

**A SURVEY OF RELATIONSHIP MARKETING PRACTICES AMONG
COMMERCIAL BANKS IN KENYA**

BY

KURIA EUNICE WANZA

D61/P/9074/01

SUPERVISOR

DR. R. MUSYOKA

**A Research Project Submitted in Partial Fulfillment of the Requirement for the
Degree of Masters of Business Administration, University of Nairobi**

AUGUST, 2010

DECLARATION

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

Signature:

Date:

Kuria Eunice Wanza

D61/P/9074/01

This research project has been submitted with my approval as university supervisor.

Signature:

Date:

Dr. R. Musyoka

DEDICATION

I dedicate this research paper to my mother, Mrs. Elizabeth Nzisa Bernard Mbatha, without her support and encouragement it would not have been possible. I also would like to thank my husband, John Kuria and children, Kevin Kuria and Natasha Kuria for allowing me to sacrifice my time with them for a good course.

ACKNOWLEDGEMENT

First is to give honour and praise to the Almighty God for giving me grace, strength, good health and providence during the time of my study.

I wish to acknowledge the support of my supervisor, Dr. Musyoka, senior lecturer at University of Nairobi for his guidance through every stage of this project which was critical to its success.

I also thank my family members whose encouragement throughout the period of my study kept me going.

Lastly I would like to thank the respondents for their cooperation and input.

May the Almighty God, bless you all.

TABLE OF CONTENTS

DECLARATION.....	ii
DEDICATION.....	iii
ACKNOWLEDGEMENT.....	iv
LIST OF ACRONYMS AND ABBREVIATIONS	viii
LIST OF FIGURES	ix
LIST OF TABLES	x
ABSTRACT.....	xi
CHAPTER ONE: INTRODUCTION.....	1
1.1 Background of the Study.....	1
1.1.1 Concept of Relationship Marketing.....	2
1.1.2 Overview of Banking Sector in Kenya.....	4
1.2 Statement of the Problem	7
1.3 Objective of the Study.....	9
1.4 Importance of the Study	9
CHAPTER TWO: LITERATURE REVIEW.....	10
2.1 Concept of Relationship Marketing	10
2.2 Components of the Relationship Marketing Orientation (RMO).....	13
2.2.1 Trust.....	13
2.2.2 Bonding	13
2.2.3 Communication	14
2.2.4 Shared Value	15
2.2.5 Empathy.....	15
2.2.6 Reciprocity	16
2.3 Relationship Marketing Strategies	17
2.3.1 Customer Touch Points	17
2.3.2 Front Office	18
2.3.3 Back Office and Technology.....	18
2.4 Value of Relationship Marketing	18
CHAPTER THREE: RESEARCH METHODOLOGY	22
3.1 Introduction	22

3.2 Research Design	22
3.3 Population.....	22
3.4 Population Sample Size.....	22
3.5 Data Collection.....	23
3.5.1 Consistency and Reliability Tests	23
3.5.2 Data Collection Procedures	23
3.6 Data Analysis	24
CHAPTER FOUR: DATA ANALYSIS AND FINDINGS.....	25
4.1 Introduction	25
4.2 Response Rate	25
4.2 General Information	25
4.2.1 Number of Employees	25
4.2.2 Ownership Structure.....	26
4.2.3 Age of the Respondents.....	27
4.3.4 Respondent’s Gender.....	27
4.2.3 Highest Academic Level	28
4.3 Nature of Relationship Marketing Practice in Commercial Banks	28
4.4 Product Oriented Relationship marketing Strategies	31
4.5 Employees Oriented CRM Strategies	33
4.6 Communication Oriented CRM Strategies	33
4.7 Loyalty Oriented CRM Strategies.....	35
4.7 Uniqueness of Customer Service	36
4.8 ICT Development	36
4.9 Suggestions.....	37
CHAPTER FIVE: SUMMARY, DISCUSSIONS, CONCLUSIONS AND	
RECOMMENDATIONS.....	38
5.1 Introduction	38
5.2 Summary of Key Findings	38
5.3 Discussions.....	39
5.4 Conclusion.....	41
5.5 Recommendations	41

5.6 Suggestion for Further Research	42
REFERENCES.....	43
APPENDICES	50
Appendix 1: Introduction Letter.....	50
Appendix 2: Research Questionnaire	51

LIST OF ACRONYMS AND ABBREVIATIONS

CBK	Central Bank of Kenya
CRM	Customer Relationship Marketing
ICT	Information and Communication Technology
IMP	Industrial Marketing and Purchasing
KBA	Kenya Bankers Association
RMO	Relationship Marketing Orientation
SERVQUAL	Service Quality
SPSS	Statistical Package for Social Sciences

LIST OF FIGURES

Content	pg
Table 4.1: Number of employees.....	26
Table 4.2: Ownership Structure	26
Table 4.3: Respondent's Age.....	27
Table 4.4 : Respondent's Gender.....	27
Table 4.5 : Highest academic qualification of the respondents	28
Table 4.6: Nature of CRM Strategies	29
Table 4.7: Extent of Success of CRM Strategies.....	30
Table 4.8: Frequency of Reviewing the Strategies	31
Table 4.9: Product Oriented CRM Strategies	32
Table 4.10: Employees Oriented CRM Strategies.....	33
Table 4.11: Communication Oriented CRM Strategies	34
Table 4.12: Loyalty Oriented CRM Strategies	35

LIST OF TABLES

Content	pg
Table 4.1: Number of employees.....	26
Table 4.2: Ownership Structure	26
Table 4.3: Respondent's Age.....	27
Table 4.4: Nature of CRM strategies	29
Table 4.5: Extent of Success of CRM Strategies	30
Table 4.6: Product Oriented CRM Strategies	32
Table 4.7: Employees Oriented CRM Strategies	33
Table 4.8: Communication Oriented CRM Strategies	34
Table 4.9: Loyalty Oriented CRM Strategies	35

ABSTRACT

The purpose of the study was to establish the nature of relationship marketing practices and to determine the extent to which relationship marketing is practiced among commercial banks in Kenya. This study was a cross-sectional survey undertaken among the commercial banks in Kenya. The population of the study was the 44 commercial banks. A survey of all banks was undertaken. Purposive random sampling was used to pick two (2) corporate banking relationship marketing managers from each bank's head office in Nairobi. This formed the sample size which will be eighty eight (88) respondents who were administered with the questionnaire. The study used primary and secondary data. Primary data was collected using questionnaires. Secondary data was gathered by a review of existing materials on the topic under study and the Kenyan banks. Data was coded and analyzed with the aid of Statistical Package for Social Sciences (SPSS). The analysis involved descriptive statistics and content analysis.

The study found that the banks have applied products oriented Customer Relationship Marketing (CRM) practices to a great extent. The findings indicate that employee oriented CRM strategies are present and enhanced to a great extent. From the findings it emerges that communication oriented CRM strategies have been applied to a moderate extent. The study further found that loyalty oriented CRM activities are not enhanced in the commercial banks in Kenya.

The study recommends that the Kenyan commercial banks' need to critically reconsider several aspects of the customer relationship marketing strategies especially on the areas of technology adoption and its interaction with CRM. The study also recognizes the need for players in the banking industry to consult with the policy makers and participate in the creation of an enabling financial system environment.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Imagine walking into your local bank to be greeted by a friendly assistant who, after asking only for your name (no account code or reference number), then has access to all your details enabling him or her to serve you immediately. While you are being served, the assistant observes that you have recently called the customer service department on two occasions and asks whether you are completely satisfied at present. When you say that you actually are thinking of switching banks, the assistant is able immediately to recommend a range of products more suitable to your banking needs, thanks to the information in front of them.

In the mid-twentieth century, mass production techniques and mass marketing changed the competitive landscape by increasing product availability for consumers. However, the purchasing process that allowed the shopkeeper and the customer to spend quality time getting to know each other was also fundamentally changed. Customers lost their uniqueness, as they became ‘an account number’ and the shopkeepers lost track of their customers’ individual needs as the market became full of product and service options (Constantinos, 2003).

Many companies today are as racing to re-establish their connections to new as well as existing customers to boost long-term customer loyalty. Some companies are competing effectively and winning this race through the implementation of relationship marketing principles using strategic and technology-based customer relationship management applications (Zineldin, 1996).

Globalization and technology improvements have forced companies into tough competition. In this new era organizations are focusing on managing customer relationships, particularly customer satisfaction, in order to effectively maximize revenues (Constantinos, 2003). Today, relationship marketing is not just developing, delivering and selling, it is moving towards developing and maintaining mutually long-term relationships with customers (Buttle, 1996).

Relationship marketing is becoming important in financial service (Zineldin, 1996). If a bank develops and sustains a solid relationship with its customers, its competitors can not easily replace them and therefore this relationship provides for a sustained competitive advantage (Gilbert, 2003). Moriarty et al. (1983) has suggested relationship marketing in the banking sector which states that banks can increase their profits by maximizing the profitability of total customer relationship over time, instead of seeking to get more profit from any single transaction.

Perrien et al. (1992) observed severe competitive pressures that forces financial intuition to restructure their marketing strategies by developing into long-term relationship with customers. The above discussion about customer relationship management indicates the need for banks to think about establishing long-term relationships with their customers.

1.1.1 Concept of Relationship Marketing

The concept of relationship marketing was formally introduced by Berry (1983), who defined relationship marketing as “attracting, maintaining, and enhancing customer relationships”. Later, a more comprehensive definition was proposed by Grönroos (1991) to include further “establishing relationships with customers and other parties at a profit by mutual exchange and fulfillment of promises”. Harker (1999) proposed the following definition: “An organization engaged in proactively creating, developing and maintaining committed, interactive and profitable exchanges with selected customers (partners) over time is engaged in relationship marketing.”

Although the above three definitions differ somewhat, they all indicate that relationship marketing focuses on individual buyer-seller relationships, that these relationships are longitudinal in nature, and that both parties in each individual buyer-seller relationship benefit. In short, from a firm’s perspective, the relationship marketing concept can be viewed as a philosophy of doing business successfully or as a distinct organizational culture/value that puts the buyer-seller relationship at the center of the firm’s strategic or operational thinking (Palmer, Lindgreen and Vanhamme, 2005). This is the definition adopted in this study.

The findings of several studies on services marketing have suggested that in order to acquire and maintain a competitive edge, service organizations should develop long-term relationships with their customers (Grönroos, 1994; Berry, 1995). Firms have accepted that customer retention is even more profitable than customer attraction and the interest of firms in adopting relationship marketing principles and designing strategies to develop close and long-lasting relationships with the most profitable customers can therefore be observed. A long-term orientation that puts the emphasis on commitment to customers seems to be essential (Sheth and Parvatiyar, 1995; Richards, 1998).

A business that adopts a relationship marketing orientation (RMO) will improve its business performance. This observation has been supported by both marketing academics and practitioners (Yau et al., 2000). Subtle changes in the concept and practice of business have been fundamentally reshaping the marketing discipline. According to Gruen (1997), the philosophy of business has shifted from a production orientation to a selling orientation and then to a marketing orientation and finally to a relationship marketing orientation.

Researchers studying services were among the first to embrace the concept of relationship marketing. The study of services marketing seeks to explain and understand service management and service-marketing relationships across various service categories (Callaghan et al., 1995; Patterson and Cicic, 1995), while paying particular attention to the relationship between the individual consumers and the employees of services companies (Möller and Halinen, 2000). Researchers in this area question the applicability of traditional marketing theory, such as marketing-mix and the 4 Ps, to the service context. Their main concern is that the marketing-mix approach does not provide effective tools model and to manage the service provider-customer relationship.

Services researchers argue that a consumer's satisfaction with a particular service is primarily an outcome of the interactive relationship between the service provider and the consumer (Berry and Parasuraman, 1993). In fact, the findings of several studies on services marketing have suggested that in order to acquire and maintain a competitive edge, service organizations should develop long-term relationships with their customers

(Grönroos, 1991). Moreover, this research shows that managers of service firms should discard old patterns of thinking and adopt new operational and strategic ways of doing business (Grönroos, 1988). Berry (1983) suggested that solidifying the relationship, transforming indifferent customers into loyal ones, and serving customers as clients should also be considered as the cornerstone of services marketing. Furthermore, he outlined five strategic elements for practicing relationship marketing: developing a core service around which to build a customer relationship, customizing the relationship to the individual customer, augmenting the core service with extra benefits, pricing services to encourage customer loyalty, and marketing to employees so that they, in turn, will perform well for customers.

1.1.2 Overview of Banking Sector in Kenya

The collapse of Lehman's Brothers as 2008 came to an end, led to an escalation of the Global Financial Crisis and the ensuing evaporation of confidence in financial markets. The crisis started in 2007 with the sub-prime mortgage crisis in the United States and spread to the United Kingdom with the collapse of Northern Rock. Kenya's financial sector was not affected by the "first round effects" as it had no exposure to the "toxic assets" at the heart of the crisis. However, threats to the sector continued to be posed by the lag effects of the crisis as it spread from the centre. Accordingly, the Central Bank stepped up its' surveillance of the sector with an emphasis on capital adequacy, asset quality, liquidity management and foreign exchange exposures (Central Bank, 2009).

The sector however registered good performance in 2008 even in the face of global and local turbulences. The banking sector maintained its' stability with all institutions remaining adequately capitalised during the period ending December 2008. Overall, the capital adequacy ratios of all institutions were well above the minimum requirement of 12.0 per cent. Notably, total assets of the sector increased by 24% from Ksh. 951bn at the end of 2007 to Ksh. 1.18 trillion at end of December 2008 (Central Bank, 2009).

The Banking Sector in Kenya is composed of the Central Bank of Kenya, as the regulatory authority and the regulated; Commercial Banks, Non-Bank Financial Institutions and Forex Bureaus. As at 31st December 2009 the banking sector comprised

46 institutions, 44 of which were commercial banks and 2 mortgage finance companies, and 120 Foreign Exchange Bureaus. Commercial banks and mortgage finance companies are licensed and regulated under the Banking Act, Cap 488 and Prudential Regulations issued thereunder. Foreign Exchange Bureaus are licensed and regulated under the Central Bank of Kenya Act, Cap 491 and Foreign Exchange Bureaus Guidelines issued thereunder (Central Bank, 2009).

Commercial banks in Kenya are governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK). The banking sector was liberalised in 1995 and exchange controls lifted. The CBK, which falls under the Minister for Finance's docket, is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system. The Central Bank of Kenya publishes information on Kenya's commercial banks and non-banking financial institutions, interest rates and other publications and guidelines. The banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the banks' interests and also addresses issues affecting its members (Central Bank, 2009).

The commercial banks offer corporate and retail banking services but a small number, mainly comprising the larger banks, offer other services including investment banking. They are faced with a lot of challenges that requires only those with the best mix of personnel and objectives to survive. Such challenge is competition. The increasing competition amongst commercial banks in Kenya has forced the management to look for ways through which they can improve their performance. The focus has now shifted from employee to customer management (Trethowan and Scullion, 1997).

Kenya's banking sector in 2008 continued to be vibrant and dynamic in embracing changes amidst local and global turbulences. On the ICT front, banks continued to embrace new technology by upgrading and replacing their core banking systems. There was also an increased uptake in the use of mobile phone technology as a service delivery channel. Therefore, in this regard, a number of new products were introduced by financial

institutions that leverage on ICT particularly mobile phone technology (Central Bank, 2009).

Despite the challenging operating environment brought about by post election violence in the first quarter of 2008 and global financial crisis, the banking sector remained stable with all institutions remaining adequately capitalised during the period ending December 2008. Overall, institutions maintained capital adequacy ratios above the minimum requirement of 12.0 per cent. Total assets expanded by 24.4 per cent, customer deposits rose by 21.7 per cent while pre tax profits increased by 21.6 per cent compared to a similar period in 2007. However, return on equity declined from 27.5 per cent in December 2007 to 26.1 per cent in December 2008 mainly due to increase in equity at a proportionately higher rate than increase in income (Central Bank, 2009).

On the consumer front, the Central Bank and the banking sector continued with initiatives to enhance the communication of bank charges and lending rates. The public continues to express its' concern on the perceived high level of bank charges and lending rates. Whereas there are legislative provisions on the approval of bank charges, the Central Bank also continues to lay emphasis on the promotion of competition in the banking sector through market discipline (Central Bank, 2009).

The shift from traditional marketing to services and industrial marketing has given rise to a new marketing paradigm in which the purpose of marketing is not only to attract customers but to retain them as well. An analysis of the marketing initiatives in the banking industry within this paradigm has shown the importance of long-term relationships between the customer and the service provider because they give banks access to information about the customer. This information are used as guide in the development of strategies for increasing customer satisfaction (Kock et al., 1996).

In the increasingly competitive global financial world, relationship marketing has been advocated as an excellent way for banks to establish a unique long-term relationship with their customers. Most of the core product/service in commercial banking is fairly generic, and it is difficult for most banks to compete purely on this core service. Thus, recognition of the importance of relationship marketing has grown in recent years. Perrien et al.

(1992) suggested that strong competitive pressure has forced financial institutions to revise their marketing strategies and to stress long-lasting relationship with customers. Most banks have tried to differentiate from other banks by offering supporting services, which is a first step toward relationship marketing. Many banks would also claim to have implemented relationship marketing more fully by developing closer and closer relations with their clients.

In the banking industry the importance of relationship development and maintenance with key customers has previously been investigated (Madill et al., 2002). Some of the benefits of strong relationships with key customers include increased profit through reduced risk, improved communication links, and referrals (Hawke and Heffernan, 2006) and an increase in customer satisfaction leading to more loyal customers (Tyler and Stanley, 1999). Further, studies of the banking sector in different corners of the world have highlighted how the development of effective relationships has led to increased customer satisfaction (Jamal and Naser, 2002) and commitment (Abratt and Russell, 1999). Probably the most researched component of successful relationships is the development of trust (Morgan and Hunt, 1994).

1.2 Statement of the Problem

Marketing is facing a new paradigm, relationship marketing (Grönroos, 1994). The focus is shifting from the activity of attracting customers to activities which concern having customers and taking care of them. The core of relationship marketing is relations, maintenance of relations between the company and the actors in its micro-environment, i.e. suppliers, market intermediaries, the public and of course customers as the most important actor. The idea is first and foremost to create customer loyalty so that a stable, mutually profitable and long-term relationship is enhanced.

Given the importance of personal relationships in services businesses, relationship marketing orientation should have a potentially strong influence on the services industry, which is characterized by dyadic exchange processes in which a firm's employees interact with customers directly (Brown and Swartz, 1989). Building strong relationships between a firm and its customer can help the firm to increase the customer loyalty and/or

commitment to the firm. Therefore, the adoption of relationship marketing orientation can help a service provider to design and offer a service mix that is perceived by core customers as superior, while at the same time helping the firm to make a profit and to build competitive advantage.

The banking sector is becoming increasingly competitive in Kenya. This is particularly true since the number of banks has been increasing over the years and all compete for the same customers. This calls for measures to ensure that banks maintain good relations with their clients by increasing brand equity and customer loyalty. There is an increased need for banks to differentiate themselves from competitors at the augmented product level. One way that this might be achieved is to develop longer-term relationships with their key customers.

In Kenya, relationship marketing concept has also received a considerable focus from researchers. For instance, Kuria (2001) investigated the state of relationship marketing strategy in the Kenyan banking sector. Murage (2002) studied the extent of wage of relationship marketing strategies to enhance brand loyalty of industrial consumers with a specific focus on the paint industry. Njuguna (2003) did a study on the use of relationship marketing strategy by supermarkets in Nairobi. Oduori (2006) did a study on application of customer relationship marketing strategies by classified hotels in Nairobi. Chemutai (2006) did a survey of the adoption of relationship marketing strategies in the Cooperative Bank of Kenya while Odeny (2007) studied the influence of relationship marketing strategy on performance of sales force of companies underwriting personal life assurance products in Kenya. So far, Kuria (2001) is the only study done on relationship marketing on the banking industry in Kenya. A long period has however past when this study was conducted and therefore the concept implementation might have improved over the period. Further, the present study intended to study whether relationship marketing, as prior empirical studies in other economies have shown, has an influence on financial performance of banks in Kenya.

1.3 Objective of the Study

- i. To establish the nature of relationship marketing practices among commercial banks in Kenya.
- ii. To determine the extent to which relationship marketing is practiced among commercial banks in Kenya

1.4 Importance of the Study

This study will be important to the management of commercial banks in Kenya especially the marketing divisions as they would better understand the importance of customer relationship marketing to the companies. This is because the results of this study will show the relationship marketing strategies used by commercial banks and the value of maintaining such relationships to organizations.

Marketers and other practitioners in the service industry will also find the results of this study intriguing. The findings will help them in appreciating the need to implement more loyalty programs in their firms in order to reap from the benefits of good customer relationships. The study will offer recommendations that will guide practice in the industry.

Researcher, scholars and students of marketing and strategy will gain from this research. Suggestions will be made on where more studies need to be done in the area thus will greatly be helpful to future researchers. Scholars and students of marketing and strategy will use this study as a guide to discussing issues of relationship marketing in developing economies like Kenya.

CHAPTER TWO: LITERATURE REVIEW

2.1 Concept of Relationship Marketing

During the last decade there has been a paradigm shift in marketing from a transaction approach based upon the concept of exchange (Bagozzi, 1974), to relationship marketing where the focus is to “establish, maintain, and enhance relationships with customers and other partners, at a profit, so that the objectives of the parties involved are met. This is achieved by mutual exchange and fulfillment of promises (Grönroos, 1990).

This new trend has its origin from the convergence of four different approaches (Grönroos, 1994). First is the interaction and network approach to industrial marketing advocated by the industrial marketing and purchasing (IMP) group. In a network of buyers and suppliers of industrial products and services, various interactions take place including the flow of goods and services, financial and social exchanges (Johanson and Mattsson, 1985). These interactions may not be necessarily initiated by the seller and may continue for a long period of time. Even more, the positions of buyer and seller may not be clear cut when exchanges of resources flow in both directions. The management of these relationships requires the involvement not only of the marketing department, but of all the employees of the firm, the part-time marketers (Gummesson, 1990). In business-to-business exchanges, the points of contact between organizations also occur in non-marketing functions such as research and development, design, deliveries, customer training, invoicing and credit management.

Second is the marketing of services. Researchers from the Nordic School of Services look at the marketing of services as something that cannot be separated from overall management (Grönroos and Gummesson, 1985). The consumer of a service typically interacts with systems, physical resources and employees of the service provider. The consumer is deeply involved in the production of the service - what Langeard and Eiglier (1987) called “servuction”. Like in the case of industrial marketing, a long-lasting relationship often develops between the service provider and its customer. The success of this relationship is determined both by the full-time and the part-time marketers.

Third is the interest in customer relationship economics. Research results in several industries (Reicheld, 1993; Reicheld and Sasser, 1990) show that other than economies of scale, companies can obtain market economies, achieving better economic results by understanding the customer (Heskett, 1987). A mutually satisfactory continuing relationship makes it possible to reduce transaction costs and quality costs (Grönroos, 1994).

Fourth is international marketing. The transaction approach to marketing is primarily based on the mass marketing of packaged consumer goods in the USA. Research from scholars in Europe and other parts of the world suggests that a relational approach to marketing is better suited to the cultural, economic and institutional characteristics of most countries.

Behind the development of relationship marketing there is a shift in two basic axioms of marketing (Sheth and Parvatiyar, 1995). First is from competition and conflict to mutual cooperation. In transactional marketing, value creation is driven by competition and self-interest. This competition happens at the dyad level - the relationship between a customer and a supplier; at the triad level - the relationship among the customer, its present supplier and its competitors; and at the network of physical distribution level (Gummesson, 1996). At the three levels, exchange is assumed to be a zero sum game, and therefore gains are obtained at the expense of other actors in the exchange relationship. Proponents of relationship marketing believe that under some circumstances cooperation leads to higher value creation. Second is from choice independence to mutual interdependence. While transactions marketing is based on the belief that efficiency in the creation and distribution of value is achieved only if marketing actors keep their freedom to choose their transactional partner at each decision point, it has been shown that transaction costs and quality costs can be reduced through interdependence and partnering (Williamson, 1975).

There are two essential elements in relationship marketing: promise and trust (Grönroos, 1994). These two elements determine how a relationship is established, maintained and enhanced. A firm may attract customers by giving promises, thus persuading them to

behave in some desired way. These promises may be explicit or implicit in the image of a brand. A new customer may be attracted and a new relationship built. Long-term profitability requires that the relationship be maintained and enhanced in order to retain the customer base. The fulfilment of the promises given is essential to achieving customer satisfaction. Trust has been defined as “a willingness to rely on an exchange partner in whom one has confidence” (Moorman et al., 1993). This definition implies: belief that the other partner will follow the desired course of action; intention to behave and commit its resources according to that belief; uncertainty, since the trustor cannot control the trustee’s behavior; and vulnerability to the consequences of the actions of the trustee. As Grönroos (1994) points out, in many situations it is not clear who is the trustee and who is the trustor; more likely, both parties are in both positions. It is important to remark that trust requires personal relationships that transcend the individual contact, and is reinforced by face-to-face relationships (Malecki and Tootle, 1996).

Adopting a relationship marketing approach involves changing the traditional way of managing marketing at the strategic and tactical level. There are three important strategic issues in the relationship marketing approach (Grönroos, 1996): redefining the business as a service business, and the key competitive element as service competition; looking at the organization from a process management perspective, and not from a functional perspective; and establishing partnerships and a network to be able to handle the whole service process.

At the tactical level there are three typical elements (Grönroos, 1996): seeking direct contact with customers and other stakeholders; building a database covering necessary information about customers and others; and developing a customer-oriented service system.

2.2 Components of the Relationship Marketing Orientation (RMO)

Based on past related literature (Callaghan et al., 1995; Morgan and Hunt, 1994; Wilson, 1995; Yau et al., 2000), RMO is a multi-dimensional construct consisting of six components: trust; bonding; communication; shared value; empathy; and reciprocity.

For a business to maximize its long-term performance in such aspects as customer retention, sales growth and profitability, it must build, maintain and enhance long-term and mutually beneficial relationships with its target buyers. Each of the components is described below.

2.2.1 Trust

Trust is defined as a willingness to rely on an exchange partner in whom one has confidence (Morgan and Hunt, 1994). It is essentially the belief that an individual will provide what is promised (Callaghan et al., 1995). The inclusion of trust as a central variable in a relationship exchange has been examined widely in the marketing literature. For example, in service marketing, Berry and Parasuraman (1991) find that “customer-company relationships require trust”. In retailing, Berry (1983) stresses that “trust is the basis for loyalty”.

In strategic alliances, Sherman (1992) concludes that “the biggest stumbling block to the success of alliances is the lack of trust.” In addition, recent work by Morgan and Hunt (1994) also identified trust as a key construct in their model of relationship marketing. Moreover, trust is viewed as a central construct in studies conducted by the Industrial Marketing and Purchasing Group (Ford, 1990). This study theorizes that the higher the level of trust between buyer and seller, the greater the probability of long-term relationships.

2.2.2 Bonding

Bonding is defined as the dimension of a business relationship that results in two parties (buyer and seller) acting in a unified manner toward a desired goal (Callaghan et al., 1995). In China, the bonding dimension was initially recognized by Chiao (1982) in his

elaboration of the 12 bonding commonalities based on the five cardinal relations (Hchu and Yang, 1972). These bonds have served effectively to control social and business behavior in Chinese societies (Chiao, 1982). They address the similarity between two parties in terms of origin and serve to remove doubt, create trust and form close relationships between parties (Hinde, 1997).

Various bonds indicate different levels of relationships (guanxi). The closer the guanxi, the more effectively a bond can serve to remove doubt and create trust. In the West, the bonding dimension was recognized by Shani and Chalasani (1992) in their identification of a bond developing between consumer, supplier and product through the application of relationship marketing. The dimension of bonding as it applies to RMO consists of developing and enhancing consumer loyalty, which results directly in feelings of affection, a sense of belonging to the relationship, and indirectly in a sense of belonging to the organization. Levitt (1983) described a sale in the buyer-seller interaction as the “consummation of the courtship” in the sense of a relationship and made the distinction between single transactions as having, “as in modern life, an affair” and the intention to enter into a long-term relationships as having a “bonded relationship (to have a marriage)” (Levitt, 1983).

Compared with trust, bonding, as a construct, has received a relatively modest amount of attention from relationship marketing researchers in the West. Among the few empirical studies in this area is that of Wilson and Mummalaneni (1986), who find that stronger personal bonds among buyers and sellers lead to a greater commitment to maintain the relationship. In addition, a recent study conducted by Witkowski and Thibodeau (1999) also finds that personal bonding is an important variable in building international marketing relationships. This study theorizes that a long-term buyer-seller relationship requires bonding.

2.2.3 Communication

Communication is defined as the formal as well as informal exchanging and sharing of meaningful and timely information between buyers and sellers. Communication,

especially timely communication, fosters trust by assisting in solving disputes and aligning perceptions and expectations (Etgar, 1979).

Research on relationship marketing also highlights the importance of information exchanges in business relationships. Mohr and Nevin (1990) call communication “the glue that holds together a channel of distribution”. Anderson and Narus (1990) stress the crucial role communication plays in the formation of cooperation and trust in partnerships. Morgan and Hunt (1994) find that communication has a positive and indirect impact on the retailer-supplier relationship commitment in the automobile tire industry. Additionally, some studies reveal that information exchange can help both buyers and sellers to respond better to new opportunities and threats. Hamfelt and Lindberg (1987) find that the transmission of information through a contact network can spur technological development.

2.2.4 Shared Value

In this study, shared value is defined as the extent to which partners have beliefs in common about what behaviors, goals, and policies are important or unimportant, appropriate or inappropriate, and right or wrong (Morgan and Hunt, 1994). Shared value has long been considered as an important dimension in building buyer-seller relationships. For example, Levy and Zaltman (1975, p. 27) define marketing as a system in which people or groups are interrelated and in which they are engaged in reaching a shared goal and having “patterned relationships with one another”. Evans and Laskin (1994) define relationship marketing as a process whereby a firm builds long-term alliances with both prospective and current customers so that both buyer and seller work towards a common set of specified goals.

2.2.5 Empathy

Empathy is the dimension of a business relationship that enables the two parties to see the situation from the other person’s perspective. Empathy is defined as seeking to understand somebody else’s desires and goals. In business, this somebody else is often a relative stranger or at best a business connection. In the personal selling literature, the

empathetic abilities of the sales people have been identified by a number of theorists as a prerequisite to successful selling (Greenberg and Greenberg, 1983; Sager and Ferris, 1986). In the service marketing literature, the dimension of empathy is used by Berry et al. (1990) in developing the SERVQUAL test instrument for service quality.

In the networking literature, Smith and Johnson (1993) include empathy as an independent variable in explaining franchiser-franchisee working relationships. In the marketing literature on China, empathy is usually recognized as a subcomponent of the Chinese dimension of *guanxi* in business and social relationships (the other subcomponent is reciprocity) (Brunner et al., 1989; Hwang, 1987). Past studies indicate that empathy plays a major role in building and maintaining business relationships in the Chinese context (Brunner et al., 1989; Hwang, 1987).

2.2.6 Reciprocity

Reciprocity is the dimension of a business relationship that causes either party to provide favors or make allowances for the other in return for similar favors or allowances to be received at a later date (Callaghan et al., 1995). Reciprocity can be summarized by three interrelated aspects of social interaction between two individuals: bilateral contingency, interdependence for mutual benefit and equality of exchanged values (Lebra, 1976). First, when a person does a favor for another person, he/she may oblige the recipient to repay. This is a bilateral contingency. Second, the rationale for a person to give something to another person may be the intention to obtain something else that is needed from the recipient. Third, the reciprocal process will eventually approach a converged value. In other words, what a person gives will be the equivalent to what he/she receives from the recipient in the long run. These symmetric aspects of reciprocity have been regarded as “sociological dualism” and “mutual legal obligations of repaying” (Malinowski, 1959). In particular, Gouldner (1960) insisted on the equality of exchanged values in the pursuit of the fair distribution of rights and duties.

Links of reciprocity to relationship marketing have been indicated by Houston et al. (1992) as a basis for the interface between exchange transactions and marketing activities. This is further reinforced by Ellis et al. (1993), who explain that relationship marketing is characterized by "... interactions, reciprocities, and long-term commitments". Smith and Johnson (1993) also acknowledge reciprocity in the form of gift giving in their discussion of the application of relationship marketing to retail situations. Stapleton et al. (1973) observed that a gift given to a subject would result in a greater gift being returned by the subject.

2.3 Relationship Marketing Strategies

There are various relationship marketing strategies that a business can adopt. These are customer touch points, front office and back office technology. These are explained below.

2.3.1 Customer Touch Points

To give the customer good customer service can be hard. With the focus on relationships it is important to give the customer the best experience possible of the company. This makes it essential to deliver the best customer service every time (Dyche, 2001).

Technology is helping companies to interact with their customers on a personal level, which is important when getting to know the customers and understanding their needs. The relationships between the company and its customers are characterized in two ways, mutually beneficial and communication (Peppers and Rogers, 2004).

The touch points, which are the actual interaction between the customer and company, can be called call centers, the internet, email, sales, direct marketing, telemarketing operations, advertising, fax stores and Kiosks (Chen and Popovich, 2003).

Kuria (2001) found that customer touch points were being used at the time as a source of customer relations strategy in the banking sector with the customer care centers acting as the customer touch points.

2.3.2 Front Office

In order to get a customer relationship marketing (CRM) to work properly the company's functions must be process-oriented. In functions of order delivering and handling customer enquiries are usually designed upon a process base. Other functions like sales and marketing are unstructured and because of the non-mechanic nature of their work they are well-known for not being process-oriented.

Murage (2002) found that front office strategies were used in the paint industry as customer relations strategies. Such were the findings of Oduori (2006) in a study of the classified hotels in Nairobi and also Chemutai (2006) who found that cooperative bank was using more of front office customer relations strategies to enhance their customer relations.

2.3.3 Back Office and Technology

Companies have different types of database organizations depending on how their structures are constructed. To get the desired shape of the database there are obstacles that the company needs to overcome. By getting through these crisis, a data management with high degree of professionalism can be obtained. This path which is described in five stages can be seen as a way that companies have to go when improving their data management (Peelen, 2005).the five stages are the pioneering phase, the specialization phase, the multifunctional teams, system integration and one-to-one communication.

2.4 Value of Relationship Marketing

Value is considered to be an important constituent of relationship marketing as the ability of a company to provide superior value to its customers is regarded as one of the most successful competitive strategies in the 1990s. This ability has become a means of differentiation and finding a sustainable competitive advantage (Grönroos, 1994).

Relationships value involves both the cost-benefit equation and the equity as perceived by each party (Szmigin and Bourne, 1998). According to several authors, in customer-seller relationships, customers benefit in terms of higher value, better quality and

increased satisfaction with their purchases, while firms benefit from greater sales volumes, better operating efficiencies, positive word-of-mouth publicity, improved customer feedback and decreased marketing expenses (Buttle, 1996; Reichheld and Sasser, 1990; Vavra, 1995).

The concept of value to customers has been largely discussed. Ravald and Grönroos (1996) emphasize that a successful way of providing value to customers might be to reduce the customer-perceived sacrifice by minimizing the relationship costs for him. Other authors relate customer retention and customer value to a general sense of satisfaction that the relationship has fulfilled his demands or increased his profits (Eriksson and Löfmarck Vaghult, 2000; Henning-Thurau and Klee, 1997; McDougall and Levesque, 2000). Satisfaction acts as an antecedent of the customer's perception of the product or the service quality. Customers' quality perceptions leads to trust and commitment (relationship quality) and, finally, to customers' retention. Also Anderson et al. (1994) demonstrate that return on investment (ROI) is strongly related to consumer's satisfaction.

As for value to firms, several streams of research have focused on customer retention and its benefits to a selling firm. Sheth and Parvatiyar (1995), state that relationship marketing would lead to greater marketing productivity by making it more effective and efficient. Reichheld and Sasser (1990) also argue that customer retention has a link to a firm's long-term profitability. Srivastava et al. (1999) affirm that customer relationship management process generates value to customers, which in turn creates shareholder value. According to these authors, relations with customers contribute to the organization's marketplace and economic performance: customer relationship management processes build more quickly product awareness, entire early product trial and promote repeat purchases and higher customer retention; each of these results supports acceleration and enhancement of cash-flows. Besides, Sheth and Sisodia (1995) recommend both quantitative and qualitative measures of marketing output.

The value created by relationship marketing with customers is reflected in two aspects: market performance and economic performance. Market performance refers to the improvement of the firm's market position, which is, building product awareness and penetration in the market; shaping customers' perceptions of the organization and their products (Srivastava et al., 1999); and the rise in customer loyalty and retention (Evans and Laskin, 1994).

Market position (either awareness or penetration), should be the first consequence of programs and activities addressed to attract customers; it could be considered as consumers' cognitive answer to the signals the firm sends to the market. However, Sharp and Sharp (1997) demonstrate that loyalty programs have no impact on the market share. The result of loyalty programs would be an increase in repeat-purchase loyalty without the expected degree of increase in penetration.

Customers' perception of the firm's image represents consumers' affective answer to the firm's marketing activities. Attraction and loyalty programs can shape customers' perceptions about the firm or the service it provides. If the customer has an image of friendly relationship, personalized treatment or service quality, we could say that a certain loyalty program has had success. Otherwise, if the customer frequents a service provider only because of promotions, price reductions and advertising, attraction programs have been successful, but loyalty programs probably have failed.

Loyalty is the result of activities that look for interaction and customers' repeat-purchase and implies a behavioural answer. Expectations of positive reinforcements induce relational behaviours. There is not unanimity about the effect of loyalty programs on loyalty. Szmigin and Bourne (1998) suggest that customers are, in the main, promiscuous when it comes to relationships with firms. Many customers do not really want a long-term approach and act out of self-interest, getting more for less.

On the other hand, economic performance alludes to the firm's benefit, incomes and profitability that are related, directly and indirectly, to the firm's relational strategy. Attraction and loyalty programs should have direct effects on economic performance. What is more, there is an indirect effect as far as market performance impacts directly on

economic results. It has been demonstrated that it is far less expensive to retain a customer than to acquire a new one (Reichheld and Sasser, 1990) and that the longer the customer stays with a firm, the more profitable the relationship is to the firm.

A close and long-lasting relationship with customers usually implies a reduction in service costs (the firm becomes more knowledgeable about its clients' needs and thus able to provide better service at a lower cost) and marketing costs (in that the firm needs to spend less on convincing customers to repeat buying) and, in consequence, an improvement in profitability (Reinartz and Kumar, 2000; Sharp and Sharp, 1997; Sharma et al., 1999).

Sharp and Sharp (1997) add that loyalty gives something of a guarantee of future earnings. If a loyalty program increases the certainty of future income flows, through decreasing the risk of losing customers, then it may have a real, and perhaps substantial, impact on shareholder value without affecting current revenue or market share levels.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research methodology which was used in the study. It specifically presents research design, target population and sample, data collection and data analysis.

3.2 Research Design

This study was a cross-sectional survey. A cross sectional survey was selected because it enables data to be collected across several respondents at the same time. The study collected data from commercial banks in Kenya on relationship marketing practice in the industry.

3.3 Population

The population for the study was all commercial banks operating in the country and licensed by the Central Bank. There are 44 Commercial banks in Kenya operating within Nairobi. A list of the 44 commercial banks is provided as appendix 2. These formed the population for the study. This being a survey all the 44 banks were incorporated in the study.

3.4 Population Sample Size

Purposive random sampling was used to pick two (2) corporate banking relationship marketing managers from each bank's head office in Nairobi. This formed the sample size which will be eighty eight (88) respondents who were administered with the questionnaire. The relationship marketing managers were chosen for their understanding of the topic under study. They were also be selected because of convenience as they are found in the banks headquarters located in Nairobi.

3.5 Data Collection

The study used primary and secondary data. Primary data was collected using questionnaires. The questionnaires sought relevant information on the nature of relationship marketing in Kenyan commercial banks. The questionnaires were administered using drop-and-pick method to the relationship marketing managers. The secondary data was gathered by a review of existing materials on the topic under study and the Kenyan banks. This was through a review of scholarly publications such as books and journals and websites.

3.5.1 Consistency and Reliability Tests

In order to test the internal consistency of the relationship marketing scale and to reduce the number of items to a manageable size, a pilot survey was conducted before the main study will be implemented. In the pilot study, 44 students attending the part-time MBA program offered by the University of Nairobi were given the questionnaire in class. Each participant was asked to indicate on a seven-point scale the extent to which he/she agrees with the items with respect to the major/key customers with whom he/she is frequently serving and interacting. After this reliability analysis, items with item-to-total correlation below 0.3 were deleted, resulting in a less item scale to measure relationship marketing. The coefficient alphas were used to measure scale reliability for the trust, bonding, communication, shared value, empathy, and reciprocity dimensions.

3.5.2 Data Collection Procedures

The data for the main study was collected from banks located in Nairobi. The questionnaire titled “Relationship Marketing Practices among Commercial Banks” and a cover letter explaining the purpose of the survey were personally administered to the two corporate banking relationship marketing managers of each bank. The respondents were allowed a two weeks period to fill out the questionnaires. After one week the researcher sent a reminder to all the respondents. The questionnaires were collected after the second week.

3.6 Data Analysis

For data collected to have a meaningful meaning, it needed to be analyzed in a way that it is easy to be understood. Data was coded and analyzed with the aid of Statistical Package for Social Sciences (SPSS). The analysis involved descriptive statistics and content analysis. Content analysis was used to analyze the respondents' views about the nature and extent of relationship marketing among commercial banks in Kenya. Descriptive statistics were used to analyze closed ended and Likert scale. Descriptive statistics such as the mean and standard deviations were used to understand the nature and extent of relationship marketing. Tables and other graphical presentations as appropriate were used to present the data collected for ease of understanding and analysis.

CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

4.1 Introduction

This chapter presents the data analysis and interpretation, the data is presented as per the study's objectives. There were four objectives which guided the study.

4.2 Response Rate

	Frequency	Percentage
Returned Questionnaires	78	87
Not Returned	10	13
Total	88	100

The researcher administered 88 questionnaires to the respondents. Seventy eight (78) respondents filled the questionnaires satisfactorily and returned them; this represented 87% of the sample. The findings are based on the responses obtained from the returned questionnaires.

4.2 General Information

The researcher sought the general information of the banks and the respondents. This information was given in terms number of employees in the sampled banks, ownership structures, gender and highest academic levels.

4.2.1 Number of Employees

The researcher sought the number of employees in the sampled banks. As shown in table 4.1, all the banks had over 500 employees.

Table 4.1: Number of employees

Gender	Distribution	
	Frequency	Percentage
501-1000	7	9%
1001 or above	71	91%
Total	78	100%

Source: Researcher

Ninety one percent (91%) of the banks had over 1000 employees while 7 (9%) had between 500 and 1000 employees. This show the banks are large enough to be involved in relationship marketing.

4.2.2 Ownership Structure

The study also sought to know the ownership structure of the studied banks. This is shown in table 4.2.

Table 4.2: Ownership Structure

Ownership Structure	Distribution	
	Frequency	Percentage
Fully local	54	69%
Fully foreign	24	31%
Total	78	100%

Source: Researcher

The study found that 69 % (54)of the banks were locally owned while 31% (24) of the banks were owned by foreigners. This is in line with the fact that out of the 44 institutions, 31 are locally owned and 13 are foreign owned. The locally owned financial institutions comprise 3 banks with significant shareholding by the Government and State Corporations, 27 commercial banks and 1 mortgage finance institution

(<http://www.centralbank.go.ke/financialsystem/banks/Introduction.aspx>).

4.2.3 Age of the Respondents

The study also sought to know the age distribution of the respondents. This is shown in the table 4.3. From the table the respondent's age is fairly distributed over the various age groups.

Table 4.3: Respondent's Age

Age	Distribution	
	Frequency	Percentage
20-29	0	0%
30-39	17	22%
40-49	39	50%
50-59	16	20%
60 or above	6	8%
Total	78	100%

Source: Researcher

Fifty percent (50%) i.e. 39 of the respondents were aged between 40 and 49 years; 22% (17) were aged between 30 and 39 years; 20% (16) were aged between 50 and 59 years; 0% were aged between 20 and 29 years and 8% (6) were aged over 60 years. This implies that the findings have no age bias. A large proportion is also aged over forty years indicating that they have been in their position for some time now and were well versed with the matters relating to this topic.

4.3.4 Respondent's Gender

The study also sought the gender of the respondents. The results are shown in figure 4.1.

Table 4.4 : Respondent's Gender

Gender	Frequency	Percentage
Male	45	58%
Female	33	42%
Total	78	100

From the table and figure 4.1, fifty eight percent (58%) i.e. 45 of the respondents were male while 42% (33) were female. This implies that the study findings have a gender balance and are not biased toward one gender.

4.2.3 Highest Academic Level

Figure 4.2 illustrates the responses obtained regarding the highest academic qualification, of the respondents.

Table 4.5 : Highest academic qualification of the respondents

	Frequency	Percentages
O level	0	0%
A level	6	8%
Graduate	25	32%
Masters	47	60%
Total	78	100%

The results show that majority of the respondents (60%) had their highest academic qualification as masters' degree, 25 (32%) had their highest academic level as undergraduate degree while 6 (8%) were schooled up to A Levels. The findings also imply that the respondents were reliable in offering the information that was being sought by the study.

4.3 Nature of Relationship Marketing Practice in Commercial Banks

This section sought to get an insight into customer relationship strategies which the sampled banks have adopted in the past two years.

Table 4.6: Nature of CRM Strategies

Customer Relationship Strategies	Yes		No	
	Frequency	Percent	Frequency	Percent
Coming up with customized products and services	72	93%	6	7%
Introduction/ Improvement of customer care	63	81%	15	19%
Promotion to reward customer	47	60%	31	40%
Adoption of Information technology	46	59%	32	41%
Adoption of mobile banking	26	33%	52	67%
Availability of loan top ups	14	18%	64	82%
Conducting financial services seminars	46	59%	32	41%

The largely adopted strategies included coming up with customized products and services and introduction as well as improvement of customer care as confirmed by 72 of the respondents (93%) and 81% (63) of the respondents. Promotions to reward customers, adoption of technology and conducting financial seminars as CRM strategies were also present in a number of banks as indicated by 60% (47) and 59 % (46) of the respondents. Adoption of mobile banking and availability of loan top ups were the least utilised strategies in the banking industry as indicated by only 14 (18%) and 26 (33%) of the respondents. Other strategies include banks setting up mobile stations in busy roads in the Central Business District of major towns as well as the estates. The banks were also calling up customers regularly to inform them of new products and services as part of their relationship marketing initiatives.

The respondents were then requested to rate whether these strategies have been successful. The items were on a scale where: Very Successful = 1; Moderately Successful = 2; Slightly Successful = 3; Unsuccessful = 2 and Not successful at all = 1. The results are shown below.

Table 4.7: Extent of Success of CRM Strategies

Influence of staff appraisal on Employees performance	Distribution	
	Frequency	Percent
Very Successful	8	10%
Moderately Successful	34	44%
Slightly Successful	26	33%
Unsuccessful	6	8%
Not successful at all	4	5%
Total	78	100%
Mean Score	3.46	

Majority indicated that the strategies were either moderately successful or slightly successful as indicated by 34 (44%) and 26 (33%) of the respondents. Ten percent of the respondents (8) indicated that the strategies were very successful while 6 (8%) indicated the strategies were unsuccessful. The rest 4 (5%) indicated that strategies were totally unsuccessful. The success of the strategies returned as an item posted a mean score of 3.46 implying the strategies are slightly successful.

Some of the respondents indicated that the reasons for this situation were that technology has been slowly accepted by the customers. Others felt that the banking industry has been shifting in most of the operations features and thus changes have been occurring simultaneously and it will take some for a comprehensive report and evaluation of the strategies can be undertaken to assess the success of these strategies. Those who indicated that the strategies were somehow successful indicated that this was evident in the popularity of certain financial products such as mortgages and also the profits posted by the banks. They noted that no bank has been making a loss in the past two years.

The respondents were also asked about the frequency with which their respective banks review their relationship marketing strategies. The results are shown below.

Table 4.8: Frequency of Reviewing the Strategies

	Frequency	Percentage
Monthly	18	23%
Quarterly	30	38%
Twice a year	18	23%
Annually	12	15%
Total	78	100%

The results show that the majority of the banks review their strategies quarterly as indicated by 38% (33) of the respondents. Twenty three percent (23%) i.e. 18 of the respondents indicated that the strategies were reviewed either monthly or twice a year. The rest fifteen percent indicated that the strategies were reviewed annually. This implies that all the banks review their strategies within the year and thus are responsive to the current happenings in the environment.

In the following section the respondents were given a set of statements and were required to rate the on the given scale where; Strongly Disagree = 1; Moderately Disagree = 2; Neutral = 3; Slightly Agree = 4 and Strongly Agree = 5. The following sections discuss the results which were obtained.

4.4 Product Oriented Relationship marketing Strategies

In this section the study sought to obtain information on relationship marketing in commercial banks which were product oriented. The results are shown in the table below.

Table 4.9: Product Oriented CRM Strategies

Statement	Strongly Disagree	Moderately Disagree	Neutral	Slightly Agree	Strongly Agree	Mean Score
	1	2	3	4	5	
The bank has reasonably priced financial products and services	28	34	2	6	8	2.13
Customers have been complaining of high interest rates	2	4	6	28	38	4.23
The bank has in the past one year lowered the lending interest rates	0	2	0	10	66	4.79
The bank has introduced at least two new products over the past 1 year	0	0	0	0	78	5.00
The bank has adopted an open door policy	12	18	4	28	16	3.23
The banking hall is comfortable and relaxing	0	0	0	10	68	4.87
The banking hall components are clearly labelled	0	0	0	12	66	4.84

Most of the banks studied do not have reasonably priced financial products and services as well as indicated by a mean score of 2.13. It was found that customers have been complaining of high interest rates as indicated by a mean score of 4.23. The banks were found to have lowered the lending interest rates in the past one year as indicated by a mean score of 4.79. All the banks have introduced at least two new products over the past one year as indicated by a strong mean score of 5.00. Whether the banks have adopted an open door policy mixed reactions were obtained as indicated by a mean score of 3.23. The banking halls of the studied were said to be comfortable and relaxing as indicated by a mean score of 4.87. The banking halls components were also found to be clearly labelled as indicated by a mean score of 4.84. Regarding the issue of products oriented

CRM the banks have implemented these practices to a great extent except the issue of interest rates.

4.5 Employees Oriented CRM Strategies

This section was about those CRM strategies which are geared towards the employees. The results are shown in the table below.

Table 4.10: Employees Oriented CRM Strategies

Statement	Strongly Disagree	Moderately Disagree	Neutral	Slightly Agree	Strongly Agree	Mean Score
	1	2	3	4	5	
The banks' staff have been trained in customer relationship issues	0	0	2	10	66	4.92
The tellers are courteous and know customer needs	0	0	0	12	66	4.84
The security guards are welcoming, smart and willing to help	0	0	2	12	64	4.79

It came out that the banks' staffs have been trained in customer relationship issues as indicated by a mean 4.92. The tellers are also courteous and know customer needs as indicated by a mean score of 4.84. The security guards were said to be welcoming, smart and willing to help as indicated by a mean score of 4.79. These findings indicate that employee oriented CRM strategies are present and enhanced.

4.6 Communication Oriented CRM Strategies

This section sought to know the extent of application of communication oriented CRM strategies in the banking industry. The responses obtained are discussed below.

Table 4.11: Communication Oriented CRM Strategies

Statement	Strongly Disagree	Moderately Disagree	Neutral	Slightly Agree	Strongly Agree	Mean Score
	1	2	3	4	5	
The bank has a comprehensive data collection system which enables collection of customers views	16	26	2	16	18	2.92
The bank has a suggestion box placed in a strategic point in the banking hall	2	24	6	28	18	3.46
The customers suggestions are used in decision making and designing new products	0	4	4	22	46	4.79
The bank has a toll free customer care help line which operates 24 hrs a day	13	34	2	17	12	2.50
The bank has a call centre where all customer queries are routed	12	18	4	28	16	3.23
The bank has well laid out procedures for handling customer complaints	0	0	0	10	68	4.87
The bank sends updates to customers through the website	28	34	2	6	8	2.13
The bank sends updates to customers in form of monthly statements	0	0	0	12	66	4.84
The bank uses text messages to notify customers of new products	12	27	7	23	9	2.74
The bank sends emails to customers to notify them of new products	18	37	3	11	8	2.42

The banks do not have comprehensive data collection systems which enable collection of customers' views as was indicated by a mean score of 2.92. Some banks have a suggestion box placed in a strategic point in the banking hall while others do not as was indicated by the mean score of 3.46. The customers' suggestions were said to be considered in decision making and designing new products in the banks as was indicated by a mean score of 4.79. Most of the banks do not have a toll free customer care help line which operates 24 hrs a day as was indicated by a mean score of 2.50. Whether the banks

have call centres where all customer queries are routed mixed reactions were received as indicated by a mean score of 3.23. The banks were said to have well laid out procedures for handling customer complaints as indicated by a mean score of 4.87. Very few banks send updates to customers through their websites as indicated by a mean score of 2.13. The banks were said to send updates to customers in form of monthly statements as indicated by a mean score of 4.84. Whether banks use text messages to notify customers of new products a mean score of 2.74 was obtained indicating only a small proportion of banks use this communication tool as a CRM strategy. Also only a small proportion of banks send emails to customers to notify them of new products as indicated by a mean score of 2.42. From these findings it emerges that communication oriented CRM strategies have been applied to a moderate extent.

4.7 Loyalty Oriented CRM Strategies

This section sought to know the CRM strategies adopted by the commercial banks. The table below shows the results

Table 4.12: Loyalty Oriented CRM Strategies

Statement	Strongly Disagree	Moderately Disagree	Neutral	Slightly Agree	Strongly Agree	Mean Score
	1	2	3	4	5	
The bank has put in place customer loyalty programs in past one year	15	18	2	17	26	3.27
The bank gives loyalty cards to their long standing customers	52	13	2	7	4	1.69
The bank recognizes and has special considerations for long serving customers	12	18	4	28	16	3.23
The bank gives out certificates of recognition to outstanding customers	17	16	1	21	23	3.21
The bank holds events for their long standing customers e.g. golf tournaments, lunches with the senior team of the bank	6	29	3	27	13	3.08

On the issue of whether the bank has put in place customer loyalty programs in past one year a mean score of 2.27 was attained implying this activity has been undertaken by some banks while other have not. Regarding whether banks give loyalty cards to their long standing customers a mean score of 1.69 was obtained implying absence of this activity. There were mixed reactions regarding whether banks recognize and have special considerations for long serving customers as well as whether banks gives out certificates of recognition to outstanding customers as these items had a mean score of 3.23 and 3.21 respectively. The issue of whether banks hold events for their long standing customers e.g. golf tournaments, lunches with the senior team of the bank also received mixed reactions as was indicated by a mean score of 3.07. These results indicate that loyalty oriented CRM activities are not enhanced in the commercial banks in Kenya.

4.7 Uniqueness of Customer Service

The respondents were also asked on the unique features present in their customer service function in their banks. The respondents indicated that the distinguishing features include adoption of technology through either use of online help or mobile responses. Some banks have gone a head and embraced the social media such as *Twitter* and *Facebook* where they interact with customers. The respondents aided in speeding up response to the queries of the customers. Others indicated that all the staff had been trained as customer care representative for the banks. The researcher in the field observed a security guard a customer fill out some forms in the banking lobby in one of the banks studied. The employees had been trained on the various issues and were also conversant with general queries.

4.8 ICT Development

The study also sought to get an insight into the ICT developments which the banks have adopted in line with their relationship marketing strategies. The respondents indicated that the banks have adopted and implemented banking software which aid in relationship marketing. These soft wares enable the customers to be served fast and also have enabled customers' information to be stored in a database. The banks have also built websites where information on the products and services of the banks are available. The

employees of the banks were also assigned an email address which the customers could reach them on. The respondents indicated that some banks have also adopted mobile and online banking where some tasks could be performed through the mobile phone or online. *Mkesho* Account by Equity Bank was mentioned as a product of ICT whereby customers are able to transact through their M-Pesa account on the mobile phones. The banks have also acquired equipments to help in communication with the customers. These equipments enable automated responses to the customers even at night.

The respondents indicated that the adoption of ICT has improved the customer retention and customer loyalty in the bank. The respondents indicated that adoption of technology has increased customer satisfaction as complaints by customers are handled in an efficient manner. Technology has also shortened the services processing durations.

4.9 Suggestions

The respondents noted the importance of relationship marketing in the banking industry and felt that more attention needs to be paid to this area by the Kenyan banks if they are to survive in the turbulent financial market environment especially after what happened in the United States financial industry which led to the global economic recession. The respondents suggested that the banks continue in their quest of bettering the relationship between themselves and their customers.

CHAPTER FIVE: SUMMARY, DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary, conclusions and recommendations of the findings of this study. This chapter is organized as follows. First, a summary of the key findings in chapter four is provided. Then the conclusions of the study based on the objectives of the study follow. The study then makes several recommendations to the stakeholders regarding the findings. Areas for further research are then proposed for scholars wishing to do research on the subject of relationship marketing in the service industry .

5.2 Summary of Key Findings

The largely adopted strategies included coming up with customized products and services and introduction as well as improvement of customer care as confirmed by 93% and 81% of the respondents. Promotions to reward customers, adoption of technology and conducting financial seminars as CRM strategies were also present in a number of banks as indicated by 60 and 59 % of the respondents. Adoption of mobile banking and availability of loan top ups were the least utilised strategies in the banking industry as indicated by only 18% and 33% of the respondents. Other strategies include banks setting up mobile stations in busy roads in the Central Business District of major towns as well as the estates. The banks were also calling up customers regularly to inform them of new products and services as part of their relationship marketing initiatives. The success of the strategies returned as an item posted a mean score of 3.46 implying the strategies are slightly successful.

Regarding the issue of products oriented CRM the banks have implemented these practices to a great extent except the issue of interest rates. It was found that customers have been complaining of high interest rates as indicated by a mean score of 4.23. The banks were found to have lowered the lending interest rates in the past one year as indicated by a mean score of 4.79. All the banks have introduced at least two new products over the past one year as indicated by a strong mean score of 5.00.

The findings indicate that employee oriented CRM strategies are present and enhanced to a great extent. It came out that the banks' staffs have been trained in customer relationship issues as indicated by a mean 4.92. The tellers are also courteous and know customer needs as indicated by a mean score of 4.84. The security guards were said to be welcoming, smart and willing to help as indicated by a mean score of 4.79.

From the findings it emerges that communication oriented CRM strategies have been applied to a moderate extent. The banks were said to have well laid out procedures for handling customer complaints as indicated by a mean score of 4.87. The banks were said to send updates to customers in form of monthly statements as indicated by a mean score of 4.84. The customers' suggestions were said to be considered in decision making and designing new products in the banks as was indicated by a mean score of 4.79.

The results indicate that loyalty oriented CRM activities are not enhanced in the commercial banks in Kenya. Regarding whether banks give loyalty cards to their long standing customers a mean score of 1.69 was obtained implying absence of this activity. There were mixed reactions regarding whether banks recognize and have special considerations for long serving customers as well as whether banks give out certificates of recognition to outstanding customers as these items had a mean score of 3.23 and 3.21 respectively. The issue of whether banks hold events for their long standing customers e.g. golf tournaments, lunches with the senior team of the bank also received mixed reactions as was indicated by a mean score of 3.07.

5.3 Discussions

As a relationship marketing practice, commercial banks use loyalty cards to understand and retain customers. Loyalty is the result of activities that look for interaction and customers' repeat-purchase and implies a behavioural answer. Heskett (1987) found that by understanding the customer, companies can obtain market economies. Loyalty programs shape customers perceptions about the firm or the service it provides. Sharp and Sharp (1997) found out the result of loyalty programs to be an increase in repeat-purchase loyalty without the expected degree of increase in penetration although they demonstrate that loyalty programs have no impact on the market share.

Commercial banks also use CRM practices in ensuring that they attract more customers and retain the ones they have and the banks' employees have been trained in customer relationship. The study also indicated that the commercial banks' employees are courteous; know customer needs as well as the security guards being welcoming, smart and willing to help customers with their needs and basic enquiries. This concurs Parasuraman, Zeithaml and Berry (1985) who identified ten determinants for measuring service quality which are tangibility, reliability, responsiveness, communication, access, competence, courtesy, credibility, security, and understanding/knowledge of customers. These ten dimensions were later on purified and developed into five dimensions i.e. tangibility, reliability, responsiveness, assurance and empathy to measure service quality.

Parasuraman, Zeithaml and Berry further found that the front office staff should be willing to help customers and provide prompt service to customers such as quick service, professionalism in handling and recovering from mistakes. Hunt and Morgan (1994) found the key feature of relationship marketing to be the explicit recognition that exchanges between organizations and customers which extend beyond strict economic boundaries. According to Hunt and Morgan, *emotions* -- as well as cognition -- play a role in the relationship between the buyer and the seller.

The findings also indicate that there are well laid out procedures for handling customer complaints, updates are sent to customers in form of monthly statements and customers' suggestions were said to be considered in decision making and designing new products. The commercial banks have also adopted a communication oriented CRM strategies. According to Kania and Allen (1999) relationship marketing leads to product differentiation and introduction of new products as it allows marketers to gather information about each customer like never before possible with traditional marketing vehicles. By placing a much greater emphasis on listening, marketers can more effectively determine what the customer wants and tailor the product to appropriately fit the customer's needs. This ability to better serve a customer can help a marketer to better differentiate his products and thus gain competitive advantage over those marketers that are not as responsive. Another source of both product differentiation and competitive advantage is in the area of marketing communications. When a marketer's

communications strategy emphasizes providing the customer with information that will enable the customer educate him/her self instead of the traditional advertising and sales promotion, the customer is more likely to remain loyal to the marketer.

Nwakanma and Jackson (2007) studying how important relationship marketing is tool for success in the marketplace found that for the marketer, profitability, brand loyalty, product differentiation, and gaining competitive advantage are some major benefits of relationship building. For the buyer, the major benefits include: personalized attention from marketers, marketer's efforts to anticipate buyers' wants, and meaningful dialogues with the marketer.

5.4 Conclusion

The study's findings are encouraging as regards the extent of relationship marketing in the commercial banks in Kenya. As noted by Abratt and Russell (1999), at the centre of the relationship marketing philosophy is the notion that making the most out of existing clients is essential for long-term profitability. They argued that keeping clients, by developing relationships with them, is crucial to establishing and maintaining a competitive advantage in the market. The study shows that the banking sector in Kenya is really trying to implement some of the marketing approaches which for a long time have been thought to be a preserve of the firms in the West.

However there are few weaknesses in the current status of relationship marketing within the banking sector which need to be addressed. As noted by Boot, (2000) relationship banking is in itself a lending decision-making technology widely used for making financing decisions for small, young and high risk firms. Thus the finding that a number of banks are yet to integrate technology into their relationship marketing strategies is worrisome.

5.5 Recommendations

The study based on the findings and conclusion proposes that the Kenyan commercial banks' need to critically reconsider several aspect of the customer relationship marketing strategies. First there is need to be regularly reviewing the strategies to be in line with the

changes in expectation and needs of the customers. From the finding technology adoption was said to be among the least utilised relationship marketing strategy and therefore the players need to critically analyse the situation and rectify it. The banks need to be proactive as the banks which have adopted technology were reaping various benefits and had enhanced building of stronger relations with their clients.

The study also recommends that the players in the banking need to consult widely and advise the policy makers so as to enable the creation of an environment where relationship marketing can thrive. Areas which should be of special interest include creating an enabling environment for further adoption of ICT. Players in the banking industry have complained that the existing regulatory framework does not address the emerging trends in technology. The study thus proposes that the players in the banking industry participate in the designing the policy and regulations to create an enabling environment to implement various components of relationship marketing.

5.6 Suggestion for Further Research

The study has identified areas where future studies on the subject of relationship marketing can be undertaken. First further studies should be undertaken to assess the relationship marketing practices in other service sectors in Kenya such as the public service transport, airlines, hotels, tourism among others.

The study proposes that further studies could also be conducted to explore the factors which facilitate or hinder relationship marketing within the banking industry in Kenya.

Future empirical research could also be conducted to find out whether relationship marketing has an effect on the balance score card items of the commercial banks in Kenya.

REFERENCES

- Abratt, R. and Russell, J. (1999), "Relationship marketing in private banking in South Africa", **The International Journal of Bank Marketing**, Vol. 17 No. 1, pp. 5-19
- Bagozzi, R.P. (1974), "Marketing as an organized behavioral system of exchanges", **Journal of Marketing**, Vol. 38, October, pp. 77-81
- Berry, L.L. (1983), "Relationship marketing", in **Barry, L.L., Shostack, G.L., Upah, G.D. (Eds), Emerging Perspectives on Services Marketing**, American Marketing Association, Provo, UT, pp.25-8
- Berry, L.L. (1995), "Relationship marketing of services –growing interest, emerging perspectives", **Journal of the Academy of Marketing Science**, Vol. 23 No. 4, pp. 236-45
- Berry, L.L., Parasuraman, A. (1991), **Marketing Services: Competing Through Quality**, Free Press, New York, NY, pp.144
- Berry, L.L., Parasuraman, A. (1993), "Building a new academic field – the case of services marketing", **Journal of Retailing**, Vol. 69 No.1, pp.13-60
- Boot, A.W. (2000), "Relationship banking: what do we know?", **Journal of Financial Intermediation**, Vol. 9 pp.7-25.
- Brown, S.W., Swartz, T.A. (1989), "A gap analysis of professional service quality", **Journal of Marketing**, Vol. 53 pp.92-8
- Buttle, F. (1996) Relationship marketing, in **Buttle, F. (ed), Relationship marketing: theory and practice**, Paul Chapman publishing, London, pp. 1-16
- Callaghan, M., McPhail, J., Yau, O.H.M. (1995), "**Dimensions of a relationship marketing orientation**", Proceedings of the Seventh Biannual World Marketing Congress, Melbourne

Chemutai, K. (2006) A Survey Of The Adoption Of Relationship Marketing Strategies In The Coop Bank Of Kenya, **Unpublished MBA Thesis**, University of Nairobi

Chiao, C.A. (1982), "A modest proposal on 'relationship'", in **Yang, K.-S., Wen, C.-I. (Eds), Sinicization of Social and Behavioral Science Research in China**, Institute of Ethnology Academia Sinica, Taiwan, pp.345-60

Constantinos, J.S., and Christos, S. (2003) CRM and customer-centric knowledge management: an empirical research

Etgar, M. (1979), "Sources and types of intrachannel conflict", **Journal of Retailing**, Vol. 55 pp.77-8

Ford, D. (1990), **Understanding business markets: interaction, relationships, and networks**", Academic Press, London

Gilbert, C., Karen, D., and Choi, C. (2003) Relationship marketing practice in relation to different bank ownership: a study of banks in Hong Kong, **International Journal of Bank Marketing**

Gronroos, C. (1994), "From marketing mix to relationship marketing: toward a paradigm shift in marketing", **Management Decision**, Vol. 32 No. 2, pp. 4-32

Grönroos, C. (1988), "New competition in the service economy: the five rules of service", **International Journal of Production and Management**, Vol. 8 pp.9-19

Grönroos, C. (1990), "Relationship approach to the marketing function in service contexts: the marketing and organizational behavior interface", **Journal of Business Research**, Vol. 20 No. 1, pp. 3-11

Grönroos, C. (1991), "The marketing strategy continuum: toward a marketing concept", **Services Marketing Management Decision**, Vol. 29 pp.7-13

Grönroos, C. (1994), "From marketing mix to relationship marketing: towards a paradigm shift in marketing", **Management Decision**, Vol. 32 No. 2, pp. 4-20

Grönroos, C. (1996), "Relationship marketing: strategic and tactical implications", **Management Decision**, Vol. 34 No. 3, pp. 5-14

Grönroos, C. and Gummesson, E. (1985), "The Nordic School of Service marketing", in **Grönroos, C. and Gummesson, E. (Eds), Service Marketing – Nordic School Perspectives**, Stockholm University

Gruen, T.W. (1997), "Relationship marketing: the route to marketing efficiency and effectiveness", **Business Horizon**, pp.32-8

Gummesson, E. (1990), **The Part-time Marketer**, Center for Service Research, Karlstad

Gummesson, E. (1996), "Broadening and specifying relationship marketing", **Asia-Australia Marketing Journal**, Vol. 2 No. 1, pp. 31-43

Harker, M.J. (1999), "Relationship marketing defined? An examination of current relationship marketing definitions", **Marketing Intelligence and Planning**, Vol. 17 No.1, pp.13-20

Hawke, A. and Heffernan, T.W. (2006), "Interpersonal liking in lender-customer relationships in the Australian banking sector", **International Journal of Bank Marketing**, Vol. 24 No. 3, pp. 140-57

Hchu, H.Y., Yang, K.S. (1972), "Individual modernity and psychogenic needs", in **Li, Y.Y., Yang, K.S. (Eds), Symposium on The Character of the Chinese**, Institute of Ethnology, Academia Sinica, Taiwan

Heskett, J.L. (1987), "Lessons in the service sector", **Harvard Business Review**, Vol. 65, March-April, pp. 118-26

Hinde, R.A. (1997), **Relationship: A Dialectical Perspective**, Psychology Press, East Sussex.

Hunt, S. D. and Morgan R. M. (1994). Relationship Marketing in the Era of Network Competition. **Marketing Management**, 3 (1), 19-28.

Jamal, A. and Naser, K. (2002), "Customer satisfaction and retail banking: an assessment of some of the key antecedents of customer satisfaction in retail banking", **International Journal of Bank Marketing**, Vol. 20 No. 4, pp. 146-60

Johanson, J. and Mattsson, L.G. (1985), "Marketing investments and market investments in industrial networks", **International Journal of Research in Marketing**, Vol. 4, pp. 185-95

Kock, S. and Holmlund, M. (1996) Relationship marketing: the importance of customer-perceived service quality in retail banking, **The Service Industries Journal**, 0264-2069

Kuria, T.J. (2001) An Investigation Of The State Of Relationship Marketing Strategy In The Kenyan Banking Sector, **Unpublished MBA Thesis**, University of Nairobi

Langeard, E. and Eiglier, P. (1987), **Servuction**. Le Marketing des Services, Wiley, Paris

Levitt, T. (1983), "After the sale is over", **Harvard Business Review**, Vol. 61 No.5, pp.87-93

Madill, J.J., Feeney, L., Riding, A. and Haines, G.H. Jr (2002), "Determinants of SME owners' satisfaction with their banking relationships: a Canadian study", **The International Journal of Bank Marketing**, Vol. 20 No. 2, pp. 86-98.

Malecki, E.J. and Tootle, D.M. (1996), "The role of networks in small business competitiveness", **International Journal of Technology Management**, Vol. 11 No. 1/2, pp. 43-57

Mohr, J., Nevin, J.R. (1990), "Communication strategies in marketing channels: a theoretical perspective", **Journal of Marketing**, Vol. 54 No.4, pp.36-51

Möller, K., Halinen, A. (2000), "Relationship marketing theory: its roots and direction", **Journal of Marketing Management**, Vol. 16 pp.29-54

Moorman, C., Deshpandé, R. and Zaltman, G. (1993), “**Relationships between providers and users of market research: the role of personal trust**”, Working Paper No. 93-111, Marketing Science Institute

Morgan, R.M. and Hunt, S.D. (1994), “The commitment-trust theory of relationship marketing”, **Journal of Marketing**, Vol. 58 No. 3, pp. 20-38

Moriarty, R., Kimball, R., and Gay, J. (1983) The commitment-trust theory of relationship marketing, *Journal of Marketing*, Vol. 58, pp. 20-38

Murage, P.W. (2002) The Extent Of Wage Of Relationship Marketing Strategies To Enhance Brand Loyalty Of Industrial Customers: the case of the paint industry, **Unpublished MBA Thesis**, University of Nairobi

Njuguna, E. (2003) A Study Of The Use Of Relationship Marketing Strategy By Supermarkets In Nairobi, **Unpublished MBA Thesis**, University of Nairobi.

Nwakanma, H. and Jackson, S. (2007). Relationship Marketing: An Important Tool for Success in the Marketplace. **Journal of Business & Economics Research**, Vol 5, No 2.

Odeny, K.P. (2007) Influence Of Relationship Marketing Strategy On Performance Of Sales Force Of Companies Underwriting Personal Life Assurance Products In Kenya, **Unpublished MBA Thesis**, University of Nairobi

Oduori, F.W. (2006) Application Of Customer Relationship Marketing Strategies By Classified Hotels In Nairobi, **Unpublished MBA Thesis**, University of Nairobi

Patterson, P.G., Cicic, M. (1995), "A typology of service firms in international markets: an empirical investigation", **Journal of International Marketing**, Vol. 3 No.4, pp.57-83

Perrien, J., Filiatrault, P., and Ricard, L. (1992), Relationship marketing and commercial banking: a critical analysis, **International Journal of Bank Marketing**, Vol. 10, No. 7, pp. 25-29

- Parasuraman, A., Zeithaml, V.A. & Berry, L.L. (1985). A conceptual model of service quality and its implication. **Journal of Marketing**, Vol.49, Fall, pp. 41-50.
- Reicheld, F.E. (1993), "Loyalty-based management", **Harvard Business Review**, Vol. 71, March-April, pp. 64-73
- Reicheld, F.E. and Sasser, W.E. Jr (1990), "Zero defections: quality comes to service", **Harvard Business Review**, Vol. 68, September-October, pp. 105-11.
- Richards, T. (1998), "Buying loyalty versus building commitment. Developing the optimum retention strategy", **Marketing and Research Today**, February, pp. 43-51.
- Shani, D., Chalasani, S. (1992), "Exploiting niches using relationship marketing", **Journal of Services Marketing**, Vol. 9 No.3, pp.33-42
- Sherman, S. (1992), **Are strategic alliance working?**, Fortune, pp.77-8
- Sheth, J.N. and Parvatiyar, A. (1995), "Relationship marketing in consumer markets, antecedents and consequences", **Journal of the Academy of Marketing Science**, Vol. 23 No. 4, pp. 255-71
- Tyler, K. and Stanley, E. (1999), "UK bank corporate relationships: large corporate expectations of service", **International Journal of Bank Marketing**, Vol. 17 No. 4, pp. 158-70
- Williamson, O.E. (1975), **Markets and Hierarchies: Analysis and Antitrust Implications**, The Free Press, New York, NY
- Wilson, D.T. (1995), "An integrated model of buyer-seller relationships", **Journal of the Academy of Marketing Science**, Vol. 23 No.4, pp.335-45
- Wilson, D.T., Mummalaneni, V. (1986), "Bonding and commitment in supplier relationship: a preliminary conceptualization", **Industrial Marketing and Purchasing**, Vol. 1 No.3, pp.58-66

Witkowski, T., Thibodeau, E. (1999), "Personal bonding processes in international marketing relationships", **Journal of Business Research**, Vol. 46 pp.315-25

Yau, O., Lee, J., Chow, R., Sin, L., Tse, A. (2000), "Relationship marketing: the Chinese way", **Business Horizon**, Vol. 43 No.1, pp.16-24.

Zineldin, M. (1996) Bank strategic positioning and some determinants of bank selection, **International Journal of Bank Marketing**, Vol. 14, No. 6, pp. 12-22

APPENDICES

Appendix 1: Introduction Letter

TO: ACCOUNT RELATIONSHIP MANAGERS IN COMMERCIAL BANKS

Dear Sir/Madam,

RE: RESEARCH INFORMATION FOR MY MBA PROJECT

I am a postgraduate student undertaking a Master of Business Administration Marketing at the School of Business, University of Nairobi. As a partial fulfilment of the requirements for the award of the MBA degree, I am conducting a survey on Relationship Marketing Practices among Commercial Banks in Kenya". The information you provide in this study will not be used for any other purpose apart from its Intended academic use. I hereby undertake not to make any reference to your name in any presentation or report resulting from this study.

I am aware that filling the questionnaire is time consuming, but I will greatly appreciate your valuable time and support in this important matter. Any additional information in form of suggestions and comments that you may feel may add value to my research findings particularly regarding this area of study will be highly appreciated.

Thank you in advance.

Yours faithfully,

Eunice Kuria

Appendix 2: Research Questionnaire

Section A: Firm Characteristics

1. Number of employees in the bank

- 50 or less 51-100 101-500
501-1000 1001 or above

2. What is the ownership structure of the bank

- Fully local Fully foreign
Mixed ownership

3. State your age?

- 20-29 30-39
40-49 50-59
60 or above

4. State your gender

- Male
Female

5. What is your highest educational level

- | | | | |
|------------------|--------------------------|-------------------------|--------------------------|
| High school | <input type="checkbox"/> | Post-secondary | <input type="checkbox"/> |
| Bachelors degree | <input type="checkbox"/> | Masters degree or above | <input type="checkbox"/> |

Section B: Extent of Relationship Marketing Practice in Commercial Banks

6. In the past two years what customer relationship strategies has your bank adopted?

- | | |
|---|--------------------------|
| Coming up with customized products and services | <input type="checkbox"/> |
| Introduction/ Improvement of customer care | <input type="checkbox"/> |
| Promotion to reward customers | <input type="checkbox"/> |
| Adoption of Information technology | <input type="checkbox"/> |
| Adoption of mobile banking | <input type="checkbox"/> |
| Availability of loan top ups | <input type="checkbox"/> |
| Conducting financial services seminars | <input type="checkbox"/> |
| Others (Specify) _____ | |

7. Have these strategies been successful?

- | | | | |
|---------------------|--------------------------|-----------------------|--------------------------|
| Very Successful | <input type="checkbox"/> | Moderately Successful | <input type="checkbox"/> |
| Slightly Successful | <input type="checkbox"/> | Not successful | <input type="checkbox"/> |

Describe Briefly _____

8. How often does the bank review its relationship marketing strategies?

- Quarterly Twice A year
- Annually After two years

9. The following statements relate to relationship marketing in commercial banks.
Kindly rate them on the given scale.

Statement	Strongly Disagree	Moderately Disagree	Neutral	Slightly Agree	Strongly Agree
Products					
The bank has reasonably priced financial products and services					
Customers have been complaining of high interest rates					
The bank has in the past on year lowered the lending interest rates					
The bank has introduced at least two new products over the past 1 year					
The bank has adopted an open door policy					
The banking hall is comfortable and relaxing					

The banking hall components are clearly labeled					
Employees					
The banks' staff have been trained in customer relationship issues					
The tellers are courteous and know customer needs					
The security guards are welcoming, smart and willing to help					
Communication					
The bank has a comprehensive data collection system which enables collection of customers views					
The bank has a suggestion box placed in a strategic point in the banking hall					
The customers suggestions are used in decision making and designing new products					
The bank has a toll free customer care help line which operates 24 hrs a day					
The bank has a call centre where all customer queries are routed					
The bank has well laid out procedures for handling customer complaints					
The bank sends updates to customers through the website					

The bank sends updates to customers through monthly statements					
The bank uses text messages to notify customers of new products					
The bank sends emails to customers to notify them of new products					
Loyalty Programs					
The bank has put in place customer loyalty programs in past one year					
The bank gives loyalty cards to their long standing customers					
The bank recognizes and has special considerations for long serving customers					
The bank gives out certificates of recognition to outstanding customers					
The bank holds events for their long standing customers e.g. golf tournaments, lunches wit the senior team of the bank					

10. How is the customer service of the your bank unique from other banks?

11. Which ICT development has the bank adopted in line with its relationship marketing strategies? _____

12. Has the adoption of ICT improved the customer retention and customer loyalty in the bank? _____

13. What other comments do you have on the topic of study? _____

Thank you for your time and cooperation