channel, the study found that half (50.9%) of the customers had been using their banking channels for a period of 3-4 years. That most customers had accessed banking channels for less than four years it implied that banks are facing a challenge in terms of customer retention.

5.2.2 Factors that Cause Customer defection

The study sought to find out whether or not selected factors had an effect on the customer retention in the banks. With regard to the time banks use to handle customers, the study found that a majority (44.28%) of the respondents felt that banks’ taking too long to address customer needs was affecting customer retention. This implies that the time it takes for banks to handle customer needs was affecting their capacity to retain customers. On the issue of
how long it takes to complete customer services, the study found that a majority (41.4%) of the respondents agreed that customer services taking time to complete contribute to customer retention in commercial banks in Nyahururu. This implies that customer retention in commercial banks in Nyahururu is affected by the time it takes to complete services to customers. The study showed that (42.86%) of the respondents agreed that technology used in bank is customer friendly. This implies that technology used is a relevant contributor to customer retention in commercial banks in Nyahururu. The findings also suggested there is need to improve on the extent to which technology is customer friendly. On the ease of use of the technology used in the banks, the study found that (57.1%) of the respondents agreed that customers look for easy to use technology in other banks which affects customer retention. This implies that customers prefer simple and easy to use technology in commercial banks in Nyahururu. These findings suggest that banks that lack customer friendly technology could witness low customer retention.

5.2.3 Strategies Employed to Boost Customer Retention

The study examined the strategies used, by the banks in the study, to enhance customer retention and made the following findings. Majority (40%) of the staff agreed that their respective banks had strategies to monitor customer retention. Another (26.67%) of the respondents were not sure that banks had strategies to monitor customer retention. These results imply that the banks have strategies to monitor customer retention. Majority (68.58%) of the respondents disagreed that the commercial banks in Nyahururu awards its loyal customers. These findings suggest that banks don’t have an award system for loyal customers. On the establishment of customer loyalty clubs, majority (34.3%) of the respondents disagreed while (24.3%) of the respondents agreed that there are loyalty clubs in commercial banks in Nyahururu. This implies that there is need to strengthen customer loyalty clubs in the banks in Nyahururu in order to increase customer retention. On the matter of recovery of inactive accounts, the majority (45.7%) of the respondents were not sure whether there are recovery efforts for less active and not active at accounts in commercial banks in Nyahururu. Furthermore, a significant 32.9% of the respondents disagreed that there are programs meant to recover less active and not active at all accounts. This implies that the banks do not follow up on those customers whose accounts are not active, but rather concentrate on those active customers. On maintaining communication with active clients, majority (34.29%) were not sure whether commercial banks in Nyahururu keep constant communication with its best customers. Another (31.34%) of respondents
disagreed that commercial banks in Nyahururu keep constant communication with its best customers. This implies that commercial banks in Nyahururu don’t have special treatment for customers in a way that would ensure that they retain them.

5.2.4 Customer Relationship Management
The study sought to examine the impact of customer relationship management on customer retention in the banks in the study. On having personnel to help new customers, the study found that majority (87.14%) of the respondents agreed that the commercial banks in Nyahururu have personnel who assist new customers in the bank processes. This implies that there are trained people who handle new customers in the banks. This suggests that banks are able to handle customers well at entry but this treatment wanes with time. On the matter of there being room for customer complaints, majority (38.58%) of the respondents disagreed that the commercial banks in Nyahururu have created a room for customer where they can air out their complaints while 25.71% were not sure. This implies that the system of addressing customer issues could be there but customers are either not aware about it or it does not address their issues comprehensively. On the issue of an environment where customers could reach the bank management, (47.1%) of the respondents were not sure while (38.6%) of the respondents agreed that the commercial banks in Nyahururu have a clear environment where customers can communicate with the management. This implies there is a mixed feeling on whether the environment is conducive enough for customers to communicate freely with the management. On the interest rates offered to customers, the study found that the majority (45.72%) disagreed while (25.71%) of the respondents agreed that commercial banks in Nyahururu charge fair interest rates to its customers. This implies that to most of customers, the interest rates in the commercial banks in Nyahururu are not satisfactory. It implies that there is a need for banks to ensure that they make their interest rates attractive to customers so as to increase customer retention. On the fairness of the prices of various bank services, the study found that a majority (84.3%) of the respondents were not sure whether existing customers are sold products at a fairer price in commercial banks in Nyahururu. This implies that there is no special consideration given to existing customers when selling bank services and products.

5.2.5 Customer Retention
The study sought to find out how well banks in the study were retaining customers, and made the following findings. On whether customers were willing to re-buy back products the study a total of (50%) of the respondents who agreed that customer buy bank products at the
original set price. This implies that the original set price for products and services at commercial banks in Nyahururu are considered fair to customers. On the acquisition of new customers via referrals (55.72%) of the respondents disagreed that commercial banks in Nyahururu gets to acquire new customers through referrals from the existing customers. This implies that the banks do not recruit new customers through referrals but probably through direct marketing and recruitment. This suggests that banks are missing an important channel of recruiting new members. On the positive feedback given to customers, the study found that majority (35.72%) of the respondents were neutral on whether customers sent back positive feedback about the services offered in the bank while (22.86%) strongly disagreed that customers gave positive feedback. This implies that the customers were not sharing information on the bank with friends and families. This suggests there is need to address customers’ experience in order to enhance their capacity to share with others about the bank.

With regards to account dormancy, the study found that out of every 10 accounts with the bank, majority of the banks (57.1%) reported having 2 dormant accounts. An additional 20% reported having 3 dormant accounts out of every 10 accounts. This shows that the banks had a significant problem with accounts becoming dormant.

5.3 Conclusions

The study made the following conclusions, based on the objectives of the study.

i. The study revealed that banks are facing a challenge in terms of customer retention. On the matter of how selected factors, the time it takes for banks to handle customer complaints was affecting their capacity to retain customers. In addition, customer retention is affected by the time it takes to complete services to customers as well as user-friendliness and ease of use of technology. Banks that lack customer friendly technology have low customer retention.

ii. On the issue of the strategies used in commercial banks for customer retention the study revealed that, banks don’t reward customers’ for loyalty, the loyalty clubs are weak, and banks don’t take initiative to call up customers with inactive or less active accounts. In addition, regular communication with loyal customers was weak.

iii. On the influence of customer relationship management on customer retention in commercial banks the study revealed that banks are able to handle
customers well at entry but this treatment wanes with time. In addition the system of addressing customer issues could be there but customers are either not aware about it or it does not address their issues comprehensively. The study also revealed that there is a mixed feeling on whether the environment is conducive enough for customers to communicate freely with the management and that the interest rates in the commercial banks in Nyahururu are not regarded as being fair by the customers. In addition, the study showed there is no special consideration given to loyal customers when selling bank services and products.

5.4 Recommendations

The study would like to make the following recommendations

i. Commercial banks should ensure that they offer quick and efficient services in order to retain customers

ii. Commercial banks in Nyahururu should ensure the technology they use is user friendly so as to improve the customer’s experience.

iii. Banks should strengthen customer loyalty plans. This should involve calling up customers whose accounts are inactive or less active.

iv. Commercial banks should ensure they are more open in communicating with loyal customers

v. Commercial Banks should be consistent in the way they handle customers right from recruitment.

vi. Customers issues should be handled comprehensively

vii. Environment in banks should be made more open for customers to communicate with management.

viii. Commercial banks in Nyahururu should make loyal customers feel special

5.5 Suggestions for Further Research

The study would like to suggest the following areas as subjects of further research in this field.

i. The influence of alternate channels on customer retention

ii. The factors influencing technology uptake in banking industry

iii. A replica of the study in different towns of the country
REFERENCES


Banking supervisory reports’ (2001-2006) about us http://www.centralbank.go.ke


Prentice Hall.


TO WHOM IT MAY CONCERN:

RE: CATHERINE W. MURIITHI – D53/NKU/21866/2012

This is to confirm that the above named is a Master of Business Administration MBA (Strategic Management Option) student in the School of Business, Kenyatta University.

She is through with course work and has successfully defended her Masters Degree proposal (Strategies Adopted by Commercial Banks for Customer Retention in Laikipia County). I confirm that she has done all the corrections that were pointed out by the examiners during the defense and she is now embarking on data collection.

Any assistance accorded to her will be much appreciated by this office.

Thank you.

DICKSON OBARE
FOR: DOCTORAL AND MBA PROGRAMMES COORDINATOR
APPENDIX I: QUESTIONNAIRE FOR THE STAFF

Instructions
Kindly fill the following questionnaire by answering all the questions given as instructed. All information will be treated with confidentiality and shall only be used for the purposes of research. Do not indicate your name anywhere on the questionnaire.

SECTION A: PERSONAL DATA
Kindly answer the questions in the following section, about your personal data, and tick the box [✓] which applies to you.

1. What is your gender?
   Male [✓]  
   female [ ]

2. What age bracket do you fall?
   Below 25 years [✓]  
   26 – 30 years [ ]  
   31 – 35 years [ ]  
   36 – 40 years [ ]  
   41 and above [ ]

3. For how long have you worked in the bank?
   0 -2 years [✓]  
   3-4 years [ ]  
   5-10 years [ ]  
   over 10 years [✓]

SECTION B: SELECTED FACTORS THAT CAUSE CUSTOMER RETENTION
Kindly consider the statements that follow regarding the factors that cause customer retention in the commercial agencies and tick [✓] the box which indicates your view.

KEY: 1=strongly agree  2= agree  3= neutral/not sure  4= disagree  5= strongly disagree
<table>
<thead>
<tr>
<th>Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>The bank takes time to handle customer complaints.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The bank processes take time to be completed.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The technology used in the bank is not customer friendly.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customers leave to look for easy to use technology</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

SECTION C: STRATEGIES USED IN THE BANKING SECTOR CUSTOMER RETENTION.

Kindly consider the statements that follow regarding the strategies used in the banking sector for customer retention and tick [ ] the box which indicates your view.

KEY: 1=strongly agree  2= agree 3= neutral/not sure  4= disagree  5= strongly disagree

<table>
<thead>
<tr>
<th>Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>There are strategies in the bank that are used to monitor customers retention</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
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APPENDIX I: QUESTIONNAIRE FOR THE CUSTOMERS

Instructions

Kindly fill the following questionnaire by answering all the questions given as instructed. All information will be treated with confidentiality and shall only be used for the purposes of research. Do not indicate your name anywhere on the questionnaire.

SECTION A: PERSONAL DATA

Kindly answer the questions in the following section, about your personal data, and tick the box [✓] which applies to you.

1. What is your gender?
   Male [ ]
   female [ ]

2. What age bracket do you fall?
   Below 25 years [ ]
   26 - 30 years [ ]
   31 - 35 years [ ]
   36 - 40 years [ ]
   41 and above [ ]

3. Which banking channel(s) do you use to operate your account (you can tick more than one)?
   counter service [ ]
   Mobile Banking [ ]
   Agent outlets [ ]
   Automated teller Machine(ATM) [ ]
   Internet Banking [ ]
   none [ ]

4. For how long have you used this/these channel(s)?
   0 -2 years [ ]
   3-4years [ ]
   5-10 years [ ]
   over 10 years [ ]

SECTION B: SELECTED FACTORS THAT CAUSE CUSTOMER RETENTION

Kindly consider the statements that follow regarding the factors that cause customer retention in the commercial agencies and tick [✓] the box which indicates your view.

KEY: 1=strongly agree  2= agree 3= neutral/not sure  4= disagree  5= strongly disagree
The bank takes time to handle customer complaints.
The bank processes take time to be completed.
The technology used in the bank is not customer friendly.
Customers look for easy to use technology

SECTION C: STRATEGIES USED IN THE BANKING SECTOR CUSTOMER RETENTION.

Kindly consider the statements that follow regarding the strategies used in the banking sector for customer retention and tick [✓] the box which indicates your view.

KEY: 1=strongly agree  2= agree  3= neutral/not sure  4= disagree  5= strongly disagree

<table>
<thead>
<tr>
<th>Statement</th>
<th>1</th>
<th>2</th>
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SECTION D: CUSTOMER RELATIONSHIP MANAGEMENT

Kindly consider the statements that follow regarding the influence of customer relationship management on customer retention in the commercial agencies and tick [✓] the box which indicates your view.
<table>
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<tr>
<th>Statement</th>
<th>1</th>
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</thead>
<tbody>
<tr>
<td>The bank has personnel who assist new customers in bank processes</td>
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<tr>
<td>The bank has created a room for customers where they can complain.</td>
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<td>The bank has a clear environment where the customers can communicate with the management effectively</td>
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<td>The bank offer fair interest rates to its customers</td>
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<td>The bank sells products to its existing customers at a fairer price</td>
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</table>

**SECTION E: CUSTOMER RETENTION**

Kindly consider the statements that follow regarding the influence of customer relationship management on customer retention in the commercial agencies and tick [✓] the box which indicates your view.

**KEY: 1=strongly agree  2= agree  3= neutral/not sure  4= disagree  5= strongly disagree**

<table>
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<tbody>
<tr>
<td>I do buy other product banks</td>
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<td>I do refer my friends and family to this bank</td>
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<tr>
<td>I give positive feedback about the bank services</td>
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