'AN INVESTIGATION OF THE STATE OF RELATIONSHIP MARKETING STRATEGY IN THE KENYAN BANKING SECTOR'

BY

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DECLARATION

This project is my original work and has not been submitted for a degree in any other University.

12/11/99

John Kuria Thuo.

This project has been submitted for examination with my approval as the University supervisor.

12/11/99

Dr. Raymond M. Musyoka

DEDICATION

For my late dear ones:

My dad: James Thuo Kuria

My sister: Anne Wangui

Whose lives I live.

And for my :

Mum: Mary Wanjira

Sisters: Jane Waithira and Dorcas Wairimu

Brother: Richard Kiboro

My purpose for living

TABLE OF CONTENTS

PAGE NUMBER

LIST OF TABLES

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ABSTRACT

This study sought to find out the state of Relationship Marketing Strategy in the Kenyan Banking sector.

To attain this, the banks perceptions and attitudes towards relationship marketing and their behavioral practices were measured through interviews of senior bank marketers.

The study found out that the bank marketers awareness and understanding of the relationship-marketing concept as analyzed through their perceptions and attitudes was quite high.

However, the bank practices as measured by relationship marketing implementation behaviors were really low. The banks also tend to apply relationship marketing mostly to their corporate clients who form a minority of their client base as opposed to consumer clients who form the bulk of their customers.

The clients' commitment to relationship marketing strategy was found to be lacking.

The study therefore established that though awareness of relationship marketing strategy by bank marketers was high, its implementation is rather low and unilateral.

Adequate and relevant statistical tools such as factor analysis, frequencies, percentage and tabulations were successfully used to bring out the statistical validity of the findings.

The study gives out adequate suggestions that may be useful in the implementation of a more effective relationship marketing strategy in addition to highlighting important dimensions of this competitive tool.

Despite its inherent limitations, this study tries to compile a work that should serve as a useful guide to the proper understanding of the elusive concept of relationship marketing strategy, which the academic thinking purports to be a new paradigm and a revolution in the marketing field.

CHAPTER ONE: INTRODUCTION

1. BACKGROUND

Over the past ten years, a major shift is believed to have occurred in the ways marketers approach their customers.

Researchers report a fundamental shift from the traditional transactional marketing to relationship marketing ([illegible], 1994); Kalwani and Narayandas (1995) [illegible] and [illegible] ([illegible], [illegible] 1995), Morris et al. (1998), Cann (1998).

As competition intensifies, products and services become more homogeneous, and customers become aware, it is becoming increasingly harder for companies in both manufacturing and service industries to differentiate themselves from other organisations. Merely providing customers with quality products/services does not suffice anymore to be competitive enough to gain and retain market share.

Competitive realities are forcing firms to move away from adversarial relationships with customers and suppliers towards more co-operative ones.

As the traditional marketing mix elements have become commoditised, companies are concluding that their most valuable assets are relationships with customers and other key stakeholders. This is because the core aim of brand relationships is a major determinant of brand Value (Duncan et al., 1997).

Ensuring customer relationships are a company's most important asset

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Ongoing customer relationships are a company's most important asset.

Estimates that it costs six to nine times more to acquire a new customer than it does to retain a current one demonstrates the value of relationships (Croess et al, 1995).

In additions profits per customer increase with customer longevity, because the longer the customers are with a company, the more willing they are to pay premium prices, make referrals , demand less hand holding and spend more money. (Reincheld, 1994).

The more a company can do to strengthen its customer and stakeholder relationships, the more cost effective its marketing effort will be. The social and association nature of business in general depend on relationships.

In their new approaches to marketing, managers have moved to a more humanistic and relationship based model. The trend is a shift towards a relationship focus.

Morgan and Hunt (1994) argue that companies have recognized the sustainable competitive advantage in the global economy increasingly requires one to become a trusted participant in some network or set of strategic alliances.

Cardwell (1998) observes that a company's very survival in the modern market will depend upon its moving closer to the customer, fully understanding customer needs and wants and building a relationship and thus creating consistent customer dedication.

The service business originally evolved around keeping close relationships with customers. However, because of the increasing number of customers and the stressing of the marketing mix paradigm, relationships with customers moved to the background during the 1960s and the 1970s (Gronroos,1995).

It was not until the mid 1980s that relationship marketing re-emerged again in service practices (Berry 1995). This was due to the maturing of service marketing with an emphasis on quality, increased recognition of potential benefits to companies and the customer and technological advances. Also the marketing mix paradigm did not fit service companies' customer relations well, which led to the development of service marketing as a discipline in its own right (Gronroos, 1995)

Accordingly, the emerging marketing norm has been to concentrate on customer retention through on-going interaction and follow-up, after sales servicing and the seller's flexibility among other relational manifestations. Organizations should now concentrate on those aspects in the service offerings that customers value most and that can be used as a basis of differentiation. Relationship marketing is one such aspect.

Kalwani and Narayanda (1995) report results of a study in which the performance of a group of manufacturing companies who have been engaged in long-term relationships was compared with a matched sample of firms who used a transactional approach. Their findings indicate superior rates of growth in net sales, reduced inventory holding and utilization costs, and greater ability to protect and improve their profitability levels relative to the firms using transactional approach.

Other positive outcomes for the sellers attained from relationship marketing include improved customer satisfaction, customer loyalty, improved product quality and increased profitability as a result of better sales performance combined with cost efficiencies in production and marketing (Morris et al, 1998)

1.2 DEFINITION OF RELATIONSHIP MARKETING

Relationship marketing is a strategic orientation adopted by both the buyer and seller parties, which represents a commitment to long-term, mutually beneficial collaboration. (Morgan and Hunt,1994). It refers to all marketing activities directed towards establishing, developing and maintaining successful relational exchanges.

There are no buyers and sellers or providers and customers in relational exchanges but partners exchanging resources (Morris et al, 1998)

Relationship building is fundamentally a strategic activity as opposed to tactical sales or marketing ploy.

1.3 RESEARCH PROBLEM

Current research is clear that under certain circumstances, a long-term relationship between the vendor and the customer is the best way to success for the selling firm. Various value-added services, which start before the actual transaction and go far beyond it, have to be delivered in order to stay competitive and create customer loyalty.

Research and business practices has shown that keeping customers through value-added services costs less than acquiring new ones and that loyal customers generate more revenues in the long run. (Anderson and Tonell, 1994, Reiheld and Sasser, 1990).

Although this may be common knowledge, it is not always common practice. One reason for this may be that some organizations do not know how to develop and/ or maintain a relationship with their customers.

Much research has been conducted in the developed world particularly in the U.S.A and U.K on the concept of relationship marketing strategy. The researcher is not aware of any attempt that has been made in Kenya to either document the academic thinking or establish the state of the understanding and practice of the relationship marketing strategy.

This study aims at filling this void through an exploration of the Kenyan Banking Sector.

The banking sector was deemed as an especially relevant environment within which to explore relationship behaviors. A variety of factors have been at work over the last few years, which would seem to incentivize and even mandate relationship formation . This include intense competition- with similar products/services on offer (which calls for the need to differentiate services), technology advancement and most currently an erosion of the traditional non-customer earning base- the fall in treasury bill rates.

It would also follow that survival in the mature Kenyan Banking market would call for the adoption of defensive marketing strategies such as relationship marketing, as a means to attain competitive edge.

How is relationship marketing conceptualized by the Kenyan banking marketers?

What is the practice of relationship marketing in the Kenyan banking sector?

1.4 OBJECTIVES OF THE STUDY

This study aims at establishing the state of the relationship marketing strategy in the Kenyan Banking sector through:

1. Examining the perceptions of Banking service marketers regarding the nature of relationship marketing

2. Assessing their attitudes towards investing in relationships

3. Ascertaining the types of relationship marketing behaviors in which they are currently engaged

1.5 IMPORTANCE OF THE STUDY

This study will be of importance to:-

1) Marketing Practitioners. The study will help them to properly operationalize Relationship Marketing strategy.

2) Future researchers, especially in the fields of marketing and strategic management. This is a pioneer study that ought to form the basis and stimulate further research in order to develop a better understanding of the concept of relationship marketing strategy.

CHAPTER TWO: LITERATURE REVIEW

2.1 COMPETITIVE STRATEGY AND SERVICE MARKETING

Porter (1980) asserts that competitive strategy is about creating and maintaining competitive advantages over rivals.

He further notes that the efficiency of a strategic business unit (SBU) is largely determined by the attractiveness of the industry (together with its entry and exit barriers) and the competitive position of the SBU within that industry. To Porter, what matters is achieving a cost or differentiation position (industry wide or in a niche) which can be defended against rivals.

This positioning only explains part of the differences in performance within an industry.

In order to achieve such an attractive position, a firm must be able to execute the necessary discrete activities in a more efficient way than its competitors.

A superior performer possesses not only an attractive position, but also unique and hard to imitate resources (Cool, 1989).

Foss (1996) observes that competitive strategy is the art of nurturing, accumulating and deploying rent – yielding resources, rather than a sole focus on erecting entry barriers or deceiving one's product market competitors

It is also argued that organizations reach positional advantages by investing in assets and capabilities (Day and Esley, 1988).

Recent research by Baden, Filler and Stopford (1994), D'Aveni (1994), Thwaiter, et al (1996) has argued that today's dynamic environment necessities the simultaneous combination of cost and differentiation positions to attain competitive advantage.

Therefore, select investments will only realize competitive advantage when the appropriate "leverage sources" are addressed which are valued by the customer and which enable the company to differentiate itself. A management of these key success factors results in superior customer value (Gale, 1994).

Although the attention of strategy literature is mainly (explicit or implicit) on competencies development and competitive positioning for tangible products, competition in industrial service markets displays similar evolution path.

However, the intangible nature of service performance or customer involvement in the production process (although not equally applicable to all services) creates the need for specific strategic marketing approach.

Fitsmwoons and Fitsimonns (1994) argue that service firms have to overcome several competitive difficulties such as relatively low entry barriers, minimal opportunities for economies of scale and imitations in market areas among others.

Service firms rely on both offensive and defensive marketing strategies to grow in highly competitive environments.

Offensive marketing strategies attempt to acquire new customers by expanding the overall size of the market or by capturing the customers of the competitors.

Defensive marketing strategies seek to improve exchange relations with current customers as a basis for increasing customer satisfaction and loyalty. A broad array of defensive strategies including frequent user, service guarantee and complaint management programs have been developed over the last decade in the U.S and U.K companies (Dwyer, Schrr and Oh, 1987, Hu, Toh and Strand, 1988).

Sheth, (1994) suggests that in most business to business situations, especially where the benefits exceed the risks, it is desirable for both the vendor and the customer to maintain a long-term relationship. A relationship is warranted in a situation where there is a goal convergence between the vendor and the customer, where the organization and the customer-realize that the potential gains from acting co-operatively will exceed the gains from acting opportunistically.

2.2 RELATIONSHIP MARKETING: A THEORETICAL FRAMEWORK

A study of current marketing literature suggests a modification of the general competitive advantage model.

Marketing has moved away from transactional models and developed the sophistication of the relational approach. Relationship Marketing as a concept and practice has become well established in recent years.

For instance, in 1995, Gummesson was writing about the thirty tactics of relationship marketing rather than the more often used and conventional `4p or 7p` models.

The success of relationship marketing might also be measured by the small but discernible academic backlash whereby some authors such as Chaston (1996) remind us that sometimes the customer is happy with simple relational exchanges.

Gummesson and Gronoroos (1995), Houston and Gasseuheimer (1998), and Peppers and Rodgers (1997) observed that traditional marketing has various weaknesses in light of the current marketing situation: the inability to discriminate and differentiate between appropriate service levels and customers (a focus that is synonymous with the expensive process of customer acquisition), the use of incentives and or promotions that do not differentiate between loyal and/or profitable customers and casual transactions incentives and/or promotions that do not always reach the most valuable customers and finally, displaying limited respect for internal marketing.

Current research in this area reveal that given the lengthy nature of customer buying process, the multiple decision participants, the often technical nature of what is being sold and the fact that the customer base is relatively concentrated, industrial marketers have long recognized the need to focus less on the transaction and more on encouraging repeat business and building of source loyalty.

Authors such as Gummesson and Christopher (1996) have suggested that relationship marketing is a new paradigm, whilst practitioners such as Bain et al (1998)and Peppers and Prodgers (1998) recommend that companies focus their efforts on customer retention and development to increase their sales.

Morgan (1998) observes that relational exchange can provide a competitive advantage to the extent that it contributes to service differentiation and creates barriers to switching.

In a study of the practice of relationship marketing practice in South African Industrial market Morris et al (1998) found out that relationship marketing as a concept is widely embraced by to differ meaningfully from relationships as discussed in the literature. Literature tries to emphasize a level of commitment that marketers in their practice do not appear to be making. Further the marketers respondent suggested that their customers make even lesser commitment.

Morris et al (1998) further observes that a move toward more involved relationships may be underway but the changes to date appear to be more attitudinal than behavioral. The common themes emerging from a study they conducted on industrial markets and from an extensive review of the literature, are that: relationships are strategically important, take time to form, and represent a long term involvement with the customer, require high level of personal interaction, trust and the need to meet mutual expectation.

Within a context of rising technical standards and prices, industrial service providers can hardly create sustainable competitive advantages. Profits are often squeezed yet no firm can escape the efficiency dogma. Superior value, though, must be sought elsewhere for instance in service integration or innovation.

Superior Value creation results from a balanced and inspired management of value drivers in "assets" and "unique skills" obtained from the people component within the organization.

Dwyer et al (1987) argue that relational exchanges differs from discrete transactions on several dimensions.

First, relational exchanges may decrease over time, as this may be beneficial to one or more parties.

Second, relational exchange partners can be expected to derive complex personal non-economic satisfactions and engage in social exchange.

Third, because obligations and activities may be relatively complex and take place during an extended time period, partners may engage in carefully planning and controlling items of exchange.

Finally, third parties may be called in to arbitrate and additional mechanisms for collaboration and resolving conflict may have to be designed.

According to Bowen (1989), it is important for manufacturing firms who find that service support is an important aspect of maintaining a competitive edge, to focus on customer oriented strategy. Two of the factors that Bowen proposes as critical to a customer service oriented strategy for such firms include “recognizing the importance of intangibles” and “to establish relational markets”.

When selling a tangible product in the business-to-business area, the vendor often finds that the customer, other than for the product, considers the services provided in conjunction with the product more important. Companies such as the major manufacturers of main frame computers, who once thought that providing a good, reliable product was the key to success, have found that the customer wants more.

In a study on the satisfaction of mainframe computer customers, Cann (1995) found out that the customers of mainframe computers were looking for a relationship with the vendor that would provide them with more support after sales, a vendor more receptive to the customers needs and wants, less turnover of account representatives, good communication between the vendor and the customer, a vendor who provides solutions, and a vendor that the customer can trust (Cann, 1995).

Customers are looking for more than a reliable state of the art product that is priced well. Customers want a vendor to be a partner who cares and who is available for more than routine service.

2.3 THE RELATIONSHIP MARKETING CYCLE.

Relationship between partners do not just emerge or exist, they evolve through a process over –time. This process is characterized by five general phases (Scaancon, 1989)

The first phase in the relationship life cycle is called awareness and refers to the recognition that some second partners is a feasible exchange partner. There is no interaction between the parties; they only try to position themselves in the best possible way to increase the attraction towards other companies.

After awareness comes exploration which is the search and trial phase in relational exchange. In this phase, potential exchange partners first consider obligations, benefits and burdens and the possibility of exchange.

The third phase is called expansion, which refers to the continual increase in benefits obtained by exchange partners in their increasing interdependence. The main distinction between this phase and the previous phase of exploration is that now the partners trust each other to a greater extent and are satisfied with the relationship, which leads to increased risk taking in the dyad. If relationships develop, then commitment is formed between the two business partners.

The fourth phase is that of commitment. This refers to an implicit or explicit pledge of relational continuity between exchange partners (Wetzels et al, 1998). Now the exchange partners have achieved a level of satisfaction from the exchange process that virtually precludes other primary exchange partners who could provide similar benefits.

The final phase of the relationship development process is dissolution. This phase begins with a stage in which one partner privately evaluates his or her dissatisfaction with the other party, concluding that the costs of modification or continuation outweigh the disadvantages of the relationship.

Of these five phases, the fourth phase of commitment is the most desirable one in the development of the on going relationship between a buyer and a seller. If the parties are not committed to their relationship, it will end at the rapid pace.

In marketing practice and research, it is agreed that mutual commitment among partners in business relationships produces significant benefits for companies. Parties identify commitment among exchange partners as key to achieving valuable outcomes for themselves, and they endeavor to develop and maintain these precious attributes in their relationship (Morgan and Hunt, 1994).

2.4 THE PROCESS OF BUILDING A RELATIONSHIP MARKETING STRATEGY

This entails conducting an in-depth internal and external analysis.

i) INTERNAL FOCUS

Before any vendor organization can develop a relationship with another company, the selling organization must determine their marketing goals and strategy, analyze their current culture, establish a congruence between the strategy and culture and if necessary, activate a customer service oriented culture.

Defining marketing goals or a marketing strategy is a basic procedure for any selling firm. However, determining the current culture of the firm is most probably not a usual part of the average firm's marketing planning. One method that can be used to determine the current culture of an organization is to perform a culture audit. This is advocated by Webster (1992) as an efficient way of ascertaining the kind of marketing culture that exists in a firm that needs to have a customer service – oriented focus.

Incongruence between the strategy of a firm and the culture of a firm can lead to unachieved goals and lack of success. Egidio (1990) states that there must be synergy between the service strategy and the organization culture in order to ensure delivery of a quality service.

The greater the level of congruence between strategy and culture, the more likely it is that a relationship will be maintained between the vendor and the customer.

An important strategy that a vendor can use to gain a competitive edge to attract new customers to build relationships with, is the transmission of signals (Bloom and Reve, 1990).
Signals are form of promises made to the customer (Bitner, 1995) and can include the pledge of exceptional service, unlimited warranty, continuos maintenance, help with implementation, or reduced pricing on auxiliary products. The use of signals is particularly necessary for "credence" product or products that the consumer can never truly evaluate (Bloom, 1990).

Organizational culture can be used to encourage a customer service oriented implementation of the marketing strategy. An established service oriented culture in the vendor organization can act as a mechanism through which a customer service mentality is established throughout the vendor organization. This type of culture will encourage everyone in the selling firm to provide the necessary level of service support to develop and maintain a long-term relationship with the customer.

As indicated, in order to be competitive, a vendor may escalate the sending of certain signals to a customer. However, unless the vender organization has practice in place such as internal, external and interactive marketing to ensure that these signals will be sent as intended by the service provider and received as expected by the customer, a long-term relationship may not ensue.

One kind of marketing phenomenon that has gained attention by marketers is the importance of preparing the service provider for interaction with the customer. According to Bery (1995), internal marketing or "marketing to employees and other stakeholders" is a very important aspect of service marketing.

Bitner (1995) relates making and keeping promises to external marketing, internal marketing and interactive marketing respectively. Promises are made to customers during external marketing as part of the vendor's strategic marketing plan, through such avenues as signaling. Promises become expectation of the customers (Gronoors, 1990), so it is vital that only promises that can and will be kept be communicated, as intended during external marketing. The way in which external marketing is handled by the vendor organization sets the tone for the future of the relationship with the customer (Bitner, 1995).

The vendor's promise-keeping is tested every time there is interaction between the service provider and the customer (Bitner, 1995). Interactive marketing is therefore a critical aspect in relationship building.

Hence, emphasizing internal, external and interactive marketing in the corporate culture of the vendor is related positively to making, enabling and keeping promises to the customer as intended in the marketing strategy and to a stronger relationship between the buyer and the seller.

ii) EXTERNAL FOCUS

Once the strategy and culture have been aligned, the selling organization is ready to implement the marketing strategy. In the relationship building process, the service provider, whose behavior has been influenced by the service-oriented culture, passes signals on the customer. At that point, the priority for the vendor should be to find some means to encourage the customer to accept that these promises will be fulfilled so that a relationship can be developed and maintained.

In the business to business service marketing, the first encounter between the account representative as the service provider and the potential customer is a major step toward closing the sale and developing a long lasting and mutually beneficial vendor customer relationship. With regard to services marketing, personal interaction itself becomes an important criterion which the customer uses to determine how satisfied they are with the offering, and whether or not they will continue to do business with that service provider. (Solomon et al, 1995)

Social bonding between the customer representative and the customer can be an important precursor to customer loyalty and can produce a more indulgent and forgiving atmosphere between the seller and the buyer, especially when there is differentiation between competitive services (Berry, 1995). Social bonding is an important step in relationship building.

In the dyadic relationship of a buyer and a seller, bonding can be described as a dynamic process that is progressive over time (Dwyer, et al, 1987, Levvit, 1983).

The bonding process begins with the very basic force of the need for a seller to find a buyer to their product and a desire for a buyer to purchase a product that will satisfy their needs. As time goes on, this relationship then advances toward interdependence between the buyer and the seller, which will finally lead to a situation between the two where there is a total commitment on the part of both parties. Termination costs now restrict or almost prohibit an easy dissolution of the bond. At this advanced stage in the relationship, the bonds are so solidified that they are almost impossible to break (Heide and Weisee, 1995).

At the lowest or most rudimentary level, bonding begins as a result of the fulfillment of a basic business need on he part of both parties involved; and then grows as a social relationship develops between the vendor and the customer. The stronger the social- bond between the buyer and the seller, the greater the possibility that the relationship and the bonding process will continue.

As the two partners experience repeated business exchanges that have resulted in satisfying outcomes, the relationship begins to move towards a new level (Ganesa, 1994, Webster, 1992).

Anderson (1992) suggests that these repeated exchange or business strands add value to the relationship. However, it takes more than just successful repeated exchanges between the buyer and the seller to add value to the relationship. To attain an even stronger bond, the seller must do more than provide a quality product and service. The seller must make an extra-ordinary effort. Social bonding in the relationship creates added value to some degree by creating a comfortable, trusting atmosphere to do business in. However, real value to the relationship requires the seller to provide exceptional service.

The ultimate service support is provided when the vendor aids the customer with implementation of a new product. This process of implementation consists of all of the necessary changes the organization needs to make to prepare for acceptance of a new product (Can and Burger,1996) The implementation process also involves learning to use the product to its full potential.

Jounatzky and Fleischer (1990) indicate that implementation is one of the most critical aspects of new product introduction and acceptance into an organization, but yet it is often the most overlooked. The changes that implementation can bring with it can involve everything from resistance to change by users to the re-designing of departments of divisions to change in human resources policies and procedures to changes in physical plant. It should be part of a good service relational marketing effort of the seller to help the buyer overcome these substantial and risky changes so that the implementation process will be less invasive, meet with less resistance, and cause fewer disruptions to the buyer organization.

Therefore, the greater the participation by the seller in the implementation processes of the new product into the customers' organization, the greater the added value to the relationship.

It is the consumer's satisfaction that allows a basic business relationship to progress to the point where a high level of commitment exists between the parties involved, and where the dissolution of the relationship becomes increasingly difficult because of the strong bond that has developed. Under these circumstances, satisfaction is cumulative in nature (Boulding et al, 1993).

Anderson et al (1994) describes cumulative customer satisfaction as "an overall evaluation based on the total purchase and consumption experience with a good or service overtime." The quality of the service that the buyer receives from the seller during an ongoing relationship may be considered a factor in influencing the customers' overall satisfaction with the relationship (Crowin and Taylor, 1992)

Therefore, the greater the satisfaction of the buyer and the seller with post interactions, the more likely it is that the parties involved will become more committed to the relationship.

Table 1 highlights some components that should be focussed on in the process of establishing an effective relationship marketing strategy.

TABLE 1: The main components of a relationship marketing strategy

1. **Segmentation:** Development and maintenance of custom cluster segmentation systems.
2. **Profiling**: Exploratory data analysis for information discovery
3. **Modeling**: Development of predictive models for customer acquisition and management
4. **Valuation**: Calculation of customer profitability and lifetime value
5. **Marketing audits**: Review of marketing plans to determine appropriate role of data base marketing
6. **Strategy development**: Creation of strategic plans for relationship building programs
7. **Customer management plans**: Development of action plans with contact stream, program recommendations, timetables and budgets
8. **Marketing information systems consulting**: Business requirements analyses.
9. **Software Development**: Creation development and support of custom software applications.
10. **Systems integrators**: Integration of "Best breed " marketing and technology tools.
11. **Solution providers:** Development deployment and integration of marketing data warehousing applications
12. **Data management**: Creation, set-up and maintenance of customer and prospect databases.
13. **Web site Development**: Relationship strategies and interactive technologies.
14. **Telemarketing**: Scripting and program management
15. **Prospect management**: Lead generation and sales support systems
16. **Customer development**: Programs to increase loyalty and profitability
17. **Interactive Direct Marketing**: Feedback driven customized communications

Source: http:// www. Relationshipmarketing...om/service/body_services.html

2.5 KEY ISSUES FOR EFFECTIVE RELATIONSHIP MARKETING MANAGEMENT

There appears to be a growing recognition on the part of practitioners that relationship marketing requires a level of product customization and an adoration of the selling firm's logistical arrangements to reflect unique customer requirements.

Relationship marketing also involves the Company in assessing and modifying their corporate culture.

Satisfying the customer should be a primary goal of the marketing strategy. Studies have demonstrated that customer satisfaction leads to customer loyalty and positive repeat purchase intentions (Anderson and Sulfa, 1993), Patterson (1997). However, since satisfaction is commutative, it takes an effort both inside and outside of the selling firm to ensure customer satisfaction.

The results of research into business-to-business, high involvement, professional services by Patterson et al (1997) indicates that "Consumer satisfaction or dissatisfaction is the crucial link in establishing longer-term client relationships and thus the strategic well being of the organization.

The key to successful relationship building lies in the vendor organization emphasizing a customer-oriented culture. This is the sure way of gaining a competitive edge.

Effective communication is also a crucial aspect if relationships are to be maintained. Research on communication studies and marketing have arrived at the conclusion that there should be less focus on functionalism and production and more on relationships and meanings.

Regarding communication, Duncan et al (1998) observes that personal and social relationships is an important area. They note that the study of communication is fundamentally a study of relationships:

> " Society is a sum of relationships in which information of some kind is shared. To understand human communication, we must understand how people relate to one another."

Relationships in other words are impossible without communication.

At the marketing communication level, a basic premise of relationship marketing is the need for executional consistency among all marketing communication messages, so that trust can be built and there is coherence in stakeholder perceptions. Perceptions are more important than reality in managing many relationships.

The key to managing the point of perception is to deliver and receive messages on a platform of strategic consistency (Buzzell and Gale, 1987) . That does not mean all messages say the same thing . Strategic consistency mean the messages are appropriate for the audiences. However, there should be consistency in the way corporate values are presented, how products perform and how the brand is identified and positioned.

As the brand messages are decoded – assuming they are not inconsistent- they are transformed into stakeholder perceptions that are the building blocks of relationships.

An appreciation of the complexes of brand communication makes it possible to understand the structural changes needed to facilitate cross functional planning and monitoring of all brand messages . When this understanding exists, a company can deliver more effective relationship building programs (Hutt, 1995).

Dong-Jin Lee and Jee-In Jang (1998) in a study of the role of relational exchange between exporters and importers of Australian firms observe that important transactions are carried out once a relationship is established.
Their study found that development of relational norms is a key to business success in the export business relationship. Their observation is that relational norms develop when exporters make efforts to reduce their cultural distance from importers and show commitment to the relationship by investing in transaction specific assets. They conclude that development of relational exchange is a pre-requisite of business success.

Efforts to reduce cultural differences will include open communications, development of personal relationships, frequent interactions and visits, selection of staff with different cultural backgrounds and training to enhance cultural understanding. By reducing cultural distance, the exporting firms will be able to have an ability to partner and manage relationships within a different cultural context.

Their recommendations are that businesses should invest in tangible transaction specific assets to express their commitment to relationships and to enhance transaction efficiencies. Exporters should also invest in intangible transaction specific assets such as investment in mutual understanding of organizational cultures, development of appropriate personnel, development of policy for the

relationship and investment in time and physical representations in order to create and manage a network of relationships.
Through these efforts, a firm will be able to communicate its commitment to relational exchange.

Commitment is also one of the most desirable aspect of the relationships. Geyskens et al (1996) defines commitment as the perceived need to "maintain a relationship given the significant anticipated termination or switching costs associated with leaving."

In the literature, two views of organizational commitment have dominated . According to one view, commitment is an affective state of mind an individual or partner has towards a relationship with another individual or partner. This kind of commitment is called affective commitment. Affective commitment is brought about by a person sharing, identifying with and internalizing the values of the organization (Morgan and Hunt, 1994). Affective commitment is based on a sense of liking and emotional attachment of the partnership.

The other view sees commitment as being more behavioral than affective. This form is referred to as calculative commitment and stems from a cognitive evaluation of the instrumental worth of a continued relationship with the organization (Dwyer, et al, 1987).

Research suggests that of these two forms of commitment, affective commitment is the most effective for developing and maintaining actually beneficial relationships between partners. Kumar et al (1994) indicates that affective commitment has strong positive influence on : the intention to stay in a relationship, desire to stay in a relationship, performance, and the willingness to invest in a relationship.

Furthermore, it was found that it has strong negative influence on development of alternatives for relationships and opportunistic behavior.

Calculative commitment in contrast has positive influences on development of alternatives and opportunism.

Therefore, the calculative form of commitment ultimately has a negative impact on relationships.

In markets for business services in which a higher emphasis is placed on integrated networks between suppliers and customers , commitment and commitment related issues are likely to play a crucial role.

Research conducted in the domain of interpersonal and organizational relationships has shown that satisfaction predicts relationship commitment (Rusbult, 1988).

Table 2 indicates some of the major steps to be taken into consideration in order to establish a fruitful relationship.

Table 2: THE BLUE PRINT FOR RELATIONSHIP BREAKTHROUGH

1. Mine, model and interpret customer data
2. Delineate value tiers and behavioral clusters
3. Set objectives, ROI and investment requirements by segment.
4. Create an integrated communication plan
5. Design and execute differentiated interactive programs
6. Use program feedback in 1 to 1 dialogue
7. Measure and analyze results
8. Apply learnings to refine each step of the process

Source: http:/www.relationship marketing.com/process/body_process.html

2.6 BENEFITS OF RELATIONSHIP MARKETING

From a strategic perspective, the vendor wants to encourage maintenance of a long-term relationship with a customer because it is generally much less costly to keep an existing customer than to attract a new customer; a long-term customer can provide feedback on existing products and insight into new or re-engineered products; and a long-term customer becomes like part of the selling team because they can provide a good word of mouth and encourage new business. Also, as time passes and experience steps in, a long-term customer becomes easy to work with because communication channels will usually open and expand, the customer's need and problems are known, and a comfortable working, and sometimes personal relationship exists between personnel in both firms (Congram, 1991).

Relationships with suppliers give vendors a competitive edge by enabling them to shorten product developments time, lower production and operating costs, better manage quality and make productivity improvement.

Other positive outcomes for the sellers include improved customer satisfaction, customer loyalty, improved product quality and increased profitability as a result of better sales performance combined with cost efficiencies in production and marketing (Morris et al, 1998)

Although certain changes and concessions are made on both sides to help the relationships grow, the positive aspect is that both parties reap the benefits from such a relationship. The buyer gains a partner to help them solve problems, use the new product to better advantage, be prepared in advance for introductions of new technology, satisfy their needs and so on. The seller may experience lower long-run costs, repeat purchases, and positive word-of –mouth and increased purchase of ancillary products among others. Also from the buyer's side, relationships with suppliers enable firms to secure valued resources and technologies

Beyond the benefits derived from specific transactions, value added strategies permit customers to acquire additional rewards that accumulate so long as they maintain their relationship with the brand. Airline customers, for example, can obtain future products/services free of charge or at a minimal cost. Additional privileges accrue such as access to airport lounges and cross promotional with complementary services such as hotels and car rentals (Barlow, 1992).

Dube (1995) argues that value added strategies increase relationship rewards while relationship costs remain unaffected. The size of the investment that the customers would lose if they chose to terminate the relationship also increases because each transaction provides an incremental contribution to future benefits. Dube further observes that both situational loyalty and enduring loyalty will depend on the current relationship value, investment size and alternative relationship attractiveness with the later two structural characteristics exerting a more powerful effect on enduring loyalty.

Dong-Jin Lee and Jee –In Jang (1998) observe that relational exchange reduces relational costs (and opportunistic behaviors), increases marketing effectiveness and efficiency and provides better chances of future business opportunities and success.

2.7 THE KENYAN BANKING SITUATION

The Kenyan banks more than any other business are experiencing severe challenges as competition intensifies both from the traditional competitors and new forms of competition from outside the sector. Much of it has to do with the liberalization of the economy that allows even non- financial institutions to conduct business previously a preserve for banks only.

Nyagah (1992) notes that competition is the single most important reason why banks have had to resort to marketing.

Okutoyi (1989) also notes that Kenyan Banks have adopted strategic Marketing in an effort to come to grips with increased competition . Lack of customer focussed differentiation and the fact that banks must attract both the funds and the borrowers of these funds underscores the importance for effective marketing strategies in the banking sector.

Maintaining existing client's loyalty is the first step to survival. Kenyan banks focus more and more of their resources on attracting new customers forgetting to take care of the ones they have. This beats basic marketing logic; loyal customers generate more business than new ones and that the best attraction for new customers through a satisfied current customer . This ought to be the strategic orientation of the Kenyan banks. Relationship Marketing Strategy is an appropriate effective tool for the Kenyan Banks.

Despite this crucial importance, no study has been carried in the Kenyan business situation on relationship marketing strategy.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 RESEARCH DESIGN

This was an exploratory study. It was meant to establish how service marketers conceptualize and implement the relationship marketing strategy.

Churchill (1991) notes that exploratory research can be used when the objective of the research is to gain insight and ideas as well as for clarifying concepts.

The case study design was adopted in order to allow an in-depth and exhaustive investigation, which would otherwise be impossible in a cross-sectional study for a pioneer study given the limitations of time, money and lack of previous local research referrals.

3.2 THE POPULATION

The population of study consisted of all the commercial banks in full operation in Kenya as at April , 1999. A list of such banks as obtained from the Central Bank of Kenya and consisted of 50 banks (excluding 5, which were under CBK management).

3.3 THE SURVEY METHOD

A census survey was to be conducted. However, only 32 out of the 50 banks targeted participated in the study. This represents 64% of the population of study which is adequate enough to base conclusions on.

The Marketing Head/ or one senior most marketer in each of the bank was interviewed. The Marketing Head advises a bank on it's marketing strategies and was therefore deemed to possess sufficient information on the area of study.

3.4 THE RESEARCH INSTRUMENT

A self-reporting undisguised questionnaire consisting of five parts was designed. This was administered through " drop and pick technique"

The constructs used in the questionnaire to operationalize relationship-marketing strategy were established through an extensive review of the relevant literature and from discussions with a pilot sample of senior bank marketers.

In part I of the questionnaire, open -ended questions were used to elicit definitions of the term relationship marketing and to have respondents specify how relationships differ from more conventional transactions.

Part II examined respondents perceptions of a number of key aspects of relationship marketing.
Using a five point scale (1 = very important, 5 = not at all important), respondents will be assessed on major reasons for forming a relationship with a customer. Similar five point importance scales were used to prioritize the criteria used to select relationship partners and to evaluate the contributions of various factors to the success of a relationship marketing strategy over time.
In addition, a series of questions were used to explore perceptions regarding various costs and benefits associated with relationship marketing strategy. A five point scale
(1= Critically important, 5= not at all important) will be utilized.

Part III dealt with attitudes toward relationships. A 5 point scale (1= strongly agree, 5 = strongly disagree) will be used to measure the extent to which respondents will generally be in favor of a relationship marketing strategy.

In part IV, a number of variables were used to assess respondents' current behaviors, and specifically how they have implemented relationship-marketing strategies.

Here questions focused on operational linkages, information exchange, co-operative norms, relationship specific adaptations and strategic integration.

In all cases , a 5-point likert scale was used.

In part V, behavioral intentions were used to measure by assessing the extent to which the banks plan to increase either the number of relationships formed or the amount invested by their firms in relationships over the next five years. These items will both use a 5-point (1= increase significantly, 5 = decrease significantly) scale.

The questionnaire was pre-tested on senior marketers of one of the banks on the basis of which relevant changes were effected.

Respondents were given a cover letter and questionnaire. In addition, participants were promised an executive summary of the findings as an incentive to boost the response rate.

3.5 DATA ANALYSIS

The results were analyzed by descriptive statistics – percentages, frequencies and standard deviations.

The scales were then refined for the various constructs using factor analysis in order to obtain a parsimonious set of perceptual, attitudinal and behavioral constructs as possible. The SPSS (Statistical Package for Social Sciences) was used.

CHAPTER FOUR: FINDINGS AND ANALYSIS

The definition of relationship marketing

Table 3 : Definition contents of Relationship Marketing

Category	Contents	Frequency	Percentage
Category One	Partnership with Clients	8	25
Category Two	Personal Relationships with the clients	7	22
Category three	Interaction at all levels with the clients	4	12.5
Category four	Closely working together for mutual benefits	13	40.5
Total		**32**	**100**

Source: Interviews

While there was considerable diversity in the responses to the open-ended question asking what the bank marketers understood relationship marketing to be , the responses tended to fall into four general categories.

Category one included all responses that made specific mention of the term partnership and accounted for 25% of the responses.

For the most part, respondents did not provide any elaboration regarding how the partnership could be formed.

Category two consisted of responses that made mention of personal relationships between employees in the bank and clients(22%). In many cases, the respondents mentioned socializing after work such as being in social clubs or playing sports together..

Responses in category three focussed on intensified communication and interaction between multiple levels of employees in both organizations (12.5%). This category had explanations such as getting to know as many staff as possible from the clients working at different levels and in different departments.

The largest group, category four, comprised of all responses that mentioned collaboration and working together for mutual benefits (40.5%). Cases of collaboration mentioned included technological linkages, staff training, common participation in community affairs and frequent banks' participation in client's product launches. This group of responses comes closest to the definition proposed earlier.

The results indicate therefore that the majority of the bank marketers (40.5%) fully understand the relationship marketing strategy and their conceptualization tallies with that given by the academic thinking as presented in the literature review.

Table 4: Banks years of establishment

Period	Frequency	Percentage
Before 1940	3	9.4%
1940- 1950	2	6.3%
1951-1960	1	3.1%
1961-1970	2	6.3%
1971-1980	5	15.6%
1981-1990	10	31.3%
1990 onwards	9	28.1%
Total	**32**	**100**

Source: Interviews

The majority of the banks, 19 in total, out of the 32 respondents were established from 1980 onwards. They could be said to be still in their infancy stages wherein entrenchment strategies as aggressive promotions to attract new customers are common as opposed to focusing on defensive strategies as retaining existing ones. However, as indicated in the literature review the best entrenchment strategy and the best promotion a firm can have is through its satisfied customers. Efforts should therefore be focussed in fully satisfying the few existing customers through relations.

The banks established before the 1980s exhibited more relational behaviors. This could accrue from the fact that they had an established client base with which relationships could be practiced.

Table 5: Banks ownership

Category	Frequency	Percentage
Foreign Owned	10	31.3%
Local Owned	15	46.9%
Joint Foreign and local Owned	7	21.9%
Total	**32**	**100**

Source: Interviews

The majority of the banks are local owned (46.9%) . The majority of the local banks however are owned by Asians who nevertheless are Kenyan citizens. The foreign owned banks (31.3%) exhibited a better understanding and practice of relationship marketing strategy than both local owned and joint foreign and local. This could be falling from the adoption of strategic practices of parent banks from the home countries which operate in a more developed and competitive marketing environment. Local entities are less prone to have captured emerging management practices such as relationship marketing arising at the global set-up owing to their less understanding and appreciation of competitive marketing strategies.

Table 6: Customer base for relationships: Retail Customers

	Frequency	Percentage
Less than 10%	18	56.3%
10-20%	8	25%
20-30%	4	12.5%
30-40%	2	6.3%
40-50%	0	0
More than 50%	0	0
Total	**32**	**100**

Source: Interviews

Most of the banks, 26 out of 32, maintain relationships with 20% or less of their retail customer base. Retail customers form the bulk of bank customers, which ought to be a concentration for relationship management. However, the fact that relationships are not maintained with these clients could accrue from logistical difficulties of effectively reaching the retail customers. In most cases , the services are therefore departmentalized rather than being customized. This eliminates the interactive and beneficial relations between clients and banks that would otherwise rank as relationship marketing.

Table 7: Customer base for relationships: Corporate Customers

	Frequency	**Percentage**
Less than 10%	1	3.1%
10-20%	5	15.6%
20-30%	6	18.8%
30-40%	4	12.5%
40-50%	5	15.6%
More than 50%	11	34.4%
Total	**32**	**100%**

Source: Interviews

19 out of the 32 respondents maintain relationships with 30% or more of their corporate customers. The respondent banks therefore concentrate their relational efforts on corporate clients. Corporate clients mostly offer the bulk of business to banks. Their exist from the banks would drastically affect the banks operations. Therefore, relations are formed as a defensive strategy and as a means to fasten the grip on the corporate clients. However, the existing relational manifestations could hardly be classified as effective relationship marketing strategies basing onte idealism presented in the literature

Table 8: Years taken for relationships to develop

Years	Frequency	Percentage
Less than 1	10	31.3%
1-2 years	10	31.3%
2-3 years	7	21.9%
3-4 years	2	6.3%
More than four years	3	9.4%
Total	**32**	**100%**

Source: Interviews

The majority, 20 out of the 32 respondents indicated that they take two years or less to establish relationships with their clients. This does not provide for adequate understanding of each other by either the banks or the clients. Therefore, needs may not be properly met owing to improper analysis.

This could be one reason why the Kenyan banks are riddled with bad debts, which could have arisen from the haste in establishing relationships without having adequate time to study each other. Effective strategies to meet the bank and client needs can not be established without proper study and appreciation of each other's needs which takes time. Two years or less cannot be said to be a reasonable time.

Table 9: Percentage of the total Marketing budget allocated to relationships

Percentage of allocated marketing budget	Frequency	Percentage
Nil	13	40.6%
Less than 10%	7	53.1%
10-20%	2	6.3%
20-30%	0	0
30-40%	0	0
More than 40%	0	0
Total	**32**	**100%**

Source: Interviews

Most of the respondent banks, 20 out of 32 allocate nil or less than 10% of their marketing budgets for relationships development. This is inadequate for a strategic issue that has a profound effect on the bank performance. Relationship marketing calls for intensive investment on the part of the banks which would demand higher budget allocations. The banks do not exhibit relational marketing behaviors despite having some very positive perceptions and attitudes of this strategy. Most of their marketing budget is concentrated elsewhere yet relational formation is the single most important area that can enormously improve performance. This is an exhibition of unfocussed strategic orientation. The issue of strategy as a whole seems to elude Kenyan Banks.

PERCEPTIONS REGARDING RELATIONSHIPS

Table 10: Reasons for forming relationships

		Mean	Standard Deviation
1	Relationships help us achieve common goals with our customers	1.09375	.29614
2.	Relationships enhance our image in the market	1.46875	.56707
3.	Relationships stabilize our demand/turnover	1.40625	.49899
4.	Relationships help us increase our turnover	1.96875	.96668
5.	Relationships increase customers willingness to share	1.59375	.55992
6.	Relationships lead to improvements on production processes	1.68750	.47093
7.	Relationships lead to improvements on our product/ service quality	1.75000	.71842

Source: Interviews

Respondents indicated that the most important reasons for forming relationships with clients were (on a five point scale where 1= very important, 5= Not at all important) that relationships help them achieve common goals with their customers (Mean 1.09) , relationships stabilize their demand/turnover (mean 1.40) and that relationships enhance their image in the market (mean = 1.468). Respondents were generally very positive even to the other question items used to measure their reasons for forming relationships. To them, relationships is a means of stabilizing their turnover, increase their customers willingness to share, improve on their production processes as well as on their product/service quality.

TABLE 11: COSTS ASSOCIATED WITH RELATIONSHIPS

	Mean	Standard Deviation
8. Relationships increase on our overall cost structure	1.7500	.71842
9. Relationships increase on the cost of serving a particular customer	2.5625	1.04534
10. We have experienced loss of accounts as a result of relationships with certain customers	4.0312	.78224
11. We have missed out on new business opportunities due to the demands of relationships with current clients	3.6875	1.09065

Source: Interviews

On the cost side, the respondents felt that relationships generally increase on their cost structure (mean =1.70). However, the respondents were of the opinion that forming and concentrating on relationships did not in any way cost them loss of accounts (Mean 4.03) nor did they lose business opportunities as a result of current relationships (mean = 3.68). They also felt that the costs of serving a particular customer increases moderately(Mean = 2.56). However, such cost increases can be said to be offset by the increased benefits accruing from relationships.

TABLE 12: FACTORS ASSOCIATED WITH SUCCESSFUL RELATIONS OVER TIME

	Mean	**Standard Deviation**
12. Collaboration in product/ service development	1.21875	.60824
13. Both parties consistently meeting the others expectations	1.12500	.33601
14. Mutual goal setting between the parties	1.53125	.56707
15. Formal contacts between the parties	1.50000	.80322
16. Equal powers between the parties	2.59375	.97912

17. Personal liking between the parties	2.15625	.80760
18. Minimal conflict between the parties	1.53125	.50701
19. Trust in the actions of the others	1.25000	.50800
20. Periodic evaluations of one another	1.75000	.84242
21. Monetary investments by the buyer	1.96875	.73985
22. Monetary investments by the bank	1.65625	.65300
23. Frequent communications between the parties	1.50000	.84242
24. Co-ordination of logistics between the parties	2.34375	1.00352
25. Sharing of proprietary data between parties	1.90625	.92838
26. Belief that the client won't act opportunistically	1.81250	.93109
27. Clients belief that the bank wont act opportunistically	1.59375	.87471

Source: Interviews

The respondents felt the key issues to relational success to be that both parties have to consistently meet the others expectations (Mean = 1.12) , there being collaboration in product service development (Mean 1.21) and there being formal contacts between the parties (mean = 1.500). Generally, the respondents agreed that all the other listed factors were important if relationship s were to be successfully maintained . There has to be adequate trust in the actions of the others (mean = 1.25), minimal conflicts between the parties ,(mean = 1.53) the clients belief that the bank won't cat opportunistically (mean = 1.59), monetary investments by the banks (mean = 1.93), if the relationships are to thrive.

Frequent communications between the parties (Mean = 1.50), sharing of proprietary data between the parties (Mean = 1.90), co-ordination of logistics between the parties (mean = 2.3), belief that the client won't act opportunistically (mean = 1.81) were also favorably rated as being important factors for successful relations.

TABLE 13: CRITERIA FOR SELECTING PARTNERS FOR RELATIONSHIPS

	Mean	Standard deviation
28. Clients that have an established track record	1.50000	.84242
29. Clients that generate us a lot of business	1.84375	1.22104
30. Clients that have been with us for long enough	2.56250	1.21649

Source: Interviews

When it comes to the criteria for selecting partners for relationships, respondents rank clients with an established track record highly (Mean 1.500) followed by the clients that generate them considerable amounts of business (Mean 1.84) and then by clients that have been with them for long enough. The Kenyan Banks therefore seem to have corporate or high net worth individuals of untainted image and who have been their clients for a number of years as their ideal target for relationship marketing.

In order to obtain a prioritized set of the perceptual features, the 30 perceptual variables above were subjected to factor analysis using Varimax rotation. The system identified 11 factors that captured the underlying characteristics of the perceptual variables (see appendix for details). The title to the factors were formulated in away that captured the variables under them as measured by the variables means which indicated the responses inclinations on the likert scale questionnaires. These factors are detailed below.

Factor 1 : Relationships help achieve Growth and Competitiveness

3- Relationships stabilize our demand/turnover
4- Relationships help us increase our turnover
13- Relationships require both parties to consistently meet the others expectations
23- Relationships require frequent communications between the parties
19- Relationships require trust in the actions of the others
7- Relationships lead to improvements in our product/service quality

Eigen value = 6.03
Percentage of Variance = 20.1%

Factor Two: Relationships ensure efficiency

6- Relationships lead to improvements in production processes
9- Relationships do not increase on the cost of serving a particular customer
8- Relationships do not increase our overall cost structure

Eigen value = 3.32
Percentage of Variance = 11.1%

Factor Three: Relationships attain stability

18- Relationships ensure minimal conflicts between the parties

26- Relationships ensure that the client won't act opportunistically

Eigen value = 3.12

Percentage of Variance = 10.4%

Factor Four: Relationships ensure dependence

1-Relationships help us achieve common goals with our customers

24- Relationships ensure a co-ordination of logistics between the parties

Eigen value = 2.07

Percentage of Variance = 6.9%

Factor 5: Relationships ensure better bank positioning

2- Relationships enhance our image in the market

Eigen value = 1.99

Percentage of Variance = 6.6%

Factor 6: Relationships ensure feedback

20- Relationships allow for the periodic evaluations of one another

Eigen value = 1.71

Percentage of Variance = 5.7%

Factor 7: Relationship forming should be beneeficial

30- Relationships are established with clients that have been with us for long enough

29- relationships are established with clients that generate us a lot of business

Eigen value = 1.67

Percentage of Variance = 5.6%

Factor 8: Relationships ensure client/bank inter-management

12- Relationships ensure collaboration in service/product development

16- Relationships ensure equal powers between the parties

Eigen value = 1.37

Percentage of Variance = 4.6%

Factor Nine: Relationships do not inhibit new business

11- we have not missed out on new business opportunities due to the demands of our present relations

14- Relationships involve mutual goal setting between the parties

Eigen value = 1.25

Percentage of Variance = 4.2%

Factor Ten: Relationships require constant communication

15- Relationships require formal Contacts between the parties
5-Relationships ensure customers willingness to share
25- Relationships allow for the sharing of proprietary data between the parties
17- Relations are easier where there is personal liking between the parties

Eigen value = 1.16
Percentage of Variance = 3.9%

Factor 11: Relationships require investments

22- Relationships require monetary investments by the seller
27- Relationships makes the clients believe that the bank won't act opportunistically
21- Relationships require monetary investments by the buyer

Eigen value = 1.07
Percentage of Variance = 3.6%

The 11factors above capture the dimensions eminent and crucial for the success of an effective relationship marketing strategy.

The prioritized set emerging from the study of relationship marketing in the Kenyan Banks in their order of importance are that relationships help achieve growth and competitiveness, ensure efficiency, attain stability, ensure dependence and help the bank to properly position themselves.
Relationship marketing help in getting feedback of performance which is a crucial aspect for correction. Relationship marketing is also beneficial, helps attain

bank/client inter-management, it does not in nay way prevent acquiring new business, it requires constant communication as well as investments if it is to prosper.

In total, the 11 factors explained 82% of the variance which is a good measure of their reliability in capturing the underlying variables.

TABLE 14: ATTITUDES TOWARDS RELATIONSHIPS

	Mean	Standard Deviations
31. Relationships generally cost more than they are worth	4.258	1.264
32. We should try forming relationships with every customer	3.225	1.257
33. A true relationship is not really possible between a bank and a client	4.387	1.1435
34. Relationship is just another term of personalized selling	4.000	1.238
35. If we had the option to do it again, we would again form the relationships that we are having with our clients	1.967	.98226

Source: Interviews

The respondents have a very positive attitudes toward relationships. They felt that if they had the option to do it again, they would form relationships that they are having with their clients (Mean 1.97). They also strongly disagreed with the statements that relationships generally cost more than they are worth (mean 4.28) and that a true relationship is really not possible between a client and the bank (mean 4.387) and that relationships is just another term for personalized selling. However, they are not too sure as to whether relationships should be established with every customer (mean = 3.225)

To capture the underlying characteristics of the attitudinal variables, the 5 variables (questions 31-35) were subjected to factor analysis using varimax rotation (See appendix for details) This produced two prioritized factors as indicated below.

Factor One: Banks should endeavor to establish

33- A true relationship is truly possible between a client and the bank
32- we should in fact try forming relationships with every customer
35- if we had the option to do it again, we would again form the relationship that we are having with our clients

Eigen value = 2.11
Percentage of Variance = 42.1%

Factor Two: Relationship are more involving but cost effective

34- A relationship is not at all another term for personalized selling
31- Relationships generally do not cost more than they are worth.

Eigen value = 1.42
Percentage of Variance = 28.4%

The key attitude factors obtained from the study were prioritized as are that banks should endeavor to establish relationships and that though relationships are more involving, they are nevertheless cost effective.

In total, the two factors explained an accumulated total of 70.6% of the variance, which indicate their validity in the measurement of the variables.

TABLE 15: **SELLER AND BUYER BEHAVIOURS**

	Mean	**Standard deviation**
36. we have changed our product/ service features just for these clients	1.56250	.94826
37. we have changed our personnel for these clients	1.53125	.84183
38. we have changed our inventory and distribution for these clients	1.84375	.67725
39. we have changed our marketing for these clients	1.90625	.73438
40. we have changed our capital equipment and tools for these clients	2.18750	.64446
41. The client has changed its product features just for us.	2.18750	.69270
42. the customer has changed its personnel for us	2.06250	.71561
43. The customer has	2.31250	.69270

changed its inventory and distribution for us.		
44. the client has changed his marketing for us	2.3500	.55358
45. The client has changed its capital equipment for us.	2.50000	.67202
46. The client has access to our strategic plan	2.65625	.65300
47. we have access to the clients strategic plan	1.62500	.79312
48. we have an on-line computerized link with the clients	1.65625	.74528

Source: Interviews

When it comes to the banks' behaviors the respondents assert that they have changed their product/ service features for the sake of relationships (mean = 1.56), they have changed their personnel (Mean=1.53) and that they have on-line computerized linkages with their clients (mean 1.65). However, they felt that the clients have made less adjustments. For instance, they moderately felt that the clients had changed their capital equipment for them (Mean 2.18) and that the clients have changed their personnel just for them (Mean 2.06).

Respondents also indicated that the respondents do not have access to their strategic plans (mean 2.65).

It appears that relationship practice in the Kenyan Banking sector is one way as opposed to mutual participation wherein clients should also be fully involved. Even where the banks behavioral features are positive, they are moderately so. This could indicate lack of appreciation and commitment to the relationship marketing strategy.

TABLE 16: FUTURE RELATIONSHIP MARKETING INTENTIONS

	Mean	Standard Deviations
49. We intend to increase on the number of relationships to be formed over the next five years.	1.62500	.70711
50. We intend to increase on the amounts invested in relationships over the next five years.	1.59375	.66524

Source: Interviews

As for their future intentions, respondents plan to invest more money on relationships (mean 1.59) as well as increase the number of relationships formed in the future (mean 1.62).

This could indicate a continued realization of the importance of relationship marketing as a competitive tool. However, commitment to relationship marketing can best be measured from the basis of current and past practice

To obtain a prioritized set of the underlying factors of the behavioral variables, the 15 behavioral variables (questions 36-50) were also subjected to factor analysis using varimax rotation from which six factors were identified (see appendix for details).
These factors involved the behavioral aspects exhibited by the clients as well as the banks and are listed as follows.

<u>Factor One: Banks products and personnel adjustments</u>

36- we have changed our product features just for these clients
37- we have changed our personnel for these clients

Eigen value =2.86
Percentage of Variance = 19.0%

<u>Factor 2: Banks technological adjustments</u>

40- we have changed our capital equipment and tools for these clients
48- we have an on-line computerized link with the clients

Eigen value = 2.12
Percentage of Variance = 14.2%

Factor Three: Clients personnel and logistical changes

42- the client has changed his personnel just for us

43- the customer has changed his inventory and distribution for us

44- the client has changed its marketing for us

Eigen value = 1.95

Percentage of Variance = 13.0%

Factor 4: Banks logistical adjustments

38- we have changed our inventory and distribution for these clients

46- the client has access to our strategic plan

Eigen value = 1.59

Percentage of Variance = 10.6%

Factor 5:Client product and technological adjustments

41- the client has changed his product features just for us

45- the client has changed his capital equipment for us

Eigen value =1.26

Percentage of Variance = 8.4%

Factor 6

39- we have changed our marketing for these clients

50- we plan to invest more in relations in the future

49- we plan to increase on the number of relations

Eigen value = 1.20
Percentage of Variance = 8.0%

The factors prioritized the main behavioral features of the banks and clients in their order of importance as the banks product and personnel adjustments, banks technological adjustments, clients personnel and logistical adjustments, banks logistical adjustments, clients technological and product adjustments and finally banks future favorable relational increases.

The underlying variable measures as outlined by their mean scores against the likert scale questionnaire did however indicate that the banks adjustments were only moderate whereas clients adjustments were completely lacking r extremely low.

In total the six factors accounted for an accumulated variance of 73.2% which indicates its strong reliability as a basis of measurement.

CHAPTER FIVE: CONCLUSION

5.1 DISCUSSIONS AND RECOMMENDATIONS

The findings indicate that most of the marketers do have full understanding and appreciation of relationship marketing as measured by their highly positive perceptions and attitudes. However, the commitment of the organizations in which they work as measured by their behavioral attitudes seems to contradict this. This could indicate that marketing strategy is not practically taken seriously by these institutions. It could also indicate that bank marketers are not the main decision-makers nor do they have influence on the strategy practice of the banks.

The customer's commitment was also found to be lower as indicated by the respondents in comparison with the bank commitments.

There are many factors the managers of service companies such as banking institutions can use to improve their specific service delivery process and to establish long lasting relationships with customers.

The most important is the creation of commitment in their relationships with their customers. Commitment has the strongest effect on intention to stay in the relationship, and thus on future revenues. Commitment is positively influenced by higher levels of satisfaction of customers and by the improvement of technical quality of the service and trust in the supplier.

Berry (1995) Geyskens et al (1996) observes that trust not only has a positive effect on commitment, but also on satisfaction and intention to stay in relationship.

Trust arises if the seller is honest and benevolent with the customer. Fair treatment, open bilateral communication and information exchange, a cooperative orientation as well as sound economic results are factors that have been shown to be the building blocks of trust. This should be adopted by the Kenyan Banks to establish effective relationship.

Trust and commitment can be promoted by implementing and demanding higher standards of conduct from the banks' personnel. This in turn attains customer satisfaction, which has a positive effect on the clients' intention to stay in the relationship.

Open communication lines can be achieved by installing a customer contact program in which the company takes initiative to keep in touch with its customers. Also, inviting customers to product and service information meetings and seminars in regional and local markets might be another communication initiative that managers may use to establish trust as well as commitment.

Delivering service to customers through a team of cross-functional customer contact employees ensures that customers can get a higher level of personalized service for a wide range of services, as they keep meeting the same employee for every customer call. To the client, the contact person is the bank and the client's assessment rests on the contact staff's performance. This is one area the Kenyan bank management must delve into.

Service guarantees are also efficient instruments in establishing trustworthy relationships with business to business customers. To these customers, service guarantees are signs of a company's customer commitment and form an attribute through which companies can distinguish themselves from competitors.

A balanced and honest relationship will result in more satisfied customers and therefore in long lasting profitable relationship to both the banks and the clients.

The findings in this study agree with previous studies in the area of relationship marketing particularly on the findings of Morris et al (1998).

Morris et al (1998) in a study of the practice of relationship marketing practice in South African Industrial markets states that operational realities find firms approaching relationships more tactically than strategically. In particular he notes key differences from the prescription on the effective relationships by the academic literature. He highlights some of these key differences which can be sited as the omissions exhibited by the marketers in their implementation of relationship marketing strategies as follows:

First, locking the customer in; the motivation of marketers in forming relationships is less one of mutual investment and benefit over time and more one of customer's business for as long as possible.

Second, informality; firms approach relationships more informality, with little in the way of structural mechanisms for measuring performance satisfaction

Third, non- financial investments -Marketers are more apt to invest time and effort into customer communications and less apt to change capital equipment, operating processes, personnel or technologies to reflect the customer's requirement.

Fourth, avoiding dependence, relationships are a source of competitive advantage today, but so is flexibility. Respondents appeared to want closer linkages with customers, while also keeping their options open.

Fifth, unilateral efforts, research findings elsewhere indicates that the selling organizations are doing more to initiate and sustain relationships, including more investment and adaptation, than are the buying organizations.

Sixth, limited opportunity costs: Marketers do not view relationships as limiting their ability to work with other clients or to pursue new business opportunities.

Seventh, One size fits it all; firms do not define different type of relationships for different categories of customers. Rather, they seem to have a general notion of a relationship, which applies to those keys accounts with which they have been dealing for some time.

In short, then, relationships in practice are more than simple customer retention programs, but less than full fledged collaborative partnerships
They are not approached systematically, involve little in the way of non-retrievable investments and have resulted in only modest infrastructural changes (e.g. in policies, systems, and organization design) on the seller or buyers sides).

Kenyan banks should therefore avoid the above mentioned pitfalls to effective relationships.

It can be concluded that from the findings of this study and previous research findings from other countries, the disparity existing between the ideal prescriptions of what relationship marketing ought to be from academic literature and the reality in practice could be due to a number of issues:

The first of these is a simple lack of knowledge and experience regarding how to manage relationships, including the types and amounts of investments to make, information to share, and linkages to establish. The customer organization are likely to suffer from a similar lack of knowledge and as such, both parties are experimenting and learning as they go (Morris, et al 1998)

A second and related explanation concerns problems in determining with whom to form relationships (Cannon, 1996; Wilson et al 1996; Blots et al, 1996)
The goal of the marketer should not necessarily be to establish relationships with every customer. Companies may find that they are investing considerable financial and non- financial resources trying to form relationships with unwilling and/or inappropriate customers. There is need, therefore, for marketers to examine such variables as the buyer's products, operating risks, homogeneity positions and so on . They can then classify their customer as one of transaction, repeat transaction, source loyal accounts, relationships or strategic partnerships.

The third explanation is related to costs and benefits of relationships. Calculating rates of returns on customers investments, many of which are non-financial is not easily quantifiable and remains a complex if not a problematic undertaking. Their estimates are compounded by the likelihood that there is not a one to one relationship with returns. The alternative is to project the lifetime of an account, but what is a reasonable "lifetime" from the marketer's vantagepoint? Also customers offer value in terms of such benefits as stable orders, image enhancement and technology sharing (Blios, 1996)

The fourth, consideration concerns the strategic implication of relationships for the firm's competitive position. The argument is made that relationships are especially critical in the rapidly changing, hostile and complex environment. However, such conditions suggest a need for organizations to be maximally flexible, opportunistic and able to move quickly. Relationships can develop to a point where they limit the vendor's flexibility and heighten it vulnerability. Customers, for their part, may effectively use relationships to create flexibility by leveraging the supplier's resources and shifting the inventory burden to the vendor.

5.2 LIMITATIONS OF THE STUDY

This study focussed specifically on the relationship from the perspective of the seller (the banks) who were also used to give the perspective of the clients to the relationships. Future studies need to integrate both the seller and the buyer dimension in order to come out with more valid findings.

An exhaustive study of all the banks as initially targeted would have produced more reliable results. Lack of co-operation from the omitted banks frustrated this effort. Faced with lack of time, it was not possible to push harder to obtain the relevant data from these banks.

Despite its limitations, this study adds substantially to operalitionalising relationship marketing. It is hoped that it shall demystify the concept of relationship marketing strategy that this study overlooked and that it shall stimulate further research on relationship marketing considering its growing theoretical and managerial relevance.

5.3 SUGGESTIONS FOR FURTHER RESEARCH

Future research can tackle the following important areas of relationship marketing strategy that this study overlooked:-

- Establish the interrelationship between the factors apparent from measurement of relationship marketing variables.
- The intervening effect of technology on relationship marketing strategy
- Ownership of banks effect on relationships
- Specific manifestations on relationship strategies in the banking areas
- A perspective of clients with whom relationships have been established with the banks.
- The relationship between the relationship marketing adoption and performance
- The relationship between top management qualifications and the adoption of the relationship marketing strategy.

APPENDIX

THE MARKETING MANAGER,

I am a final year MBA student at the University of Nairobi's Faculty of Commerce, conducting a research titled ' *AN INVESTIGATION OF THE STATE OF RELATIONSHIP MARKETING STRATEGY IN THE KENYAN BANKING SECTOR."*

I kindly request for your assistance towards filling the attached questionnaire.

The information sought is purely for academic purposes and shall be held in strict confidence and in no way related to you.

Thank you.

Yours faithfully,

John Kuria Thuo
C/O MBA OFFICE,
FACULTY OF COMMERCE,
UNIVERSITY OF NAIROBI,
P.O BOX 30197,
NAIROBI.

UNIVERSITY OF NAIROBI
FACULTY OF COMMERCE
MBA — PROGRAMME
LOWER KABETE CAMPUS

732160 Ext. 225
: "Varsity", Nairobi
95 Varsity Nairobi

P.O. Box 30197
Nairobi, Kenya.

Date 5/6/99

TO WHOM IT MAY CONCERN

The bearer of this letter JOHN KURIA THUO

Registration No D61/7146/97

is a Master of Business and Administration student of the University of Nairobi. He/She is required to submit as part of his/her coursework assessment a research project report on some management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would therefore, appreciate if you assist him/her by allowing him/her to collect data in your organisation for the research.

Thank you.

Sincerely,

DR. MARTIN OGUTU

Lecturer, and Co-ordinator of the MBA Programme

M. B CE
P. C
27 MAY 1999
NAIROBI UNIVERSITY COMMERCE FACULTY

LIST OF BANKS INTERVIEWED

1. KENYA COMMERCIAL BANK
2. BARCLAYS BANK
3. STANDARD CHARTERED BANK
4. NATIONAL BANK OF KENYA
5. CO-OPERATIVE BANK
6. COMMERCIAL BANK OF AFRICA
7. ABN-AMRO BANK N.V
8. CITIBANK N.A
9. NIC BANK
10. CFC
11. STANBIC
12. DIAMOND TRUST
13. INVESTMENT & MORTAGES
14. FIRST AMERICAN
15. EUROBANK
16. FINA
17. VICTORIA COMMERCIAL
18. CREDIT AGRICOLE INDOSUEZ
19. DEVELOPMENT BANK OF KENYA
20. MIDDLE EAST BANK
21. ABC
22. BANK OF INDIA
23. HABIB A.G ZURICH
24. HABIB
25. AKIBA
26. CONSOLIDATED
27. UNIVERSAL
28. CHASE
29. FIDELITY
30. DAIMA
31. CREDIT
32. FIRST NATIONAL FINANCE

QUESTIONNAIRE

Part I

1) In which year did your bank start its operations in Kenya?

----

2) How would you classify your institution as to ownership? (tick as appropriate)

i) Foreign Owned [ ] ii) Local [ ] iii) Joint Foreign and Local owned [ ]

3) What do you understand by relationship marketing?

----

4) What approximate percentage of your customer base do you have relationship with?

i) Retail customer's _____________ ii) corporate customers_____________

5) On average how long does it take for a relationship to develop? _____________

6) What percentage of your marketing budget do you allocate to building and maintaining relationships? __________________

Part II Kindly fill in as appropriate by placing a tick in the appropriate box

	1. Strongly agree	2. Agree	3. Neither agree nor disagree	4. Disagree	5. Strongly Disagree
REASONS FOR FORMING RELATIONSHIPS					
1. Relationships help us achieve common goals with our customers					
2. Relationships enhance our image in the market					
3. Relationships stabilize our demand/ turnover					
4. Relationships help us increase our turnover					
5. Relationships ensures customers willingness to share					
6. Relationships lead to improvements on production processes					
7. Relationships lead to improvements in our product / service quality.					

COSTS ASSOCIATED WITH RELATIONSHIPS					
8. Relationships increase on our overall cost structure					
9. Relationships increase on the cost of serving a particular customer					
10. We have experienced loss of accounts as a result of relationships with certain customers					
11. We have missed out on new business opportunities due to the demands of relationships with current clients					

FACTORS ASSOCIATED WITH SUCCESSFUL RELATIONS OVER TIME

	1. critically important	2. important	3 Neither important nor unimportant	4. Not important	5. Not at all important
12. Collaboration in product/ service development					
13. Both parties consistently meeting the others expectations					
14. Mutual goal setting between the parties					
15. Formal contacts between the parties					

16. Equal powers between the parties					
17. Personal liking between the parties					
18. Minimal conflict between the parties					
19. Trust in the actions of the others					
20. Periodic evaluations of one another					
21. Monetary investments by the buyer					
22. Monetary investments by the seller					
23. Frequent communications between the parties					
24. Co-ordination of logistics between the parties					
25. Sharing of proprietary data between parties					
26. Belief that the client won't act opportunistically					
27. Clients belief that the bank wont act opportunistically					

CRITERIA FOR SELECTING PARTNERS FOR RELATIONSHIPS

Rate by circling the most important score where: 1 = very important, 5 = not at all important

28. Clients that have an established track record	1	2	3	4	5
29. Clients that generate us a lot of business	1	2	3	4	5
30. Clients that have been with us for long enough	1	2	3	4	5

PART III

Tick as appropriate in the relevant box

ATTITUDES TOWARD RELATIONSHIPS

	1. Strongly agree	2. Agree	3. Neither agree nor disagree	4. Disagree	5. Strongly disagree
31. Relationships generally cost more than they are worth					
32. We should try forming relationships with every customer					
33. A true relationship is not really possible between a bank and a client					
34. Relationship is just another term of personalized selling					
35. If we had the option to do it again, we would again form the relationships that we are having with our clients					

PART IV

Tick as appropriate in the relevant box

SELLER AND BUYER BEHAVIORS

Behavior variable	1. Strongly agree	2. Agree	3. Neither agree nor Disagree	4. disagree	5. strongly disagree
36. we have changed our product/ service features just for these clients					
37. we have changed our personnel for these clients					
38. we have changed our inventory and distribution for these clients					
39. we have changed our marketing for these clients					
40. we have changed our capital equipment and tools for these clients					
41. The client has changed its product features just for us.					
42. the customer has changed its personnel for us					
43. The customer has changed its inventory and distribution for us.					
44. the client has changed his marketing for us					
45. The client has changed its capital equipment for us.					

10. the client has access to 46. our strategic plan					
11. we have access to the 47. clients strategic plan					
48. we have an on-line computerized link with the clients					

PART V

Tick as appropriate in the relevant box

	1. Increase significantly	**2. Increase**	**3. Neither increase nor decrease**	**4. Decrease**	**5. Decrease significantly**
49. What are your future intentions on the number of relationships formed over the next five years					
50. What are your future intentions on the amounts invested in relationships over the next five years					

Factor Analysis Printouts

Questions 1 –30

Analysis number 1   Listwise deletion of cases with missing values

	Mean	Std Dev
VAR00001	1.09375	.29614
VAR00002	1.46875	.56707
VAR00003	1.40625	.49899
VAR00004	1.96875	.96668
VAR00005	1.59375	.55992
VAR00006	1.68750	.47093
VAR00007	1.75000	.71842
VAR00008	1.75000	.71842
VAR00009	2.56250	1.04534
VAR00010	4.03125	.78224
VAR00011	3.68750	1.09065
VAR00012	1.21875	.60824
VAR00013	1.12500	.33601
VAR00014	1.53125	.56707
VAR00015	1.50000	.80322
VAR00016	2.59375	.97912
VAR00017	2.15625	.80760
VAR00018	1.53125	.50701
VAR00019	1.25000	.50800
VAR00020	1.75000	.84242
VAR00021	1.96875	.73985
VAR00022	1.65625	.65300
VAR00023	1.50000	.84242
VAR00024	2.34375	1.00352
VAR00025	1.90625	.92838
VAR00026	1.81250	.93109
VAR00027	1.59375	.87471
VAR00028	1.50000	.84242
VAR00029	1.84375	1.22104
VAR00030	2.56250	1.21649

Number of Cases =   32

Kaiser-Meyer-Olkin Measure of Sampling Adequacy = .10401

Bartlett Test of Sphericity = 690.91388, Significance = .00000

05 Aug 99 SPSS for MS WINDOWS Release 6.0

---------- FACTOR ANALYSIS -----------

Extraction 1 for analysis 1, Principal Components Analysis (PC)

PC extracted 11 factors.

Factor Matrix:

	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5
VAR00001	.17500	.31846	-.27517	.14296	.04868
VAR00002	.19369	.03479	.01537	.25734	.57228
VAR00003	.29566	.54914	.33702	.17330	.00088
VAR00004	.60296	.47096	.10601	.04646	-.07938
VAR00005	.45504	.17691	-.51769	-.23579	-.16353
VAR00006	.05392	-.57013	-.03872	.29283	.24786
VAR00007	-.14810	.04439	.35092	.12525	.05443
VAR00008	-.00983	-.06423	.02394	-.57239	.37979
VAR00009	.67632	-.47654	-.04305	.06691	-.01615
VAR00010	.06493	.49556	-.15366	-.18711	.29492
VAR00011	-.61092	.36887	-.39531	.30768	.08802
VAR00012	.13516	.32309	-.07195	.32138	-.50261
VAR00013	.79530	-.24978	-.07550	-.08942	-.20328
VAR00014	.44964	.18321	-.08772	.42087	.26712
VAR00015	.85050	-.04954	-.09843	-.14952	-.15218
VAR00016	.54734	.14916	.17975	.03027	-.17210
VAR00017	.03399	.52398	-.47979	-.00347	.26601
VAR00018	-.07819	.05873	.52257	.43378	.48646
VAR00019	.75728	-.02052	.02066	.35829	.04789
VAR00020	.78669	-.04775	.02615	-.30163	.12497
VAR00021	.45835	.22242	-.19678	.07063	.35625
VAR00022	.17106	.08767	-.22899	.38008	.16812
VAR00023	.67942	-.11915	.27302	.42652	-.24101
VAR00024	.49402	.11845	-.12078	-.32778	.32206
VAR00025	.15286	.59385	-.37370	-.01520	-.30188
VAR00026	-.05550	.46802	.69332	-.09918	-.25721
VAR00027	.14588	.60428	.23966	-.28977	.17244
VAR00028	.01787	.22637	.76662	-.08150	-.08555
VAR00029	.21514	.03079	.57422	-.21782	.25705
VAR00030	.57448	-.38698	.02002	-.14558	.06910

	Factor 6	Factor 7	Factor 8	Factor 9	Factor 10
VAR00001	.37331	.06519	-.48679	-.51107	.07042
VAR00002	-.24193	-.14482	.00663	-.29022	-.32218

----------- FACTOR ANALYSIS -----------

	Factor 6	Factor 7	Factor 8	Factor 9	Factor 10
VAR00003	.15589	.05215	.24299	-.11671	.14296
VAR00004	.03071	-.26877	-.14555	-.23139	-.09247
VAR00005	-.29436	.18297	-.12230	-.12908	.27522
VAR00006	.29272	-.05154	-.26902	.28941	.16644
VAR00007	.13956	-.56754	-.05137	-.38168	.28593
VAR00008	-.02382	-.39167	.45318	.03002	-.13833
VAR00009	-.24778	.13339	.11463	.03825	.18389
VAR00010	-.11292	.20561	.20638	-.07047	.38381
VAR00011	.25870	.04385	-.09678	.20878	-.12649
VAR00012	.38977	-.05764	.39367	.15266	-.10731
VAR00013	.12775	.03059	-.08888	-.02578	.14810
VAR00014	-.51616	.05699	.06167	-.15794	-.30260
VAR00015	-.00252	-.02360	.10247	.00877	.22291
VAR00016	-.40311	.19382	-.37000	.22760	-.14731
VAR00017	.04569	.32008	.27686	.14306	.15491
VAR00018	-.17108	.05435	.06795	.15866	.32248
VAR00019	.00894	-.23948	.14925	.17057	.23210
VAR00020	.29994	-.14154	.04599	-.08752	-.12902
VAR00021	.13879	-.15054	-.33446	.41482	.05617
VAR00022	.39944	.30441	.23321	-.11924	-.09726
VAR00023	-.00259	-.13605	.14229	.07944	-.18470
VAR00024	.25664	-.30482	-.07891	.29074	-.20834
VAR00025	-.21104	-.14947	-.00642	.14237	-.23957
VAR00026	-.09616	-.04314	.04181	.06891	.08751
VAR00027	.06475	-.01095	-.20991	.11482	.06679
VAR00028	.19758	.25577	-.13894	.10617	-.06999
VAR00029	.12014	.52148	-.01674	-.02436	-.19296
VAR00030	.28294	.41998	.11195	-.17369	-.16175

	Factor 11
VAR00001	-.04876
VAR00002	-.24115
VAR00003	-.24850
VAR00004	.08207
VAR00005	-.03267
VAR00006	.19254
VAR00007	.07439
VAR00008	.17028
VAR00009	.15093
VAR00010	-.26401
VAR00011	-.09377

VAR00012	-.16198
VAR00013	.12539
VAR00014	.20997
VAR00015	-.18133

----------- F A C T O R A N A L Y S I S -----------

Factor 11

VAR00016	-.10440
VAR00017	.08411
VAR00018	.05182
VAR00019	.07619
VAR00020	.04426
VAR00021	-.13813
VAR00022	.41788
VAR00023	-.16674
VAR00024	-.22553
VAR00025	.27964
VAR00026	.17311
VAR00027	.45448
VAR00028	.04472
VAR00029	-.15937
VAR00030	.09148

Final Statistics:

Variable	Communality	*	Factor	Eigenvalue	Pct of Var	Cum Pct
		*				
VAR00001	.87967	*	1	6.03082	20.1	20.1
VAR00002	.75841	*	2	3.32709	11.1	31.2
VAR00003	.71447	*	3	3.11659	10.4	41.6
VAR00004	.76826	*	4	2.06501	6.9	48.5
VAR00005	.81726	*	5	1.99208	6.6	55.1
VAR00006	.78588	*	6	1.71135	5.7	60.8
VAR00007	.74288	*	7	1.66704	5.6	66.4
VAR00008	.88504	*	8	1.36811	4.6	70.9
VAR00009	.84147	*	9	1.25015	4.2	75.1
VAR00010	.71499	*	10	1.16206	3.9	79.0
VAR00011	.91456	*	11	1.07316	3.6	82.5
VAR00012	.85502	*				
VAR00013	.81339	*				
VAR00014	.92599	*				

VAR00015	.87472	*
VAR00016	.80604	*
VAR00017	.80941	*
VAR00018	.87614	*
VAR00019	.87346	*
VAR00020	.86682	*
VAR00021	.77829	*
VAR00022	.76700	*
VAR00023	.89733	*
VAR00024	.82764	*

05 Aug 99 SPSS for MS WINDOWS Release 6.0 Page 35

----------- FACTOR ANALYSIS -----------

Variable	Communality	*	Factor	Eigenvalue	Pct of Var	Cum Pct
VAR00025	.82983	*				
VAR00026	.83404	*				
VAR00027	.83014	*				
VAR00028	.79516	*				
VAR00029	.84036	*				
VAR00030	.83981	*				

Questions 31-35

	Mean	Standard Deviations
31. Relationships generally cost more than they are worth	4.258	1.264
32. We should try forming relationships with every customer	3.225	1.257
33. A true relationship is not really possible between a bank and a client	4.387	1.1435
34. Relationship is just another term of personalized selling	4.000	1.238
35. If we had the option to do it again, we would again form the relationships that we are having with our clients	1.967	.98226

Initial Statistics:

Variable	Communality	*	Factor	Eigenvalue	Pct of Var	Cum Pct
		*				
VAR00001	1.00000	*	1	2.10727	42.1	42.1
VAR00002	1.00000	*	2	1.42084	28.4	70.6
VAR00003	1.00000	*	3	.96899	19.4	89.9
VAR00004	1.00000	*	4	.31895	6.4	96.3
VAR00005	1.00000	*	5	.18395	3.7	100.0

Hi-Res Chart # 1:Factor scree plot

PC extracted 2 factors.

Factor Matrix:

	Factor 1	Factor 2
VAR00001	.86597	-.21593
VAR00002	.53188	-.01838
VAR00003	.80806	.45281
VAR00004	.23212	.88677
VAR00005	-.60631	.61845

Final Statistics:

Variable	Communality	*	Factor	Eigenvalue	Pct of Var	Cum Pct
		*				
VAR00001	.79654	*	1	2.10727	42.1	42.1
VAR00002	.28323	*	2	1.42084	28.4	70.6
VAR00003	.85800	*				
VAR00004	.84024	*				
VAR00005	.75010	*				

Questions 36-50

05 Aug 99 SPSS for MS WINDOWS Release 6.0 Page 2

----------- FACTOR ANALYSIS -----------

Analysis number 1 Listwise deletion of cases with missing values

	Mean	Std Dev	Label
VAR00001	1.56250	.94826	
VAR00002	1.53125	.84183	
VAR00003	1.84375	.67725	
VAR00004	1.90625	.73438	
VAR00005	2.18750	.64446	
VAR00006	2.18750	.69270	
VAR00007	2.06250	.71561	
VAR00008	2.31250	.69270	
VAR00009	2.37500	.55358	
VAR00010	2.50000	.67202	
VAR00011	2.65625	.65300	
VAR00012	1.62500	.79312	
VAR00013	1.65625	.74528	
VAR00014	1.62500	.70711	
VAR00015	1.59375	.66524	

Number of Cases = 32

Determinant of Correlation Matrix = .0031558

Kaiser-Meyer-Olkin Measure of Sampling Adequacy = .49151

Bartlett Test of Sphericity = 144.92245, Significance = .00600

Extraction 1 for analysis 1, Principal Components Analysis (PC)

PC extracted 6 factors.

Factor Matrix:

	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5
VAR00001	.78750	.35295	-.03947	-.22149	.02783
VAR00002	.85870	-.17023	.09605	.05542	-.27512
VAR00003	.24977	-.19944	-.22600	.54951	-.60200
VAR00004	-.33763	.36459	.16081	.22451	-.25927
VAR00005	-.15648	.68705	.16335	.34922	-.01586
VAR00006	-.34572	.69335	.19685	-.26572	-.10061
VAR00007	.01782	-.27827	.68167	-.07190	.34155
VAR00008	-.10803	-.11128	.62073	.50039	.23996
VAR00009	-.37510	-.48393	.25839	-.41038	-.47013
VAR00010	-.41413	-.41558	-.10238	.09023	.11425

----------- F A C T O R   A N A L Y S I S -----------

	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5
VAR00011	-.46704	.00724	-.37544	.36199	.33484
VAR00012	.45643	.43136	.41503	-.08618	.05060
VAR00013	.48922	-.36338	.36659	.34348	.18278
VAR00014	.35031	.12066	-.54645	.34224	.22390
VAR00015	.25552	-.11872	-.35345	-.44063	.37624

	Factor 6
VAR00001	-.24689
VAR00002	-.08115
VAR00003	.12937
VAR00004	.62930
VAR00005	-.23886
VAR00006	-.18761
VAR00007	.18108
VAR00008	.12506
VAR00009	-.04984
VAR00010	-.56071
VAR00011	-.06622
VAR00012	-.04693
VAR00013	-.11276
VAR00014	.06747
VAR00015	.48306

Final Statistics:

Variable	Communality	*	Factor	Eigenvalue	Pct of Var	Cum Pct
		*				
VAR00001	.85708	*	1	2.85591	19.0	19.0

VAR00002	.86092	*	2	2.12256	14.2	33.2
VAR00003	.83435	*	3	1.95151	13.0	46.2
VAR00004	.78642	*	4	1.59689	10.6	56.8
VAR00005	.70246	*	5	1.26456	8.4	65.3
VAR00006	.75493	*	6	1.19506	8.0	73.2
VAR00007	.69705	*				
VAR00008	.73297	*				
VAR00009	.83357	*				
VAR00010	.69028	*				
VAR00011	.60668	*				
VAR00012	.57884	*				
VAR00013	.66987	*				
VAR00014	.60768	*				
VAR00015	.77337	*				

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