

**INFLUENCE OF RELATIONSHIP MARKETING ON CUSTOMERS' LOYALTY:
A CASE OF NATIONAL BANK OF KENYA, MERU BRANCH. ↗**

BY:

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DEGREE OF MASTER OF ARTS IN PROJECT PLANNING AND MANAGEMENT, UNIVERSITY
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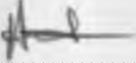


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DECLARATION

This research project report is original and has not been presented for a degree in any other University.

PETER MAINA MOSES  DATE 31/08/2010

REG.NO. L50/70204/09

This research project has been submitted for examination with the approval of the University supervisor.

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DATE 9/9/2010
2/9

DEDICATION

This work is dedicated to my parents Mr. Moses Kaaria and Mrs. Lydia Kaaria, my Brother Godfrey and sisters: Josephine, Doris and Lucy for their continued support through out my studies. Thanks for being there for me.

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This work could not have been a success without the support of many whom I have turned up for advice and assistance. Some individuals stand out and I gratefully acknowledge the inspiration, encouragement, guidance and valuable suggestion received from them. First thanks to God for his love and grace he has given to me because it as enabled me to meet life challenges with humility. I am grateful to my supervisor Dr. Christopher Gakuu of the University of Nairobi for his invaluable assistance in writing and compiling this research project. Also special thanks goes to all my University of Nairobi masters lecturers for the contribution they made by enabling me become a better person in my studies and life in general. I profoundly thank my family members my friend Emma and my masters class for their support and assistance throughout the course. My appreciation also goes to Ken Mugambi Chairman Business Department, Kenya Methodist University for believing in my ability and continued encouragement and support he has offered me through out my studies. Lastly I acknowledge Mr. Rugendo Resident lecturer together with all staff of Meru Extra-Mural center for their support through out my study

To you all may God bless you abundantly

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ABBREVIATION AND ACRONYMS

NBK	National Bank of Kenya
r	Pearson correlation
SPSS	Statistical package for social scientists
SQ	Service Quality
T A T	Turn around Time

ABSTRACT

Due to more and more fierce competition in today's business, many companies are required to build long term profitable relationship with customers. As a result of high competition experienced within Meru town due to opening up of several banks between the period of 2008 -2010, as seen the number of Banking service provider rising from seven banks to twelve Banks within a period of less than two years (Municipal council of Meru) this as brought about stiff competition to acquire and retain customers for profitable business engagement. Therefore this study aimed to investigate the influence of relationship marketing on customer loyalty by focusing on the banking industry through a case of National Bank Meru Branch. As part of marketing strategy relationship marketing seeks to acquire and retain customers by providing good quality customer service, and therefore as become one of the keys to success in acquiring strong competitiveness in the present competitive market. This study was guided by the following objectives: to determine the influence of service quality on customer loyalty, to determine the influence of Trust on customer loyalty, to establish the relationship between commitment and customer loyalty and to determine the influence of value offer on customer loyalty. The study was carried out in National Bank of Kenya Meru Branch where total populations of 5321customer were surveyed as at Feb 2010. This study used descriptive research design from which a sample of 98 customers was chosen using probability sampling method were one customer was interviewed after every three customers who come into the banking hall while taking into consideration a precision error of 0.01. Two levels of statistical analysis were conducted with two different steps. The first level involved the use of basic descriptive statistics. This level of analysis was not intended for hypothesis testing, rather to enable the researcher to obtain a glance of the basic characteristics of the data. Test level involved two main statistical analysis, analysis of difference and analysis of relationship and influence. Based on the test conducted there is no relationship between customer loyalty and demographic factors while the result by analysis of relationship shows that the four independent variables namely service quality, trust dimension, value offer and price were important factors influencing loyalty in banking sector. From the study conducted some recommendations have been suggested. The first recommendation is that if banks wish to retain and develop loyal customers they should be trust worthy, They must give and keep promises be concerned about the security of customers transactions, provide quality service, show respect to customers and be committed to their service ethics. Lastly banks must recognize that many of their core product and service attribute are necessary but not sufficient for loyalty. Therefore Bank managers should be aware that delivering quality service to customers is very important for success and survival in the global competitive banking environment Banks need to have a strong connection with there customers in order to create and maintain customer loyalty.

CHAPTER ONE

INTRODUCTION

1.1 Background to the study

The introduction chapter start with a background of the subject, statement of the problem, research objective, research question, purpose of the study, limitation of the study and the chapter will end with delimitation of the study.

The bank is a financial institution which accepts deposit and lends money to its customers. A bank deals with their customers finances, therefore banks needs to win the trust of their customers. Based on the customer profile banks segment their markets into retail banking, corporate banking, personal banking etc. for the bank to derive maximum return and enhance its market position the marketing mix as to be effectively managed.

As the competitive environment becomes more turbulent, the most important issues the sellers face is no longer to provide excellent, good quality product and services but rather to create long lasting relationship with their customers; who will contribute long-term profit to organization(Tseng, 2007). To compete in such overcrowded and interactive marketplace, marketers are forced to look beyond the traditional 4p's (product, price, promotion and place) of marketing strategy, which are no longer enough to be implemented for achieving competitive advantage. Therefore, relationship marketing has become an alternative means for organization to build strong, ongoing associations with their customers.

As part of marketing strategy, relationship marketing seek to acquire and retain customers by providing good quality customer services, and therefore has become one of the keys to success in acquiring strong competitiveness in the present markets, because of its implications for access to markets, generation of repeat purchase, creation of exit barriers and the view that it benefits all parties (Kotler, 2000).

Relationship marketing has received much attention in both academic and practice areas in the last few decades. It was during the last decades of the 20th century that relationship marketing began to dominate the marketing field (Egan, 2001). During this period relationship marketing become a major trend in marketing and management of business

(Ibid). Relationship marketing is concerned about building customer loyalty by providing value to all the parties involved in the relationship exchanges (Gummesson,2002) Effective customer-oriented relationship marketing may help marketers to acquire customers, keep customers, and maximize customer profitability and finally build up customer loyalty. There is a strong evidence to suggest a positive link between an organization's profitability and its ability to retain customers over a period of time. While the strength of this link varies across different industry and market sector, many companies overlook the importance of retaining customers and concentrate the bulk of their marketing effort on customer acquisition. Getting the balance right requires a clear understanding of the costs of acquisition and the life value of a retained customer (Reichheld, 1994).

1.2 Statement of the problem

Retail banks face a relentless stream of new competitors, eager to take a share of the market revenue within and outside the industry. To counter this competition banks needs to develop, operational process and customer strategies to make their channels more effective in reaching and serving their customers.

Faced with these numerous and varied trends, retail banks should re-shape the way they are interacting with their customers. Service quality offers a sustainable competitive advantage to a bank because it creates value and also customer satisfaction. However, service quality is reduced drastically by service breakdowns. The results of service breakdown are customer dissatisfaction and possibly customer defection depending on the customer trust, knowledge and the availability of alternative service provider. The maintenance of consumer trust in the retail banking industry is of considerable importance as it can impact on the likelihood of retaining existing customers (Morgan & Hunt, 1994) and attaining new ones. So each bank must make sure that their services fulfill their customers' needs & wants. The focus of this research is to identify the common relationship marketing variables such as service quality, trust, commitment, values and price on customers' loyalty in banking sector. This research will also look at whether all dimension mentioned contributed equally or differently towards the loyalty of the customers.

1.3 Purpose of the study

The purpose of this research was to investigate the influence of customer relationship marketing on customer loyalty within banking sector in Kenya by analyzing the relationship of every construct in the conceptual model.

1.4 Research objective

This research was guided by the following objectives indicated:

General Objectives

The general objective of this research was to determine how relationship marketing influences customer loyalty.

Specific objective

- a) To establish the influence of quality of service on customer loyalty.
- b) To determine the influence of Trust on customer loyalty
- c) To establish the relationship between commitment and customer loyalty.
- d) To assess the influence of value offer on customer loyalty.

1.5 Research questions

- a) How does service quality influence customer loyalty?
- b) Is there a relationship between trust and customer loyalty
- c) Is there a relationship between commitment and customer retention?
- d) How does the organization value offer influence customer loyalty?

1.6 Significance of the study

The central thrust of the marketing activities of an organization is to develop, maintain and enhance customer loyalty towards its products or services. Customer loyalty is important to any organization in terms of enhancing their profit, without customers it is impossible for any organization to enhance and grow their business, by observing or studying customer's behavior, firms can develop strategies which can be more profitable. In service sector, for example in banking sector firms really need to be more alert of their customer needs and wants in order to sustain their competitiveness in the market place,

each bank need to provide the excellent service towards their entire customers. Therefore it is important that each bank provide great services by fulfilling their entire customers needs and wants which ultimately will lead to customers satisfaction. Therefore the finding of this research will contribute to banking service provider on how to implement strategies that will meet customer's needs and ultimately win their loyalty

1.7 Limitations of the study

The period allocated for the study is limited since the research will be conducted within a short period of time.

Some of the target respondents might be out of their work station within the period the research is conducted.

1.8 Delimitation of the study

First in terms of the construct shown in the model only four ways of relationship marketing (service quality, commitment, value offers and trust) are focused in the study others are beyond this study.

This research will be done from the customers point of view, the organizations perspective about this subject will not be analyzed.

DEFINITION OF SIGNIFICANT TERMS

- Relationship Marketing** - Is the process of establishing and maintaining mutually beneficial long-term relationship among organization and their customers, employees and other stakeholders.
- Customer Satisfaction** - Is the degree to which there is a match between a customer's expectations of a good or service and the actual performance of that good service.
- Customer loyalty** - Is a deeply held commitment to repurchase or repatronize a preferred product or service consistently in the future, thereby causing repetitive same brand or same brand-set purchase.
- Value offer** - This is the benefit gained from consuming a product or service compared with the cost of that product or service.
- Brand Image** - Reputation of the firm product or service in the market.
(Real or imaginary qualities)
- Switching cost** - This is the addition cost incurred by the customer when ending up a relationship and securing an alternative one.
- Service Quality** - This judgment of a firm overall excellence in service provision.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews the literature on customer loyalty, trust, commitment, value offer and price. The first section is concerned with the nature and characteristics of customer loyalty and also the variables of relationship marketing.

The focus of this section is on how each of these constructs influences loyalty from customers perspective.

2.2 Customer loyalty

The topic of customer loyalty has gained its importance as the recognition of the benefits that can be derived from loyal customers emerges. The increasing level of competition is evident in most industries has resulted in an increased customer focus, with the need to meet customers expectations becoming more critical (Disney, 1999). The context of loyalty is of particular importance for service industries that are surrounded by the service characteristics of inseparability of production and consumption, heterogeneity and intangibility.

Initial research viewed loyalty purely as repeat purchase behavior with no implications of a cognitive relationship (Caruana, 2002). This perspective of loyalty has changed, with recognition that loyalty is a complex phenomenon that includes a range of behavioral, attitudinal and cognitive aspects of behavior (Caruana, 2002). There is considerable generic literature on consumer loyalty, and some researchers have defined loyalty in behavioral terms based on the volume of purchase for a particular brand (Transberg & Hansen, 1986). Others define loyalty as attitudinal, with loyalty being defined in terms of preferences or intention (Jacoby & Kyner, 1973). Behavioral loyalty is more important to an organization as actual purchase behavior is more relevant than attitudinal.

Further more, customer loyalty is a combination of commitment to a service relationship and the outcome of an overall feeling or attachment to the service organization.

Service loyalty is the degree to which a customer exhibits repeats purchasing behavior from a service provider, possesses a positive attitudinal disposition towards the provider,

and considers using only this provider when a need for this service arises (Gremler & Brown, 1999) prior research as shown that customer loyalty is influenced by numerous factors such as service quality (Olsen, 2002) perceived value (Parasuraman & Greusl, 2000), Trust Reichheld & Scheffer, 2000) & commitment (Baldinger & Rubinson, 1996; Pritchard et al, 1999).

2.2.1 Customer loyalty in the service context.

Bitner (1990) linked customer perceptions of service quality with stated intention to remain with the organization, willingness to recommend, likelihood to purchase, the likelihood of switching and price factor. She found a strong relationship between perceptions of service quality and these stated intentions, which she terms expressions of loyalty. In other study examining perceived service quality and measures of behavioural intent and other actions towards an organizations, Boulding et al (1993) found a positive correlation between service quality and repurchase intentions, willingness to recommend for long term involvement, paying a price premium and remaining loyal to the company. Examining the behavior and financial consequence of service quality, Zeithaml et al (1996) found that the behaviour consequences of service quality are either retention or rejection by the customer, leading to financial gains or loses by the service provider. Behavioural intentions were operationalized as indication of whether customers would remain with, or defects from the company. Zeithaml et al (1996) view loyalty in terms of customer bonding with organizations. Behaviour that indicate that customers were forging bonds with a company included praising the firm, expressing preference for the company over others, continuing to purchase, increasing the volume of purchase and agreeing to pay a price premium.

The customer loyalty construct as defined and operationalized in this manner has become firmly entrenched in marketing literature. Jones & Sasser (1995) defines customer loyalty as customers feelings of attachment manifested themselves in many form of customer behavior. Ganesh, Arnold & Reynolds (2000) define loyalty as a combination of both commitments to the relationship and other overt loyalty behavior. Loyalty behaviours are classified as either active behaviors or a customers proactive behaviors or behavioural intentions that require conscious and deliberate effort to undertake (Reynolds et al 2000).

These behaviors include repeat patronage, positive word of mouth and expansion of service usage. Passive behaviors are those behaviors that results from a state of resistance to change to the existing relationship. These behaviours include resistance to switching despite significant changes to the service relationship or service environment, price insensitivity, and self-stated retention.

In summary, customer loyalty is an important consideration that service firms must make. Customer loyalty is manifested by primary and secondary behaviours. Primary behaviours include the purchase behaviours that customers engage in, secondary behaviours are associated with attitudinal outcomes of the customer relationship with the service organization. These secondary behaviours can be defined as active or passive manifestations of customer loyalty. The attitudinal outcomes associated with the secondary behaviours exist in the form of effective attachment to the organization or motivation to remain with the organization.

2.3 Relationship marketing

During the last decade of the 20th Century, relationship marketing has been seen as the mainstream of thought in planning a marketing strategy both in industrial marketing and consumer marketing (Kotler, 2000). According to Morgan and Hunt (1994), relationship marketing was defined as all the marketing activities that are designed to establishing, developing and maintaining successful relationship with customers. John and Thomas (2000) also defined relationship marketing as “company behaviors with the purpose of establishing, maintaining and developing competitive and profitable customer relationship to the benefits of both parties”.

Wulf et al. (2001) suggested that different levels of relationship duration would results in different levels of consumption experience, producing different results, satisfaction and loyalty. Compared with the traditional marketing, relationship marketing is more concerned about building customer relationships in order to achieve long-term mutual benefits for all parties involved in the exchange process. Relationship marketing essentially means developing customers as a partners, where the approach is different from traditional marketing (Bowen and Shoemaker, 2003) since the final purpose of

relationship marketing is to gain maximum value of a customer, customer loyalty should be emphasized to achieve this goal. The benefits of relationship marketing is derived from continual patronage of loyal customers who as a partner are not sensitive to price cut over time (Bowen and shoemaker, 2003)

There have been various ways for marketers to implement relationship marketing tactics, which are expected to have an influence on customer retention and customer loyalty. Taylor and James (2005) suggested that relationship marketing tactics can be executed through service quality, trust, commitment, value offered, price, alternative attractiveness and so on. Tseng (2007) discussed that tactics as direct mail, tangible rewards, interpersonal communication, preferential treatment and membership could enhance long-term relationship and increase relationship satisfaction, trust and commitment. Based on the early theories, certain relationship marketing tactics which are considered of importance in service industry, such as service quality, trust, commitment, value offer and price perception, was focused in the study.

2.3.1 Service Quality

In order to retain loyal customers who will bring long-term profit to the firm the key issue for service provider is to make use of this relationship in the way it manages customers by offering what the customers needs and wants.

The quality of a service is subjectively perceived by customers during the interactions with the firm (Kotler, 2000). Parasuraman et al. (1988) Defined service quality as the Judgment about a firms overall excellence or superiority. What happens and the perception of customers in the interaction process will obviously have a critical influence on customer's evaluation of service quality (Gronroos, 2000)

Due to the peculiar attributes of service, the evaluation of service quality is more complex than evaluation of product quality. There have been various ways for measurements of service quality proposed by previous researcher and literatures. The famous measurement model of service quality is SERVQUAL developed by parasuraman

et al.(1988), who measured the differences between customer expectations and perception across five determinants as follows:

Tangibles: appearances of physical facilities, equipment, employees and communication materials from a service company.

Reliability: a service company ability to perform the promised service dependably and accurately

Assurance: employee's knowledge and behavior about courtesy and ability to convey trust and confidence

Responsiveness: a service company willingness to help customer and provide punctual services.

Empathy: a service company provides care and individualized attention to its customers, as well as having convenient operating hours

Later based on integrating previous studies and conceptual works, Gronroos (2000) summarized seven criteria of good perceived service quality as: Professionalism and skills, Employees attitude and behavior, accessibility and flexibility, reliability and trustworthiness, service recovery, servscape and reputation and credibility. The first criteria is outcome related and thus a technical quality dimension; the last one is image related and fulfils a filtering function, and the last five ones are process-related and present the functional quality dimensions (ibid).

High service quality is regarded as a key to succeed in competitive service market. Many researches have showed that service quality perceived by customers will directly influenced customers' satisfaction, as well as their trust in the service firm (Crosby, 1990)

Customers might be satisfied when a firm provides better services than their pre-purchase expectations. Customer trust also emerges when customers perceive positive service quality from a firm, and believe the service firm would bring preferable outcomes for them. In banking industry which belongs to service industry, service quality is an important indicator to assess a service provider's performance. Offering a high quality

service is considered to be a visible way to create customer trust and satisfaction, as well as obtaining competitive advantages and building a long-term relationship with customers

2.3.2 Trust

Moorman et al (1992) define trust as “the willingness to rely on an exchange partner in whom one has confidence”. The nature of service offerings means that service consumers typically pay in advance to buy a firm’s promise and, therefore, must be willing to rely on the firm to deliver its promise (Berry, 1996). Trust is considered to be a pre-requisite for loyalty, especially in the risk-dominated cyberspace where transactions are conducted at a distance (Reichheld & Shefter, 2000). The maintenance of consumer trust in the retail banking industry is of considerable importance as it can impact on the likelihood of retaining existing customers (Morgan & Hunt, 1994) and attaining new ones.

Customers perceptions of a firm’s trustworthiness is valuable not only in terms of satisfying and retaining existing customers but also in attracting new customer through word-of-mouth marketing. According to Jones & Sasser (1995), word-of-mouth marketing plays a major role in acquiring new customers. Because of the high level risk perception inherent in service offerings potential customers are more likely to seek personal recommendation when choosing service providers than relying on information provided by the firms. In many cases, recommendations given by a colleague can significantly reduce a person’s perceived risk in selecting an unfamiliar service organization (Bowen & shoemaker, 1998). A customer, when recommending a service provider to a third party, undertakes a certain level of risk on his or her credibility towards the third party that is likely to erode if the service fails to back up the recommendation (Foster & Cadogan, 2000). Therefore, customer perception of the firms trust worthiness which usually reduces the perceived risk of recommendation will increase the likelihood of customers suggesting the firm to others (Foster & Cadogan, 2000).

2.3.3 Commitment

A study by Morris et al (1999) indicates that the level of trust customers invest in a firm correlates positively with the level of commitment maintained by both parties through

shared values and relationship termination costs. Commitment plays a central role in the relationship marketing paradigm (Morgan & Hunt, 1994), and has been identified as an important dimension of customer-service provider relationship quality (Wong & shoal, 2002). Commitment has also been shown to be a good predictor of customer future intentions and loyalty (Park & Kim, 2003). These authors point out that committed customers tend to perceive more value in the relationship with the firms they patronize, thus are more willing to take actions in favor of these firms in return for the benefits received. Therefore the behavior of a committed customer brings more benefits to a firm than the behavior of regular, but not committed customer.

Thus by developing a high level of commitment among its customers, a firm can make their purchase pattern more predictable and improve customer retention. (Amine 1998) for example, Bowen and shoemaker (1998) found commitment to positively influence the incremental volume of business, a loyal customer is likely to bring to a service provider. Empirical research by Bowen & shoemaker (1998) identifies a strong positive relationship between customer commitment and their willingness to perform such behavior. Committed customers are also more willing to cooperate with their firms to resolve problem that might occur as opposed to exiting from the relationship, and to use such problem solving as a basis for new understanding (Bowen & shoemaker, 1998).

2.3.4 Value offer

In a hyper-dynamic and competitive market place, increasingly demanding consumers expect their firms to deliver ever-increasing value at lower prices (Slater 1997). Parasuraman (1997) contends that the notion of consumer value is dynamic because the criteria that consumers use to judge value are likely to change both over a time and over the various stages of a customer's relationship with a company (e.g., first-time vs. long-term customers), consistent with this view, Vandermerwe (2003) argues that customer value should be defined by the customer rather than by the firm. Furer et al (2002) argue that the importance and perception of service quality are highly dependent on customer's values and beliefs that might change from one culture to another. Bank service quality is commonly noted as a critical prerequisite for satisfying and retaining valued customer (Taylor & Baker 1994).

Customers value perception is also regarded as a key determinant of overall satisfaction (Cronin et al, 2000), as well as customer loyalty (Parasuraman & Grewall, 2000). Bhattya et al. (2001) concluded that firms need to continuously seek ways to improve their value propositions in order to ensure customer satisfaction, loyalty and to encourage repeat patronage.

2.3.5 Price Perception

Price is the monetary cost for a customer to buy products or services. It is a critical determinant that influences customer buying decision. Customers usually select their service providers strongly relying on perceived price. How much consumers are willing to pay differs due to their different needs and wants. Thus, the high price perception to the same service products may differ among individuals. Higher pricing perceived by consumers might negatively influence their purchase probabilities (Peng & Wang, 2006). price perception is also thought to be related to price searching. Consumers are likely to be attracted by perceived high quality services at perceived competitive prices during the searching process.

Oliver (1997) suggested that consumer's often judge price relating to service quality's and accordingly generate satisfaction or dissatisfaction, depending on the equity principle. If a consumer perceives price as fair, he or she is willing to conduct this transaction with the service provider. Based on previous studies Cheng et al (2008) proposed that price perception can be measured by two dimensions. One is reasonableness of prices which reflects the way that price is perceived by customers compared to that of competitors, another is value for money, which implies the relative status of the service provider in terms of price.

Many researches have pointed out that price perception influences customer satisfaction and trust (Oliver, 1997). Customer often switch due to some pricing issues, e.g. high price perceived, unfair or deceptive pricing practices (Peng and wang,2006). Therefore in order to increase customer satisfaction, its essential for service firms to actively manage their customer pricing perceptions e.g. carrying out attractive pricing, offering reasonable prices mix lower prices without decreasing quality etc.

2.4 Relationship quality

Relationship quality (RQ) emerged from the field of relationship marketing (RM). Due to the importance of relationship marketing in today's businesses, relationship quality is essential for assessment of relationship strength and the satisfied degree of customers' needs and expectations (Crosby 1990; Smith, 1998). Successful exchange event can finally lead to an enduring buyer-seller relationship if they are properly treated from both a buyer and a seller's perspective (Crosby et al 1990).

In some service contexts, service is invisible and heterogeneous, customers would feel high uncertainty and risk in the transaction. Whereas, good relationship quality could reduce service uncertainty and risk for the purpose of increasing customers' reliability to develop long-term relationships (Crosby et al; 1990). In other words, higher quality of relationship creates association between service providers and customers, and fosters long-term stable exchanges where both parties can gain mutual benefits (Singh, 2008).

Various dimensions have been used to measure relationship quality within marketing researches. One attempt to conceptualize relationship quality has been proposed by Crosby et al (1990), who viewed relationship quality as a high order construct and should contain at least two dimensions: trust and satisfaction.

Lages et al (2005), from a perspective of business organization rather than consumers, suggested that relationship quality reflected the intensity of information sharing, communication quality, long term orientation and satisfaction with the relationship between the exporter and importer. Although there is no consensus regarding the component that form up relationship quality, it is generally accepted that trust and satisfaction are two significant factors for measuring relationship quality.

2.5 Customer loyalty

Customer loyalty is the most important goal of implementing relationship marketing activities. Oliver (1997) defined customer loyalty as a "deeply held commitment to rebuy or repatronize a preferred product or service consistently in the future, thereby causing

repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior”

Customers are the driving force for profitable growth and customer loyalty can lead to profitability (Hayes, 2008). For a customer, loyalty is a positive attitude and behavior related to the level of re-purchasing commitment to a brand in the future. Loyal customers are less likely to switch to a competitor solely on price, and they even may make more purchases than non-loyal customers (Bowen and shoemaker, 2003). Loyal customers are also considered to be the most important assets of a company (Blackton, 1995). It is thus essential for businesses to keep loyal customers who will contribute long-term profit to the Business organization (Kotler,2000). Attempt to make existing customers increase their purchases is one way to strengthen the financial growth of a company (Hayes, 2008).

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Furthermore, organization’s financial growth is dependent on a company’s ability to retain existing customers at a faster rate than it acquires new ones. Therefore, good managers should understand that the road to growth runs through customers-not only attracting new customers, but also holding on existing customers, motivating them to spend more and getting them to recommend products and services to other people (Keller, 2003).

2.6 Conceptual frame work

Independent variables

Factors influencing customer loyalty

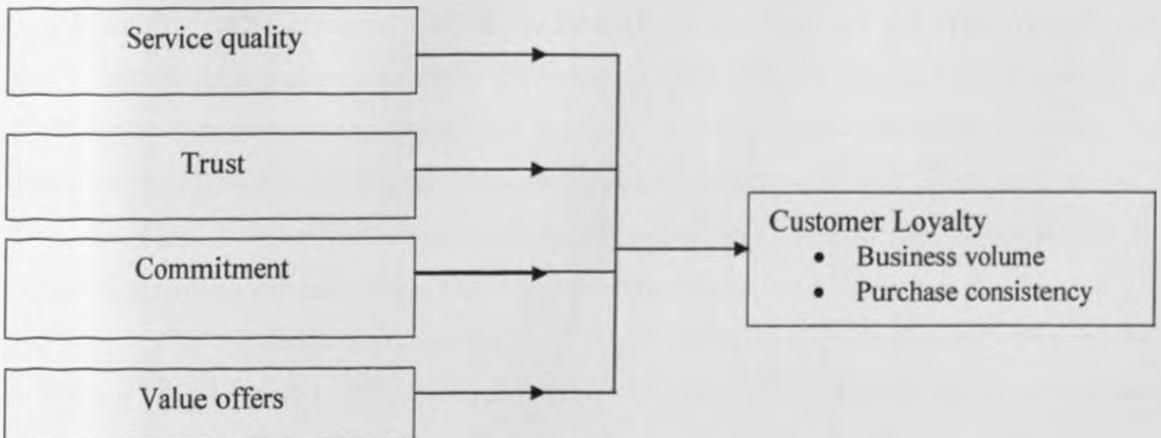


Figure 2.1

Figure 2.1 above show the relationship between research variables. The dependent variable is customer loyalty, while the independent variable is customer relationship marketing which comprise of various tactics; service quality, Trust, commitment and value offer. Price moderating variables.

Dependent variable

The dependent variable is the variable of primary interest to the researcher. In other words it is the main variable that lends itself as a viable factor for investigation. Through analysis of the dependent variable it is possible to find solution to the problem(Cavana,2001)

Independent variable

An independent variable is one that influences the dependent variable in either a positive or a negative way; ie when the independent variable is present, the dependent variable is also present, and with each unit of increase or decrease in the dependent variable there is an increase or decrease in the independent variable also. In other words, the variance in the dependent variable is accounted for by the independent variable (Cavana,2001)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents a description of the research methodology that this study used. It discusses the design, target population, sample and sampling procedures, study instruments, data collection and data analysis. Wherever necessary and appropriate, the presentation and discussion in each section is backed by justification based on the expert opinion of other scholars.

3.2 Research design

In this study descriptive research design was used. Descriptive research is the process of collecting data in order to test hypothesis or to answer questions concerning the current status of the subject under study (Mugenda and Mugenda, 1999)

3.3 Target population

The target population was customers operating Bank accounts with National Bank of Kenya Meru Branch. A total of five thousand three hundred twenty one (5321) customers as of February 2010, holding active accounts with National Bank of Kenya Meru Branch was surveyed

3.4 Sample and sampling procedures

The researcher used a sample of 138 customers holding account with the bank. Where time allows, a researcher should take a big sample as possible (Mugenda & Mugenda, 1999). With a large sample, the researcher is confident that if another sample of the same size were to be selected, findings from the two samples would be similar to a high degree. The research used systematic sampling whereby the researcher choose a respondent after every three customers who worked into the bank.

$$n = \frac{N}{1 + N(\epsilon)^2}$$

Where

n= Sample size

N= Total population

ϵ = precision term/significance level

$$\begin{aligned}
 n &= \frac{5321}{1 + 5321(0.1)^2} \\
 &= 98.056 \\
 &= 98
 \end{aligned}$$

3.5 Research instruments

The questionnaire was used to collect quantitative data. A self-completion questionnaire with closed ended question was developed. According to Bryman and Bell (2003), closed questions have an advantage, it is easy to process answers, and it enhances the comparability of answers, and makes them easier to show the relationship between variables. It is better than open questions for this research.

The variables were measured using a five-point likert-type response scale, anchored at 5-strongly agree to 1-strongly disagree.

3.6 Data collection procedure

This study used quantitative data. Data was collected using a self administered questionnaire. The questionnaire was self-administered because all the respondents were expected to be literate, experienced and conversant with the issues pertaining quality of service provided by their respective bank.

3.7 Reliability and Validity

3.7.1 Reliability

Reliability is defined as fundamentally concerned with issues of consistency of measures. (Bryman and Bell, 2003). In this study, internal reliability was considered. Bryman and Bell (2003) suggested that a multiple-item measure in which each answer to each questions are aggregated to form an overall score, we need to be sure that all our indicators are related to each other.

3.7.2 Validity

Validity is defined as how much any measuring instrument measures what it is intended to measure. Bryman and Bell (2003) also suggested that the important issue of measurement validity relates to whether a measure of concepts really measures the concept. “Validity refers to the issue of whether an indicator (or set of indicators) that are devised to gauge a concept really measures that concept” in this research construct validity was used.

3.8 Data analysis

After data collection, all the questionnaires were coded as part of the data cleaning. The aim here was to eliminate unusable data, interpretation of ambiguous answers and contradictory data from related questions. A coding scheme was developed for the responses to each question. The coding scheme facilitated the development of an appropriate data structure to enable its entry into the computer. Data entry and storage was done using SPSS.

Data was analyzed using descriptive and inferential statistics. Analysis consisted of measuring numerical values from which descriptions (such as the mean, standard deviations and regression and correlation analysis) was made. The analysis therefore, looked for the degree of relationship between the variables and not the effect of one variable on another.

OPERATIONALISATION TABLE

Objectives	Types of variables	Indicators	Measures of indicators	Levels of scale	Data collection	Approaches of analysis	Types of analysis	Levels of analysis
Customer loyalty	Dependent	-Business volume -Purchase consistency	Customer referrals	interval	Questionnaire	Quantitative	Bivariate analysis	Descriptive /inferential
Service quality	Independent	-Consistency of service -Timeliness of service -Personalized service	Efficient operation	Interval	Questionnaire	Quantitative	Bivariate analysis	Descriptive /inferential
Trust	Independent	-Security of transaction -Correct billing -Reliable promises	Efficient billing system	Interval	Questionnaire	Quantitative	Bivariate analysis	Descriptive /inferential
Commitment	Independent variable	-Friendliness of employees -Employees willingness to assist -Respect of employees towards customers	Employees co-operation	Interval	Questionnaire	Quantitative	Bivariate analysis	Descriptive /inferential
Value offer	Independent	-Professionalism of employees -Convenient operation hours -Timely services	Employees competence	Interval	Questionnaire	Quantitative	Bivariate analysis	Descriptive /inferential
Price perception	Moderating	-Pricing policies -Cost of service -Flexibility in pricing	Fair bank charges	Interval	Questionnaire	Quantitative	Bivariate analysis	Descriptive /inferential

Table 3.1

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

This chapter presents the results of the data analysis. The aim of this chapter is to report the finding of the research. The data analysis is therefore structured around the variables. Data was analyzed using descriptive statistics and correlation.

4.2 Descriptive statistics.

Descriptive statistics are used to explore the data collected, to summarize and describe those data (Coakes and Steed, 2007). Descriptive statistics may be particularly useful to make general observation about the data collected.

4.2.1 Gender Response

Table 4.1 shows the gender of the respondents. The table shows that most of the respondents are male (58.7%) while 41.3% are female.

Table 4.1: Gender of the respondents.

Gender	frequency	% (percentage)
Male	81	58.7%
Female	57	41.3 %
Total	138	100%

4.2.2 Age of respondents

The results of respondents age is shown in Table 4.2. The table shows that 73.2% of the respondent (101) respondent are at the age of 20-39 yrs old, followed by respondent at the age between 40-59 years old with 20.3% (28 respondents) 5.8% (8 respondents) were below 20years and 0.7% (1respondent) was above 60 years old.

Table 4.2: Age of the respondents

Age	Frequency	% (percentage)
Below 20 yrs	8	5.8
20-39	101	73.2
40-59	28	20.3
60 & above	1	0.7
Total	138	100

4.2.3 Education qualification

The results of respondents' highest educational level by the respondents are shown in Table. 4.3 The data in the table below shows that 65.5% or 78 respondents have achieved secondary education. On the other hand 21.7% (30 respondents) were diploma holder, while 10% or 14 respondents hold a post graduate degree 9.4% (13 respondents) holds a degree and only 0.7% (1 respondent) achieved only primary education and 2 respondent (1.4%) indicated that they had other qualification.

Table 4.3: Educational qualification achieved by respondents.

Highest educational	Frequency	% (Percentage)
Primary	1	0.7
Secondary	78	56.5
Diploma	30	21.7
Degree	13	9.4
Post graduate	14	10.2
Others	2	1.4
Total	138	100

4.2.4 Occupation of respondents

The results of respondents occupation is shown in Table 4.4 the table shows that 58% or (80 respondents) are working in Government sector. 31.9% (44 respondents) owns business, 5.8% (8 respondents) are students. While 2.2% (3 respondent) works in private sector and others sectors gained 2.2%, or 3 respondent.

Table 4.4 occupation of the respondents

Occupation	Frequency	% (Percentage)
Government	80	58.0
Private	3	2.2
Own business	44	31.9
Students	8	5.8
Others	3	2.2
Total	138	100

4.2.5 Income of respondents

Table 4.5 shows the income of respondents. It was found that most of the respondents' income is below 20,000 per month with total of 50.7% or 70 respondents. On the other hand 40.6% (56. Respondents) had income of 20,000-39000 Per Month. 7.2% (10 respondents) had income of 40,000- 59000 monthly, while 1.4% or 2 respondents gained 60,000 and above monthly.

Table 4.5 Income of the respondents.

Income	Frequency	%(Percentage)
Below 20,000	70	50.7
20000-39,000	56	40.6
40000-59,000	10	7.2
60,000 and above	2	1.4
Total	138	100

4.3 T-Test of data collected

A T-test is used to determine whether there is a significant difference between two set of scores (Coakes and Steed, 2007). In this research, independent sample test was used to test whether 'gender' is of significant towards customer loyalty in banking sector.

The results of the T-test are shown in Table 4.6 below. As shown, the difference in the mean of 3.93 and 3.83 with a standard deviation of 0.755 and 0.765 for male and female on customer loyalty in banking sector were insignificant. Therefore we can assume that there is no significant difference of customer loyalty between male and female respondents.

Table 4.6 Independent samples test between gender and customer loyalty.

	Gender	Mean	Std Dev	T	significance
Customer	Male	3.9333	0.75530	0.713	0.477
Loyalty	Female	3.8395	0.76513		

4.4 Analysis of variance

Analysis of variance (ANOVA) is used to compare difference between more than two mean at a time.

The results of ANOVA are shown in table 4.7. In the case of age factor, the F value is 2.339. This F value is not significant at the level 0.076. This implies that there is no significant difference between customers loyalty in banking sector and age factor.

Table 4.7: one way ANOVA between age, education, occupation and income with customers loyalty.

	F	Significance
Age	2.339	0.076
Education	0.680	0.639
Occupation	0.360	0.836
Income	0.950	0.418

The education factor shows that the F value is 0.680 and is not significant at the level of 0.639. This implies that there is no significant difference between education and customer loyalty in banking sector. The occupation factor shows similar results. The F value of 0.360 is not significant at the level 0.639. That is there is no significant difference in the mean of education and customer loyalty in banking sector.

Finally, in the case of income factor, the F value 0.950, this F value is not significant at the level 0.418. This implies that there is no significant difference between customers loyalty in banking sector and income factor.

Pearson's' r is the method for examining relationship between interval /ratio variables. The chief features of this method are as follows: The coefficient will almost certainly lie between 0 (zero or no relationship between the two variables) and 1 (a perfect relationship) this indicates the strength of a relationship. The closer the coefficient is to one (1), the stronger the relationship, the closer it is to zero (0), the weaker the relationship, the coefficient will be either positive or negative. This indicate the direction of a relationship (Allan Bryman and Emma Bell, 2003)

The following part will presents the finding of the research. One way ANOVA and T-Test were used to determine. If there were statistically significant differences in the respondent loyalty towards their bank when grouped by four variables of the relationship marketing.

Table 4.8 correlation analysis

		Trust	Commitment	price	Values	Service Quality	Customer loyalty
Trust	Pearson correlation Sig (2 tailed) N	1 138	.663** .000 138	.588** .000 138	.585** .000 138	.720** .000 138	.720** .000 138
Commitment	Pearson correlation Sig (2 tailed) N	.663** .000 138	1 138	.671** .000 138	.621** .000 138	.661** .000 138	.674** .000 138
Price	Pearson correlation Sig (2 tailed) N	.588** .000 138	.671** .000 138	1 138	.665** .000 138	.631** .000 138	.681** .000 138
Values	Pearson correlation Sig (2 tailed) N	.585** .000 138	.621** .000 138	.665** .000 138	1 138	.729** .000 138	.689** .000 138
Service Quality	Pearson correlation Sig (2 tailed) N	.720** .000 138	.661** .000 138	.631 .000 138	.729** .000 138	1 138	.744** .000 138
Customer loyalty	Pearson correlation Sig (2 tailed) N	.720** .000 138	.674** .000 138	.681** .000 138	.689** .000 138	.744** .000 138	1 138

**correlation is significant at the 0.01 level (2 tailed)

4.4.1 Relationship between service quality and customer loyalty

Since both variables are interval, Pearson correlation test was conducted, the result of which are shown in the table below

There is significant positive correlation between service quality and customer loyalty with a significant value of 0.01. Service quality and customer loyalty are related with a high relationship $r = 0.744$

Table 4.9 Correlation between service quality and customer loyalty

	Pearson correlation(r)	significance
Service Quality	0.774**	0.00

**Correlation is significant at the 0.01 level (2-tailed)

4.4.2 Relationship between trust dimension and customer loyalty.

Since both variables are interval, person correlation test was conducted and the results are shown in Table 4.8. There is a significant positive correlation between trust dimension and customer loyalty. With a significant value of 0.01

In other words Trust dimension and customer loyalty are related with a high relationship ($r= 0.720$)

Table 4.10 Correlations between Trust dimension and Customer loyalty.

	Pearson correlation (r)	Significance
Trust	0.720**	0.00

** Correlation is significant at the 0.01 level (2 tailed).

4.4.3. Relationship between commitment dimension and customer loyalty.

Since the variables are interval, Pearson correlation test was conducted, the results of which are shown in Table 4.9. There is significant positive correlation between commitment and customer loyalty with significant value of 0.01 in other words commitment dimension and customer loyalty are related with moderate relationship

($r= 0.674$)

Table 4.11 correlations between commitment dimension and customers loyalty.

	Pearson correlation (r)	significance
Commitment	0.674**	0.00

** Correlation is significant at the 0.01 level (2-tailed)

4.4.4 Relationship between value offer and customers loyalty.

Since both variables are interval, Pearson correlation test was conducted, the result of which are shown in Table 4.10. There is significant positive correlation between value offer and customer loyalty with a significant value of 0.01. In other words values dimension and customers loyalty are related with a moderate relationship ($r = 0.689$)

Table 4.12: Correlations between value dimension and customers loyalty.

	Pearson correlation (r)	significant
Value	0.689**	0.00

**Correlation is significant at the 0.01 level (2-tailed)

4.5 Regression analysis of relationship marketing dimension with customer's loyalty.

The results of regressing the five (5) independent variables against customer loyalty can be seen in Table 4.11. The first table is the output 'model summary' shows the five (5) independent variables that are entered into the regression model, the R (0.829) which is the correlation of the five (5) independent variables with the dependent variable. After all the inter correlation among the five (5) independent variables are taken into account, and the R square (0.687). This is the explained variance and is actually the square of the multiple R (0.829^2). Thus only 68.7% of the five variables influence the dependent variable.

The ANOVA table shows that the F value of 57.882 is significant at the 0.00 level, what the results mean is that 68.7% of the variance (R-square) in customers' loyalty has been significantly explained by the five (5) independent variables.

Table 4.13 multiple regression analysis

Model summary

Model	R	R square	Durbin- Watson
1	0.829	0.687	1.772

ANOVA

Model	f	Significance
	78	
1	57.882	0.00

Table 4.14, Coefficients, helps us to see which among the five (5) independent variables is the most important in explaining the variance in customer's loyalty if we look at the column Beta under standardized coefficients, we see that the highest number in the beta is 0.266 for trust dimension, which is significant at the 0.01 level. It may also be seen that four (4) independent variables were significant which is service quality, values offer and commitment).

Table 4.14 Coefficients

Model	B	Beta	t	significant
Constant	-0.212	-	-0.849	0.397
Trust	0.327	0.266	3.515	0.001
Commitment	0.108	0.109	1.433	0.154
Service quality	0.199	0.190	2.572	0.011
Values	0.172	0.163	2.101	0.038
Price	0.273	0.243	2.834	0.005

4.6 summary

The five (5) variables were tested, using a sample of 138 respondents, data was obtained from customers of National Bank Meru branch. The primary objective was to determine the factors influencing customer's loyalty towards their bank. Two level of statistical analysis were conducted with two different steps. The first level involved the use of basic descriptive statistics. This level of analysis was intended to enable the researcher to obtain a glance of the basic characteristics of the data. Test level involved two main statistical analysis.

Analysis of difference (t-test and one way ANOVA) and analysis of relationship and influences (correlation and regression analysis)

As a conclusion based on the test conducted, the result by regression test shows that the four (4) independent variable namely service quality, trust dimension, value dimension and price were important in determining the factors influencing the customers loyalty in banking sector.

CHAPTER FIVE

SUMMARY OF FINDINGS, DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter discusses the findings of this research. Some recommendations for the future research are also suggested. For the purpose of this research, this chapter will be divided into three parts namely, discussion, conclusion and recommendation for future research.

5.2 Summary of findings

This research is related with the underpinning of relationship marketing towards customer loyalty in banking sector. The objective of this research is to examine the concept of five variables of relationship marketing such as service quality, trust, commitment, value offer and price towards customers' loyalty in banking sector. Demographic factors such as gender, age, education qualification, occupation and average monthly income have been used to explain respondents' loyalty towards their bank.

This research found that 58.7% of respondent are male and 41.5% of respondent are female. With respect to age, the largest groups of respondents are in between 20-39 years old group, accounting to 73%. This was followed by 40-59 age groups with 20.3%. The education level of respondent was impressive with 56.5% of respondents are secondary school leavers. For the occupation of the respondents, majority of them are working in Government sector with 58% and followed by 31.9% are Business people. As for the statistic on the major source of income 50.7% respondents obtained below than 20,000 per month followed by 40.6% obtained 20,000-39,000 monthly.

The results of ANOVA showed that age factor have the f value 2.339. This f value is not significant at the level 0.076. This implies that age has no significant different in customers loyalty in the banking sector. The education factor shows that the f value is 0.680 and it is insignificant at the level of 0.639, occupational factor shows similar results

with f value of 0.360 is not significant at the level 0.639. Finally in the case of income factor, the f value 0.950 and it is insignificant at the level 0.418. All these results show that a demographic factor does not fully influence customers' loyalty in banking sector. "Service quality" is also found to have positive and high relationship (correlation coefficient = 0.744) towards customer loyalty. Service quality is important in order for service providers to build long-term relationship with their customers. Every customer like to be treated nicely by the bank employees in other words, bank employees must treat their customers in the way they would like to be treated. If this happens it will result in customer's satisfaction and will make customers to be loyal to the bank. Service quality is also highly associated with willingness to recommend due to overall satisfaction. Therefore, local banks need to understand their customers' better and continuously evaluate their service quality in order to maintain their market share. Management can also use this information in hiring and training staff. When hiring employees banks can look for signs of ability and interest to establish and mention good long-term interpersonal relationship with customers. Candidates with personal values that are strong in trusting behavior, strong commitment to tasks and ability to provide quality service should be considered. Beyond the point of hiring, management should recognize and reward behavior that contributes to quality relationship with customers. Such recognition will create a high level of motivation for the employees and greater commitment to achieving the highest possible level of relationship quality.

In the correlation results "trust dimension" is positively and highly correlated (correlation coefficient = 0.720) towards customer loyalty. This means that customers will be loyal to a bank if they trust the bank. This finding was supported by the finding of Bhatti et al (2000) and Pressey and Mathews (2000). They explain that business organizations gain their customers by offering or providing benefits. Thus a firm should be able to promise and deliver each promise which had been set in order to encourage repeat patronage and to develop customer relationship and loyalty. In addition trust only will exist if customers have confidence in a firm's ability to perform satisfactorily. Trust is a major determinant of relationship quality. Therefore, a firm perceived by its customers as honest in its

performance is more likely to enjoy strong and lasting relationship with their entire customers.

“Commitments” is another factor taken into consideration to assure the customers loyalty towards their bank. In this research “commitment dimension” is found to be positively and moderately related towards customer loyalty in banking sector. The correlation coefficient is 0.674. This indicates that the respondents whenever they deal with their banks, they will consider the commitment of the employees towards their services. Wong & Sohal (2002) mentioned that commitment is an important dimension of customer-service provider relationship quality. Commitment is one of good predictor of customer future patronage intentions and loyalty. Now we look on the context of the bank employees, once they are responsible or committed towards their job, they will perform their job without making any mistakes and can fully concentrate to entertain the customers. Then if customers receive great services, they will remain loyal to that particular bank. Similarly, commitment has also been found to be influenced by consumers, perceived differences among competing alternatives. Amine, 1998; Oliver, 1999 observes that customers who are loyal to affirm hold a strong belief that the firm continuous to present the best alternative. To this extent, we can consider commitment as the degree to which a firm represents the best available choices it has.

The result of this research also indicates that “values dimension” is positively correlated (correlation coefficient =0.689) towards customer loyalty in banking sector. This shows that bank customers are also looking for the “value dimension” while dealing with their banks. Each customer expects their firms to deliver high value services. Customer value perceptions is also regarded as a key determinant of overall customer satisfaction and customer loyalty, in the point of view value is the benefits such as caring services that customers receive from the bank.

5.3 Conclusion

Banks, which are keen to create high quality relationship with customer, must behave trust-worthily. They must give and keep promises, be concerned about security of transactions, provide quality service, show respect to customers, fulfill obligations to customers, understand customer situation and strive to enhance customer’s confidence in

the bank. These actions would lead to increased trust in the bank and its services, as well as perceived quality of the relationship. Commitment to service and customer relationship is another strategy that banks desiring to create quality relationship with customers should pursue.

Customers like to be pampered with a good service, with a caring fashion and they want each of the bank employees to understand their situation, solve their problem, value them as supposed and lastly, can fulfill their wants and needs towards the product or services which are provided by the bank. This research also indicate that the five (5) dimensions of relationship marketing such as service quality, trust, commitment, values, and price are positively related with customers loyalty in banking sector.

In short this research found that when the banks behaves trustworthily, shows commitment, Treat the customers as supposed, the firm –customer relationship would be enhancement and at the same time the firm will gain more customer loyalty. How ever service quality and trust drives customers' loyalty more than the other dimension. Managers and marketers of banking services in particular and service organization in general, should recognize the influence of these factors in their efforts to breed quality relationship with customers and to manage customers' relationship more effectively

5.4 Recommendations

The first recommendation is that if banks wish to retain and develop loyal customers they should be trust worthy and committed to their service ethic, must resolve conflict in a manner that will eliminate unimportant loss and inconvenience to customers'. Therefore, banks must be well aware of the wants and needs of the customers. Customers nowadays are demanding more not only based on the product but they demand the way they are treated. Once they are satisfied with the services provided by the firms, they will communicate about the firms or products to the other customers. At the same time this will attract new customers for the firm and may even increase their sales revenue and profit.

Similarly, loyal customers are more likely to remain with the organization as a result of decision-making process that relies on effective state rather than on more objective means. These loyal customers will become advocates of the organization with the intention to increase the level of business they conduct with the organization and consider that organization as their first choice for new business requirements. (Garnesh et al, 2000, Zeithaml et al. 1996). Overall, a more loyal customer base leads to higher level of long-term profitability (Reichheld and Schneider, (1990). This is because loyal customers are more likely to buy and pay premium prices (Garnesh et al 2000) and bring new customers to the organization who are themselves more loyal (Reich held, 1993) Based on the finding of this research it is recommended that banks should put more effort to attract customers especially in factors related to Service quality, trust, commitment and values. In order to create and maintain loyalty, business must recognize that many of their core product and service attributes are necessary, but not sufficient for loyalty. Business need to have a strong connection with its customers in order to create and maintain customer loyalty. A strong professional relationship creates an advantage that can keep the customers from switching to a competitor.

Banking and financial services are an important part of service industry therefore banks managers should know that delivering quality service to customer is very important for success and survival in today's global competitive banking environment. In this relation, the bank must prepare invaluable information to build strong relationship with the customer for the purpose of gaining their loyalty and hence preventing them from switching to other banks. Berry (1993) viewed relationship marketing as a strategy to attract, maintain and enhance customer relationships. In this relation, customers can be loyal toward a bank for a number of reasons. This research have indentified five (5) dimension of relationship marketing that will influence the customers loyalty in banking sector namely, service quality, trust, commitment, values and price.

5.5 Suggestion for further research

This research focused on the customer's perspective and therefore organization dimension can be analyzed through further research.

Only five variables of relationship marketing were analyzed in this study, therefore other variables of relationship marketing can be considered through further research.

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Appendix 1

Questionnaire

Dear participant,

Am a student at University of Nairobi conducting a research on the influence of customer relationship management tactics on customer loyalty a survey of banking industry. This is part of my masters research project and your kind response to the questionnaire is crucial to the successful completion of this research project. Your response will be anonymous and data will be combined and analyzed as a whole.

Please attempt to answer all the questions and click one appropriate box (answer) that best suit your perspective for each statement. Your participation in the study will greatly be appreciated. Thank you very much for your time and assistance.

Part one

Demographic: choose the suitable answer and tick () in the box given for each question.

1. Gender

Male

Female

2. Age

Below 20 yrs

20-29 yrs

30-39 yrs

40-49 yrs

50-59 yrs

60 yrs & above

3. Highest education qualification

Primary

Secondary

Diploma

Degree

Post-graduate

Others

4. Occupation

Government sector

Private sector

Own business

others

Student

5. Monthly income

Below 20,000

20,000 - 29,000

30,000-39,000

40,000 - 49,000

50,000-59,000

60,000 & Above

Part II

Choose the statement which you think is accurate and circle the score provided for each question given.

Strongly Agree	Disagree	No opinion	Agree	Strongly Agree
1	2	3	4	5

Service Quality

1. The bank is consistent in providing quality service.

5 Strongly agree

4 Agree

3 Neutral

2 disagree

1 strongly disagree

2. Bank employee's give individualized attention to customers.

5 Strongly agree 4 Agree 3 Neutral

2 disagree 1 strongly disagree

3. The banks employees follow up in a timely manner to customers requests.

5 Strongly agree 4 Agree 3 Neutral

2 disagree 1 strongly disagree

4. The frontline employees of this bank are always willing to help.

5 Strongly agree 4 Agree 3 Neutral

2 disagree 1 strongly disagree

5. The bank is consistent in providing good quality service.

5 Strongly agree 4 Agree 3 Neutral

2 disagree 1 strongly disagree

6. To me, this bank clearly is able to provide the best services.

5 Strongly agree 4 Agree 3 Neutral

2 disagree 1 strongly disagree

Trust

7. The bank is very concerned with the security of my transactions.

5 Strongly agree 4 Agree 3 Neutral

2 disagree 1 strongly disagree

8. I have confidence in the bank services.

5 Strongly agree 4 Agree 3 Neutral

2 disagree 1 strongly disagree

9. The bank is reliable because it is mainly concerned with the customers interests.

5 Strongly agree 4 Agree 3 Neutral

2 disagree 1 strongly disagree

10. The billing system of this bank is trustworthy.

5 Strongly agree 4 Agree 3 Neutral

2 disagree 1 strongly disagree

11. The policies and practices of this bank are trustworthy.

5 Strongly agree 4 Agree 3 Neutral

2 disagree 1 strongly disagree

Value offer

12. The bank offers personalized services to met customers need.

5 Strongly agree 4 Agree 3 Neutral

2 disagree 1 strongly disagree

13. Services of the bank are consistent with my personal values.

5 Strongly agree 4 Agree 3 Neutral

2 disagree 1 strongly disagree

14. The bank values me as a customer.

5 Strongly agree 4 Agree 3 Neutral

2 disagree 1 strongly disagree

15. The bank has operating hours convenient to all its customers.

5 Strongly agree 4 Agree 3 Neutral

2 disagree 1 strongly disagree

16. The bank provides timely information when there are new services.

5 Strongly agree 4 Agree 3 Neutral

2 disagree 1 strongly disagree

Commitment

17. The bank promises are reliable.

5 Strongly agree 4 Agree 3 Neutral
2 disagree 1 strongly disagree

18. Employee of the bank show respect to the customers.

5 Strongly agree 4 Agree 3 Neutral
2 disagree 1 strongly disagree

19. The employee of the bank deal with customer's in a caring fashion.

5 Strongly agree 4 Agree 3 Neutral
2 disagree 1 strongly disagree

20. Am satisfied with the professional competence of this bank.

5 Strongly agree 4 Agree 3 Neutral
2 disagree 1 strongly disagree

21. I am satisfied with the performance of the frontline employee of this bank.

5 Strongly agree 4 Agree 3 Neutral
2 disagree 1 strongly disagree

Price

22. The bank took effective ways to help us know its pricing policies of products and services.

5 Strongly agree 4 Agree 3 Neutral

2 disagree 1 strongly disagree

23. The pricing policies of products from this bank are attractive.

5 Strongly agree 4 Agree 3 Neutral

2 disagree 1 strongly disagree

24. The bank is offering flexible pricing for various services that meet my needs.

5 Strongly agree 4 Agree 3 Neutral

2 disagree 1 strongly disagree

25. I will continue to stay with this bank unless the price is significantly higher for the same service.

5 Strongly agree 4 Agree 3 Neutral

2 disagree 1 strongly disagree

26. Even if another banks price is lower, I will go on using this bank.

5 Strongly agree 4 Agree 3 Neutral

2 disagree 1 strongly disagree

Customer Loyalty

27. I consider the banks reputation to be high.

5 Strongly agree 4 Agree 3 Neutral

2 disagree 1 strongly disagree

28. I am satisfied with the overall service quality offered by the bank.

5 Strongly agree 4 Agree 3 Neutral

2 disagree 1 strongly disagree

29. I am comfortable about the relationship with the bank.

5 Strongly agree 4 Agree 3 Neutral

2 disagree 1 strongly disagree

30. I am willing to say positive things about the bank to other people.

5 Strongly agree 4 Agree 3 Neutral

2 disagree 1 strongly disagree

31. I will encourage friends and relatives to use the service offered by this bank.

5 Strongly agree 4 Agree 3 Neutral

2 disagree 1 strongly disagree

32. I would always recommend my bank to someone who seeks my advice.

5 Strongly agree

4 Agree

3 Neutral

2 disagree

1 strongly disagree

Thanks for your assistance it will be greatly appreciated.