

AN ANALYSIS OF THE EFFECTIVENESS OF CUSTOMER
RETENTION STRATEGIES IN EQUITY BANK KENYA.

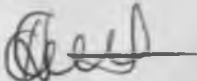
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A MANAGEMENT RESEARCH PROJECT SUBMITTED IN
PARTIALFULFILLMENT OF THE REQUIREMENTS FOR THE
DEGREE OF MASTER IN BUSINESS ADMINISTRATION (MBA),
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DECLARATION

This project is my original work and has not been presented for examination in any other college, institution or university for academic or other purpose to the best of my knowledge.

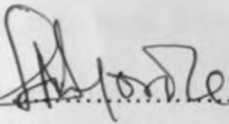
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DEDICATION

To my parents Mr and Mrs Gabriel Njuguna whose belief in education and in me gave me the courage to pursue further studies. I am truly blessed to have you. You sacrificed so much so that I could have a better chance in life.

ABSTRACT

Customer retention is critical to a business that wants to remain profitable .This is because customers use the products and the services of a company and in doing so the business generates returns. This is because businesses operate in a competition and thus the customers have options. It is notable that a lot of businesses spend a lot of resources' acquiring customers' yet not so may spend the same amount of money on retention strategies.

The research design used was a case study. The objective of this study was to determine the various customer retention strategies that Equity Bank is using to retain its customers and how effective these strategies are .The study was conducted through the use of a semi structured questionnaire administered through interviews. The respondents targeted were the marketing managers and business growth managers. It was found out that Equity bank has retained customers. It also has customer retention strategies. The customer retention strategies were grouped as people related, process related, pricing related, product related, place related and promotion related strategies. Out of this people related strategies were found out to be most effective. It was also found out that product related with 40% of the respondents are those that should be changed to bring in more of a variety of the products. The study recommends that Equity bank should enhance the implementation of the strategies that were most effective like customer service and do a product review if product differentiation is to remain relevant as a customer retention strategy.

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CHAPTER ONE: INTRODUCTION

1.1. Background of the study

In today's business, competition is ever increasing; the business that survives and continues to grow is the one that is able to retain its customers. All firms regardless of size and business need a strategy in order to be successful and sustainable. According to David (2001), in today's challenging economy and competitive business world retaining your customers is critical to your customer base. Customer retention is an issue that is increasing in importance for all business and is particularly relevant to the service sector like commercial banking (Yunus, 2009). Further he notes that a business that wants to make profits must retain its customers and in banking it is about building long term relationships that distinguishes a bank that is sustainable in growth to one that is not growing and without growth the future survival of an institution is jeopardized. This is because customers are not increasing as fast as the products and the services on offer.

According to Hughes (2006), everyone wants to retain their customers yet few companies are implementing positive strategies aimed at retention most companies according to him are organized for acquisition. In such companies the advertising and sales are organized for promotion of their products and services to new customers. Thus such companies lack strategies integrated for customer retention. He defines customer retention as the measure of success of an organization.

Customers have choices and if a business does not give them a reason to stay then their competitors will give them a reason to leave. For a business to have customers it must acquire them and this it does at a cost. If then a business is not able to recover this cost then the business has a challenge to deal with in terms of decreased profits. Thomas (2006) , notes that banks like any other business exist to earn profits and this can only be done by selling their products to customers and at a rate lower than the cost of production or acquisition. Such customers can only be repeat customers as new customers have a high cost of acquisition. For the cost of acquisition to be recovered a business needs to keep customers for a while so that the initial costs are paid for and more money is generated from the customer. When this is done it amounts to profits as the sales to the customer outweigh the cost of acquisition.

A business is not just there to keep marketing itself every business has a job to do or a service to provide as noted by Peters and Waterman Jr, (1982), a business should stick to what it knows best. Commercial banks are not in the business of advertising but of offering financial services however if the customers do not stay then they lose their focus. This is because they now will focus on searching for the customers and trying to win them back instead of concentrating on offering financial services .Focus is sticking to the knitting instead they get busy advertising. Peters (2001), further notes that customers are critical to a business, according to him they are next to people and action and a business should always be close to its customers so that it can know how best to serve them in doing this sales increase and growth is experienced.

If a business is able to keep their customers it means that they know what their customers need and they are able to provide for them thus they are able to anticipate the needs of the customer thus building brands that further enhance customers loyalty. Likewise the issue of customer's retention is across the sectors with British petroleum grappling with the issue currently and even Toyota. This means that it not only banks that want to keep their customers even other organizations. According to Reichheld (2003), if a company is interested in growth then they need not use complex measurements of customer retention and justification. All they need is to simply know what their telling their friends about you. This means that an firm must aim to ensure that all that their customers are saying are positive things about them. This is because negative things will affect your growth in terms if customers attraction and retention negatively. This can lead to decreased sales and thus lower profits.

1.1.1. The concept of Customer Retention

According to Reichheld (1990), customer retention is the activities that organizations undertake in order to reduce customer defections. This he further argues starts with the first contact the organization makes with the customer and continues throughout the life of the relationship. Richard (1995), defines a strategy as the commercial logic of a business that defines why a firm can have a competitive advantage. This is actually what a company does and how it is able to position itself commercially and conducts the competitive battle. Strategy is about a game plan by management for positioning the company in its chosen are of competence (Thomson, A&Strickland, 2005) .Thus customer retention strategies are the ways a commercial bank can find so as to keep the customers and in turn be able to remain competitive and make good returns.

This relationship in a bank starts when a customer decides to open an account. It is during this process that a customer interacts with bank officials and how they interact at this point affects how the relationship will progress. It is notable that not all accounts opened are operated and the first impression that the customer makes of the bank and its officials at this point influences the decision to defect. For customer retention to be enhanced loyalty must be developed, when this is achieved it means that the customer will continue with the relationship by usage of the organizations products or services. In doing this he brings returns to the organization and it increases in growth. Further a loyal customer will always talk about his organization thus providing free advertising for the organization and even more customers .A retained customer spends more, generates larger transactions, refers more customers and buys a broader range of products than a onetime client (Griffin and Lowenstein, 2007). He is also less costly to maintain in an organization .This makes him the best choice customer for any business.

This makes customer retention critical for any organization that intends to remain relevant in the business environment through sustained growth and profitability. Reicheld (1990), found out that increasing the customer retention rate has a profound effect on business profitability. He further notes that past studies have further shown that a 5% increase in the retention rate can translate to 85% increase in profits for a branch bank network. Customer retention has been found out to have a more profound effect on the profits of a firm than market share.

To retain customers' means more than keeping them, it means meeting their expectations and exceeding these expectations-it's about going the extra mile for the customers and putting their value and importance as a key strategic goal in the organization. It's about profits becoming second to customer delight and also shareholders. Customer service is critical in customer retention (Murphy and Murphy 2002).

Restrepo (2006) , notes that globally it is estimated that 12 to 18% customers leave their banks annually. For new customers the percentage is doubled or even tripled. Further a new relationship is not profitable to a bank until a couple of months usually three to four months. Yet by this time a customer may have already left thus making the acquisition a loss to the bank thus the bank needs the customer to stay in order to benefit from this relationship. Gounaris (2003) , argues that when a customer visits your premises and you offer a service or a product that is not what matters it is the broader endeavor to build a long term relationship that matters at this point. To a firm a business a long term relationship with the customer is critical. Every institution should strive to acquire and retain the most profitable customers.

1.1.2 Customer Retention Strategies

A strategy is an alternative that a firm takes in order to reach a chosen destination (Lamb, 1984). Customers have a lifecycle and depending on where they are in the cycle different strategies are applied. The lifecycle of the customers can be classified as existing, exiting and exited. The customer on boarding is one such theory that seeks to explain customer retention; this involves the bank ensuring that they get the details of the customer correctly the first time round.

This will enhance the relationship the client will have with the bank. This is done at the account opening where the client fills forms and also provides details about themselves that are relevant to the relationship. Such information includes if they wish to have somebody else operate the account jointly with them. At this point the customer also provides documentation of identification that includes National Identity card or passport, company registration certificate among others. The customer is also taken a photo if he does not have passport photo at the time to help in identifying him in the account and also for the processing of ATM's. In most commercial banks today the cost of the Photo is at the expense of the commercial bank. This is the first and most critical step in retaining a customer, if this is not done correctly then the relationship is greatly jeopardized .This first time experience that enhances the retention rate is controlled by customer service.

Brandi (2007) , notes that customer service is the cornerstone of a solid thriving business. This means that a customer has to generate a positive feeling as he interacts with your organization. Further his questions must be responded to urgently and effectively. Customer service is all about listening to the customers and doing as they request .When this happens an organization gains loyal customer and loyal customers are profitable customers (Reichheld 2003).Customers who are well on boarded stay longer with a company than those who are not, they also spend more money (Genroe, 2003). Customers who already exist in an organisation can further be classified as silent, ideal or unhappy. This means that an organisation must be keen on the behaviour of the customers as this is the only way the organisation can predict the action of the customers.

In predicting their behaviour one will be able to intervene with appropriate strategies.

If no intervention is done the account activity ceases for the silent customers and this is called account dormancy. In the commercial banks today this happens after a couple of months of no withdrawals. This is because the banks believe an active account should at least have a withdrawal every few month's not just deposits.

Genroe (2003) ,notes that exiting customers are those that have decreased their account activity. She further notes that they need to be identified as a first step to stopping a defection to the competition. This means that they have already identified an alternative banker and are slowly transferring business there. It is critical that the bank realizes when this is happening because at this point there is still chance that the relationship can be salvaged at a cheaper cost. The bank can know these customers easily because if they have loans the loan starts getting arrears as the money begins to be deposited in another institution or bank. This is a red light and the bank needs to send a manager immediately to visit the customer and find out why this is happening and where the funds are being routed to and why there. A customer that is saved and thus stopped from leaving the organisation is not only a cost saved but also he can be converted to an exited customer or an evangelical customer and thus bring in new business to the bank.

Tough (2009), notes that an exiting customer can still buy more as he already spent once so he can spend again if he had a good experience. They are also a good place to get feedback and respond accordingly as they are already contemplating leaving they will be willing to talk .It is from their feedback that a business is able to improve and especially on the customer experience. Exited customers have already left and thus need to be recaptured (Genroe, 2003). Recapturing customers who have left is done through the Win back strategies. Just as the term suggest it means literally giving the customers a reason to come back. These reasons can be seen as motivators or incentives.

Wells (2009), notes that an unhappy customer will not talk about his experience, nor will they come back they move on to find other companies that give them the experience they want with the same products that they need. This means that exit surveys are good to a company or organisation as it gives them a chance to get feedback from a customer who would have otherwise left quietly without any word. Using these surveys then a company can be able to improve on the areas that are making the customers leave. Laura (2005), found out that banks are increasing their investment in acquiring customer like allowing accounts without a minimum balance. This is one of the strategies that is increasingly becoming popular among the commercial banks in Kenya.

In offering such incentives the banks expects to form long lasting relationships with the client so they can recuperate the investment put in attracting the customer. After all minimum deposits are critical in raising the deposit levels of a bank.

A bank needs deposits so that it can lend the same money to the creditors and it is credit facilities that are an asset to the bank, as such if a bank is sacrificing on deposits then it expects that the customer will reciprocate by staying on. Further to keep the customer with the bank one can borrow against fixed deposits and of this they pay no application fee. This is meant to encourage the customer to stay on as the cost to credit is cheaper for them and the process of getting the credit is shortened as there will be no perfection as the deposit is already at the custody of the bank unlike conventional collateral.

Globally it is estimated that 12 to 18% customers leave their banks annually. For new customers the percentage is doubled or even tripled. Further a new relationship is not profitable to a bank until a couple of months usually three to four months. Yet by this time a customer may have already left thus making the acquisition a loss to the bank thus the bank needs the customer to stay in order to benefit from this relationship. When a customer visits your premises and you offer a service or a product that is not what matters it is the broader endeavor to build a long term relationship that matters at this point. To a firm a business a long term relationship with the customer is critical. Every institution should strive to acquire and retain the most profitable customers (Gounaris, 2003).

1.1.3 Commercial banks in Kenya

Commercial banks are financial institutions that accept deposits from customers and gives loans .It also provides other services to the public. A commercial bank can be owned by an individual, government or both.

There are at least forty three commercial banks in Kenya and one mortgage finance company according to the central bank of Kenya FSD annual report (2005). The banking industry in Kenya is regulated by several laws that include 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) periodically. The banking sector was liberalized in 1995 and exchange controls lifted. Commercial banks in Kenya are expected to announce their financials quarterly. This is supposed to be done two months of the end of every calendar quarter whereas for the audited financial statements they are required to submit and publish within the four months of the end of the financial year. The banks publish only after they get the go ahead from the CBK. When all the banks have published a global position and performance of the banking sector in Kenya is consolidated. This is done by the CBK. Interest rates were liberalized in the 1990's. This means that market discipline is the main determinant of the rates thus narrowing the, market spread. This means that the market forces of macroeconomic dynamics, inflation and foreign exchange. A quarterly survey is done by the CBK on bank charges, interest rates, and lending rates. This ensures that the customers of the banking sector know what ever bank offers and what they charge thus they can switch to a cheaper option if dissatisfied.

The CBK, which falls under the Minister for Finance docket, is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system. In Kenya today the banks have had the need to come together and the umbrella body is the Kenya Bankers Association (KBA), which serves as a lobby for the banking sector's interest's.

The KBA serves a forum to address issues affecting members. The banking industry in Kenya has enjoyed tremendous growth since the 1990's (CBK annual report, 2005). This growth is in terms of assets, deposits, profitability and the products that are offered. This growth has mainly been driven by a wide branch network in Kenya and also in the East Africa region. Today most of the mainstream banks have branches in the region and they include Kenya commercial bank (KCB) Diamond Trust (DTB) Equity Bank (EBL) among others. There has also been an increase in the automation of the services that have been backed by ATM's where a customer can also deposit. This shows a trend that is customer responsive. Some banks are locally owned and listed in the Nairobi stock exchange (NSE) while some have an international backing while others are owned by a group of individuals.

As at December 2008 there were forty six banking and non bank institutions, fifteen micro finance institutions and one hundred and nine foreign exchange bureaus. The players in this sector have experienced competition in the past few years as a result of innovation. This is in areas like in new technologies, products and also new entrants either in direct or mainstream banking or offering the financial services that banks have. This includes institutions like Sacco's and the mobile money transfer services that are being offered by the Mobile phone companies. In the same line today the banks are not only competing among themselves they are also competing with other service providers that have come up like Zap, M-pesa and Yu money. In these services a customer is able to deposit money and either withdraws it later or they can use to settle debts on -line.

This means that one does not necessarily need a bank account to transfer funds -yet even with such competition the bank has not reported any dip in number of customers to competitors be it banks or other service providers. The central bank operationalized the Micro finance act in 2008 and by May of the same year twenty nine business names had been approved and one was already taking deposits. It is expected that the MFI's will bring a lot of competition to the whole banking sector.

1.1.4 Equity bank.

Equity bank is one of the leading locally owned commercial bank in Kenya. It commenced business registration in 1984(www.equitybank.co.ke). It got listed on the Nairobi stock exchange in the year 2006. It has evolved from a Building society to a microfinance institution and finally to a fully fledged commercial bank. This it has done in order to respond to the need of its customers that keep changing and thus it has to respond accordingly. It has mainly provided banking services to people who were previously unbanked this is especially refers to as the low income earners. It offers financial services to individuals, small and micro business especially the low income earners in line with its vision of being the champion of the social economic prosperity of the people of Africa and the mission of transforming the livelihoods of the people our people socially and economically by offering them modern and inclusive financial services that maximize their opportunities. This is because of the unique model that it portrays of transforming livelihoods.

It offers a wide array of products that include personal banking, loans, mobile banking, Sms banking, cash back services, e-banking, business banking, Atm banking among other services. Equity is known to be the bank with the biggest number of accounts in Kenya—close to 1/2 of all accounts in the country's banking sector (www.equitybank.co.ke). Equity bank has over 4.1 million account holders this translates to 52% of all the deposit saving s accounts in Kenya. This makes it the leading bank in terms of customer base. It is also the most capitalized bank in the Region with shareholder funds at over nineteen billion. By August 2010 Equity bank had 161 branches; this is 115 branches in Kenya, 3 Sudan and 43 in Uganda.

1.2 Statement of the Problem

According to Ernest &Young (2009), it costs as much as six times more to get a new customer than to keep an old one. Yet too often firms take their customers for granted or don't look for opportunities to increase revenue from perfectly satisfied customers. Firms are in the long run better of strategizing to keep their customers than to acquire new one. This is further compounded by the slow economic growth globally thus making it harder to access new customers and much more expensive.

According to a survey by Ernest &Young (2009), which interviewed over 300 senior executives in companies, 36% of the businesses found the issue of customer retention to be key and one that they need to address urgently. To commercial banks Customer retention strategies is about finding ways of attracting and keeping your customers. This is because these strategies influence the decision for the customers on whether to stay or not.

Customer retention has become extremely critical in business circles in as companies fight depressed sales due to falling consumption due to a weakening economy locally and internationally. When customers are satisfied they stay and the firm gains profits. Customer retention is an important component of banking strategy in today increasing competitive environment. Commercial banks today have become very competitive, this they do in products, innovations to service provision. This means that all must try their best to keep customers interested.

A research study conducted by FSD Kenya (2009), found out that, Kenyan's preferred the M-pesa service of the mobile phone company Safaricom .It was found out that M-pesa transactions are used by 39% of all Kenyans. In addition the research found out that M-pesa was easier and safest to use according to the Kenyans. This means that the competition for the commercial banks in handling transactions like money transfer, and bill payment has been taken to the mobile phone industry. Thus banks must find ways of keeping their customers interested as the competition intensifies within and without the industry. This is because failure to do that means that they will be snatched away by competition.

Stobbe (2005).Comments that the cost of acquiring new customers is high but the probability that they will stay is low. This is because if a customer has switched once he is likely to switch again and the challenge for the bank is what to do to keep them and the cost of acquisition has already been paid how does the bank get its funds back? This is by retaining the customers and how to do this becomes the reason for the research.

It is notable that today loans are peddled on the streets by many commercial banks making the competition very stiff. As much as there are various studies done on customer retention strategies in Kenya, Siboe, (2006) studied the customer retention strategies used by internet service providers in Kenya; Egessa, (2009) studied the influence of information communication technology on customer retention in selected supermarkets in Nairobi province Kenya, Ndungu, (2008) studied the extent to which feed manufacturing firms in Nairobi conduct customer satisfaction surveys.

To the best of my knowledge no similar study has been done on the customer retention strategies being used by Equity Bank Kenya. This research is therefore intended to examine The customer retention strategies Equity bank is using to cope with the ever increasing competition in the banking industry .It will address the following questions;

- I. Which customer retention strategies does Equity bank use to retain its customers?
- II. How effective are the customer retention strategies used by Equity bank?

1.3 Research Objective

The main purpose of the study is to identify the various customer retention strategies used by Equity bank to retain its customers. The study will mainly address the following specific objectives;

- I. To determine the various customer retention strategies Equity bank uses to retain its customers.

II. To establish the effectiveness of the customer retention strategies used by Equity bank.

1.4 Significance of the study

The research is based on commercial banks in Kenya this will give a chance to scholars to have real life examples to relate to the theories they learn in class with the actual practices in the industry. This is expected to enhance their understanding of strategies and how they are applied to the expected results.

Further the research can be replicated in other industries or other commercial banks or be repeated after a few years to test if the strategies have changed or the same are still being applied. The study will also be useful to the various managers in the banks who will be able to see what their peers are doing and check if it is similar to their own strategies or not and check if they can replicate the same.

1.5 The scope of the Study

The study will be carried out among the marketing managers and the business growth managers in Equity bank.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

According to Wafula (2010) competition in the commercial banks has become very stiff. Banks are being forced to leave their comfort zones in search of new customers. Commercial banks have also shifted focus mainly to the retail sectors. This was the domain of banks like cooperative, KCB and Equity banks had pitched tent. Today banks that were seen as niche banks like CFC are even in Gikomba and with only 23% of Kenyans banked then the scramble for the customers has further increased. As the banks all shift to the retail sectors the customers are not increasing. This means that their main target are customers who already belong to another bank thus giving banks the new challenge of finding way of keeping their customers so that they do not get swayed by the competition that is ever present and growing.

2.2 The concept of Customer Retention

According to Reicheld (1990), the value of customer retention cannot be overstated. A business that wishes to grow must find ways of keeping their customers happy. One of the way of retaining to customers is by listening to them this way one is able to study their behavior and respond as expected so that the customers is kept happy. A satisfied customer is the best friend to a business (Ernest and Young, 2009) and is the one the commercial banks should focus on more to make more money from him instead of having costly programs to get new customers.

Wafula (2010) , notes that one of the ways to get new customers for commercial banks is to expand and this is a costly venture. Putting up a new branch cost at least ten million shillings and this branch may not break even within the first year (Wafula, 2010). Customers are retained if they are listened to this is the reason that banks have been forced to introduced call centers so that they can offer this service. Banks have also been forced to be ever on the lookout and observe their clients this enables them to respond to them accordingly .This means that if a manager notes dissatisfaction then he has to act, in this way the customer is kept interested and thus retained.

Dawkins and Reichheld (1990), commented on the customer retention rate as “is simply the percentage of customers at the beginning of the year that are still customers by the end of the year. In accordance with this statistic, an increase in retention rate from 80% to 90% is associated with a doubling of the average life of a customer relationship from 5 to 10 years. This ratio can be used to make comparisons between products, between market segments, and over time.”This ratio can be used by a firm to check their rate and be able to put in place intervention measures if necessary. This intervention measures are meant to look at the actual reasons as to why customers are leaving and they involve getting detailed information for the customers themselves even if it means carrying out a customer satisfaction surveys.Further value needs to created for the customer for them to stay as customer retention depends in the value that the customers derive from the commercial bank. Branding also encourages customer retention same as differentiation and communication which is largely done through customer relationship management, customer relationship and customer service.

2.2 Customer Retention Strategies

Customer retention is about keeping the customers that a firm has spent money to acquire. They also involve building barriers so that the customers do not switch. This can be done through cross selling, cross promotions and loyalty programs. A firm must develop programs within itself that will increase customer loyalty and reduce the turnover of the customers. This is largely constituted in customer retention strategies that include on boarding strategies in customer retention and win back strategies in customer retention. Jill and Lowenstein, (2007) commented, "And why is there so much emphasis on retention? Because retained customers are loyal, which means they spend more with you and advocate your brand. Growing loyalty among the right customers means increased profitability for your business." This means that a business has a lot to gain from retained customers. They further note that the cost that the payoff pay-off from investing in customer retention compared to the payoff from investing in traditional marketing is huge.

According to Mintzberg (1998), the concept of strategy has the 5p's. They include the plan, pattern, position and perspective. As a plan it is consciously intended as a course of action. When customer retention is a plan it means that an organization will have to formulate ways of keeping the customers with them, this can be by a wide array of products through technology innovation or low costs. As a ploy it is a specific maneuver intended to outwit a competitor.

This means that the organization must be able to outwit the competition and shed them off. Customer retention can be a ploy to a commercial bank. In this if they keep their customers then the other banks have no choice than to look for customers out of the banking sector who are unbaked .According to Buchanan and Gille (1990), Attracting and retaining new customers is a costly affair thus the other banks will have a higher operating cost thus reducing their incomes. They argue that a firm may have a challenge in generating profits if they do not retain their customers. As a customer gains more value the organization too must gain from the customer and this ensures a long lasting relationship is created .Such a lasting relationship is what any firm should aim to have as it reduces the cost of acquisition.

The bank using customer retention as a ploy thus is a powerful strategic tool to keep ahead of business .As a pattern it emerges from a stream of actions. It thus comes up without any intention. As a position it becomes a means of locating an organization in the environment. This is seen in how an organization intends to develop a sustainable competitive advantage. In this case customer retention is a way of being ahead the rest. Thus such a commercial bank will have to find ways that are sustainable to do this. Strategy as a perspective gives an organization an identity .It shows the way an organization perceives the outside world.

2.2.1 Customer Service

Customer service can mean a number of different things but generally defined it means treating customers politely and with respect, resolving any issues they may have quickly, and efficiently.

This ensures that the relationship they have with the organization is positive. Customer service also involves the customers being able to give feedback to the organization on their experience. This way the organization is able to address any issue that may hinder a customer from coming back to the firm. Greeting them by name is also encouraged. Jill and Lowenstein, (2007) note that the number one reason why a customer will leave an organization is because of perceived indifference. One of the ways to stop this defection is by giving warm and friendly service and this is customer service. Perceived indifference according to them contributes 68% of all defections. They further note that the companies that prioritize customer experience generate 60% higher profits than their competitors. A commitment to customer experience further generates 25% more of the customer retention and revenue than sales or marketing initiatives.

Murphy and Murphy (2002), note that 80% of a firm's future profits will come from the 20% of the existing customers. This means that retaining your customers through a delightful customer experience is critical for future profits and customer service is critical in creating a delightful customer experience. Customer service is one of the surest means of retaining customers (Lyons, 2010). It means that your customers feel that you understand them and their needs. Outstanding service is what a customer requires and if this is offered then the customer feels the worth of the relationship. In this commercial bank and other firms are forced to keep appreciating customers by giving them goodies like calendars, t-shirts and diaries.

According to Hughes (2006), customers are loyal if they get recognition and personal attention. Commercial banks then have to ensure that the front office staff learns to use the names of customers when addressing them. In doing so the customers are likely to return because of this recognition. When the problems of customers are resolved effectively customer loyalty is enhanced (Yunus, 2009).

2.2.2 Customer Relationship

According to Jill and Lowenstein, (2007) a successful business is defined by the relationships it has with its customers. Relationships with customers should be caring and ongoing. To aid business in such an area they propose, greeting cards to remind the customers who you are and what you do the card can be used to greet and congratulate. This ensures that the touch and the personal relationship you established when the first contact with the customer will be sustained, a certificate is for celebrating the customer. This further enhances a profitable relationship with the customer. Customers love to be acknowledged for their hard work or the organizations success or for just being great clients (Reicheld, 1990). In this an organization can use a personalized certificate with the company logo further enhancing brand awareness. This is also about rewarding repeat customers. When a customer is rewarded then it is likely that the customer will stay for life. In relationship marketing always know your customer, respond to them, be a good listener, keep promises, know how to apologize, identify problems and ask the customers for your feedback.

2.3.3 Product Differentiation

This is the only way to beat hyper-competition. Product differentiation involves showcasing your products as superior to others. Tom Peters (1986), notes that your product is not differentiated until your customer knows the difference. To him differentiation is a winning strategy in customer retention. A differentiated strategy is one that has an integrated set of actions designed to produce goods and services that customers perceive to be different in ways that are important to them. This means that the products are not standardized instead they are unique for your unique customers. The key to success in marketing is differentiation.

According to Mermann (2007), when you differentiate your products you make your competition irrelevant and in doing so you guarantee sales for your business that ensuring your survival. Services can be differentiated through speed, performance, quality, responsiveness, availability, and ease. Products can be differentiated through color, size, speed and components. In this case you ensure that your products are unique .In commercial banks differences are seen in the charges for various accounts' for example a current accounts' in CFC Stabic is different than in one in Equity. Further SME is different in the various banks and the various loan products. A personal Loan in Barclays is differentiated by that one of Equity, that one of chase bank is also different .This is product differentiation as far as loan products are concerned.

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2.4.4 Value proposition and Branding

Every firm should strive to deliver value that is consistent with the brand. Aaker (1991) defines branding as an asset of differentiating promises that links a product to its customers. The brand and the target must have a bond. Loyalty drives long term success. Loyalty is developed and maintained through the brand associations that are created. Branding can also be seen as the charisma of the business. It is what your customers feel about your products. A brand is build over time by the impressions one has over a company. A company should always know that their market is human thus they will develop feelings on the company. Branding begins with visual identity, trademark, tagline, signs or display (O'Neil, 1998). Branding enhances customer recognition, customer loyalty, reduces barriers sales and increases value of the business. This allows a company to build trust in the market further enhanced when customers feel there is value being derived from products.

A strong brand authenticates the source of the goods and also promises the value of the goods sold. . By providing a promise of value the customer is assured of the purchase decision. Effective branding enhances customer loyalty through several means that include; lower perceived risk, emotional attachment, promise of quality and top of mind recognition .O Neil (1998) notes that strong brands have the ability to attract and retain customers. Thus all organization should endeavor to have strong brands so enhance their branding in order to build product recognition and loyalty that further enhances customer value.

2.4.5 Cross selling, Up-selling and Referrals from existing customers

When the value of a brand is established the customer rut is transferred to cross selling (O Neil 1998). Hoover & Heiman (2005) note that every organization should seek to have their customers buy more from them .This is because it costs four times as much to sell to new customer than an old one .This means that organization must take advantage of existing relationships to sell more products and services and this enhances customer loyalty. In a survey done by Hoover Heiman,(2005) they noted that 77% of winning sales organizations surveyed were achieving increased sales and new account activity with the same number of people as or fewer than they employed a year ago.According to O Neil (1998), cross selling means selling more products to customers one has already acquired. In cross selling it means that the organization must view itself as a whole so that it can see all the possible relationships involved. Where these relationships intersect a lot of relevant solutions for the customer can be given and this way a customer who would have otherwise left for competition stay and buys more products .

The intersection is the cross in cross selling, when this cross is moved more opportunities are created. Up selling means acquiring a larger commitment from the customer (Jill & Lowenstein, (2007) .This means you need them to buy more products. It means selling more of what a customer needs .It is important to note that they should not be made to buy not what they do not need .This is because this will fatigue them and could actually make them leave. In such a relationship the sales manger will always ask the customer what else they want or what else can make the relationship better (Hughes 2006).

2.2.6 Customer relationship management

Customer relationship management (CRM) is important to commercial banks to in acquiring new customers, retain the existing ones and maximize the lifetime value. Customer relationship management enhances the value to the customer (Payne & Frow, 2005). They further argue that every organization should endeavor to create value for their customers .In doing this they are making the customer feel appreciated and that they are understood and their need will be met. A CRM system allows every detail of the customer to be stored and shared with other in the organization thus significantly impacts on the quality of customer service. According to Jill and Lowenstein, (2007) CRM also enhances the relationship with the customer. This is because every time a customer visits or calls the organization all the detail of the previous interactions are seen and any outstanding issue is acted on immediately as the system is able to print it out. If the customer has been a way for a time or any inconsistency is noted tin the system then the staff are able to prompt the customers and thus I effect stopping him form looking at other alternative service provide as his feedback is take immediately and if necessary corrective action taken.

Customer relationship management involves using technology to organize, automate, and synchronize business processes. The overall goal here is to find, attract and win new clients and nurture and retain those that the company already has (Yunus, 2009).Using CRM commercial banks are able to contact customers and Keep them abreast on the new products that they have.

This also involves alerting the customers in case of any changes in their accounts thorough text messages or emails. This enhances the relationship and as the customers feels that they are abreast on the going on in their commercial bank. CRM is best used when the functions of marketing and technology as in sync. CRM allows for the storage of every detail of all the transactions that an organization undertakes (Payne and Frow, 2005). This storage gives an organization a chance to share this information across the department and thus are able to improve the quality of service.

2.2.7 Relationship Marketing

According to Buchanan and Gilles (1990), the increased profitability of customer retention is associated with the efforts of the relationship that is established with the customer. In this way the relationship reduces the costs in several ways that include; less cost of acquisition, account maintenance cost reduces, Long term customers are less inclined to switch and tend to be less price sensitive ,long term customers also tend to advertise for free with word of mouth, they are also cheaper to service as they are familiar with the product, they are also likely to be more satisfied with the relationship thus decreasing the probability of switching to competition thus making it difficult for competition to enter the market and they are also likely to purchase other products.

This is a form of marketing developed from direct response marketing campaigns that is aimed at customer retention and satisfaction rather than dominant focus on sales transactions. This form of marketing differs from the convectional marketing as it recognizes that long term value of the customer relationship. This kind of marketing has further gained popularity with the growth of technology.

A key principle of relationship marketing is the retention of customers through varying means and practices to ensure repeated transaction from the already existing customers (Hoover & Heiman 2005). This is done when the company is able to meet the expectation of the customers' way beyond what the competition offers. Relationship marketing involves understanding the needs, goals and desires of the key stakeholders that include the customers, employees, and marketing partners and all these have a direct impact on the success of the firm.

2.4.8 Market Segmentation

A market segment is a subset of a market made up of people or organizations with one or more characteristics that make them demand similar products or services based on the qualities of the product such as price or function (Aaker 1991). Market segmentation can also be defined as “when an organization divides the potential market in to separate categories of segments (Market segmentation, 2007.). When an organization is able to target the correct segment then they will get customers who need their products and services. As long as these customers are happy with the organization they will stay. This goes a long way in helping with customer retention .If an organization doesn't target then there is a likelihood that the customer base will be too large and this makes the customers hard to please. Market segmentation allows firm to respond to issues faster than further improving on customer service (Reicheld 1990)).

Thus an organization that is using market segmentation is able to meet the expectation of the segment and in turn retain the customers. A distinct market segment has several characteristics that include; its distinct from other segments, it's homogeneous within the segment, it responds similarly to market stimulation, and it can be reached by a market intervention. A market segment can be on gender, age, price and interests. Using segmentation can help an organization in customer retention through focusing on retaining the most profitable customers and employing those tactics likely to retain these customers (Jill and Lowenstein, 2007).

Doug (2007), argues that a basic approach to retention based segmentation is done through the tagging of its active customers with three values. The first tag is whether the customer is at high risk of cancelling the company's service. One of the most common indicators of high-risk customers is a drop off in usage of the company product or service. The second tag is whether the customer is worth retaining. This is determined to by whether the post retention is predicted to be of greater value than the cost incurred. The third tag is what the retention strategies will be use to retain the client. This can include special discounts to communicating with the customers on the value proposition of the product or service.

2.4.9 After sales service, Target Advertising and Securing Direct deposits

After sales service is a periodic maintenance of equipment of by the manufacturer. Providing exceptional after sales service creates a substantial opportunities for cross selling, brand building and solidifying customer loyalty (Sap 2008,) This provides an opportunity for the manufacturer to bond more with the customer.

Current customers are the most valuable assets to the organization. This is a good place to begin for any organization but it costs a lot of money as you require a dedicated staff.

Advertising is about communicating ideas about a product or service that has been developed (O Neil 1998). This is a kind of advertising that is aimed at a particular set of people. This involves getting in touch with all the customers that have used either the products or the services before and letting them know that you are still in existence and you are ready to offer more to them. When this happens customers know that you care for him. When customers feel the value addition they become loyal and in turn they stay with the companies bringing in more profits.

Securing direct deposits is one of the simple strategies of customer retention (Laura, 2010). In this she notes that getting new customers is expensive to banks and thus banks must ensure they retain every customer they attract. Banks use several methods to attract customers including accounts with no minimum balance, reduced prices on cheques value chain relationships among other methods. It is fore the best if every customer who is attracted by these offers develops a life time relationship with the bank. However this is not always the case and customer leave the bank at some point.

The annual attrition is quoted as being 12 to 18%. In some cases banks lose 40% of the customers they have attracted before the first anniversary and this is especially so for the new to banking customers (Hoover & Heiman 2005). In Kenya the new to banking customers are a majority with over 60% of Kenyans being unbaked.

Most customer relationships take four to eight months to become profitable thus a strategy in customer retention is as critical to a bank as a strategy to customer acquisition. When a customer puts in money in the bank from the initial contact the relationship has a better chance of success according to Laura, (2010). In this case it means that the salary of the customer or the pension will be remitted into the account. When this is done the customer is likely to conduct other transactions in the account like making bill payments. This in turn earns the bank a commission and the customer also cements his relationship with the bank.

According to Yunus, (2009), for the customer to put in their direct deposits in the account means that they must understand the benefits of doing so and thus the bank needs to ensure that the relationship manager who handles the customer at the account opening level explain this clearly and in a simple language to the customer. When this is happening it is advisable that the relationship manager uses means such as authorization forms for the change of pay point for the customer to take either to the employer or the pension department. The relationship manager must ensure that they assist the customer in filling this form and further take them to the employer of the customer if they can.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

In this chapter the research design, population of study, data collection methods and data analysis techniques that were used are discussed.

3.2 Research design

For this study the researcher used the Case study. A case study is a form of qualitative analysis involving a careful and complete observation of a study unit (Mugenda and Mugenda, 2003) .A case study was found suitable for this study as it aims at finding in depth information about a particular unit thus describing the variables in great detail. The specific information that the study sought was on the various strategies that Equity bank is using in customer retention and the effectiveness of the customer retention strategies used.

3.3 Data collection methods

The data that was collected is primary data. This primary data was collected using a semi structured questionnaire. The semi structured questionnaire had three sections, the first section sought general information of Equity bank and on the respondent, the second section sought information on the customer retention strategies being used by Equity bank and the third section sought information on the effectiveness of the various customer retention strategies being used by Equity Bank. The target respondents were the marketing and the business growth managers based in Head office at Equity bank. The questionnaire was administered through the use of personal interviews .In this way the interviewer was able to fill the questionnaire as the respondent's answered the questions.

This allowed for the collection of detailed information on the customer retention strategies being used by Equity bank and their effectiveness.

The interviewer was also able to probe further where there was need and also to clarify any questions that the respondent did not understand. This is because strategy is a term that carries various definitions' and thus sometimes during the data collection it required a clarification. Data was collected from the target respondents who were the marketing managers and the business development managers.

3.5 Data analysis methods

The data collected was analyzed using content analysis. Mugenda and Mugenda (2003) point out that content analysis measures the semantic content or the 'what' aspect of message. As such, content analysis cushions against selective perception of content. Further, content analysis helps to determine the presence of key words and concepts and make inferences from them. This being a case study, the responses were qualitative in nature and the researcher aimed at make general statements on how categories or themes of data are interrelated. According to Kothari (1990), content analysis consists of a series of digging into the content of documentary materials which can either be printed or spoken. The researcher used the data to present research findings in respect to the customer retention strategies employed by Equity bank and the effectiveness of the strategies employed.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1. Introduction

This deals with the data analysis and the interpretation of the research findings. The data from the respondents was analyzed using content analysis. The respondents in this study were the marketing managers and the business developments managers' they are involved directly in customer retention thus the reason for their selection as the respondents. The main purpose of the study was to identify the various customer retention strategies used by Equity bank to retain its customers.

The study aimed at addressing the following specific objectives:

- i. To determine the various customer retention strategies that Equity Bank uses to retain its customers.
- ii. To establish the effectiveness of the customer retention strategies used by Equity bank.

It is on this background that the study sought to answer the following research questions:

- i. Which customer retention strategies does Equity Bank use to retain its customers?
- ii. How effective are the customer retention strategies being used by Equity Bank?

4.1.1 General characteristics of the respondents.

The study first established the number of years that the respondents had worked for the organization (Equity Bank). This would greatly help in getting accurate, valid and more consistent responses from the respondents. It was found out that most of the respondents had worked for the organization for at least three years.

This means that there is diversity in the views given which are pegged on the experience gained over time in the organization. Equity bank is one of the major commercial banks in Kenya. It got listed on the Nairobi stock exchange from 2007. It started operations in 1984 and it has 161 branches. 115 are in Kenya, 43 in Uganda and 3 in Sudan. The bank has 4.5 million customers. The main target customers of the bank are the business clients and the salaried customers. These constitute over 90% of the total customers of the bank.

4.2 customer retention strategies

One of the objectives of this study was to determine the various customer retention strategies that Equity Bank uses to retain its customers. It was first important to establish if the bank had any retained customers. The retained customers are those customers of the organization that have not defected due to a myriad of strategies that are specifically geared towards maintaining them within the system, and hence cultivated loyalty in them for the bank. It was established that the bank had retained customers who have been with the bank for at least three to five years. In establishing the number of years the customers have been with the bank it would go an extra mile to determine not only the effectiveness of the retention strategies employed by the organization but also to ascertain if new strategies are formulated over a well defined period of time due to the changing trends in the market. The specific customer retention strategies as per the marketing mix used by Equity bank are discussed below.

4.2.1 People related customer retention strategies

It was found out that the bank had people related customer retention strategies. People related strategies are critical as Equity Bank is in the service industry. People related strategies are provided by use of appropriate staff and training the staff on service delivery. The respondents were asked if the bank trains its staff and it was found out in the study that Equity bank does train its staff yearly on various aspects with a major emphasis on customer service. The respondents were then asked to indicate the people related customer retention strategies that were being used by Equity bank. The respondents named; customer service, customer relationship and relationship marketing as the people related customer retention strategies that Equity bank was using.

4.2.2 Product related customer retention strategies

The study found out that the bank uses product related customer retention strategies as well. Product strategies are those that ensure that the product or service offered is superior to the competitor. This in turn means that the customer would go for the same product even if the competitor products were more readily available. The product related customer retention strategies that the bank is using is product differentiation. This means that the products that Equity bank was offering to its clientele are unique and the customers can tell them apart. This includes group loans, women loans, micro loans that start at Kshs 5,000 to Kshs 100,000 and Uvuvi loans. The services that the bank offers were also said to be superior by the respondents and that is why customers kept coming for more and introducing others .

The accounts held by the bank were said to be a testimony of the product differentiation strategies on customer retention that Equity bank was using. The study also established that the customers knew the product the bank offered as per the respondents

4.2.3 Promotion related customer retention strategies

The respondents were further asked to indicate the promotion related customer retention strategies that were used by Equity bank. These are the strategies that involve telling the customers about yourself and then how you market and sell them. Their responses were value proposition and branding. In branding it was found out that the bank was awarded a super brand award in 2007. It was the only local bank to get the award and the respondents said that this was evidence of how well the brand is known. Further it was found out that value addition is another promotion strategy used. In these respondents answered that the clients are able to derive value and that the bank is well branded. These retention strategies are meant to ensure that the bank can be able to clearly identify the bank. It also ensures that customers feel that the relationship is worthwhile.

4.2.4 Pricing related customer retention strategies

The respondents were also asked to indicate the pricing related customer retention strategies being used by Equity bank. In using pricing as a strategy it means revaluing how much clients are paying for your good and services and if the same are still relevant in the prevailing market. They mentioned market segmentation and target advertising.

In market segmentation the bank aims to divide that market in to various sectors and serve the particular one .In this market the prices are different like the agriculture sector which the bank advances at 10% interest rate and another sector like consumer loan that are advanced at 16%.In this different segments get different prices as per the need of the segment in the current market trends.

Further target advertising is aimed at focusing on the particular customers during advertising. This ensures that in particular the target business and salaried customers understand the adverts placed in the media.

4.2.5 Place related customer retention strategies

The study also sought to determine the place/ distribution related customer retention strategies that were being used by Equity bank. As a strategy distribution is concerned with where the product or service is actually sold. It was found out that wide branch network of 116 branches and the automated teller machines are the retention strategies are in use. This ensures that they reach as many of their customers as possible. These strategies two enable the securing of direct deposits by having a wide network.

4.2.6 Process related customer retention strategies

It was also established in the study the processes related customer retention strategies. Processes in marketing are procedures and mechanisms that affect the flow of activities. The strategy in customer retention that Equity bank is using in processes as per the marketing mix is Customer relationship management. This is seen in the huge investment is seen in the bank on the systems that enable customer relationship management.

This enables the bank keep all the relevant details of the various customers by use of various systems. In this case it means that when a customer has a record you just update the same but one will not need to collect information from the customer that already exists and the bank is able to approach a customer on an issue before the customer even approaches the bank and the bank has a record. This is especially useful in things like ATM expiry. The study also found out that customer referrals from existing customers and memorandum of Understanding with various institutions were other strategies used that were not included in the people, process, price, product differentiation and promotion strategies. This enables the bank to create more relationship from existing customers and the build new relationships by approaching the various institutions like companies and organizations like Teachers service commission, the private sectors like hospitals among other.

4.3 Effectiveness of the customer retention strategies

After the study had determined the specific customer retention strategies that were being used by Equity Bank, it sought to ascertain the effectiveness of these customer retention strategies. The strategies were identified and grouped in to six different categories that include people, pricing, product promotion processes and place related strategies. The study now turned its attention to establishing the effectiveness of specific customer retention strategies that had been identified by the respondents. This would go a long way in determining where to channel the efforts to strategy review and formulation in order to meet the objectives of customer retention.

4.3.1 Discussion on the Effectiveness of specific Customer Retention

Strategies

The respondents were asked to rate the effectiveness of the various customer retention strategies being used by Equity bank. It was found out that people related customer retention strategies were the most effective as per the respondents and thus rated highest. This is because when the customers are happy then they will certainly come back. One of the major impacts of a customer's satisfaction is customer service and the bank was found to be very keen on this and this is the reason that people related customer retention strategies that are customer service, customer relationship and relationship marketing were rated highest. Product related strategies were rated second. In this the respondents argued that one of the main reasons that that have so many customer is because they have the products that the customers wasn't from loan of Kshs 5,000 .Further the bank has distinct products for all sectors of the economy including mortgages and their mode of security and repayment is unique .It was found out that the bank allows for the use of motor vehicles as collateral something most are banks are not keen on.

Pricing related strategies were rated third. The respondents noted that the bank had friendly interest rates. This was evidenced by the size of the loan book that is currently 70 billion. This is notably the third biggest loan book in the banking industry today. The interest rates of the bank range from 7.5 % flat rates to 16% rate reducing balance. The bank has no base rate, This means that the bank is able to lend at flexible rated when need arises .Place related strategies were rated fourth.

The respondents noted that the wide branch network enable the customers of the bank to access the banking services easily. In doing this the bank has opened up the rural areas to modern banking. The bank boasts of branches in remote areas like, Mbita point, Kapenguria ,Lodwar ,Wajir and Voi among other areas. In doing this the bank has made the other banks also take cue and open branches too in remote areas thus changing the face of banking in Kenya.

The agency model that the bank has adopted is respect to strengthening the distribution strategy that the bank had adopted .Promoting strategies' in retaining customers were rated fifth. In promotion it means communicating about yourself to potential customers. It was found out that bank was keen on this and this lend to the Member campaign that was very successful and the advert was rate highly by the marketing association in Kenya .Further it was found out that the bank takes part in all the agriculture shows as a way of promoting itself and its brand. Process related strategies were rated last. This is because the respondents noted that same were still very new with the first roll having been done just one year ago .However the opinion of the respondents was that with time process could take an even more central role in term of retention as the bank had invested heavily on the same by acquiring systems to aid the same and hope that this will further strengthen its customer base by retaining the already acquire customers.

The finding can be summed up as seen in the table below:

Table 1: Effectiveness of customer retention strategies.

Effective to a large extent	Effective to a small extent	Effective	Moderately effective	Rarely effective	Not effective
People related strategies	Product related strategies	Price related strategies	Place related strategies	Promotion related strategies	Process related strategies

CHAPTER FIVE: SUMMARY CONCLUSION AND RECOMMENDATIONS

5.1. Summary of the findings

The success of any organization is measure by the uptake of its products and services by customers. This generates sales and when this is greater than costs it becomes profits. All business needs to make profits on order to stay relevant failure to do so make the business wind up. This is because and it no longer sustainable to keep a business without profits. Keeping the customers one has already acquired is critical to business success.

5.1.1. Strategies in customer retention used by Equity bank

The first objective of this study was to establish the effectiveness of the customer retention strategies used by Equity Bank. The study established that Equity bank did actually have retained customers who have been with the bank for three to five years. Most of the customers that are targeted by the bank are both salaried and business people. The strategies that are used by Equity bank to retain the customers are classified as people related, product related, price related, place related, promotion and process related strategies. The classified strategies are further seen in specific strategies. In people related strategies we have customer service, customer relationships and marketing relationships. In product related we have product differentiation while in pricing we have low cost, in promotion we have branding and in places we have a wide branch network of 116 branches and automated teller machines in excess of 500 machines.

In process related strategies we have customer relationship management that is mainly aided by systems the systems are owned by Infosys international.

5.1.2 Effectiveness of specific Customer Retention Strategies

The second objective of the study was to establish the effectiveness of the various strategies used by Equity bank. The researcher reached the conclusion reached was that the strategies sin use were effective but in different degrees. The most effective were those based on people while the least effective were those based on processes. The respondents also said that the various strategies were evaluated yearly and changes made. The people who were mainly involved in strategy making were senior managers. In the evaluation the strategies that had been found not to be very effective were revised or dropped all together. In this evaluation the bank used external firms like micro save to carry out the research and give the findings to the bank. This they said brings in the element of objectivity instead of the bank relying on internal studies alone .Further they said that the bank carries out internal survey every quarter to see if the strategies are being well implemented and the results they are bearing.

5.2 Limitations of the study

The study was not without limitations. The research was based on a case study on Equity bank. Some of the respondents were not very comfortable discussing some of the issues in the questionnaire when probed further the respondents said that in answering some of the questions it made them feel as if they were exposing internal matters to external parties.

Further this study gives only the perspectives of the marketing managers and the business growth managers in respect to the various customer retention strategies the bank employs and the effectiveness of the same.

5.3 Conclusion of the study

The study revealed various customer retention strategies being used by Equity bank. It is notable that the banking industry in Kenya has become very competitive. Not only are bank competing among themselves but they re also competing with the Telecoms. In this we have M-pesa, Yu- money. Orange- money and Zap among others .The Telecoms are offering similar services like bill payments and money transfer like banks hence the customer have a choice. This means that it is critical for Equity bank to retaining its customers so that it can continue to enjoy the highest customer numbers and the profits it is enjoying currently.

The bank had just announced a profit of Kshs 6.53 billion for the period ended 30th September 2010.This is a 51% increase from what the bank reported last year. This is ahead of Major players in the market like Kenya commercial bank (6.5 billion) and Standard Chartered bank (6.2Billion).The financials are as per the 3rd quarter of the year 2010.Among the strategies that the bank has put in place to retain customers are People related, place related strategies, process related strategies, price related strategies, promotion related strategies and product related strategies. Among these strategies the best rated strategy in customer retention was People based strategies. The least effective or wrote rated was process related customer retention strategies.

The bank is keen to retain customer even as it attract other so that it can retain its position in the market. This means that the bank has to keep reevaluating the strategies in place and also ensure that proper implementation of the strategies that are formulated.

5.4 Recommendations from the study

The study found out that customer service is one of the most effective methods of customer retention that Equity bank has used. Thus the bank should invest even more resources to enhance the same. Further it was found out that product differentiation though an effective strategy still need a review as most of the respondents felt that the bank needs to change some of the products add others and remove others. Thus if the bank still wishes to retain product differentiation as a strategy in customer retention then it must improve on the same in order to reap the desired benefits. Thus the bank need to review all its customer retention strategies, while some may need to be scrapped all together other needs different implementation in order to achieve the desired results.

5.5 Suggestions for further research

The researcher felt there was need to probe several other aspects in regard to the banking industry. Since this study focused specifically on Equity, it would be worthwhile to expand it into a survey that will look at how other commercial banks are attracting retaining their customers. Further it would be necessary to find out if Equity losses customers and in what percentage compared to those it attracts.

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APPENDICES

APPENDIX ONE

REQUEST LETTER-MBA PROJECT

October 2010

To Whom It May Concern:

Re: The effectiveness of customer retention strategies in Equity Bank Kenya.

My name is Carolyne Njuguna and I'm student working on my Master of Business Administration (MBA) project at the University of Nairobi. I would like to request you to participate in a face-to-face interview for my research project on effectiveness of customer retention strategies in Equity Bank Kenya.

The purpose of this study is to explore the various strategies on customer retention in Equity Bank and the effectiveness of the same. All the information received from you and your company/institution will be kept anonymous and confidential. The face-to-face interviews will take about 10-15 minutes. I am looking forward to listening to your significant insights on various customer retention strategies in Equity bank and the effectiveness of the same.

Yours truly,

Carolyne Njuguna MBA (Strategic Management) Candidate,

Tel-0721449125

APPENDIX TWO

The questionnaire

The study questionnaire is divided in to three sections.

Section one contains questions aimed at getting the general information of Equity bank and of the respondent. Section two contained questions aimed at establishing the customer retention strategies used by Equity bank. Section three had questions that sought information on the effectiveness of the various customer retention strategies being used by Equity bank.

Section one

1) Name of the respondent

.....

2) Please indicate your gender Male () Female ()

3) How many years have you worked in the organization

a) 0-1 year b) 2-3 years c) 4-5 years d) over 5 years

4) Who are your target customers?

a) Salaried people

b) Business people

c) Both the salaried and business people

d) Students

e) All the above

5) In your target customers which segment make the biggest percentage in terms of customer numbers?

- a) Salaried people
- b) Business people
- c) Both the salaried and business people
- d) Students

Section Two. Customer retention strategies

This section sought information on the customer retention strategies being used by Equity bank.

6) Do you have retained customers? i) Yes (ii) No

7) On average how many years have your retained customers been with you?

- a) Less than one year
- b) 2-5Years
- c) 6-10 Years
- d) Over 11Year

8) Please indicate the people related customer retention strategies being used by Equity bank

.....

9) Please indicate the product related customer retention strategies being used by Equity bank

.....

10) Do you think that customers know about the various products that the bank offers

.....
11) Please indicate the promotion related customer retention strategies being used by Equity bank
.....

12) Please indicate the pricing related customer retention strategies being used by equity bank
.....

13) Please indicate the place/distribution related customer retention strategies being used by equity bank
.....

14) Please indicate the processes related customer retention strategies being used by equity bank
.....

15) What other strategies does equity bank use in customer retention?
.....

16a) Does the bank offer training to its staff

- i) Yes
- ii) No

16b) If yes to (21a) how often

- I. Bi-annually
- II. Yearly
- III. Every two years
- Iv Other please specify