

**CUSTOMER RELATIONSHIP MANAGEMENT SYSTEM AMONG
COMMERCIAL BANKS IN KENYA**

BY

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**A Research Project Report Submitted in Partial Fulfillment of the
Requirement for the Degree of Masters of Business Administration
(MBA), School Of Business, University of Nairobi**

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DECLARATION

I declare that this is my original work and has not been presented for any award in any other university.

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DEDICATION

This research project is dedicated to my beloved husband Kepha and daughter Sheila.

To my daughter Sheila, may you go beyond this.

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LIST OF ABBREVIATIONS

MSA	Micro-saver Africa
E-business	Electronic business
MIS	Management information system
UNU	United Nations University
IT	Information technology
CLC	Customer Life Cycle
E-Commerce	Electronic Commerce
CRM	Customer Relationships Management
IS	Information System
NOC	Network Operations Centre
SOC	Security Operations Centre
KCB	Kenya Commercial Bank
OLAP	Online Analytical Processing
EIS	Executive Information Systems
US	United States
CLC	Customer Life Cycle
ERP	Enterprise Resource Planning
SCMS	Supply Chain Management System
TPS	Transaction Processing System
ESS	Executive Support system
DSS	Decision Support System
HR	Human Resources

ABSTRACT

Nowadays, many businesses such as banks, insurance companies, and other service providers have realized the importance of Customer Relationship Management (CRM) and its potential to help them acquire new customers, retain existing ones and maximize their lifetime value. At this point, close relationship with customers requires strong coordination between IT and marketing departments to provide a long-term retention of their customers. The purpose of this study was to establish the use of CRM systems and further determine the challenges facing the use of CRM systems among the commercial banks in Kenya.

The study used descriptive design. The study targeted forty five (45) commercial banks within Nairobi Province. Primary data was obtained using self administered questionnaires. The successfully filled up questionnaires containing responses were first edited for accuracy, consistency and completeness. The data from questionnaires was analyzed using procedures within statistical package for social sciences (SPSS). The responses were analyzed using measures of dispersion (mean and standard deviation), distribution tables, quartiles (percentiles) and graphical analysis so as to explain the response rates from various respondents.

The study found out that IT ensured personalized attention to the customers and also facilitated variety of products offered by the bank. It enabled the bank to understand and serve customers better than their competitors, developed and improved new products for the customers. It also improved processes and relationships with its customers and business partners and further built a long lasting relationship with the customers, increased revenues and profits. The study concludes that CRM is a useful business strategy and most essential to banks which have a day to day dealing with the customers. It is beneficial for all stakeholders: customers, employees, and investors. Good maintenance of CRM system can enhance increased performance through revenues and profits since adoption of CRM builds a long lasting relationship. The study recommends that banks should recognize the strategic role played by CRM as well as the increased importance ascribed to CRM in the future. They should recognize the diversity of experience and needs of different customers. Moreover, banks should hire professional people to deal with the system efficiently especially when the system is complex.

CHAPTER ONE: INTRODUCTION

1.1 Background

In order to achieve high productivity Businesses continuously seek to improve the efficiency of their operations using IT. Managers use Information systems and technologies to achieve higher levels of efficiency and productivity in business and operations especially when coupled with changes in business practice management (Esprit, 1997). Information systems and technologies are major enabling tools that firms use to create new products and services as well as developing new business models. A business model describes how a company produces, delivers, and sells a product or service to create wealth (Wilder, 1996). Firms make use of Information systems and technologies to achieve customer intimacy and to keep track of their customers' preferences. Business firms invest heavily in information systems and technologies because they are necessities of doing business and sometimes these necessities are driven by industry level changes (James, 2009).

Information technology (IT) is the management and use of information using computer-based tools. It involves acquiring, processing, storing, and distributing information. Information Technology provides the tools and functions on which majority of companies run. With the new technologies in place, and the boom of the Internet, all business activities use some form of technology (Andam, 2003). Initially there was the barter trade system where people handled every aspect of running a business manually, however, with the advent of IT the pace of trade has increased. The advances in technologies have drastically reduced the cost of business operations and increased the

efficiencies across organizations (James, 2009). In today's highly competitive and technological business world the success or failure of an organization depends on how organizations manage to streamline the flow of information between their departments and outside world. This involves the use of technology to automate the flow of information in an organization's information system. These strategic uses enable executives to identify opportunities for strategic use of IT (Doms, 2004).

According to Ravindran (2009), for the enterprises to succeed in protecting their business data and to achieve a secure IT environment they have to develop an IT Strategy with centralized approach. Some organizations are facing problems in managing their IT environment and protecting the business data because they are trying to achieve this by deploying multiple point tools to manage the IT environment. Cinoy (2009) noted that it is possible for organizations to work effectively, give constant communication to customers and create close collaboration between customers and organizations if they make proper use of IT. IT leaders use technology to solve real business problems by aligning efforts with business goals and using collaboration tools to manage projects more efficiently. They also use IT to make smart sourcing decisions to maximize limited resources.

Organizations use IT to develop new products, services, improve existing products and processes so as to achieve a competitive edge in the market or to effect significant improvements in internal operations. The potential importance of IT for an organization depends upon the information intensity of processes and the information content of the products. The strategic use of IT in an organization is therefore necessary for the bending of the IT strategy into the corporate strategy (Pan, 1996).

1.1.2. Information Technology use in the Banking Sector

The explosion of technology has changed the banking industry from paper and branch banks to digitized and networked banking services. It has also changed the internal accounting and management systems of banks and it is now fundamentally changing the delivery systems banks use to interact with their customers. Worldwide, banks are still struggling to find a technological solution to meet the challenges of a rapidly-changing environment. It is clear that this new technology is changing the banking industry forever. Banks with the ability to invest and integrate information technology will dominate in the highly competitive global market (Chakrabarti, 2002).

The changes that new technologies have brought to banking are enormous in their impact on officers, employees, and customers of banks. Advances in technology are allowing for delivery of banking products and services more conveniently and effectively than ever before thus creating new bases of competition. Rapid access to critical information and the ability to act quickly and effectively will distinguish the successful banks of the future. IT helps a bank to gain a vital competitive advantage by having a direct marketing and accountable customer service environment and new, streamlined business processes. It also allows consistent management and decision support systems which help the bank achieve a competitive edge to forge ahead in the banking marketplace, (IBM, 2009).

Technology has opened up new markets, new products, new services and efficient delivery channels for the banking industry. Online electronic banking, mobile banking and internet banking are just a few examples of the use of IT. Information Technology has also provided banking industry with the wherewithal to deal with the challenges the

new economy poses. It has been the cornerstone of recent financial sector reforms aimed at increasing the speed and reliability of financial operations, (Frank, 2004).

1.1.3. Customer Relationship Management (CRM) System

Customer Relationship Management (CRM) is the establishment, development, maintenance and optimization of long-term mutually valuable relationships between customers and organizations. It is a business strategy that provides the enterprise with a complete, dependable, and integrated view of its customer base (Kotler, 2006). It is a strategy that is implemented by many companies for managing their interactions with customers, clients and sales prospects. Organizations use IT to organize, automate, and synchronize business processes especially sales activities, and those for marketing, customer service, and technical support. The main aim is to find, attract, and win new clients, nurture and retain the ones the company already has, entice former clients back into the fold, and reduce the costs of marketing and client service. CRM describes a company-wide business strategy including customer-interface departments as well as other departments, (Meroz, 1996).

The CRM system is the computer software designed to help companies keep track of and easily access information about the customers or clients the business is dealing with. It is a combination of organizational strategy, information systems, and technology that is focused on providing better customer service. CRM system uses emerging technology that allows organizations to provide fast and effective customer service by developing a relationship with each customer through the effective use of customer database information systems. An integrated business model is critical because it ties together

technology, information systems, and business processes along the entire value chain of an organization, (Khambata, 1996). The CRM software maintains the track on the customer preferences, shopping practice, deals with the service request, information request and complaints. Organizations use the CRM software to store the customers' information due to which they are able to serve the customers more promptly and encourage new customers. CRM system enables members of a sales force to have instant access to information about contacts and sales leads. It contains the documentation dealing with a particular sales lead such as correspondence and previous contracts. It also keeps up with the necessary tasks to be done to follow up on the sales lead, (Chan, 2005).

CRM can't be successfully introduced into an organization without some technology. Information technology provides means by which companies communicate with their customers (telephone, e-mail and the internet) in writing. Information Technology (IT) and CRM have three key elements, namely Customer Touch Points, Applications, and Data Stores, (Raisch, 2001). Customer Touch Points is the interface between an organization and its customers. It is a marketing orientation and focuses upon the customer and his or her current and future needs.

Banks struggle to improve productivity and expand their client value. They increase corporate knowledge by sharing all client information and accelerate the sales cycle by automating time-consuming steps. They use IT to leverage relationships more effectively with insight into client connections and influence. They improve collaboration with automated workflows for managing account setup and other complex processes using IT and also increase new client referrals and referrals of existing clients between lines of

business. With the help of IT they improve cross-selling and up-selling with in-context links to complementary products, (Gurau, 2003).

1.1.4. Strategic Use of Customer Relationship Management System in Business

CRM is used by organizations as a strategy to save money and enhance processes in a business organization with the use of a better automation in the business processes. A successful company uses CRM system to attract, satisfy, and retain the most valuable customers. This provides information to coordinate all the business processes that deal with customers in sales, marketing, and service to optimize revenue, customer satisfaction, and customer retention (Laudon, 2006.).

Organizations implement Customer relationship management system to improve the customer relationship and manage their customer information in a proper way. CRM system brings together many pieces of information about customers, sales, market trends, marketing effectiveness and responsiveness. This system is used to store information about customers, which can be accessed by employees across the board. The information is categorized and stored in an easy-to-use format and is used to offer the best service to customers. This enhances the company's efficiency resulting in higher profit margins, (Gartner, 2008). CRM help companies improve the profitability of their interactions with customers while at the same time making those interactions appear friendlier through individualization. Its main purpose is to enhance customer satisfaction and retention by alignment of customer business processes with technology integration, (Meroz, 1996).

With the right CRM system there are no missed opportunities. The system helps sales force managers keep up with everything that is going on with individual members of the sales team. A good CRM system will automatically remind sales personnel of the follow up needed and in some cases will automatically generate such action as follow up e-mails, (Bull, 2003). It generates most of the necessary reports automatically and provides instant access to everyone in the company that needs to see them. It also allows reports to be easily and quickly customized. CRM system follows a sales lead every step all the way from the time it is first made until the sale is closed and can correctly project the right closing date for the sale. It helps company executives to predict sales trends and find out which of its products are selling the best and who the customers for the products are. Thus with CRM system necessary adjustments to sales strategies can be made in time, (Kotorov, 2003).

1.1.5. Customer Relationship Management in Commercial Banks

A commercial bank is a type of financial institution and intermediary. It is a bank that provides transactional, savings, and money market accounts and accepts time deposits, (Steven M.2003). The term "commercial bank" refers to a bank or a division of a bank primarily dealing with deposits and loans from corporations or large businesses. Commercial banking may also be seen as distinct from retail banking, which involves the provision of financial services direct to consumers.

Many banks offer both commercial and retail banking services. Commercial banks face increasing competition from new players, including global banks and alternative sources of funds. In response, they work harder to ensure that their clients feel valued and receive

high-quality service that promotes client loyalty. Customer relationship management (CRM) system provides the foundation and tools commercial banks need to implement processes that maximize opportunities and to craft a client experience that differentiates them from competitors.

Pivotal CRM for Commercial Banking is a complete, end-to-end client relationship management (CRM) tool that offers exceptional functionality tailored to the needs of commercial banks. It was designed to help commercial banks retain the advantages and insight of traditional relationship banking while capitalizing on the efficiencies of automation and centralized client information and opportunity management, (Beasty, 2005).

CRM system enables a bank to develop a deep insight into its clients' needs and preferences. It also helps them automate multi-step processes, track performance, and collaborate better as a team. Its flexible platform supports many connections to the entire bank, including back-office financial systems. In order to compete effectively in the market place, Business banks have become customer-focused, and not product-focused. Linking classic resource, customer-center strategy, and IT application, CRM in bank optimizes an enterprise's revenue and profits, and provide maximum customer satisfaction, (Bull, 2003).

1.2. Research Problem

The world witnesses an IT revolution which has touched every aspect of people's life including banking, (Siam, 2006). The customer is now having access to a variety of products and services thus becoming difficulty for banks to survive. In situations where

customer inquiries are not met easily or transactions are complicated, the customer will ask for new levels of services and only choose those institutions who are making real efforts to provide a high level of quality, fast and efficient services through all the banks touch points, call centers, ATMs, voice response systems, internet and branches (Puccinelli,1999).

For the past three decades Banks have found themselves at the forefront of technology adoption (Sing, 2002). These changes and developments in the banking industry have impacts on the quality and future of the banking activities, and consequently on its continually competitive ability in the world markets since going along with technology is one of the most important factors of economic organizations success in general and banks in particular (Siam, 2006).

Technology capability alone cannot ensure efficient and effective customer services (Dyche, 2001). A company needs to analyze the business situation and understand the real requirements for automation (Xu, 2002). Managers need to look at areas where opportunities lie because industry consolidation, virtual delivery channels and the ability to move money around at click of a mouse are making it easier for customers to pack their bags and say bye to the bank (Puccinelli, 1999). Organizations can use CRM as an opportunity to rise above their competitors by developing actual relationships with their customers. Companies committed to CRM must continuously invest in its relationship with its customers because it's the only competitive advantages remaining to an organization (Xu, 200).

The study intended to establish the use of customer relationship management system among commercial banks in Kenya. This complements an earlier study on “CRM: Strategies and Practices in selected bank in Pakistan” by Hussein, (2009). The team used descriptive study with in-depth interviews and focus group discussions with service providers. The study found out that CRM is a useful business strategy and is beneficial to all stakeholders; customers, employees and investors. It also realized that banks need to understand the needs and demands of their target customers and then formulate their strategies and practices to serve them efficiently and effectively. Therefore there was need for a study to be conducted on customer relationship management system in business process management among commercial banks in Kenya. Although Research had been done in customer relationship management none had been done in commercial banks in Kenya.

Research done on the role of the different IT enabled business functions in large enterprises indicated that IT improves business performance and enhances productivity in firms. It also revealed that IT is crucial in driving business growth (Lansity & Favaloro, 2006). Over the past few years IT has replaced the conventional modes of businesses with innovative technological tools. In addition to the increased output and efficiency, IT has introduced new concepts such as e-commerce (Carr, 2005). Studies on IT challenges facing leaders of Homeland security in the 21st century indicate that electronic commerce is still in its infancy, but has great potential (Alexander, 2004). Few companies are engaged in on-line transaction. In addition, the number of the secure transaction sites is still low. This may well be a barrier to the visitor considering buying products or services over the Internet.

Brinjolfsson (2003) noted that firms that support their technology investments with investments in complimentary assets such as new business models, new business processes management behavior , organization culture, or training , receive superior returns whereas those firms failing to make complimentary investment receive less or no returns on their IT investment.

Often companies have to change their internal business processes and exploit human and organizational resources, in order to manage good relationship with their customers. Institutional success lies in the secret of successfully delivering customer oriented product or service to every customer (Bose, 2002). Based upon this discussion there was need for a study to be done on CRM System among Commercial Banks in Kenya. This study therefore sought to establish the challenges and strategic use of CRM system among Commercial Banks.

This research sought to find out the types of CRM systems used in the banking industry, their strategic uses of CRM systems and the challenges facing commercial banks in utilizing customer relationship management systems

1.3. Research objectives

The main objective of the research was to establish the use of CRM systems among the commercial banks of Kenya, specifically to:

- a. To establish the strategic use of CRM systems in business process management in the commercial banks in Kenya.
- b. To determine the challenges facing the use of CRM systems among the commercial banks in Kenya.

1.4 Significance of the Study

The study is important not only to commercial banks in Nairobi but also to other commercial banks in other parts of the country. It would help them understand the challenges and use of CRM system in their businesses and use it to achieve a competitive edge.

The results of the study can be important to the managers both in Nairobi and other parts of the country by contributing to the existing body of knowledge in the area of business management and e-business in particular. Academicians would use findings for further research, while bank managers and IT specialists would apply lessons in the use of CRM system and put more efforts to improve performance and success in their various banks.

The study can be a source of reference material for future researchers on other related topics. It will also help other academicians who undertake the same topic in their studies. The study would also highlight other important relationships that require further research; this may be the areas of relationships between intelligence and the banks' performance. The research findings and their recommendations can be used by the bank managers to improve the quality of their CRM.

CHAPTER TWO: LITERATURE REVIEW

2.1 The Concept of IT

Initially in businesses, internal reporting was made manually and only periodically, as a by-product of the accounting system and with some additional statistic(s), and gave limited and delayed information on management performance. Earlier, business computers were mostly used for relatively simple operations such as tracking sales or payroll data, often without much detail. Over time, these applications became more complex and began to store increasing amount of information while also interlinking with previously separated information systems. As more and more data was stored and linked man began to analyze this information into further detail, creating entire management reports from the raw, stored data, (Laudon. C. K, 2010). The term "MIS" arose to describe these kinds of applications, which were developed to provide managers with information about sales, inventories, and other data that would help in managing the enterprise. Today, the term is used broadly in a number of contexts and includes but is not limited to: decision support systems, resource and people management applications, Enterprise Resource Planning (ERP), Supply Chain Management (SCM), Customer Relationship Management (CRM), project management and database retrieval applications, (Gartner, 2009).

A Typical business organization will have systems supporting processing for each of the major business functions such as systems for sales and marketing, manufacturing and production, finance and accounting, and human resources. The major types of information systems include: transaction processing systems (TPS), management

information management (MIS), decision-support system (DSS), executive support system (ESS), supply chain management systems (SCMS), and knowledge management systems (Laudon. 2010).

Transaction processing systems performs and records the daily routine transactions necessary to conduct business, such as sales order entry, hotel reservations, payroll, employee record keeping and shipping. MIS designate a specific category of information system serving the middle management. It provides them with reports on the organization's current performance, and it summarizes and reports on the company's basic operations using data supplied by transaction processing systems (Pant, 1995).

Decision-support system (DSS) supports non-routine decision making for middle management. They focus on problems that are unique and rapidly changing for which the procedure for arriving at a solution may not be fully pre-defined in advance. They use information from MIS, TPS and often bring in information from external sources such as current stock prices or product prices of competitors. Executive support system (ESS) addresses non routine decisions requiring judgment, evaluation and insight because there is no agreed on procedure for arriving at a solution. It helps senior management make their decisions (James, 1999). Supply chain management (SCM) systems help businesses manage relationships with their suppliers. These systems help suppliers, purchasing firms, and logistics companies share information about orders, production, inventory levels, and delivery of products and services so that they can make better decisions about how to organize and schedule sourcing, production and distribution (Pant, 1995).

Customer relationship management (CRM) systems help firms manage their relationships with their customers. CRM systems provide information to coordinate all of the business processes that deal with customers in sales, marketing, and service to optimize revenue, customer satisfaction and customer retention. These systems consolidate and integrate customer information from multiple communication channels such as telephone, e-mail, wireless devices, retail outlets, or the web (Pant, 1995). Knowledge management systems enable organizations to better manage processes for capturing and applying knowledge and expertise. These systems collect all relevant knowledge and experience in the firm and make it available wherever and whenever it is needed to improve business processes and management decisions (Laudon, 2010).

In some firms business managers depend on forecasts, best guesses, and luck. They operate in an information fog bank, never really having the right information at the right time to make informed decision. The result is over or underproduction of goods and services, misallocation of resources and poor response times. In the past decade Information systems and technologies made it possible for managers to use real-time data from marketplace when making decision (Andam, 2003).

As information is centralized and updates are available simultaneously at all places, single-window service becomes possible, leading to effective reduction in waiting time. It also offers fast and up-to-date information transfer enabling speedier decisions, by interconnecting computerized branches and controlling offices. IT provides a wide range of inquiry facilities, assisting the bank in business development and follow-up. It also gives immediate replies to customer queries without reference to ledger-keeper as terminals are provided to Managers and Chief Managers, (Laudon, 2010).

IT offers automatic and prompt carrying out of standing instructions on due date and generation of reports. It also generates various MIS reports and periodical returns on due dates. Accurate computing of cumbersome and time-consuming jobs such as balancing and interest calculations on due dates are now possible with the use of IT. It enables automatic printing of covering schedules, deposit receipts, pass book and pass sheet, freeing the staff from performing these time-consuming jobs, and enabling them to give more attention to the needs of the customer, (Brynjolfson, 1996).

2.1.1 Use of Information technology in Commercial banks

IT is used by commercial banks to Manage opportunities for optimum productivity. Banks use IT to Centralize and streamline business management to deliver superior results and increase productivity. Opportunities for internal commercial banking affiliates, such as Cash Management, can be easily identified to increase referrals. Opportunities, activities and next steps can be assigned to individuals or groups, (Cinoy, 2009).

IT has increased the level of competition and forced banks to integrate the new technologies in order to satisfy their customers. They have already developed and implemented a certain number of solutions such as Self-inquiry facility, Remote banking, anytime banking, Telebanking and Electronic Banking. Customer relationship management (CRM) and cross-selling bank software are key chances that interact with the bank or Credit Card Company over the phone as much or more than in a branch. CRM bank software helps the customer-facing front line people to up-sell and cross-sell at each touch with all the current data for that customer in hand, (Cieslak, 2006).

The Self-inquiry facility is used for logging into specified self-inquiry terminals at the branch to inquire and view the transactions in the account. Remote banking refers to the Remote terminals at the customer site connected to the respective branch through a modem, enabling the customer to make inquiries regarding his accounts on-line without having to move from his office. Installation of ATMs offers non-stop cash withdrawal, remittances and inquiry facilities, (Doms, 2004). Networking of computerized branches inter-city and intra-city permit customers of these branches, when interconnected, to transact from any of these branches.

Tele-banking is a 24-hour service through which inquiries regarding balances and transactions in the account are made over the phone. Electronic Banking enables the bank to provide corporate and high value customers with Graphical User Interface (GUI) software on Personal Computers, to inquire about their financial transactions and accounts, cash transfers, cheque book issue and inquiry on rates without visiting the bank. Electronic data interchange (EDI) is used to provide this service. It is used to transmit business transactions in computer-readable form between organizations and individuals in a standard format, (Cinoy, 2009).

The primary banking software systems handle the traditional functions of a bank such as deposits, withdrawals, check handling, debit and credit card accounts and savings accounts, like money markets and certificates of deposit. For international bank systems, core banking can include multi-currency bank software, foreign exchange and automated check clearing (Andam, 2003). Online banking software is designed for loan origination or loan servicing that can keep sales effort on track. Online banking software for loan

origination integrates with web sites that capture initial customer data as leads. Some of the top loan origination banking software systems includes , Byte, Loan Ace, and FICS (James, 2009).

IT is used to coordinate the specialized activities of multi-functional teams. With IT in place organizations are able to coordinate and apply resources where they will be most effective by creating detailed action plans and assigning steps to individual team members. They also use it to improve collaboration, achieve efficiencies, pool information and insight, and ensure everyone is on the same page with a central location by sharing account activity and information. IT help banks to build a centralized, shared client intelligence repository that can be leveraged across the firm and endures in the event of employee departure by protecting their investment in building important client relationships and ensuring service continuity,(Iansiti, 2006).

IT eliminates repetitive daily tasks with built-in workflows that increase efficiency. Data-driven workflows coordinate and accelerate the numerous steps and stakeholders involved in critical processes such as account setup. It also Increase client retention by delivering more proactive and personalized services, informed by a deep understanding of client preferences and needs. This increase customer satisfaction and retention, (Khambata, 1996).

2.2. Customer Relationship Management Systems

Customer Relationship Management (CRM) is a combination of organizational strategy, information systems, and technology that is focused on providing better customer service.

CRM uses emerging technology that allows organizations to provide fast and effective customer service by developing a relationship with each customer through the effective use of customer database information CRM aims at acquiring new customers, retaining the current customers, and growing the relationship with an organization's existing customers, (Joachim, 2002).

CRM is a corporate strategy for doing business. Its goal is to satisfy the customers by addressing their requirements for products and by providing high-quality, responsive customer service. Companies collect and store meaningful information in a comprehensive customer database. The database must be current, accessible, and actionable in order to support the generation of leads for new customers while supporting sales and the maintenance of current customer relationships, (Harris, 2003). Organizations collect information every time a customer comes into contact with the organization. Based on what they know about the individual customer, organizations can customize market offerings, services, programs, messages, and choice of media. A customer database should contain the customer's history of past purchases, demographics, activities, interests, opinions, preferred media, and other useful information. Also, this database is made available to any organizational units that have contact with the customer, (Jim, 2006).

The customer relationship management (CRM) process involves strategic decisions that are based on the needs, input and feedback of customers. Businesses that incorporate CRM processes work from an outside-in model, rather than forcing their ideas on to the customer to build business, (Gartner, 2007). The customer is the main driver in a CRM

model. Everything from technology to pricing, sales techniques and education revolve around the customer. Departments that serve the customer such as marketing, sales and customer service are integrated so that budgets and business plans involve all parties (Gartner, 2009).

A good customer relationship management focuses on understanding the customers and is achieved by placing the needs and desires of the customers at the centre of the business by integrating them with the organization's strategy, people, technology and business processes. A good CRM strategy creates mutual value for all the parties involved in the business process and creates a sustainable competitive advantage by being the best at understanding, communicating, delivering, and developing existing customer relationships and also creates and keeps new customers. By so doing the concept of product life cycle (PLC) gives way to the concept of customer life cycle (CLC) focusing on the development of products and services that anticipate the future need of the existing customers and creating additional services that extend existing customer relationships beyond transactions, (Parasuraman,2000).

An effective, integrated Customer Relationship Management approach can lead to significant business benefits which include: reduced costs,; increased customer satisfaction, growth in numbers of customers, maximization of opportunities, increased access to a source of market and competitor information, highlighting poor operational processes, long term profitability and sustainability, (Gurau, 2003).

Types of CRM include: Oracle which provides CRM tools and applications that help the business with a number of better business processes. It offers the information that is

absolutely correct and it provides the functionality that is an important part. SAP this software provides the variety of CRM technology that serves the business in every way. It enhances proficiency by Providing enhanced efficiency and productivity. The Sales Force software provides the unique small business CRM solution which is simple, but effective by providing CRM tools that furnish the business with the ability to grow its impressiveness. It provides a vast variety of business solution ranging from marketing to the sales force automation to the customer service and assistance.

2.2.1. Customer Relationship Management in the Banking sector

In the financial industry, banks have embraced customer relationship marketing. They offer packaged checking, loan, mortgage and investment account solutions based on usage patterns. Customers that bank on the Internet, via telephone, debit card and ATM might pay more for excess check usage and less or nothing at all in monthly fees. People who commonly use traditional teller services for their banking needs and rarely or never bank via telephone or online are offered solutions that provide low-priced or unlimited check writing with a more substantial monthly fee or a high per- transaction cost, (Gurau, 2003).

Technology is at the heart of any effective customer relationship management application. Technology and customer relationship management (CRM) software go hand in hand. CRM software extends across the organizational structure beginning with a web-based, user-friendly interface for sales executives and customer service personnel and ending with massive databases and knowledge management systems. In some applications, the web-based interface extends to the customer as well. Customer

Relationship Management in the banking system is fundamental to building a customer-centric organization. CRM systems link customer data into a single and logical customer repository,(Jim, 2006).

CRM in banking is a key element that allows a bank to develop its customer base and sales capacity. The goal of CRM is to manage all aspects of customer interactions in a manner that enables banks to maximize profitability from every customer. Increasing competition, deregulation, and the internet have all contributed to the increase in customer power. Customers faced with an increasing array of banking products and services, are expecting more from banks in terms of customized offerings, attractive returns, ease of access, and transparency in dealings. Retaining customers is a major concern for banking institutions which underscores the importance of CRM (Parimal, 2000).

At the individual employee level, CRM system equips users with the information they need to deliver exceptional, personalized service while cross-selling and up-selling effectively. Relationship officers can track client companies' business plans within the system, including their strategic direction and priorities, enabling them to proactively provide personalized services that fit the client's business needs, (Chan, 2005).

At the executive level, CRM system enables management to track and manage the revenue channel, identify business at risk, and gain insight into trends and opportunities. It also enables firms to capture client referrals reliably and follow up on them consistently, including referrals from one line of business, such as depository services, to

another, such as credit card servicing. Pivotal CRM for Commercial Banking increases productivity and improve collaboration with a holistic client view, (Neuborne, 2005). It creates a comprehensive repository of client information including opportunities, transactions, contacts, interests, business plans, preferences, influencers, and becoming the firm's most valuable information hub. With tools that help manage and leverage relationships, plan and execute communications, and act on opportunities, CRM increases productivity and improves collaboration across sales, marketing, and client service functions. CRM system enables bank employees to map out client relationship touch-points to ensure regular, coordinated interaction. Using CRM to track and understand market, competitor, client, and sales trends encourages more proactive account management, as well as more informed decision-making, (Kotorov, 2003).

Competition within a global marketplace dictates that companies distinguish themselves from the competition through their customer relationships. An organization that is not using information technology to understand and serve its customers better will be outperformed, out-sold, out-smarted and probably out of business before the end of the next decade. It is impossible for employees to provide the level of service customers expect if information about them is scattered throughout an organization or is just unavailable. Good customer information architecture can effectively integrate data from many sources such as financial, claims, customer and call center systems. For example, In Banking system, credit card, installment loan, investments, trust account and mortgage, are isolated within each division. The financial institution with fragmented customer information is bombarding customers with redundant, confusing propositions that often don't apply to their individual situations (Anjana, 2000).

Kotler, (2006) noted that technological approaches involving the use of databases, data mining and one-to-one marketing can assist organisations to increase customer value and their own profitability. This type of technology can be used to keep a record of customer names and contact details in addition to their history of buying products or using services (Jim, 2006) .This information can be used to target customers in a personalised way and offer them services to meet their specific needs. This personalised communication provides value for the customer and increases customers' loyalty to the provider (Gartner, 2009).

CRM system increase productivity and enable Sales staff use their time more efficiently and more effectively. The sales manager also become more efficient and more effective thus increasing productivity and creating a competitive advantage by reducing costs, increasing sales revenue, and increasing market share. CRM system if properly managed can reduce Management response time and it will allow field sales staff to send their information more frequently i.e. information will be sent to management after every sales call rather than weekly. This provides management with current information, information that they will be able to use while it is still valuable. The company will become more alert and more agile, (Gurau, 2003).

The use of CRM systems can lead to increased customer satisfaction. The information obtained about customers will be analyzed with the system and used to create a product that matches or exceeds customer expectations, and the sales staff will use the system to service customers more expertly and diligently.

This provides a competitive advantage because customer satisfaction leads to increased customer loyalty, reduced customer acquisition costs, reduced price elasticity of demand, and increased profit margins, (Cavenagh, 2005). Decision support systems are used for analysis of customer information. Decision support systems (supported by the data warehouse) are the tools that enable decision-makers to analyze their data. These systems are typically functionally specific (i.e. product performance analysis, risk analysis, call pattern analysis etc.). Developing and implementing an enterprise customer relationship management solution, facilitates business communication by collecting and combining customer-driven data into an easily accessible operational data store and data warehouse that makes information available to the enterprise and, potentially, to customers accessing organizations via the Internet. The financial services industry has been a leading adopter of leveraging the vast amounts of customer information locked in legacy systems, (Jyotsna, 2008).

Anjana (2000) noted that financial institutions have various goals and objectives. Some organizations want to maximize their cross-selling opportunities, understand customer buying patterns and demographics, and analyze loan performance. Mergers and acquisitions often present the need to integrate financial, claims, customer and application data from companies that have merged. Parasuraman (2000) found out that some companies want to assess their credit risk, understand market segmentation better and more effectively detect fraud while some organizations' main goal is to service their customers better. For example, they want to conduct credit line analysis so they can offer better consolidation rates and raise or lower credit lines. Other organizations want to streamline and maximize their marketing efforts.

2.3. Current Need for CRM in Business.

The ultimate purpose of CRM, like any business initiative, is to increase profit. In the CRM system this is achieved mainly by providing a better service to the customers than the competitors. CRM system improves the service given to customers and also reduces costs, wastage, and complaints. Effective CRM reduces staff stress, because attrition which is a major cause of stress reduces as services and relationships improve (Borck, 2005).

CRM system is required for instant market research to open the lines of communications with the customers and direct constant market reaction to the organization's products, services and performance, far better than any market survey. CRM also a major required in the growth of business as it offers the following advantages to an organization; customers stay with the business longer; customer churn rates reduce; referrals to new customers increase from increasing numbers of satisfied customers; demand reduces on fire-fighting and trouble-shooting staff, and overall the organization's service flows and teams work more efficiently and more happily (Beasty, 2005).

2.4. Challenges of CRM System in Business

Successful development, implementation, use and support of customer relationship management systems can provide a significant advantage to the user, but often, there are obstacles that obstruct the use of the system to its full potential. Instances of a CRM attempting to contain a large, complex group of data can become cumbersome and difficult to understand for an ill-trained user.

An interface that is difficult to navigate or understand can hinder the CRM's effectiveness, causing users to pick and choose which areas of the system to be used, while others may be pushed aside. This fragmented implementation can cause inherent challenges, as only certain parts are used and the system is not fully functional. The increased use of customer relationship management software has also led to an industry-wide shift in evaluating the role of the developer in designing and maintaining its software. Companies are urged to consider the overall impact of a viable CRM software suite and the potential for good or harm in its use, (Bull, 2003).

Most organizations that employ CRM, experience a lot of confusion about its attributes and what it really is. Some would define it as a business strategy while others view it as something to do with technology. There are many problems that arise with a CRM system. One of the CRM problems is its inability to retain customers and this is indirectly attributed to CRM failure (David, 2007).

Huge investment is needed to maintain a customer database and additional expenses are needed for computer hardware, software and personnel. The costs involved are enormous and most often than not the resultant return on investment (ROI) from the CRM implementation fail to cover the costs involved. These exorbitant costs can lead to a negative vibe within the company and can result in a CRM collapse. After the CRM system implementation the problem of inadequate focus on objectives occurs. This occurs when hard times hit, goals get interchanged and the organization may sight and eventually steer away from the clearly laid out objectives, and ultimately CRM system lose its original importance (Helms, 2001).

Another challenge of a CRM system arises when there is insufficient resources. When funds are less, budgets strained, the necessary costs required for CRM success are not employed. Organizations start lessening their budgets for the current phase in order to handle the initial exorbitant costs. Organizations fail to utilize the necessary resources for success thus resulting in failure. Inappropriate metrics also cause a dilemma in a CRM system. Different metrics have to be employed for the calculation of different goals. Companies seldom pause to analyze which metric is needed for which element. This results in faulty measurement and CRM disappointments (Kale, 2004).

CRM packages can also be highly complex. With this in mind, sufficient training is needed to be given to employees in order for them to comprehend and deal with the difficulties easily. Companies need to keep in mind that the business needs are the most important. Most companies let the technology drive their CRM functionality. Instead of analyzing the business problems first and then find the appropriate CRM solution for it, companies use a backward step. They apply the CRM technology to the business problems only to find that it is not solving any of their problems. This backwards step is responsible for CRM failure (Kotorov, 2003).

Sometimes CRM is unable to provide quick returns on investment and organizations find themselves waiting for years before they are able to see actual returns on their investment. Waiting for years to see their investments show results, tests patience and leads to both employees and management slackening their efforts in the implementation. Most CRM problems can be mitigated, resolved and ultimately obliterated if organizations can focus on the business needs, choose a CRM package that works towards it, employ the right resources and assume the right metrics (Bull, 2003).

Detractors claim that CRM systems pose the following challenges: difficult to work with, require additional work inputting data, dehumanize a process that should be personal, require continuous maintenance, information updating, and system upgrading, it is costly and it is difficult to integrate with other management information systems (David, 2007). Majority of the banks do not have one engineer among their staff members and they lack professional training programs. Financial institutions offer a wide range of training programs to their employees. However, with respect to their technical IT staff the percentage of training programs is much less, because IT staffs are considered to be trained, highly qualified and hence do not need extended training sessions. The consequence of such policy is a reduction of the capability of IT staff to be up to date in the most recent advances (Joachim, 2002).

There is high turnover rate of technical staff in the banks other because other industries offer high salaries and better opportunities. Banks have also observed resistance to change to the new technology and the absorption capacity is often neglected once the automation system is adopted (Cockburn, 1995). Another largest challenge that customer relationship management systems face is poor usability. With a difficult interface for a user to navigate, implementation can be fragmented or not entirely complete. The importance of usability in a system has developed over time. Customers are likely not as patient to work through malfunctions or gaps in user safety, and there is an expectation that the usability of systems should be somewhat intuitive (Bull, 2003).

Environmental factors and pressures that affect IT use in business include social-cultural, technological, economic and financial and political events. Lior (2005) noted that, if the business cannot respond to the pressures and influences of its environment then it may not survive. If it serves the needs of clients or stakeholders and satisfies for example its market mission then it may prosper. A business's relationship with its environment is founded on its service to key customers and their satisfaction with its performance revealed by buying patterns, new legislation, party conferences, annual general meetings and stock market prices.

Environmental events can also be interpreted as 'environmental forces' of various kinds in our post -hoc rational and justification of the decisions leaders in business have to make. People such as government and powerful decision-makers in business organizations, may intervene to influence and shape events in the environment to their own advantage. For instance they can speak to the press, lobby for a change, buy up a rival, try to tickle the equities market up and even cooperate with others to ensure that information on 'the environment' is accurate rather than uninformed and misleading decisions by others that can affect the company's position (TechTarget, 2009).

2.5 Challenges in the Use of CRM in Banks

Customer relationship management (CRM) is a combination of organizational strategy, information systems, and technology that is focused on providing better customer service. CRM uses emerging technology that allows organizations to provide fast and effective customer service by developing a relationship with each customer through the effective use of customer database information CRM aims at acquiring new customers, retaining

the current customers, and growing the relationship with an organization's existing customers (Joachim, 2002). In recent times the business industry has undergone technological transformation as companies are increasingly going for efficient machines to enhance production. The deployment of large scale heavy machineries increases productivity with reduced costs, but this comes along with complexity of operations, especially so since it operates in multiple locations with multiple deadlines. Optimization of resources and performance in all these areas can be facilitated by incorporating software solutions within the business system (Cinoy, 2009).

According to the United Nations University (UNU), acclamation to technology has led to increased dependency. In addition, according to the Small Business Bible, the advent of technology has led to a decline in the skill level of the end users. The U.S. Small Business Association's Office of Advocacy has predicted that this atrophy of skill level may cause an eventual reduction of incomes (Pant, 1995).

Cinoy (2009) noted that the constant upgrade in information technology, along with increasing global competition, is adding difficulty and hesitation of several orders of scale to the business and trade. One of the most widely discussed areas in recent business literature is that of new organizational network structures that hold survival and growth in an environment of growing complexity. Andam (2003) noted that the process can be initiated by going for a detailed study of the client's needs, and the client in turn going for a detailed study of the system, which will help them understand and analyze how to cover all the functions in the organization, and thus enable them to understand what changes they want to be made in the software.

The customer can ask for cost effective analysis, training of their staff, phase-wise implementation, check the modules prior to installation and after and ask for help file and manuals.

Conceptual framework for Customer Relationship Management

CRM comprises independent variables with seven major components are: 1) customer prospecting, 2) relations with customers, 3) interactive management, 4) understanding customer expectations, 5) empowerment, 6) partnerships, and 7) personalization.

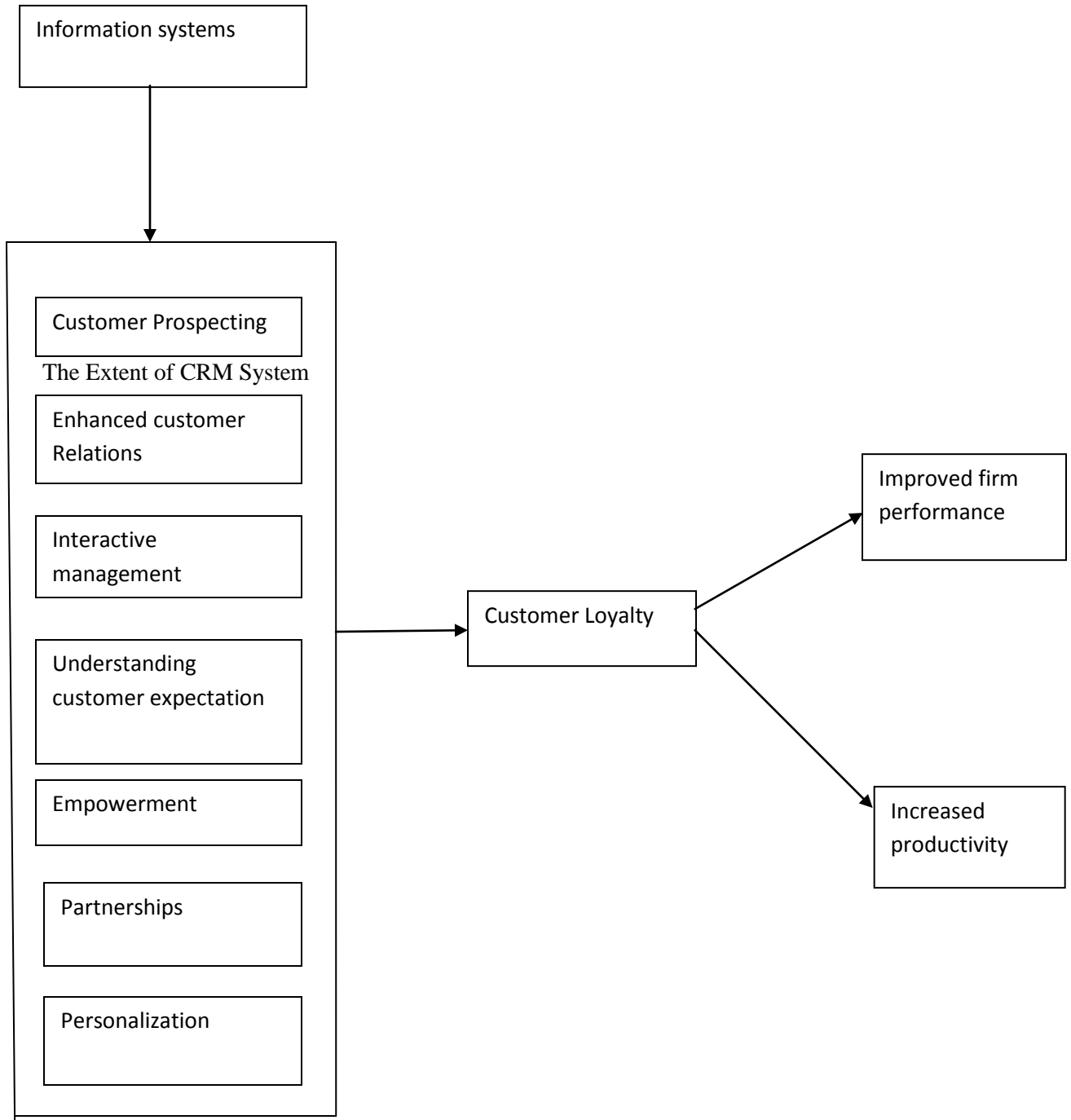
Customer Prospecting refers to all the various means employed in business to track, locate, and attract new customers (Reinartz, 2003 et al). Relations with Customers is the extent to which firms initiate, develop, maintain, and improve relationships with other firms (Berry et al., 1991). The concept of relations with customers also relates, according to the literature, to customer loyalty. Interactive Management comprises all actions designed to transform the prospective client who enters into contact with the business representatives into an active and effective customer (Dufour & Maisonnas, 1997).

Understanding customer expectations involves identifying the customers' desires and supplying to those customers products and services that meet their expectations. Empowerment is the process a firm adopts to encourage and reward employees who exercise initiative, make valuable creative contributions, and do whatever is possible to help customers solve their problems (Evans & Laskin, 1994 et). Partnerships are created when suppliers work closely with customers and add desired services to their traditional product and service offerings (Evans & Laskin, 1994). It as an important step that usually leads to the development of a close and durable relationship between supplier and

customer. Personalization is the extent to which a firm assigns one business representative to each customer and develops or prepares specific products for specific customers.

The development of Loyalty involves building and sustaining a relationship with a customer, which leads to the repeated purchase of products or services over a given period of time, (Gefen, 2002 et al).

Figure 1: Conceptual Framework for CRM



CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the methodology that was used in gathering the data, analyzing it and reporting the results. It further describes the type and source of data, the population and the sampling methods and techniques used to select the sample size. It describes how data was collected and analyzed and concludes with ethical issues deemed likely to influence the implementation of the study and how they were dealt with.

3.2 Research Design

The study was descriptive study where the researcher visited the selected commercial banks in Nairobi area and asked them questions regarding the use of customer relationship management systems in their banks. The study employed quantitative method through the use of questionnaires to provide predominantly quantitative and qualitative data to the study. The respondents were interviewed in their natural setups so as to provide more information freely.

3.3 Population of the Study

Berg (1998) describes a population as an entire group of individuals, events or objects having common observable characteristics. The study targeted forty five (45) commercial banks within Nairobi Province. The target respondents were the IT technicians, relationship manager, CRM analyst, CRM analyst of medium and large commercial banks under study. 45 banks (one branch mostly head office of the banks) were involved in the study.

3.4 Data Collection

While undertaking the study, the researcher used a set of structured questions to which research respondents were expected to fill. Primary data was obtained using self administered questionnaires. Primary data is fact, assumptions and premises contained in various documentary sources (Kothari, 1990).The questionnaires were closed ended, and they were used to collect quantitative data to answer related problems. The questionnaire comprised of (4) sections to determine fundamental issues including the demographic characteristics of the respondents. The second section was on the types of IT systems used in banks, the third part was devoted to the use of customer relationship management among commercial banks and lastly the fourth part was on the challenges of CRM systems in banks.

Before commencing data collection permission to conduct the research was sought from the management of the commercial banks. Thereafter the researcher visited the IT specialists of the banks under study in order to bond with those who participated and made arrangements when to administer the questionnaires. The respondents were given humble time to fill the questionnaire. Lastly the filled questionnaires were collected awaiting data analysis.

3.5 Data Analysis

Data analysis involves organizing, accounting for and explaining the data; that is, making sense of the data in terms of respondents' definition of the situation noting patterns, themes, categories and regularities (Kothari, 1990). After the questionnaires were filled up and before processing the responses, the questionnaires were edited for accuracy,

consistency and completeness. The data from questionnaires was analyzed using procedures within statistical package for social sciences (SPSS). The responses from the questions were analyzed and presented using representative methods like measures of dispersion (mean and standard deviation), distribution tables, quartiles (percentiles) and graphical analysis so as to explain the response rates from various respondents.

CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

4.1 Introduction

This chapter presents analysis and findings of the study which sought to establish the use of CRM systems among the commercial banks of Kenya. The analyzed data was presented in form of tables and charts; the analysis was based on the objectives of the study.

Out of 45 respondents targeted for this study, 40 of them responded to the questionnaire successfully giving a response rate of 88.9%. This was a good turn up and adequate enough for the study since according to Mugenda (2003), 50% of the response rate is adequate enough to carry out a study. The response rate is shown in table 4.1 below.

Table 4.1 Response Rate

Response Rate	Frequency	Percentage
Target Sample	45	100.0
Actual Sample Responded	40	88.9%
Non- Response	5	11.1%

Source: Author (2011)

4.2 Demographic Information

In order to capture the general information of the respondents' issues such as education qualification and duration of work was captured in the first section of the questionnaire. This was important because it enhanced reliability and gave the basic understanding of the respondents.

4.2.1 Duration worked in the bank

The number of years an employee has worked in the organization influences the understanding of the operations and customer needs. The respondents were asked to indicate the number of years worked in the organization. This improved the reliability of the study since the experienced deduced from duration worked assured that the respondents were experienced and thus had reliable information. The responses are as shown in table 4.2 below.

Table 4.2 Duration worked in the bank

Duration worked in the bank	Yes	
	Frequency	Percent
Less than 5 years	26	65.0
5-10 years	8	20.0
11-15 yrs	2	5.0
above 15 years	4	10.0
Total	40	100.0

Source: Author (2011)

Table 4.2 above shows that majority of the respondents (65%) had worked in their respective banks for less than 5 years while 20% had worked in their banks for 5-10 years. On the other hand, 10% of the respondents revealed that they had worked in the banks for over 15 years while 5% had worked for duration of 11-15 years. This shows that majority of the respondents had worked in the bank for less than 5 years.

4.2.2 Level of Education

The level of the education can affect the efficiency of employee and use of IT. This section sought to establish the highest level of education reached by the respondents who took part in the study. The level of education shows whether the respondents understood the concept under study. The findings were as shown in table 4.3 below.

Table 4.3 Level of Education

Education Level	Yes	
	Frequency	Percent
University	38	95.0
Secondary	2	5.0
Total	40	100.0

Source: Author (2011)

The study shows that majority of the respondents (95%) had reached university level of education while 5% revealed that they had reached secondary school as their highest level of education. This is an indication that the population under study understands the concept to be covered.

4.2.3 Position in the bank

The researcher further sought to know the respondents position at work. This helped to understand whether the respondents were the right people to give information for the study. The researcher had targeted respondents in CRM managerial positions since they were capable of giving reliable information. The results of the respondents position at work is as shown in table 4.4 below.

Table 4.4 Position in the bank

Position	Frequency	Percent
Relationship manager	23	57.5
CRM marketing analyst	10	25.0
No response	3	7.5
CRM administrator	2	5.0
CRM campaign manager	2	5.0
Total	40	100.0

Source: Author (2011)

Table 4.4 shows that majority of the respondents (57.5%) were relationship managers while 25% were CRM marketing analysts. On the other hand, 5% of the respondents were CRM administrators and CRM campaign managers respectively. This shows that the information given was reliable since it was collected from people with CRM knowledge.

4.2.4 Duration served in the Current position

Duration worked in the organization affects the experience of the respondents. This had a direct influence on the information given by the respondent. In this section, the study sought to find out the period served by the respondents in their current position. The results are as shown in table 4.5 below.

Table 4.5 Duration served in the Current position

Duration in Years	Frequency	Percent
Less than 1 year	0	0
1-5 years	27	67.5
6-10 years	2	5.0
Total	40	100.0

Source: Author (2011)

The study found out that majority of the respondents (67.5%) had served in their current position for a duration of 1-5 years while 27.5% revealed that they had served for a duration of less than one year. From the table the study shows that most of the respondents had served for a longer duration hence they were experienced and had information that the researcher required for the study.

4.3 Type of IT System in Use

Banks have various systems integrated in their operations. The researcher sought to find out the various IT systems that commercial banks use in their daily operations. The findings were as shown in table 4.6 below.

Table 4.6 Type of IT System in Use

Type of IT System in Use	Yes	
	Frequency	Percent
Transaction processing systems	34	85.0
Customer Relations Management systems	31	77.5
Executive support system	22	55.0
Decision-support system	21	52.5
Management information systems	18	45.0
Supply chain management systems	18	45.0

Source: Author (2011)

From the findings in table 4.6, an overwhelming 77.5% of the respondents revealed that they had Customer Relations Management systems while 85% revealed that that they had transaction processing systems. On the other hand 55% of the respondents revealed that their banks had executive support system while 52.5% had decision-support system.

From the study most of the banks are using at least one type of IT systems with transaction processing systems and CRM systems being the most used. The researcher established that banks had embraced IT system in their banks; this is in line with Cieslak, (2006) who revealed that increased level of competition had forced banks to integrate the new technologies in order to satisfy their customers; these softwares include Telebanking, Electronic Banking and Customer relationship management (CRM).

4.4 Benefits of Customer Relationship Management Systems Use in Commercial Banks

CRM can be used in banks to develop its customer base, its sales capacity, manage all aspects of customer interactions in a manner that enables banks to maximize profitability from every customer, increase competition, enhance customized offerings, attractive returns, ease of access, and transparency in dealings hence retaining customers according to Parimal, (2000). The study sought to determine the uses of Customer Relations Management systems in commercial banks in Kenya. A scale of 1-4 was used where 1= Strongly agree 2= Agree 3= Neutral 4= Disagree. The scores “Strongly agree” and “agree” were represented by mean score, equivalent to 1 to 2.4 on the continuous Likert scale ($1 \leq \text{Agree} \leq 2.4$); the scores of neutral was equivalent to 2.5 to 3.4, ($2.5 \leq \text{neutral} \leq 3.4$); and the scores of ‘Disagree’ were represented by a score equivalent to 3.5 to 4.0, ($3.5 \leq \text{‘Disagree’} \leq 4.0$).

The study established that commercial banks used CRM up to 77.5%; this is in line with Cieslak, (2006) who revealed that CRM bank software were of importance since they help banks have current data for the customer in hand.

Table 4.7 Benefits of Customer Relationship Management Systems Use in Commercial Banks

Use of CRM Systems	N	Mean	Std. Deviation
IT has ensured professional behaviour of the employees of the bank	40	1.93	.917
IT has developed and improved new products for the customers	40	1.90	.744
CRM system help banks to understand their customers demography and analyze loan performance	40	1.70	.608
CRM system allow banks to develop its customers base and sales capacity	40	1.67	.474
IT has ensured personalized attention provided by the bank to the customers	40	1.60	.841
CRM system has helped accumulate related information about customers in order to provide effective services	40	1.60	.709
CRM system has enabled banks to increase to increase effectiveness of the customers services and conduct risk analysis	40	1.58	.501
Adoption of CRM has built a long lasting relationship with the customers and increased revenues and profits	40	1.55	.783
IT has improved processes and relationships with its customers and business partners	40	1.52	.506
IT has enabled the bank to understand and serve customers better than their competitors	40	1.45	.504
There is promptness in handling customer complaints/grievances	40	1.43	.501
IT has facilitated variety of products offered by the bank	40	1.40	.496
IT has enabled the bank to conduct risk analysis and increase customer service effectiveness	40	1.30	.608

Source: Author (2011)

The study shows that majority of the respondents agreed that IT has ensured personalized attention provided by the bank to the customers; this findings are in line with those of Jim, (2006) who revealed that Customer Relationship Management in the banking system is fundamental to building a customer-centric organization and that it links the customer data into a single and logical customer repository. Findings also shows that IT had facilitated variety of products offered by the bank; enabled the bank to conduct risk analysis and increase customer service effectiveness; ensured promptness in handling customer complaints/grievances and also ensured professional behaviour of the employees of the bank; this is shown by mean scores of 1.60, 1.40, 1.30, 1.43 and 1.93 respectively. Further, the respondents agreed that; IT had enabled the bank to understand and serve customers better than their competitors; IT had developed and improved new products for the customers; improved processes and relationships with its customers and business partners; this is shown by mean scores of 1.45, 1.90 and 1.52 respectively. These findings are in line with those of Gurau, (2003) who indicated that CRM system increase productivity and enable Sales staff use their time more efficiently and more effectively. Borck, (2005) in his study also concluded that effective CRM reduces staff stress, because attrition which is a major cause of stress reduces as services and relationships improve.

The study found out that the majority of respondents agreed that adoption of CRM had built a long lasting relationship with the customers and increased revenues and profits and that CRM system had helped accumulate related information about customers in order to provide effective services and also enabled banks to increase effectiveness of the customers services and conduct risk analysis; this is shown by mean scores of 1.55, 1.60

and 1.58 respectively. The respondents further stated that there were other uses of CRM systems in their banks; this includes; account monitoring, better handling of customer data, customer track on their loan performance and they have also helped the bank employees to establish a good rapport with their clients. These findings are in line with those of Neuborne, (2005) who found out that CRM for Commercial Banking increases productivity and improve collaboration with a holistic client view.

4.5 Challenges of CRM Systems in Commercial Banks

Despite the benefits attached to use if CRM, there are challenges such as is insufficient resources especially when funds are less, budgets strained (Kale, 2004); lack of qualified technical staff, professional training (Joachim, 2002); need continuous maintenance, information updating, and system upgrading, costly and difficult to integrate with other management information systems (David, 2007). The study sought to find out the challenges that hamper the efficient operation of CRM Systems in Commercial Banks. A scale of 1-4 was used. The scores “Strongly agree” and “agree” were represented by mean score, equivalent to 1 to 2.4 on the continuous Likert scale ($1 \leq \text{Agree} \leq 2.4$); the scores of neutral was equivalent to 2.5 to 3.4, ($2.5 \leq \text{Neutral} \leq 3.4$); and the scores of ‘Disagree’ were represented by a score equivalent to 3.5 to 4.0, ($3.5 \leq \text{Disagree} \leq 4.0$).

Table 4.8 Challenges of CRM Systems in Commercial Banks

Challenges of CRM Systems	N	Mean	Std. Deviation
CRM system in our bank does not address clients needs	40	3.50	0.847
Lack of goodwill from senior management	40	3.08	0.997
CRM systems are difficult to work with as they require additional work inputting	40	3.03	0.920
CRM systems are so complex	40	2.60	0.744
Sometimes CRM systems are difficult to integrate with other management information systems	40	2.60	1.008
Efficient operation of CRM systems is hampered by organization structural barriers	40	2.38	1.079
Chances of CRM failure are possible	40	2.30	0.723
Cost of maintaining CRM systems is high	40	1.93	0.859
CRM systems require continuous maintenance, information updating and system upgrading	40	1.78	0.630
There is need for further training of IT staff to efficiently operate the CRM systems	40	1.73	0.554
There is rapid rate of technological change	40	1.50	0.506
Its difficult in consolidating and integrating multiple finance data warehouses into a single, unified data warehouse	40	2.65	0.893

Source: Author (2011)

Majority of the respondents agreed that the cost of maintaining CRM systems was high; this is shown by a mean score of 1.93. The respondents also agreed that; there was need for further training of IT staff to efficiently operate the CRM systems; and that there was rapid rate of technological change; this is shown by mean scores of 1.73 and 1.50

respectively. The respondents further agreed that CRM systems require continuous maintenance, information updating and system upgrading; this is shown by a mean score of 1.78 on the continuous likert scale. These findings are in line with those of Helms, 2001 who revealed that huge investments are needed to maintain a customer database and additional expenses are needed for computer hardware, software and personnel. The costs involved are enormous and most often than not the resultant return on investment from the CRM implementation fail to cover the costs involved.

Kale, (2004) also revealed that CRM system challenge arises when there is insufficient resources; when funds are less, budgets strained. David, (2007) on the other hand revealed that CRM posed a challenge since it required continuous maintenance, information updating, and system upgrading, it is costly and it is difficult to integrate with other management information systems. Joachim, (2002) in his study found out that there was reduced capability among IT staff and proposed for training programs to ensure efficient operations of the systems.

The respondents were however neutral on whether; CRM systems were complex (2.60); there was difficult in consolidating and integrating multiple finance data warehouses into a single, unified data warehouse (2.65); there was lack of goodwill from senior management (3.08) and on whether CRM systems were sometimes difficult to integrate with other management information systems; this is shown by a mean score of 2.60. However, majority of the respondents disagreed that CRM system in their bank did not address clients' needs as shown by a mean score of 3.50 on the continuous likert scale.

The respondents further stated other CRM system challenges such as being prone to hacking and that the systems were viable to insecurity if not locked. This concurs with the findings of Lior (2005) who indicated that environmental factors and pressures that affect IT use in business include social-cultural, technological, economic and financial; he however noted that, if the business cannot respond to the pressures and influences of its environment then it may not survive.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a summary of the findings, the conclusion and the recommendations of the study which sought to establish the use of CRM systems among the commercial banks of Kenya.

5.2 Summary of Findings

This section of the study shows the summary of findings in relation to the objectives of the study. The study sought to establish the use of CRM systems among the commercial banks of Kenya as well as the challenges that affect effective operations of the systems.

The study first established that customer relations management system, Transaction processing systems, Executive support system and Decision-support system were the most used systems in commercial banks. Other types of IT systems commonly used were supply chain management systems and management information systems.

On the use of customer relations management (CRM) system majority of the respondents agreed that IT has ensured personalized attention to the customers and also facilitated variety of products offered by the bank. The system according to the respondents had also enabled the bank to conduct risk analysis and increase customer service effectiveness; it has ensured promptness in handling customer complaints/grievances and also ensured professional behavior of the employees of the bank. IT has enabled the bank to understand and serve customers better than their competitors, developed and improved

new products for the customers and further improved processes and relationships with its customers and business partners. Moreover, majority of respondents agreed that adoption of CRM had built a long lasting relationship with the customers, increased revenues and profits, has helped accumulate related information about customers in order to provide effective services and also enabled banks to increase effectiveness of the customers' services and conduct risk analysis. The respondents further stated that there were other uses of CRM systems in their banks which includes; account monitoring, better handling of customer data, customer track on their loan performance and they have also helped the bank employees to establish a good rapport with their clients.

On the challenges of CRM system in the bank, majority of the respondents agreed that the cost of maintaining CRM systems was high and there was need for further training of IT staff to efficiently operate the CRM systems; Further the respondents revealed that there was rapid rate of technological change. The respondents further agreed that CRM systems require continuous maintenance, information updating and system upgrading. The respondents were however neutral on whether; CRM systems were so complex; difficult in consolidating and integrating multiple finance data warehouses into a single, unified data warehouse; there was lack of goodwill from senior management and on whether CRM systems were sometimes difficult to integrate with other management information systems. The respondents on the other hand disagreed that CRM system in their bank did not address clients' needs. The respondents further stated other CRM system challenges such as being prone to hacking and the systems were viable to insecurity if not locked.

5.3 Conclusions

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

The researcher concludes that Customer Relationship Management is a useful business strategy and most essential to banks which have a day to day dealing with the customers. It is beneficial for all stakeholders: customers, employees, and investors. From the study, it was established that the system ensured personalized attention provided by the bank to the customers, ensured professional behavior of the employees of the bank and there is promptness in handling customer complaints/grievances. A well maintained CRM system can also enhance increased performance through revenues and profits. This is because adoption of CRM builds a long lasting relationship between the customers and the bank and also helps banks to understand the customers' demography and analyze loan performance. It also makes it capable for banks to conduct risk analysis and increase customer service effectiveness and also develop its customer's base and sales capacity. This is achieved since CRM system helps accumulate related information about customers in order to provide effective services.

The researcher concludes that, besides the benefits accrued from CRM system, there are challenges that are involved. One of the challenges is the high cost of maintaining CRM systems and they require continuous maintenance, updating and upgrading. On the other hand, there is lack of qualified personnel to operate the systems especially when they are complex and hence it puts the organization on a task to train IT staff so that they can efficiently operate the CRM systems. Efficient operation of CRM systems is also hampered by organization structural barriers as well as hacking.

5.4 Recommendations

The following recommendations were made based on the findings and conclusions of the study.

The researcher recommends that banks should have a clear vision of their desired strategic position and should clearly recognize the strategic role that CRM has to play, as reflected in current investment levels, as well as the increased importance ascribed to CRM in the future. At the same time, banks know that the enterprise-wide adoption of CRM will not be easy. While it is encouraging to see that internal politics to CRM tools are no longer seen as major stumbling blocks, there are explicit as well as implicit indications that a great deal of progress must be made in order to achieve the internal process changes necessary to gain the maximum effect from CRM implementations.

The researcher also recommends that through CRM systems; the banks should recognize the diversity of experience and needs of different customers and develop the propositions both relevant and practical, but not too complex. With the help of the system, the banks should launch customer education programmes to improve understanding of bank's procedures and decision making and increase comfort levels. Banks should hire professional people to deal with the system efficiently especially when the system is a little bit complex. Moreover, banks should use customer friendly technology which their customer can use and brings value in their life.

5.5 Limitations of the Study

As with any pursuit for information, the researcher had some shortfalls and factors that hindered access to information. The funds available to the researcher were limited to conduct an extensive study. The researcher found that he had exceeded the budget due to fluctuations in prices of commodities such as fuel and other amenities that were required. Insufficient funds to support research implementation plan resulted to limited information availed for the analysis. On the other hand, the time allocated for the research was not enough to have enough data collected and analyzed to give comprehensive results for the research. Another limitation is that the study concentrated on commercial banks in Nairobi only hence the results of the findings cannot be generalized for all commercial banks in the country.

5.6 Suggestion for further Studies

This study sought to establish the use of CRM systems among the commercial banks of Kenya with the concentration of the study being in Nairobi. The researcher suggests that a further study be conducted on other commercial banks that are not within Nairobi for comparison of results.

Since the study has found out that customer Relationship Management (CRM) is an organizational strategy focused on providing better customer service; the researcher recommends that a further study be conducted in other industries such as the government organizations other than commercial banks. This would give a large pool of information and conclusive results on CRM usage, benefits and challenges that hinder its effective operation.

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APPENDICES

APPENDIX I: LETTER OF INTRODUCTION

SEPTEMBER 2011

Dear Respondent

MBA RESEARCH PROJECT

As the requirement for the degree of Masters of Business Administration of the University of Nairobi, the undersigned, who is a student in the faculty of Commerce at the University, is required to undertake a management paper. She intends to undertake a study on Customer Relationship Management system among banks with a specific reference to commercial banks.

The questionnaire is designed to gather information on the challenges and strategic uses of customer relationship management system in commercial banks.

Your response will be treated with strict confidence and in no circumstance will your name or that of your bank be mentioned in the report. Further confidentiality will be ensured through the necessary coding of the survey findings.

Your cooperation will be highly appreciated.

Yours Faithfully,

MAXIMILLAH MURO

MBA STUDENT

APPENDIX II: QUESTIONNAIRE

Instructions

Kindly read the questions below and give your answers by ticking against the statement you agree with or by giving your views on the space provided. This will be of great help in my academic research. Information provided will be treated with confidence.

Section A: Personal Profile

Name of the Bank-----

Branch-----

1. How long have you been working in the bank?

- (a) Less than 5 years () b) 5 – 10 years () c). 10-15 yrs ()
d). Above 15 years ()

2. What is your highest level of education?

- Secondary () College () University ()

3. What is your position in the bank?

- CRM Analyst ()
Relationship Manager ()
CRM Administrator ()
IT Technician ()
CRM Marketing Analyst ()
CRM Campaign Manager ()

4. For how long have you served in your current position?

Less than one year ()

1-5 Years ()

6-10 Years ()

11-15 Years ()

Over 15 Years ()

Section B: Type of IT Systems in Use in Your bank

5. a). Which of the following IT systems are being used in your bank? (Tick those applicable to your bank)

- i. Customer Relationship Management systems Yes () No ()
- ii. Transaction Processing Systems Yes () No ()
- iii. Management Information Management Yes () No ()
- iv. Decision-Support System Yes () No ()
- v. Executive Support System Yes () No ()
- vi. Supply Chain Management Systems Yes () No ()
- vii. Others

Section C: Use of Customer Relationship Management Systems in Commercial Banks.

6. What is your level of agreement with the following statements that relate to use of IT and Customer Relations in your bank? Use keys as follows:-

1- Strongly agree 2- Agree 3- Neutral 4- Disagree

(a) IT has ensured personalized attention provided by the bank to the customers.

(1) (2) (3) (4)

(b) IT has facilitated variety of products offered by the bank.

(1) (2) (3) (4)

(c) IT use has enabled the bank to conduct risk analysis and increase customer service effectiveness. (1) (2) (3) (4)

(d) There is promptness in handling customer complains/grievances.

(1) (2) (3) (4)

(e) IT has ensured professional behavior of the employees of the bank.

(1) (2) (3) (4)

(f) IT has enabled the bank to understand and serve customers better than their competitors. (1) (2) (3) (4)

(g) IT has developed and improved new products for the customers.

(1) (2) (3) (4)

(h) IT has improved processes and relationships with its customers and business partners. (1) (2) (3) (4)

(i) Adoption of CRM has built a long-lasting relationship with the customers and increased revenues and profits. (1) (2) (3) (4)

(j) CRM system has helped accumulate related information about customers in order to Provide effective services. (1) (2) (3) (4)

(k) CRM system has enabled banks to increase the effectiveness of the customers' services and conduct risk analysis. (1) (2) (3) (4)

(l) CRM systems help banks to understand their customer demography and analyze loan performance. (1) (2) (3) (4)

(m) CRM systems allow banks to develop its customer base and sales capacity. (1) (2) (3) (4)

(n) Other uses of CRM systems in your

bank. _____

Section D: Challenges of CRM systems in Commercial Banks.

4. What is your level of agreement with the following statements on the challenges and use of Customer Relationship management system in your bank? Use keys as follows:- 1- Strongly agree 2- Agree 3- Neutral 4- Disagree

(a) Cost of maintaining CRM systems is high (1) (2) (3) (4)

(b) CRM systems are so complex (1) (2) (3) (4)

- (c) CRM system in our bank does not address the client's needs. (1) (2) (3) (4)
- (d) There's need for further training of IT staff to efficiently operate the CRM systems. (1) (2) (3) (4)
- (e) There is rapid rate of technological change. (1) (2) (3) (4)
- (f) Efficient operation of CRM systems is hampered by organization structural barriers. (1) (2) (3) (4)
- (g) Lack of goodwill from senior management. (1) (2) (3) (4)
- (h) Its difficulty in consolidating and integrating multiple finance data warehouses into a single, unified data warehouse. (1) (2) (3) (4)
- (i) Chances of CRM failure are possible. (1) (2) (3) (4)
- (j) CRM systems are difficult to work with as they require additional work inputting data. (1) (2) (3) (4)
- (k) Sometimes CRM systems are difficulty to integrate with other management information systems. (1) (2) (3) (4)

(1) CRM systems require continuous maintenance, information updating and system upgrading. (1) (2) (3) (4)

(m)Other CRM systems challenges not above. _____

END

THANK YOU.

APPENDIX III: LIST OF COMMERCIAL BANKS IN NAIROBI

African Banking Corporation,
Bank of Africa Kenya,
Bank of Baroda,
Bank of India,
Barclays Bank of Kenya,
CFC Stanbic Bank,
Charterhouse Bank Ltd,
Chase Bank Ltd,
City bank,
City Finance Bank,
Co-operative Bank of Kenya,
Commercial Bank of Africa,
Consolidated Bank of Kenya Ltd,
Credit Bank Ltd,
Development Bank of Kenya,
Diamond Trust Bank,
Dubai Bank Kenya Ltd,
Equatorial Commercial Bank Ltd
Equity Bank,
Family Bank,
Fidelity (Commercial) Bank Ltd,
Fina Bank Ltd,
First Community Bank Ltd,
Giro Commercial Bank Ltd,
Gulf African Bank Ltd,
Habib Bank A.G. Zurich,
Habib Bank Ltd,
Housing Finance Co. Ltd,
Imperial Bank,
Guardian Bank,

Eco-bank Kenya,
Faulu Kenya Deposit Taking Microfinance Ltd,
I&M Bank Ltd (former Investment & Mortgages Bank Ltd),
K-Rep Bank Ltd,
Kenya Commercial Bank Ltd,
Middle East Bank,
National Bank of Kenya,
National Industrial Credit Bank Ltd (NIB Bank),
Oriental Commercial Bank Ltd,
Paramount Universal Bank Ltd,
Prime Bank Ltd,
Southern Credit Banking Corp. Ltd
Standard Chartered Bank ,
Trans-National Bank Ltd,
UBA Kenya Bank Ltd.,
Victoria Commercial Bank Ltd.

