CUSTOMER RELATIONSHIP MANAGEMENT STRATEGYAND COMPETITIVE ADVANTAGE IN COMMERCIAL BANKS IN KENYA

BY:

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DECLARATION

I declare that this is my original work and has not been presented for the award of a degree in any other university. No part of this work may be used without the prior permission of the University of Nairobi and the author.

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The research project has been produced with my approval as the University Supervisor

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DEDICATION

This work is dedicated to my family whose love and encouragement was a significant ingredient towards my successful completion of this course. Special mention goes to my mother Damaris Mwangi the epitome of hope, hardwork, dedication and prayers; I take the opportunity to also thank my sister Carolyn Waithera who always wanted to know the progress I was making while challenging me to complete the course. Last but not least I dedicate this work to the Lord Almighty for the gift of life and for granting me opportunities to pursue my dreams in this life.

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ABSTRACT

The objective of this research project was to investigate the effect of customer relationship management strategy on competitive advantage in Kenyan commercial banks. The study adopted a descriptive research design. The target population for the purposes of this study comprised of all commercial banks in Kenya. Stratified random sampling was used to select the target commercial banks whereby a sample of 30% of the Kenyan commercial banks was drawn from the target population to give a sample size of 12 banks. The collected primary data was through questionnaires which were structured into closed and open ended questions. The data was analyzed using descriptive statistics. The study found out that majority of the banks had clearly defined customer relationship management strategies and there were defined set of performance metrics at departmental level that were related to customer experience. Majority of the banks also had designated governance structure for undertaking customer relationship management activities. However, the study found out that commercial banks had invested in trainings and other resources to support Customer Relationship Management to a moderate extent. The study concludes that for the CRM strategy to be a source of competitive advantage, commercial banks need the commitment support of both the management and the staff. The management should act as the drivers and overseers of the strategy while the staff should implement the strategy. It can also be concluded that Customer Care centers, Branch managers and Relationship managers are the major sources of feedback from customers in Kenyan commercial banks. The study recommends that it is important for the banks to continue monitoring their customers' need through the customer care centers or the relationship managers continue while addressing the challenges along the value chain. The banks should always reward and recognize their staff to enhance employees' loyalty and enhanced success in the implementation. By creating a competitive advantage through CRM strategy the banks would be able to create superior value for its customers and superior profits for itself. The study faced some limitations which include dependence on primary data collected from commercial banks through a questionnaire but some banks were unwilling to give such information; some of the respondents also gave limited information and did not want to authenticate the information.The study greatly contributes to research in the field of customer relationship management and provides bank management with insight as they strive to remain competitive in a dynamic business environment.

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ABBREVIATIONS AND ACRONYMS

CRM: Customer Relationship Management

CA: Competitive Advantage

SCA: Sustainable Competitive Advantage

IT: Information Technology

CBK: Central Bank of Kenya

KBA: Kenya Bankers Association

RM: Relationship Manager

AE: Account Executive

SME: Small and Medium Enterprises

HRM: Human Resource Management

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Competitive advantage is the position that a firm occupies in its competitive business landscape. Firms must compete in a complex and challenging context that is being transformed by many factors (DeNisi, Hitt and Jackson, 2003). Therefore, achieving competitive advantage is a major pre-occupation of senior managers in the competitive and slow growth markets, which characterize many businesses today. In the last two decades the sources of competitive advantage have been a major concern for scholars and practitioners (Henderson, 1983; Porter, 1985; Coyne, 1986; Prahalad and Hamel, 1990; Barney, 1991; Grant, 1991; Peteraf, 1993). The importance of competitive advantage and distinctive competences as determinants of a firm's success and growth has increased tremendously in the last decade.

Many business choices are made under conditions of strategic interdependence. Game theory is relevant to the analysis of business decision making when there are relatively few firms playing a game. To predict the outcome of a game, it is necessary to consider how the other firms handle their strategies. Successful strategies cannot depend just on one firm's position in industry, capabilities, activities; it depends on how others react to your moves, and how others think you will react to theirs. By fully understanding the dynamic with others, a firm can recognize win-win strategies that make it better off in the long term, and signaling tactics that avoid lose-lose outcomes. (Camerer 1991)

Academics and practitioners have taken a keen interest in professional adoptability of customer relationship management since 1990s.Customer Relationship Managementisa strategic approach concerned with creating improved shareholder value through the development of strategic relationships with customers Payne and Frow (2005).CRM unites the potential of relationship marketing strategies and IT to create profitable, long-term relationships with customers and other key stakeholders.

This requires a cross-functional integration of processes, people, operations, and marketing capabilities that is enabled through information, technology, and applications' (Boulding et al 2005).Kenyan commercial banks have realized that it is no longer simply enough to offer a variety of products; ease of duplication and market saturation can quickly dispel initial indications of a winning formula. Focus has now shifted to the diverse customer needs based on the knowledge of customer expectations, preferences and behavior; Leveraging on this information through CRM will enable achievement of a sustainable competitive advantage.

1.1.1 Customer Relationship Management

A customer is the ultimate user of products or services produced by a seller, usually with the intention to make a profit. CRM is a business approach that seeks to create, develop and enhance relationships with carefully targeted customers in order to improve customer value and corporate profitability and thereby maximize shareholder value. In the 21st century the concept of Customer Relationship Management has escalated to the top of corporate agendas. CRM represents a renewed perspective of managing customer relationships based on relationship marketing principles key difference being that today these principles are applied in context of unprecedented technological innovation and market transformation. Adrian Payne,(CRM Handbook 2005). The urgent need to find alternative routes to competitive advantage has been driven by profound changes in the business environment including: the growth and diversity of competition; the development and availability of new technology; the escalating expectations and empowerment of the individual; the advent of a global operating environment and the erosion of conventional timeframes in this electronic-enabled era.

These changes have reinforced the adoption of wider business horizons and more customer-oriented perspectives. The focus thus shifts to the ‘relationship’ rather than the ‘transaction’ with the emerging realization that customer relationships represent key business assets. The implication is that relationships with customers can be selectively managed and further developed to improve customer retention through loyalty and profitability. CRM stresses identifying the most profitable customers and building relationships with them that increase the value of this business asset over time (Adrian Payne, CRM Handbook 2005).

1.1.2 Competitive Advantage

Many authors define competitive advantage as superior value creation for both the organization and its customers. According to Porter, competitive advantage exists when the firm is able to deliver same benefits as its competitors at a lower cost or delivers value that exceeds that of competing products. The firm achieves a sustained advantage when it is implementing value creating strategy not simultaneously being implemented by any current or potential competitors or when these other firms are unable to duplicate the benefits of this strategy. Firms create competitive advantage by discovering better ways to compete in an industry and bringing them to market, which is ultimately an act of innovation. Innovations shift competitive advantage when rivals either fail to perceive the new way of competing or are unwilling or unable to respond.

At the level of strategy implementation, competitive advantage grows out of the way firms perform discrete activities - conceiving new ways to conduct activities, employing new procedures, new technologies, or different inputs. There is increased focus on the value of competitive advantage in the current business landscape. This is as a result of the belief that the fundamental basis of above-average performance in the long run is sustainable competitive advantage. Practitioners and academicians have centered their studies on firm specific characteristics that are unique, add value to the ultimate consumer and are transferable to many different industrial settings. (Njuguna 2009)

1.1.3 Commercial Banks in Kenya

According to the Central Bank of Kenya‘s bank supervision report 2012 Kenya has a total of 43 licensed commercial banks. The Banking industry in Kenya is governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act and various prudential guidelines issued by the Central Bank of Kenya (CBK). The banks are classified by CBK into three peer groups namely large peer group, medium peer group and small peer group. The ranking is based on a weighted composite index that comprises assets, deposits, capital size, number of deposit accounts and loan accounts. A bank with a weighted composite index of 5% and above is classified as a large bank, a medium bank has a weighted composite index of between 1%and 5% while a small bank has a weighted composite index of less than 1%. As at December 2012 there were 6 large banks which accounted for 53.7 percent of the market share; 15 medium banks which accounted for 36.82% of the market and 22 small banks accounting for 9.46% of the market share. Over the years, the banking sector in Kenya has continued to grow in assets, deposits, profitability and products offering. Players in this sector have experienced increased competition resulting from increased innovations among the players and new entrants into the market. The banks have come together under the Kenya Bankers Association (KBA), which works as a lobby group for the local banking industry. KBA also serves as a forum to address issues affecting the banking sector in Kenya.

1.2 Research Problem

Effective customer relationship management improves customer retention and loyalty; satisfied customers are less susceptible to competitors' appeal. The availability of empirical evidence establishing the relationship between customer relationship management and business performance has stimulated an exponential growth of the concept. Woodcock (2000) found a correlation of 0.80 between how well companies managed their customers and business performance whilst Accenture (2001), a consultancy active in the CRM space, found that a 10% improvement in 21 CRM capabilities boosted profits (pre - tax) by as much as $ 40- $ 50 million in a $1 billion company (Ang and Buttle2006).

The Kenya bankers' association describes the banking industry as having low barriers to entry; relatively undifferentiated products and a psychological exit barrier. Currently there are 43 banks in Kenya according to Central Bank of Kenya annual bank supervision report 2012 (www.centralbank.go.ke). In order to grow and remain profitable these banks need to retain this market share by adopting strategies that are not easily replicated by competitors and are also sustainable. In a survey conducted by Genesys Telecommunications on bank customers in Kenya and their preferences in regard to interacting with financial institutions, 48% of the customers indicated that customer experience and was the primary factor in choosing to stay with a bank, Marketing Society of Kenya (May 2012); therefore leveraging on management of customer relationships is key for the banks.

Various studies have been done in relation to customer relationship management.Kiptugen (2002) on strategic responses of Kenya Commercial Bank to changing environment established that KCB's strategic response was through exploring growing markets; he proposed research be carried out to establish the responses that other players in the industry had adopted. Maximillah (2011) did a study on CRM systems among commercial banks in Kenya; he established that CRM systems were important for accumulation of customer demographic data. This study was limited to the IT perspective of CRM. Mutua (2011) did a study on the extent of use of CRM strategies in improving the retention of retail banking customers in commercial banks in Kenya; she established that retail banks in Kenya have adopted customer satisfaction strategies to some extent.

Kyangati (2011) studied quality and CRM as a competitive strategy in Kenyan banks; he established that banks have realized the benefits of quality and customer relationship management; he recommended further research be carried out on the factors affecting CRM practices adoption to explain the variance between performance levels in different banks. Whereas all these studies have been done on customer relationship management, none of these studies has concentrated establishing the effect of CRM strategy on competitive advantage. This study therefore seeks to answer the following questions: what is the effect of customer relationship management strategy on competitive advantage? What factors influence the effectiveness of CRM in attaining competitive advantage; and what are the challenges of customer relationship management strategy in achieving sustainable competitive advantage?

1.3 Research Objective

This study's objective was to establish the effect of customer relationship management strategy in achieving competitive advantage in commercial banks in Kenya.

1.4 Value of the study

The findings of this study enable realignment of the key result areas for performance in line with the strategic goals for Kenyan commercial banks. It provides suggestions on how to enhance the choice of planning methods in response to the strategic planning problems experienced in the banking industry. The study provides a comparison the of various CRM approaches adopted in achieving competitive advantage. The study is expected to fill the knowledge gap on CRM and competitive advantage which will be of interest among academicians and students studying banking. The study provides an opportunity for further research on the dynamic areas of differentiation by commercial banks in response to the changing banking environment. This study greatly contributes to the existing body of knowledge on strategic management in the face of competitive challenges in a dynamic environment and provides pertinent information to policy makers in developing and adopting differentiation strategies; it will enable further studies in areas where the strategic planning needs to be emphasized.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of the related literature on the subject under study presented by various researchers, scholars, analysts and authors. The researcher has drawn materials from several sources which are closely related to the theme and the objectives of the study.

2.2 Theoretical Perspective

Game theory is defined as the mathematical study of strategies for dealing with competitive situations where the outcome of a participant's choice of action depends critically on the actions of other participants. Game theory has its antecedents in military theory, and can be found implicitly, in many treatises on warfare strategies from early civilizations onwards. From early in the 20^{th} century, game theory has also played an important part in the developing economics and business strategy. Behavior of firms in an industry is inter-dependent and actions by one firm have significant impact on others inducing changes in the behavior of others in response to those actions. The 'payoff' to your firm of a choice you make will depend on which of the choices open to your competitors is taken. It then becomes impossible to know for sure the payoff of any action you take, even if you had full information about customers and about your costs. (Brandenburg ret al 1995)

Several applications of game-theory to strategic management can be found in the literature. Karani (1984) used a dynamic game-theoretic model of marketing conditions in an oligopoly to investigate how optimal marketing expenditure is related to the product life cycle. Karani employed a game-theoretic model of oligopolistic competition to provide analytical support for the generic strategies of low cost and differentiation positions advocated by Porter (1980), The game-theoretic model explicitly considers product differentiations, economies of scale and the impact of marketing activities on demand. He used the model to illustrate that firm profitability is an increasing function of market share, that is a superior cost or differentiation position leads to a larger market share that then leads to higher profitability.

Using the game-theoretic model Karani (1984b) shows that the differentiation and average cost position are related by two opposing factors: high differentiation likely yields a higher cost position independent of scale, leading to a higher average cost position; high differentiation probably yields high competitive strength that leads to higher markets hare that precipitates a low average cost position. The dominant factor will depend on the situation. From the model, contrary to Porter (1980) and Hall (1980), high differentiation and low average cost is not necessarily incompatible. An analysis of the dynamics accompanying buyer-supplier negotiations using differential game theory was modelled by Bard (1987). The study investigated both cooperative and non-cooperative bargaining scenarios. For the former, the buyer and supplier attempt to reach optimal solutions for both their mutual benefit, while in the latter, both parties attempt to maximize their benefit, with no regard to the other.

One way a company can change the game and capture more value is by changing the value other players can bring to it, In summary, companies can change their game of business in their favor by changing: players which constitutes customers, suppliers, substitutes, and competitors added value which is the value that each player brings to the collective game; rules which are the laws, customs, contracts, etc. that give a game its structure; tactics which constitutes the moves used to shape the way players perceive the game and hence how they play and finally the scope which represents the boundaries of the game. (Brandenburgeret al 1995)Game-theoretic models are not meant to supplant the decision maker or strategist in the organization with a model that can mechanically determine the optimal strategies (Karani, 1984). Moorthy (1985 pp. 279) states that Game theory cannot be used as a technique that provides precise solutions to strategic management problems. One rather obvious reason is that game theory does not have a single solution to provide, and there are other reasons as well.

2.3 Customer Relationship Management Strategy

The emergence of CRM strategy is a consequence of several important trends: the shift in business focus from transactional marketing to relationship marketing; the realization that customers are a business asset and not simply a commercial audience ;the transition in structuring organizations on a strategic basis from functions to processes; the recognition of the benefits of using information proactively rather than solely reactively; the greater utilization of technology in managing and maximizing the value of information; the acceptance of the need for trade-off between delivering and extracting customer value and the development of one-to-one marketing approaches, Adrian Payne(Handbook for

CRM 2005).In literature many definitions have been given to describe CRM.Knox et al. (2003) defined CRM as strategic approach designed to improve shareholder value through developing appropriate relationships with key customers and customer segments that unites the potential of information technology and relationship marketing strategies to deliver profitable long term relationship. Some authors from marketing background emphasize marketing side of CRM while the others consider IT perspective of CRM. From marketing perspective CRM is defined by Couldwell (1998:12) as "...a combination of business process and technology that seeks to understand a company's customers from the perspective of who they are, what they do, and what they are like".

Peppers and Rogers (1995) provide a technological definition of CRM with the perspective of the future market place undergoing a technology-driven metamorphosis. Consequently, all strategic business units in an organization must work closely to implement CRM effectively and efficiently. Peppers (2000) presented a framework, which is based on incorporating e-business activities, channel management, relationship management and back-office/front-office integration within a customer centric strategy. He developed four concepts namely Enterprise, Channel management, Relationships and Management of the total enterprise, in the context of a CRM initiative.

2.4 Elements of CRM Strategy

According to Chen and Popovich, (2003); Plakoyiannaki and Tzokas, (2002) the relative success of CRM strategic initiatives is strongly influenced by the interplay between three key organizational elements: people, process and technology. Additionally, integration and co-ordination of these activities, as cross-functional processes, is cited as the most critical success factor (Wilson et al., 2002; Kale, 2004, Meyer and Kolbe, 2005).Employees are necessary in order to recoup investments made in processes and systems (Boulding et al., 2005), as they are the building blocks of customer relationships. In a CRM context, processes are the collection of activities involving customer interaction. Information technology has made it very easy for very large organizations to manage their customers on personalized basis.CRM unites the potential of relationship marketing strategies and IT to create profitable, long-term relationships with customers and other key stakeholders.

2.4.1 Information Technology

The increasing use of digital technologies by customers, particularly the Internet, is changing what is possible and what is expected in terms of customer management. The function of information management in the CRM context is to transform information into usable knowledge and to apply this knowledge effectively and ethically in the creation of customer value; technology is a means to achieving this end. The right information in the wrong hands or at the wrong time has little constructive value Payne (2005). Further, the ‘perishable’ quality of information demands that it needs constant updating and replenishing. The management of information therefore encompasses the organization (capture, storage, and dissemination), utilization (analysis, interpretation, application) and regulation (monitoring, control and security) of information.

A key role of the information management process is to ensure the customer centricity and relevancy of the organization by embedding the customer perspective in all business activity. In effect, the firm must be able to ‘replicate the mind of the customer’ if it is to provide the kind of individual or customized service that will attract, retain and grow profitable customer relationships. The design of the technological components of CRM should therefore be driven not by IT interests, but by the organization’s strategy for using customer information to improve its competitiveness. With this in mind, an information management infrastructure that will support and deliver the chosen CRM strategy should be adopted. Knox et al (2003) indicates that technology can certainly help companies to create satisfied and loyal customers, but it is by no means essential to successful CRM.

2.4.2 Human Resource Management Practices

Human resources management activities range from human resources planning, recruitment, selection, orientation, training, performance management, compensation and benefits, and career development. People are the cornerstone in customer relationship management strategy because they determine the success or failure of organizational plans and strategies. Simns (2003) states that successive CRM initiative relies on involving staff in designing it at an early stage, rather than simply imposing it on them; employees who interface with customers need to be empowered to address customers concern promptly. Such empowerment in effect elicits commitment from employees to organizational goals.

Changes in organizational structures are important for CRM success. The changes in organizational structure must reach the degree which it motivates employees to recognize the advantage of using CRM, by applying advanced managerial methods that ensure effective dealing with new the changes, Dayet al(2002) BillCooney, Deputy CEO of USAA, American property and casualty insurance firm with over $60 billion asset management portfolio with almost 100% of customer retention and consistently ranked among 100 best companies to work for in United States remarked that:" If you don't take care of the employees, they cannot take care of the customers. We give employees all they need to be happy and absolutely enthralled tobe here. If they are not happy, we will not have satisfied customers in the long run…We must have passion for customers, if we don't we are in the wrong business''.

2.4.3 Internal Process

In many organizations there are inter-functional tensions that inhibit a positive customer-oriented organizational culture thus preventing effective cross-functional collaboration. CRM requires the integration of customer interactions across all communication channels, front-office and back-office applications and business functions. What is required to manage this integration on an ongoing basis is a purposefully designed integrated system. The multi-channel integration process involves decisions about the best combination of channels; how to ensure the customer experiences highly positive interactions within those channels; and, where customers interact with multiple channels, how to create and present a 'single view' of the Customer Relationship Management from strategy to Implementation.

This involves managing every contact point between the customer and company, be they physical or virtual. Integrated channel management strategy involves creating better ways for customers to experience the company and ensuring the communications and services a customer receives through different channels are co-ordinate, coherent and tailored to their particular interests. CRM success lies in ownership of CRM by all departments; this basic structural change from product centric organization to customer centric organization faces impediments in terms of role conflicts, ambiguity, resistance and attitudinal impediment. Demand for more pro-activeness and flexibility is another factor. Coordination, communication and joint ownership of all the departments is essential.

2.4.4 Senior Management Support

Leadership is the process by which an executive influences the work and behavior of subordinates in choosing and attaining specific objectives. Adoption of poor leadership style by the management causes misunderstanding between employees who in turn offer substandard services to the customers. Strong management commitment to customer relationship management energizes and stimulates an organization to improved service performance. Without leadership and endorsement of top management, the CRM initiative may not get the required attention and effective deployment in the organization. A particularly important role of top management in this context is development and sharing a ‘CRM vision’.

A study of best practices adopted by organizations successful in implementation of CRM indicates that senior managers of these firms create vision for how CRM will change their organizations. In addition to this, they include attributes that affect customers' perceptions of value, how they can bond with organization, product and purchase intent. The nature of the leadership is a crucial factor to employee's commitment and commitment helps in the creation of the right climate for change, by increasing employees' commitment towards change, thus increasing customer satisfaction and customer loyalty. Also helpful will be setting expectations to help individuals and groups align their performance with the goals of CRM.

2.4.5 Strategy Performance Assessment

It is important to ensure that the organization's strategic aims in terms of CRM are being delivered to an appropriate and acceptable standard and that a basis for future improvement is firmly established. Proper monitoring processes are needed to safeguard against failure and manage conflicts in relationships. Monitoring processes include periodic evaluation of goals and results, initiating changes in the relationship structure, design, or the governance process if needed, and creating a system for discussing problems and resolving conflicts. Good monitoring procedures help avoid relationship destabilization and the creation of power asymmetries. They also help keep CRM programs on track given proper alignment of goals, results, and resources Parvatiyar and Sheth (2001) and to safeguard against failure and manage conflicts in relationships.

Monitoring processes include periodic evaluation of goals and results, initiating changes in the relationship structure, design, or the governance process if needed, and creating a system for discussing problems and resolving conflicts. Overall, the governance process helps in the maintenance, development, and execution aspects of CRM. It also helps in strengthening the relationship among relational partners, and if the process is satisfactorily implemented, it ensures the continuation and enhancement of the relationship. Because CRM is a cross-functional activity, CRM performance measurement must use a range of metrics that span across the processes and channels used to deliver CRM.

2.5 Competitive Advantage

Webster's Dictionary defines the term "advantage" as the superiority of position or condition, or a benefit resulting from some course of action. "Competitive" is defined in Webster's dictionary as relating to, characterized by, or based on competition. Finally, Webster's shows the term "sustain" to mean to keep up or prolong. Based on these definitions, sustainable competitive advantage is the prolonged benefit of implementing some unique value-creating strategy not simultaneously being implemented by any current or potential competitors along with the inability to duplicate the benefits of this strategy should be viewed by a firm from an external perspective. A firm is said to have a sustained competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors and when these other firms are unable to duplicate the benefits of this strategy Barney (1991).

The key is being able to predict the actions of others in the industry over time; by matching the firm's resources to the gaps and voids that exist in the industry, competitive advantage can be created. Day and Wensley (1988) focused on the elements involved in CA. Specifically, they identified two categorical sources of CA: superior skills, which are the distinctive capabilities of personnel that set them apart from the personnel of competing firms and superior resources, which are the more tangible requirements for advantage that enable a firm to exercise its capabilities.

Other authors have elaborated on the specific skills and resources that can contribute to sustainable competitive advantage. Barney (1991) explored the link between a firm's resources and SCA. He stated that not all firm resources hold the potential of SCAs; instead, they must possess four attributes: rareness, value, inability to be imitated, and inability to be substituted. Similarly, Peteraf's (1993) resource-based view of the firm designates four conditions that underlie SCA, including superior resources, ex-poste limits to competition including imperfect imitability and imperfect substitutability, imperfect mobility, and ex-ante limits to competition. Dierickx and Cool (1989) discuss inimitable resources such as non-tradeable assets which are immobile and thus bound to the firm. Hunt and Morgan (1995) propose that potential resources can be most usefully categorized as financial, physical, legal, human, organizational, informational, and relational.

Prahalad and Hamel (1990) suggest that firms should combine their resources and skills into core competencies, loosely defined as that which a firm does distinctively well in relation to competitors. Bharadwajet al (1993) discusses the specific combinations of skills and resources that are unique to service industries. For example, they propose that the greater the complexity and co-specialization of assets needed to market a service, the greater the importance of innovation as a source of CA will become. Intangible resources may indeed be better suited than tangible ones to achieve SCA. Given that the achievement of SCA is based on an external focus, it is interesting to note that those intangible assets that are external to the firm may contribute the most to value generation and subsequently SCA. Srivastavaet. al. (1998) delineatemarket-based assets into two types: relational and intellectual.

Relational market-based assets are those that reflect bonds between a firm and its customers and/or channel members. Examples of such assets would be brand equity or a business-intimate relationship that allows a firm to work with a customer to produce a highly customized product. An example of an intellectual market-based asset would be the detailed knowledge that firm employees possess concerning their customers' needs, tastes, and preferences. Both types are intangible and employ an outward focus on firm customers and/or channel members Porters "Value Chain" and "Activity Mapping" concepts help us think about how activities build competitive advantage. The value chain is a systematic way of examining all the activities a firm performs and how they interact. It scrutinizes each of the activities of the firm as a potential source of advantage. The value chain maps a firm into its strategically relevant activities in order to understand the behavior of costs and the existing and potential sources of differentiation.

Differentiation results, fundamentally, from the way a firm's product, associated services, and other activities affect its buyer's activities. All the activities in the value chain contribute to buyer value, and the cumulative costs in the chain will determine the difference between the buyer value and producer cost. A firm gains competitive advantage by performing these strategically important activities more cheaply or better than its competitors. The achievement of competitive advantage is not always permanent, once a firm establishes itself in an area of advantage, other firms will follow suit in an effort to capitalize on their similarities.

Under activity mapping Porter opines that a firm’s value chain is an interdependent system or network of activities, connected by linkages. Linkages occur when the way in which one activity is performed affects the cost or effectiveness of other activities. Linkages create tradeoffs requiring optimization and coordination. Porter describes three choices of strategic position that influence the configuration of a firm's activities: variety-based positioning is based on producing a subset of an industry's products or services; it involves choice of product or service varieties rather than customer segments. The strategy makes economic sense when a company can produce particular products or services using distinctive sets of activities. Needs-based positioning is similar to traditional targeting of customer segments. This arises when there are groups of customers with differing needs, and when a tailored set of activities can serve those needs best. Access-based positioning - involves segmenting by customers who have the same needs, but the best configuration of activities to reach them is different.

2.6 Customer Relationship Management and Competitive Advantage

Customer relationship management emphasizes on customer value that is not easily imitated as it involves both the organization and the customer thus creating a competitive advantage .Through a customer orientation, firms can gain knowledge and customer insights in order to generate superior innovations. Woodruff (1997) sees the major source of CA coming from a more outward orientation, specifically toward customers. He suggests a customer value hierarchy in which firms should strive to match their core competencies with customers' desired value from the product or service. Slater (1997) proposed a new theory of the firm that is customer-value based.

Under this theory, the reason that the firm exists is to satisfy the customer; the focus on providing customers with value forces firms to learn about their customers, rather than simply from their customers. With respect to performance differences, this theory suggests that those firms that provide superior customer value will be rewarded with superior performance as well as an SCA. Therefore, the idea of customer value extends the resource-based theory of the firm to take a more outward perspective (a market orientation) as one way in which a CA can be achieved and sustained. Morgan and Hunt (1996) examine the role of relationship building as a means of obtaining resources in order to create an a sustainable competitive advantage and state that resources can be combined in order to form higher-order resources, or competencies, from which the firm can eventually achieve a CA; it is difficult for outsiders to replicate the process of building a long-term relationship. Resources such as loyalty, trust, and reputation are immobile and cannot be purchased.

Therefore, Morgan and Hunt (1996) state that relationships formed to acquire organizational, relational, or informational resources will commonly result in sustainable resource-based Woodcock et al (2001) found that with proper investment and management of CRM, a fourfold return on investment could be anticipated over 3 years. In a study of Asia Pacific companies by IBM Consulting Services in 2004 as part of a global survey of 346 global organization to explore companies experience of CRM, over half of respondents reported that CRM value improve customer experience and retention as well as expanding existing customer base as top value creators. In the same study, 80% of companies acknowledged CRM as relevant in increasing flexibility and 70% in cutting operational cost (IBM Business Consulting, 2004).

Anderson consulting group also carried out a cross industry survey of 264 businesses that implemented CRM capabilities and found out that CRM performance account for 64% of difference in return on sales between average and high performance companies (Management Today, 2000). Given the above outcome of numerous studies, it is therefore not surprising that organizations and businesses have come to see CRM as a value proposition in achieving market leadership and profitability.CRM strategy has the capacity to improve organizational performance in the important areas of customer acquisition, retention and development.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1Introduction

This chapter sets out the various phases and stages to be followed in completing this study. It involves the research design and data collection and analysis.

3.2Research design

The research problem was best studied through a descriptive research design. According to Kothari, (2003) descriptive research design describes the state of affairs as it exists. This study sought to achieve this through an in-depth investigation of the effect of customer relationship management strategy in achieving competitive advantage in commercial banks in Kenya.

3.3 Target Population

According to Mugenda and Mugenda (2003), a target population refers to all the members of a population to which the results will be generalized. The target population for the purposes of this study comprised of 43 commercial banks in Kenya classified according to peer groups by Central Bank of Kenya in the annual bank supervision report 2012 (www.centralbank.go.ke).

3.4 Sampling design

Sampling design is that part of the research plan that indicates how cases are to be selected for observation. In this study, stratified random sampling was used to select the target commercial banks. A list of the43commercial banks in Kenya classified according to peer groups was obtained to assist in the sampling process. According to Kothari (2003), an optimum sample is the one that fulfills the requirements of efficiency, representativeness, reliability and flexibility. This sample should be in a range of 10%-30%. A sample of 30% of the Kenyan commercial banks was drawn from the target population to satisfy these requirements of optimality and representativeness. Based on the 30% sampling percentage, a sample size of 12 banks was studied.

3.5 Data Collection

The study employed a direct collection of primary data through questionnaires which were structured into closed and open ended questions to cover issues of customer relationship management and competitive advantage. Email and the drop-and-pick method of delivery was employed to distribute and collect completed questionnaires from respondents. Prior formal requests through courtesy calls and telephone calls were conducted to increase acceptance to undertake the questionnaire. Follow up discussions were also conducted in some cases to seek clarification on some of the responses provided in the questionnaire. Respondents were relationship managers, branch managers and senior managers involved in the formulation, implementation and evaluation of CRM strategy in the banks.

3.6 Data Analysis

Before processing the responses, the completed questionnaires were edited for completeness and consistency. The data was then coded to enable responses to be grouped into various categories. All quantitative data was measured in real values by normalizing; descriptive statistics was used to measure the quantitative data. Tables and other graphical presentations as appropriate were used to present the data collected for ease of understanding and analysis. The researcher used the data with the aim of presenting the research findings in respect to the effect of CRM strategy for competitive advantage in Kenyan commercial banks .The generated quantitative reports were presented through tabulations, percentages and measures of central tendency while qualitative data was presented in prose.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter focuses on data analysis, interpretation and presentation of the data collected in the study. The purpose of the study was to establish the effect of customer relationship management strategy in achieving competitive advantage in commercial banks in Kenya. The data was analyzed through descriptive statistics.

4.2 General Information

This section presents the general information of the respondents who took part in the study. The researcher found it important to establish the general information of the respondents since it forms the basis under which the study can rightfully access the relevant information. The information captured included respondents' current position, duration the respondent has held the current position and duration worked in the respective banks.

4.2.1 Respondents Position Held

The study sought to establish the position the respondents held in their respective banks. This was important as it would establish whether the respondents targeted were the right people to give information and whether the information would be reliable.

Table 4.1 Position Held

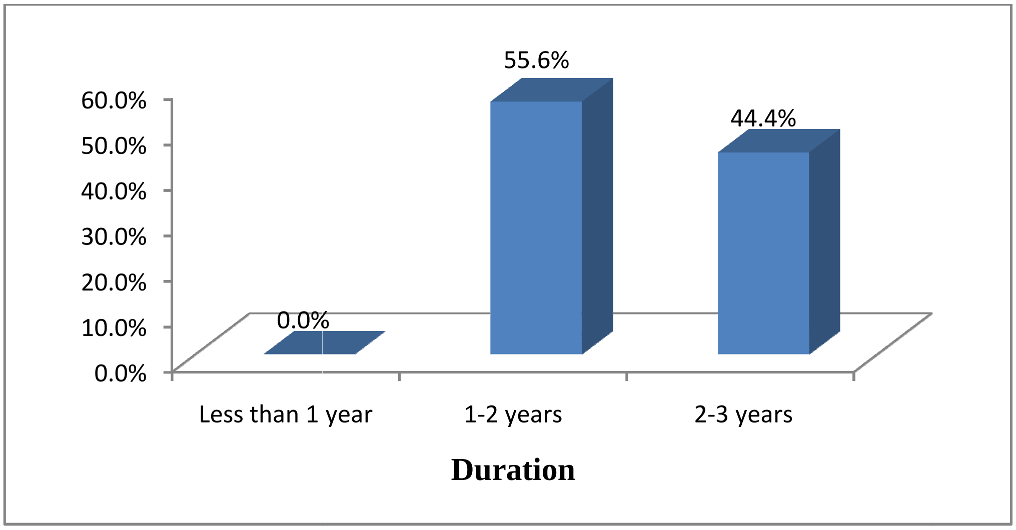
Position	Frequency	Percent
Branch manager	1	11.1
Relations manager	5	55.6
Customer service representative/ Supervisor	2	22.2
Sales and Distribution manager	1	11.1
Total	**9**	**100.0**

Table 4.1 shows that majority of the respondents (55.6%) were relationship managers while 22.2% were customer service representative/ supervisor. On the other hand, 11.1% of the respondents were a branch manager and sales and distribution manager respectively. These respondents were very well informed on customer relationship management issues in their respective banks.

4.2.2 Duration Held the Position

Figure 4.2 shows the duration the respondents had stayed in their position. This was important as the researcher would establish whether the respondents had enough experience in the area under study and whether their information they provided would be relied upon.

Figure 4.2 Duration Position Held

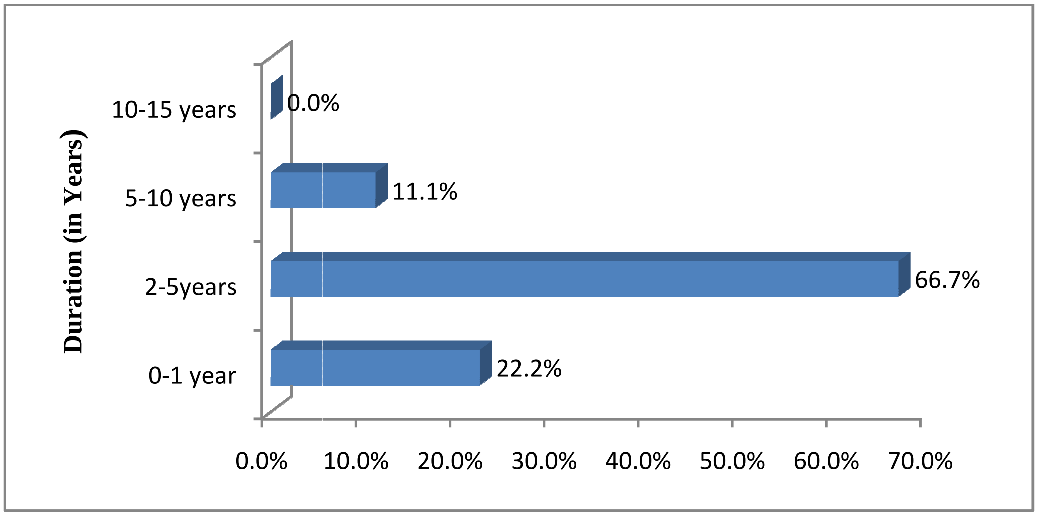


Majority of the respondents (55.%) revealed that they held their respective position for a duration of 1-2 years while 44.4% of the respondents indicated that they had held that position for a duration of 2-3 years. This shows that the respondents had worked in their respective positions for a substantial duration of time thus they were well conversant with CRM issues hence reliability of the information given.

4.2.3 Duration Worked in the Bank

In this section, the study sought to find out the duration the respondents had worked in their respective banks. This was important as the area under study would be well understood by employees with substantial experience in the industry. The results are as shown below in Figure 4.3

Figure 4.3 Duration Worked in the Bank

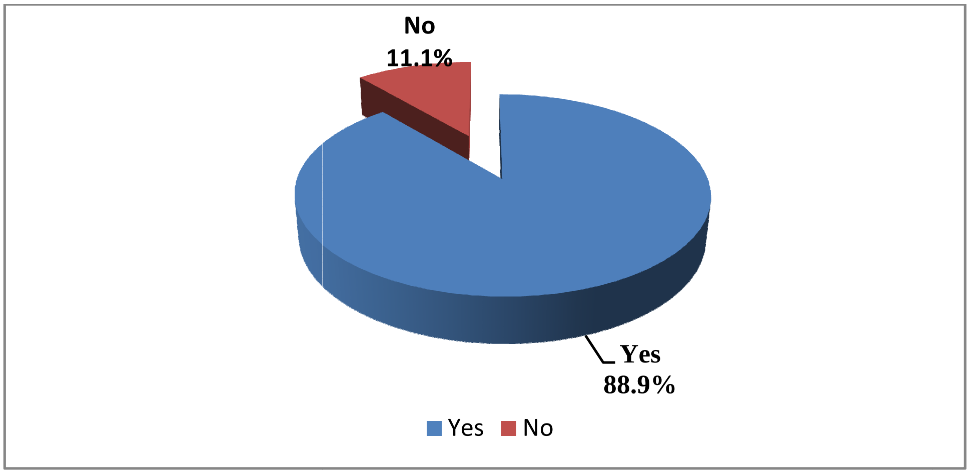


On the duration that the respondents had worked in their respective banks, majority (66.7%) of the respondents indicated that they had worked for duration of 2-5 years while 11.1% had worked even for a longer duration of between 5-10 years. However, 22.2% indicated that they had worked in their respective banks for one year and below. Majority of the respondents had worked for a substantial period of time in the bank, hence their responses and information given was reliable.

4.3 Customer Relationship Management Strategy

This section addresses the objective of the study. The study sought to establish whether the commercial banks had clearly defined customer relationship management strategies and the results are as shown in Figure 4.4

Figure 4.4 Clearly Defined Customer Relationship Management Strategies



An overwhelming 88.9% of the respondents revealed that their banks had clearly defined customer relationship management strategies. However, 11.1% of the respondents indicated that their bank did not have clearly defined customer relationship management strategies. This shows that majority of the commercial banks had adopted theCRM strategy.

4.3.1 Designated Governance Structures

The study sought to establish whether there was a designated governance structure for undertaking customer relationship management activities. The study established that majority of the banks had designated governance structure for undertaking customer relationship management activities as revealed by 77.8% of the respondents. However, 22.2% of the respondents indicated that their bank did not have a designated governance structure for undertaking customer relationship management activities. This shows that majority of commercial banks were committed to the implementation of the CRM strategy and had adopted structures to ensure its success.

4.4 Elements of Customer Relationship Management Strategy

This section addresses the objective of the study by analyzing the various components of CRM strategy which includes: information technology management, people, internal processes, senior management support and CRM performance assessment.

4.4.1Information Technology Management

The study sought to establish whether the organization had adopted internet based digital technologies for superior customer relationship management and how effective they were and further establish whether the existing information systems in the organization were efficient as seen in Table 4.2

Table 4.2 Effectiveness of the Internet Based Digital Technologies

Effectiveness	Frequency	Percent
Very effective	1	11.1
Effective	8	88.9
Not Effective	0	0
Not Applicable	0	0
Total	**9**	**100.0**

All the respondents were in agreement that their organizations had adopted internet technologies and majority (88.9%) revealed that the internet based digital technologies were effective while a further 11.1% revealed that it was very effective. This indicates that majority of the commercial banks were committed to achieving CRM success through information technology

When asked whether the systems databases provided a full picture of individual customer activity 55.6% of the respondents were in agreement that the systems databases in their banks provided a full picture of individual customer activity; However a significant number (44.6%) revealed that the systems did not provide a clear picture of individual customer activities and the related CRM systems were not integrated. This indicated there was challenge in obtaining full customer information. Study also sought to establish whether the banks conducted regular use reviews on the information technology systems for compliance with data security and personal data protection requirements; the results are as shown in Table 4.3

Table 4.3 Regular Review son Information Security

Responses	**Frequency**	**Percent**
Yes	6	66.7
No	3	33.3
Total	**9**	**100.0**

Majority of the respondents (66.7%) revealed that their banks conducted regular reviews for compliance with data security and personal data protection requirements. However, 33.3% of the respondents indicated that their banks did not conduct regular reviews. This indicates that a majority of banks were committed to maintaining customer confidentiality.

4.4.2 People and the Organization

In this section, the study sought to find out the extent to which commercial banks had invested in training the workforce to support CRM; whether the employees within the organization were involved in strategic design of CRM and whether reward incentives were being used to support customer relationship management strategy in the commercial banks as is evident in Table 4.4

Table 4.4 Investment in Training Resources

Extent	**Frequency**	**Percent**
High Extent	3	33.3
Moderate Extent	4	44.4
Low Extent	1	11.1
Very low Extent	0	0
Not Applicable	1	11.1
Total	**9**	**100.0**

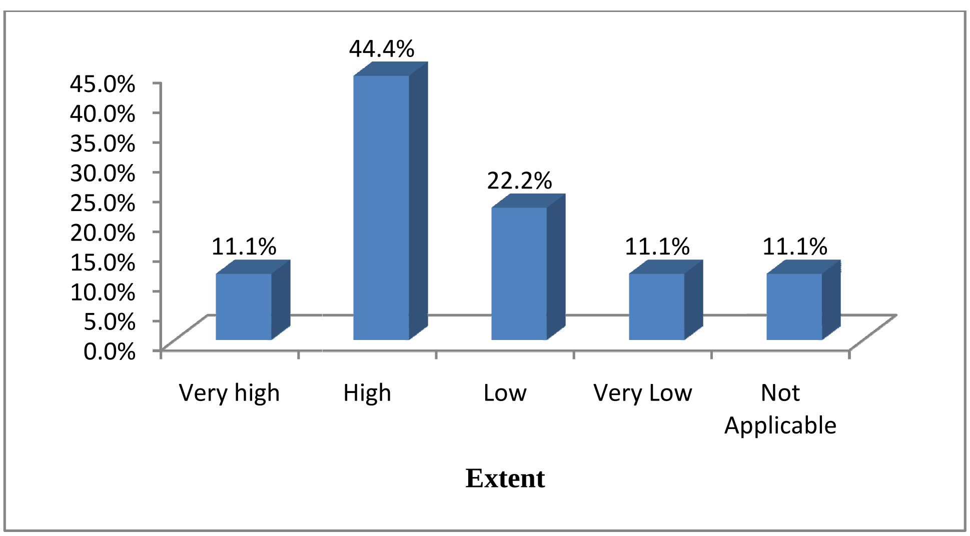
According to most of the respondents (44.4%) the commercial banks had invested in trainings to support Customer Relationship Management to a moderate extent. However, 33.3% of the respondents indicated that their banks had invested to high extent. This indicates that majority of the banks had invested in programs to upskill their staff for effective CRM.

Table 4.5 Employee Involvement in Strategic Design

Level/ Extent	**Frequency**	**Percent**
Very high Level	0	0
High level	3	33.3
Low	4	44.4
Very low	1	11.1
Not Applicable	1	11.1
Total	**9**	**100.0**

According to 44.4% of the respondents, the employees were involved in the strategic design of CRM to a low extent; this was also supported by 11.1% who indicated that the involvement was to a very low extent. However, 33.3% of the respondents revealed that employees in their banks had been involved in the strategic design of the CRM to a high extent. This indicates that most banks management did not involve employees is CRM strategic design. Findings on the use of reward incentives to support customer relationship management strategy are as illustrated in figure 4.5

Figure 4.5 Reward Incentives in Support of Strategy



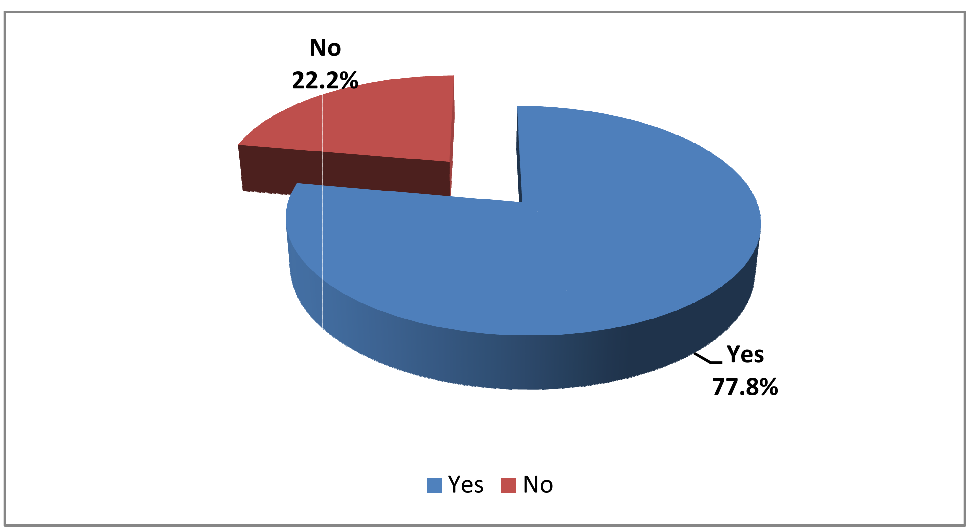
44.4% of the respondents indicated that reward incentives were used to a high extent; this was also supported by 11.1% of the respondents who indicated that the reward incentives were being used to a very high extent. However, 22.2% revealed that the reward incentives were being used to a low extent while 11.1% indicated to a very low extent. This indicates that a majority of banks had reward incentives in place to support CRM.

The study also sought to establish how employee loyalty can be created according to the respondents and how this had been adopted by their respective banks.67% who are a majority of the respondents stated that rewards, recognition, motivation, benefits and growth opportunities within the organization would highly create employee loyalty.

4.4.3 Internal Processes

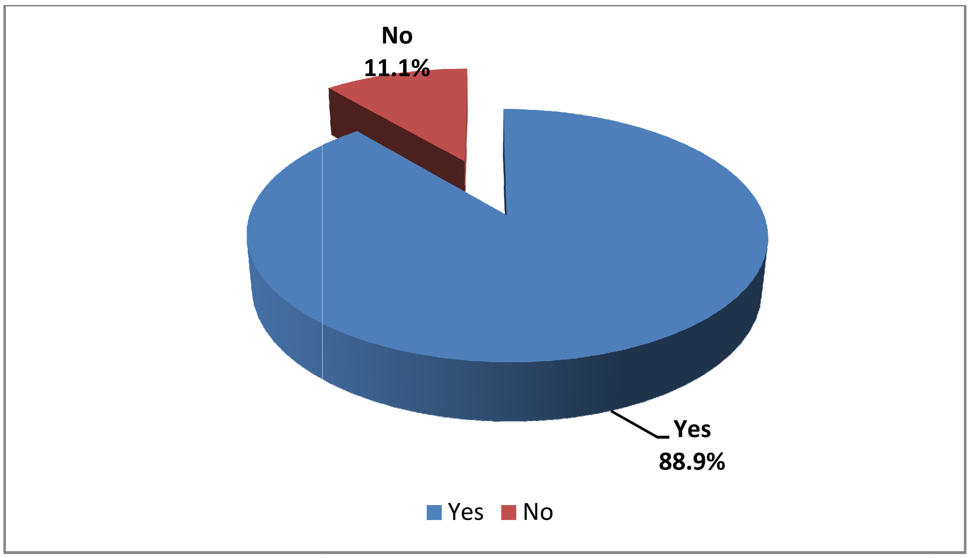
The study here sought to find out whether the banks internal cross functional processes were coordinated in support of customer relationship management and whether the organization had adopted a mechanism for continuous improvement of internal business processes.

Figure 4.6Co-ordination of Internal Processes



Majority of the respondents (77.8%) agreed that the banks internal cross functional processes were coordinated in support of CRM. However, 22.2% of the respondents were of the contrary opinion and they revealed that internal cross functional processes were coordinated. This illustrates that most of the internal processes within banks are customer centric which supports CRM.The study also sought to establish whether communication with customers was co-ordinated across business units; the results are as illustrated in Figure 4.7.

Figure 4.7Co-ordinated Communication across Business Units



Majority of the respondents (88.9%) agreed that communication with customers in their banks was coordinated across the business units so that customers could view the organization as an integrated unit. The respondents explained that this was mainly through the relationship manager, Customer care or from head office. However, 11.1% indicated that communication with customers was not coordinated across the business units.

The study also sought to establish whether the banks had adopted a mechanism for continuous improvement of internal bank processes to enhance effectiveness of CRM. All the respondents overwhelmingly stated that their organizations had adopted this mechanism through process reviews and alignment.

4.4.4 Senior Management Support

In this section, the study sought to establish the role of senior management in driving customer relationship management strategy; find out how the senior management was supporting CRM implementation and also how they influenced the organizational culture. When asked to state the role of senior management in driving customer relationship management strategy for their organizations; All the respondents indicated that the role of senior management was to provide leadership through driving CRM and allocating resources for effective implementation of the strategy. When asked about the influence of the senior management in the shaping the organizational culture majority of the respondents (80%) stated that the senior management influenced organization culture by establishing the values that govern the workplace as well as policy directions/ guidelines. This demonstrates that senior management support is very important for the success of CRM strategy.

4.4.5 Performance Assessment on Strategy

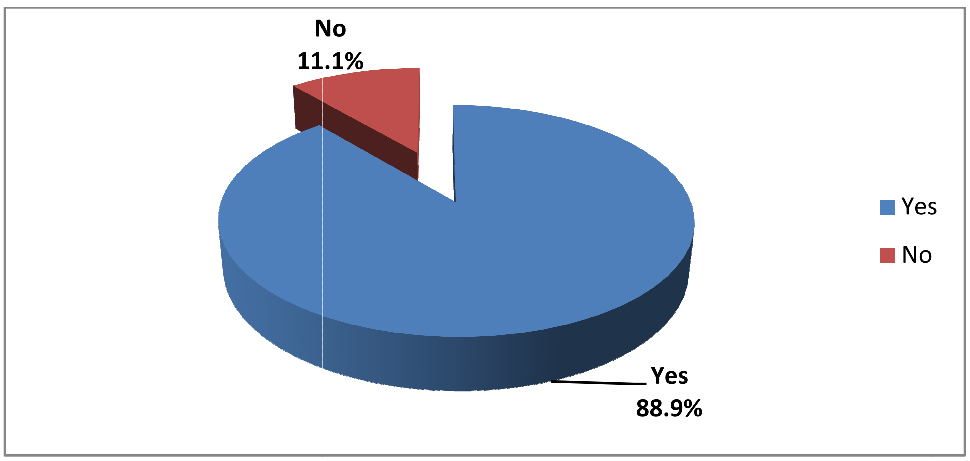
In this section, the study sought to find out the channels that the banks used to source feedback from the customers; to establish whether CRM strategy had performance metrics at department level and whether the overall improvements had significantly contributed to the improvement of the CRM strategy. The results are as shown in Table 4.6

Table 4.6 Models the Bank Use to Source Feedback from Customers

	Least adopted		**Less adopted**		**Moderately Adopted**		**Highly adopted**		**Very Highly adopted**	
	F	**%**	**F**	**%**	**F**	**%**	**F**	**%**	**F**	**%**
Customer Care centre	-	-	-	-	2	22.2	3	33.3	4	44.4
Branch Managers	-	-	-	-	2	22.2	5	55.6	2	22.2
Relationship Managers	-	-	-	-			1	11.1	8	88.9
Research Company	1	11.1	8	88.9	-	-	-	-	-	-
Suggestion boxes	9	100.0	-	-	-	-	-	-	-	-

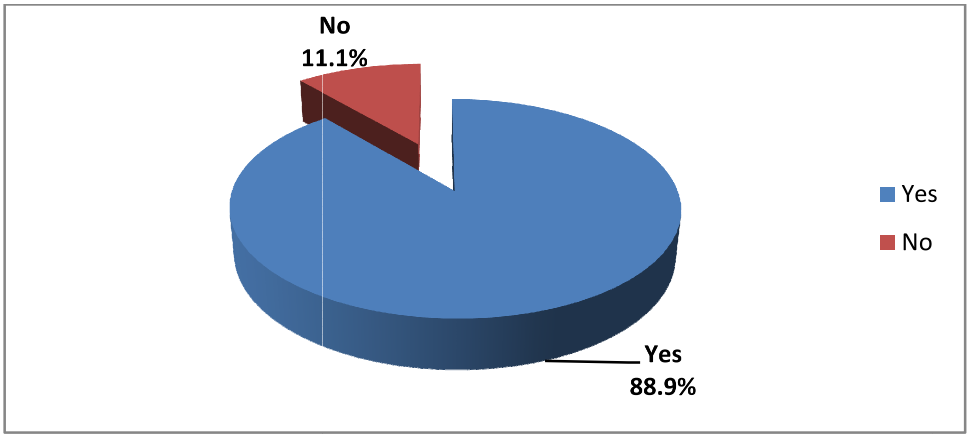
From Table 4.6 it is discernible that commercial banks source for feedback from customers in various ways; 44.4% of the respondents revealed that their banks had adopted Customer Care centre as a source feedback from customers to a very high level; this was also supported by 33.3% of the respondents who also indicated that Customer care centers had been highly adopted by their banks. On the other hand, majority of the respondents (55.6%) revealed that Branch Managers were also a source of feedback from customers. Moreover, an overwhelming 88.9% indicated that their banks very highly adopted Relationship Managers as source of feedback from customers; however, a similar percentage revealed that research companies were least adopted while all the respondents were in agreement that suggestion boxes were least adopted as sources of feedback from customers.

Figure 4.8 Root Causes of Complaints and Action to Prevent Recurrence



The study also sought to establish whether there was a mechanism for root cause analysis of customer complaints as a performance metrics; Figure 4.8 illustrates the results. Majority of the respondents (88.9%) revealed that there was always investigation of the root causes of complaints and proactive action was taken to prevent recurrence. However, 11.1% indicated that there was no investigation of the root causes of complaints and no proactive action was taken. 66.7% of the respondents also agreed that customers were regularly informed of the progress of their complaints or service requests. However, 33.3% of the respondents indicated that they were not informed about this. This indicates that banks were committed to resolving issues raised by customers.

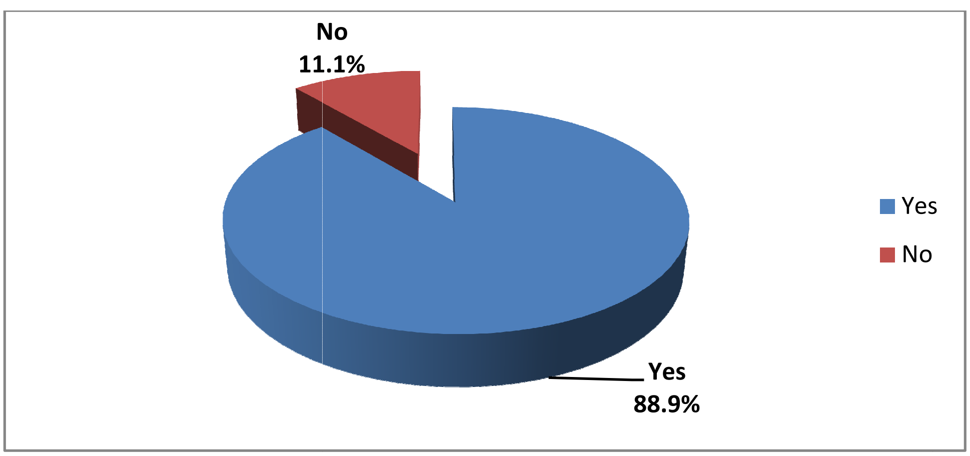
Figure 4.9 Defined set of Performance Metrics at Departmental Level



On establishing whether there was defined performance metrics for CRM at departmental level in the banks88.9% of the respondents confirmed that there were defined set of performance metrics at departmental level that were related to customer experience. However, 11.1% revealed that there were no any defined set of performance metrics at departmental level.

The study also sought to establish whether the banks had developed improvements in service offerings as a result of customer feedback. Figure 4.10 illustrates the results

Figure 4.10Tailored Service Offerings/ Improvements That Have Been Developed



Majority of the respondents (88.9%) revealed that there were tailored improvements that had been developed as a result of customer feedback. However, 11.1% indicated that there were no tailored service offerings or improvements had been developed as a result of customer feedback. When asked whether the improvements had helped improve quality of service offered 77.8% of the respondents confirmed that the service levels had improved significantly.

4.5 Relationship between CRM and Competitive Advantage

In this section the study sought to establish the relationship between CRM and competitive advantage by determining the biggest influencers of the banks' income, the banks' key differentiators, and how the commercial banks could create value for customers.

4.5.1Biggest influencers on the Bank's Income

When asked to state what they thought were the biggest influencers of their banks' income all the respondents indicated that the biggest influencers of their banks income were a mixture of customers, types of products and pricing and the competencies of staff within the banks. Customers can only give repeat business to the banks if they are happy with the services offered to them.

4.5.2 Key differentiators of the Respective banks

When asked what the key differentiators were for their banks 56% of the respondents indicated that customer service was the differentiator.34% stated that the banks' products was the key differentiator because the product offering was diverse and flexible. 10% of the respondents indicated their banks' differentiator was branch network.

4.5.3 Creating Value for Customers

Lastly, the study sought to find out from the respondents how the commercial banks can create value for customers. All the respondents revealed that this could be done through better services, competitive product pricing, efficient relationship management and ensuring customer satisfaction; quality service through relationships (personalized service); products custom made to meet clients' needs; and Regular feedback and updates on any happenings in the bank. These findings indicate that relationship management is a major source of competitive advantage in Kenyan commercial banks.

4.6 Discussion

The study found out that almost all the banks had adopted internet technologies and majority revealed that the internet based digital technologies were effective and that the systems databases in the banks provided a full picture of individual customer activity. This is in line with Payne (2005) who revealed that the increasing use of digital technologies by customers and particularly the Internet was changing what is possible and what is expected in terms of customer management. However, Knox et al (2003) were of the opinion that technology can certainly help companies to create satisfied and loyal customers, but it is by no means essential to successful CRM.

The study found out that most of the commercial banks had invested in trainings to support Customer Relationship Management to a moderate extent while the employees were involved in the strategic design of CRM to a low extent. This shows that most banks management in Kenya did not involve employees is CRM strategic design and would jeopardize the successful implementation of the CRM strategy and reduced commitment from employees to organizational goals. According to Simns (2003), successive CRM initiative relies on involving staff in designing it at an early stage, rather than simply imposing it on them; employees who interface with customers need to be empowered to address customers concern promptly.

On the internal processes and the CRM strategy, majority of the banks revealed that the banks internal cross functional processes were coordinated in support of CRM; and that that communication with customers in their banks was coordinated across the business units so that customers could view the organization as an integrated unit. This is in line with the empirical literature which indicates that CRM requires the integration of customer interactions across all communication channels, front-office and back-office applications and business functions; and that CRM success lies in ownership of CRM by all departments.

On the senior management support, it was found out that that the role of senior management was to provide leadership through driving CRM and allocating resources for effective implementation of the strategy. The senior management also had a role to play in influencing organization culture through establishing the values that govern the workplace as well as policy directions / guidelines. This means that management's support is very essential in ensuring the success of the CRM strategy. This concurs with the empirical literature which indicates that strong management commitment to customer relationship management energizes and stimulates an organization to improved service performance and; that without leadership and endorsement of top management, the CRM initiative may not get the required attention and effective deployment in the organization.

The study also found out that majority of the commercial banks had well defined set of performance metrics at departmental level that were related to customer experience. Moreover, it was found out that, the banks had well-tailored improvements that had been developed as a result of customer feedback. This is in line with the findings of Parvatiyar and Sheth (2001) who revealed that good monitoring procedures help avoid relationship destabilization and the creation of power asymmetries and; also help keep CRM programs on track given proper alignment of goals, results, and resources and to safeguard against failure and manage conflicts in relationships.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter presented the summary of key data findings, conclusion drawn from the findings and recommendation made there-to. The conclusions and recommendations drawn were focused on addressing theeffect of customer relationship management strategy in achieving competitive advantage in commercial banks in Kenya.

5.2 Summary

On CRM Strategy, majority of the respondents revealed that their banks had clearly defined customer relationship management strategies with designated governance structures. On the information technology management, all the respondents were in agreement that their organizations had adopted internet technologies and further majority revealed that the internet based digital technologies were effective; On people and the organization, the study found out that commercial banks had invested in trainings and other resources to support Customer Relationship Management to a moderate extent. On the other hand, most of the respondents indicated that the employees were involved in the strategic design of CRM to a low extent. Majority of the respondents however acknowledged that the employee/management reward incentives were used to a high extent to support customer relationship building. On employees' loyalty and in the banks, majority of the respondents stated that rewards, recognitions, motivation, benefits, growth opportunities within the organization would highly create employee

On the internal Processes, the study found out that majority of the banks internal cross functional processes were coordinated in support of CRM. In majority of the banks the customers could also see one seamless face of the bank when interacting with the bank across business units especially in most of the banks products. Moreover, all the respondents overwhelmingly agreed that their organizations had adopted a mechanism for continuous improvement of internal business processes. This was done through continuous and enhanced training, feedback reviews, process reviews and alignment. On the senior management support, majority of the respondents acknowledged that the senior management in their banks were supporting CRM implementation; Moreover, the respondents acknowledged that the senior management had a role to play in setting the organizational culture by establishing the values that govern the workplace as well as policy directions/ guidelines.

On CRM performance assessment, the study found out that in majority of the banks, there were defined set of performance metrics at departmental level .The study established that Customer Care Centre, branch managers and relationship managers were the major sources of feedback from customers. Further, the study also found out that in majority of the banks, there was always investigation of the root causes of complaints and proactive action was taken to prevent recurrence. Lastly, on the relationship between CRM and competitive advantage, the study established that the biggest influencers of their banks income were a mixture of competitive product pricing, effective relationship management, product innovations, staffs quality and responsiveness to market trends and needs and repeat business. These also acted as the key differentiators among banks.

Lastly, the study sought to find out from the respondents how the commercial banks can create value for customers. Features such as quality services (personalized service), competitive product pricing, efficient relationship management, customer satisfaction; products and regular feedback to customers were found to be key in creating value for customers.

5.3 Conclusion

The study concludes that majority of the commercial banks in Kenya are implementing customer relationship strategy in order to achieve competitive advantage and in majority of these banks the strategy has been effective. However commercial banks need the support of both the management and general staff. There is commitment on the part of the management as majority of the banks have committed their resources in ensuring the successful implementation of the CRM Strategy. Information technology is working well for most banks although there are some challenges that need to be addressed on a continuous basis. Level of staff involvement of in the strategic design of CRM is low. There is also need for more training of staff to enhance skills since the employees are the key implementers of the CRM strategy. Commercial banks rely majorly on the Customer Care centers, branch managers and relationship managers as the major sources of feedback from customers, there is need to establish more channels to get the customers feedback. The study also concludes that customer relationship management affects business if not properly managed.

It is also noted that monitoring of the CRM strategy in the organization should be regular and dedicated upon. Monitoring processes can include periodic evaluation of goals and results, initiating changes in the relationship structure and design. Moreover, CRM training should be done professionally and put into practice from the management cascading all the way to the staffs and the results reflected to the customers of the banks.

5.4 Recommendation

The researcher recommends that although there are some challenges in implementing customer relationship management strategy in commercial banks, training of employees is a critical factor for successful implementation of CRM. The findings from the study show that the commercial banks offered training only to a moderate extent. There is need for commercial banks to offer more and efficient trainings to ensure that the employees are well equipped to serve customers. Enhancements on the information systems are also key in dealing with the challenges currently being experienced with the systems. Commercial banks should also continue monitoring and evaluating CRM while increasing customer feedback channels. Moreover, the researcher recommends that commercial banks should always reward and recognize their staff whenever they offer exemplary services to their customers; offer motivational benefits, growth opportunities since these were found to have an effect on their loyalty to the bank.

5.5 Recommendations for Further Research

From the study the researcher recommends that a similar study be carried out to establish the levels of customer satisfaction among Kenyan banks customers as a result of CRM strategy. Replicate studies can also be carried out by in the different service industry segments such as a separate study for the hotel industry; telecommunications, government parastatals, etc, to see the correlation of the findings. The strategists would therefore have patterns for comparison.

5.6 Limitations of the Study

In conducting the study, the researcher encountered a number of challenges. One of the challenges was lack of cooperation from some of the banks who were unwilling to give information. This study was dependent on primary data which was collected from commercial banks through a questionnaire, but some banks were unwilling to give such information. However, the researcher explained to the banks authorities that the sought information was just for academic purposes and would not be released to third party. Another limitation was that, majority of the banks, did not want to authenticate the information they gave and they limited the information they gave. Some banks were not willing to open up on all the strategies that they have adopted due to fear of their competitors. Some of this information was crucial for the study to make a formidable conclusion.

5.7 Implication on Policy, Theory and Practice

The study findings are expected to have an impact in manner in which Customer Relationship Management (CRM) Strategy is implemented in commercial banks. The CRM strategy could be more enhanced in commercial banks by including the important and crucial aspects identified by the study. The findings of this study add value to the body of knowledge in the area of Customer Relationship Management strategy. This would create and form a basis for future research in a bid to come up with better ways and improved processes to enhance successful implementation of the strategy. The increased focus on importance of the customers as the ultimate user of products or services produced and; the need for organizations to remain competitive is expected to renew the perspective of managing customer relationships. It is expected that more organizations will shift in business focus from transactional marketing to relationship marketing.

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APPENDICES

Appendix 1: Questionnaire Cover Letter

Dear Respondent,

I am graduate student at The University of Nairobi Pursuing a Master of Business Administration Degree in Strategic Management. In partial fulfillment of the requirements of the degree, I am conducting a research on “The effect of Customer Relationship Management Strategy on Competitive Advantage in Commercial Banks in Kenya” For this reason I would appreciate if you would kindly spare a few minutes of your time to fill in this questionnaire to the best of your knowledge.

The information obtained will be purely used for academic purposes and the finding of the research shall be made available to you upon request. Feel free to avail any additional information that is relevant to the research but may not have been covered in the interview.

Thanks you for your cooperation

Yours faithfully,

____

Patricia Chege

MBA Student

University of Nairobi School of Business

Cc

The Dean, School of Business

University of Nairobi

Appendix II: Questionnaire

PART A: GENERAL INFORMATION

1. Details of respondent

a) Current Position and Job title of respondent

b) How long have you held the above mentioned position?

c) How long have you worked at your bank? (In years)

   a) 0-1 year ☐
   b) 2-5 years ☐
   c) 5-10 years ☐
   d) 10-15 years ☐

PART B: CUSTOMER RELATIONSHIP MANAGEMENT (CRM) STRATEGY

1. CRM Strategy

a) Does the bank have clearly defined customer relationship management strategies?(Key:Yes,No)

b) Is there a designated governance structure for undertaking customer relationship management activities?(Key:Yes,No)

2. Information Technology Management

a) How has the organization adopted internet based digital technologies for superior customer relationship management and how effective is it?

(Key: 1= Very effective, 2= effective, 3=not effective, 4= not applicable)

b) Do the systems databases provide a full picture of individual customer activity and are customer management related systems integrated?

c) Does the organization conduct regular reviews for compliance with data security and personal data protection requirements? ?(Key:Yes,No)

d) Do you consider the existing information systems in the organization efficient and to what extent? Key: 1= Very efficient, 2= efficient, 3=not efficient, 4= not applicable

c) Any other comments on information systems management?

3). People and the organization

a) Has the organization invested in training and other resources to support Customer Relationship Management related initiatives and to what extent?

(Key: 1= high extent, 2= moderate extent, 3= low, 4= very low, 5= not applicable)

b) To what level/extent are the employees within the organization involved in strategic design of customer relationship management?
(Key: 1= Very high level, 2= high level, 3= low, 4= very low, 5= not applicable

c) To what extent are employee/management reward incentives being used to support customer relationship building (Key: 1= Very high, 2= high, 3= low, 4= very low, 5= not applicable)

a) What do you think creates employee loyalty and how has this been adopted in the organization

4). Internal Process

a) Are the banks internal cross functional processes co-ordinated in support of customer relationship management?(Yes/No)

b) When interacting with the bank across business units do the customers see one seamless face of your bank? (Yes/No

c) Is communication with customers coordinated across the business units so that customers view the organization as an integrated unit?

d) Has the organization has adopted a mechanism for continuous improvement of internal business process-es?

5). Senior Management Support

a) What is the role of senior management in driving customer relationship management strategy for the organization?

b) How does senior management support CRM Implementation?

c) How does the senior management influence the organizational culture?

6). CRM Performance Assessment.

1. Which models does the bank use to source feedback from customers?

With 1 being least adopted and 5 being highly adopted, please rank with (X) in the table below1 2 3 4 5

i. Customer Care Centre
ii. Branch Managers
iii. Relationship Managers
iv. Research Company
v. Suggestion boxes
vi. Others (Please specify)

d) There is investigation of the root causes of complaints and proactive action to prevent recurrence. ?(Key:Yes,No)

e) There is a defined a set of performance metrics at departmental level that are related to customer experience. ?(Key:Yes,No)

f) Tailored service offerings or improvements have been developed as a result of customer feedback. ?(Key:Yes,No)

g) Overall, improvements have helped significantly to improve Customer Relationship Management. ?(Key:Yes,No)

h) Customers are regularly informed of the progress of their complaints or service requests. ?(Key:Yes,No)

7.Relationship between CRM and Competitive Advantage

a)What do you think are the biggest influences on your Bank's income

b)In comparison to other banks, which are the key differentiators of your bank ranked in Priority

c)Who are your major competitors and why do you consider them so

d)What do you think creates value for customers

Appendix III: Central Bank of Kenya: Classification of Kenyan Banks by Peer Group

	Market Size Index	Net Assets	% of the Market	Total deposits	%of Market	TOTAL CAPITAL	%of the Market	Total no of deposit accounts(millions)	%of the market	Total number of Loan Accounts(millions)	%of the market
Weighting		**0.33**		**0.33**		**0.33**		**0.005**		**0.005**	
Large peer group >5%											
Kenya Commercial Bank Ltd	13.54%	304,112	13.10%	223,493	13.1%	52,926	14.6%	1.283	8.09%	0.221	10.6%
Equity Bank Ltd	10.06%	215,829	9.30%	140,286	8.2%	42,672	11.8%	7.025	44.29%	0.782	37.3%
Cooperative bank (K) Ltd	8.74%	199,663	8.60%	162,267	9.5%	28,967	8.0%	2.326	14.67%	0.259	12.4%
Standard Chartered Bank K Ltd	8.29%	195,493	8.40%	140,525	8.2%	30,603	8.4%	0.171	1.08%	0.038	1.8%
Barclays bank of Kenya Ltd	8.08%	185,102	7.90%	137,915	8.1%	29,583	8.2%	1.134	7.15%	0.273	13.0%
CFC Stanbic bank Ltd	5.01%	133,378	5.70%	75,633	4.4%	18,101	5.0%	0.088	0.55%	0.031	1.5%
Sub-total	**53.72%**	**1,233,577**	**52.94%**	**880,119**	**51.50%**	**202,853**	**56.00%**	**12.028**	**75.83%**	**1.60%**	**76.50 %**
Medium Peer Group >1% <5%											
NIC Bank Ltd	4.32%	101,772	4.40%	77,466	4.5%	15,065	4.2%	0.052	0.33	0.026	0.0
Diamond Trust Bank Ltd	4.10%	94,512	4.10%	72,505	4.2%	14,878	4.1%	0.092	0.58	0.013	0.6
Commercial Bank of Africa Ltd	4.08%	100,456	4.30%	79,996	4.7%	11,641	3.2%	1.064	6.71	0.089	4.2
I & M Bank Ltd	4.08%	91,520	3.90%	65,640	3.8%	16,591	4.6%	0.058	0.37	0.007	0.3
Citibank NA	3.42%	69,580	3.00%	44,012	2.6%	17,346	4.8%	0.002	0.01	0.001	0.0
National Bank of Kenya Ltd	3.00%	67,155	2.90%	55,191	3.2%	10,450	2.9%	0.475	2.99	0.063	3.0

Baroda Bank Ltd	1.92%	46,138	2.00%	38,382	2.2%	5,758	1.6%	0.039	0.24	0.002	0.1
Chase bank Ltd	1.87%	49,105	2.10%	36,506	2.1%	5,101	1.4%	0.055	0.35	0.011	0.5
Bank of Africa Ltd	1.83%	48,958	2.10%	35,100	2.1%	5,010	1.4%	0.037	0.23	0.013	0.6
Prime Bank Ltd	1.71%	43,463	1.90%	36,715	2.1%	4,175	1.2%	0.023	0.15	0.003	0.1
Housing Finance Co. of Kenya Ltd	1.49%	40,686	1.70%	22,968	1.3%	5,146	1.4%	0.054	0.34	0.005	0.2
Imperial Bank Ltd	1.44%	34,590	1.50%	27,581	1.6%	4,554	1.3%	0.041	0.26	0.009	0.5
Family Bank Ltd	1.42%	30,985	1.30%	24,630	1.4%	4,860	1.3%	1.15	7.25	0.109	5.2
Bank of India Ltd	1.08%	24,877	1.10%	18,282	1.1%	4,063	1.1%	0.014	0.09	0.001	0.0
Ecobank Kenya Ltd	1.06%	31,771	1.40%	21,475	1.3%	1,999	0.60%	0.074	0.47	0.036	1.7
Sub-total	**36.82%**	**875,566**	**37.60%**	**656,451**	**38.40%**	**126,639**	**35%**	**3229**	**20.36%**	**0.389**	**18.60%**

Continous

Small Peer Group <1%											
ABC bank Ltd	0.76	19,071	0.8	15,255	0.9	2,112	0.6	0.018	0.12	0.002	0.1
Fina Bank Ltd	0.74	17,150	0.7	13,747	0.8	2,504	0.7	0.017	0.11	0.002	0.1
Consolidated Bank	0.66	18,001	0.8	13,325	0.8	1,574	0.4	0.045	0.28	0.013	0.6
Gulf African Bank Ltd	0.56	13,562	0.6	11,684	0.7	1,561	0.4	0.041	0.26	0.005	0.3
GiroCommercialBank Ltd	0.54	12,280	0.5	10,420	0.6	1,775	0.5	0.009	0.06	0.002	0.1
Equitorial Commercial Bank Ltd	0.52	14,109	0.6	12,963	0.8	722	0.2	0.010	0.06	0.005	0.2
Fidelity Bank Ltd	0.48	11,772	0.5	10,527	0.6	1,185	0.3	0.008	0.05	0.001	0.1

Guardian Bank Ltd	0.48	11,745	0.5	10,374	0.6	1,219	0.3	0.008	0.05	0.001	0
Victoria Commercial Bank Ltd	0.48	10,323	0.4	7,561	0.4	2,036	0.6	0.003	0.02	0	0.0
Development of kenya Ltd	0.47	13,417	0.6	6,953	0.4	1,634	0.5	0.002	0.01	0.001	0.0
Habib AG Zurich	0.43	9,702	0.4	7,748	0.5	1,530	0.4	0.007	0.04	0	0.0
Krep bank Ltd	0.42	9,546	0.4	6,650	0.4	1,527	0.4	0.211	1.33	0.047	2.3
Transnational Bank Ltd	0.42	8,801	0.4	6,535	0.4	1,834	0.5	0.037	0.23	0.004	0.2
First Community Bank Ltd	0.42	9,959	0.4	8,833	0.5	1,078	0.3	0.047	0.3	0.002	0.1
Paramount Universal bankLtd	0.41	7,255	0.3	6,084	0.4	1,136	0.3	0.010	0.06	0.001	0.1
Habib Bank Ltd	0.32	7,014	0.3	5,195	0.3	1,348	0.4	0.004	0.03	0	0.0
Oriental Commercial Bank Ltd	0.31	6,220	0.3	4,806	0.3	1,385	0.4	0.006	0.04	0	0.0
Credit Bank Ltd	0.29	6,407	0.3	4,781	0.3	1,179	0.3	0.009	0.05	0.002	0.1
Jamii Bora Bank Ltd	0.27	3,480	0.1	1,213	0.1	2,093	0.6	0.098	0.62	0.013	0.0
Middle east Bank Ltd	0.26	5,870	0.3	3,907	0.2	1,124	0.3	0.002	0.01	0	0.0
UBA Bank Kenya ltd	0.18	2,924	0.1	1,343	0.1	1,219	0.3	0.003	0.02	0	0.1
Dubai Bank Ltd	0.15	2,584	0.1	1,361	0.1	917	0.3	0.006	0.04	0	0.0
Charterhouse Bank Ltd	0.00	0	0	-	0	-	0	0.005	0.03	0	0.0
Sub-total	**9.46%**	**221,192**	**9.50%**	**171,264**	**10%**	**32,961**	**9%**	**0.605**	**3.81%**	**0.102**	**4.90%**
Grand Total	**100.00**	**2,330,335**	**100%**	**1,707,834**	**100%**	**362 182**	**100%**	**15.861**	**100%**	**2.096**	**100%**