THE RELATIONSHIP BETWEEN BRANDING STRATEGIES AND CUSTOMER LOYALTY AMONG COMMERCIAL BANKS IN KENYA

BY

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DECLARATION

This project is my original work and has not been submitted to any university for award of a degree

Signature ………………………………………Date ………………………

This project was submitted for examination with my authority as the university supervisor

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DEDICATION

This research paper is lovingly dedicated to my respective parents who have been my constant source of inspiration. They have given me the drive and discipline to tackle any task with enthusiasm and determination. Without their love and support this project would not have been made possible.

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ABSTRACT

The purpose of this study was to establish the effect of branding strategies on customer loyalty among commercial banks in Kenya. The study had three specific objectives: To establish branding strategies adopted by commercial banks in Kenya; To find out the customer loyalty levels in commercial banks in Kenya and to determine the relationship between branding strategies and customer loyalty levels in commercial banks in Kenya. The study took the form of a survey where a census of all the commercial banks in Kenya was conducted. Primary data was collected from 35 commercial banks out of the total 43. The study established that most commercial banks in Kenya have demonstrated this significance by establishing departments that deal with all the branding issues that they face. The most common branding strategies among commercial banks in Kenya are the use of the bank name alongside other brands for their products; use of multi-brands strategy; use of brand extension strategy; use of the organizational brand as well as use of several brands. Banks also indicated that their customer loyalty levels are high through various indicators such as operating accounts for long, opting to remain with the bank even if occasionally offended, low customer turnovers and referral of other potential customers by existing customers.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

In the current turbulent and dynamic global business environment, firms utilize several methods more than just marketing in order to create a memorable identity among consumers. According to Saxena (1998), every success of a product, service, individual, business or even an organization in the market is based on being perceived as unique. Successful business enterprises have positively differentiated themselves from the rest of the competition through appropriate branding strategies that enables them to create individual niche in the consumer's psyche as well as own it. Keller (1993) states that in the ever changing world where customers' preferences and behavior in making decisions about which product to buy or service to use the selling company has to build and retain their brand in a way which makes it essential to the customer.

Branding is very essential in any business environment since it communicates so much information to customers on product quality. It also plays a significant role in differentiating products as unique from those of the competitors (Kumar & Prasad, 2012). Branding is more critical in industries such as banking where products seem to be more homogenous thus making it difficult for customers to distinguish any clear difference between them. As Larry (2001) argues successful brands even in the face of homogeneity are those with the ability of tapping into the basic human needs and aspirations. He further argues that a strong or great brand should be able to make a significant improvement in the lives of customers however small it may be. This is what distinguishes the many homogenous products that exist in the banking industry. Through various strategies banks are able to come up with strong brand that can differentiate their products from other competitors (Larry, 2001). Larry concludes that winning a piece of the customer's mind, creating a positive image in the customers mind so that whenever he or she thinks of any of the services offered by the banking industry, the first thing which hits him or her is the name of the institution in question. Therefore, the key to acquiring and retaining customers in order to maintain long term profitability and competitive edge lies in creating and maintaining a favorable brand image in the minds of the target customers. This study will seek to answer the following questions: what are the branding strategies adopted by commercial banks in Kenya? And what relationship exists between branding strategies and customer loyalty?

1.1.1 The Concept of Branding

When consumers feel an emotional pull towards a brand, they spend less time reasoning through pricing of other competitors that offer the same products in quality, pricing and distribution. You gain their trust and they reward you by buying your products and services and further recommending them to their friends.

There are diverse definitions of branding that exist and have been used by different people. For instance the American Marketing Association (AMA) defines branding as a name, term, design or symbol that a company uses to distinguish its products from other sellers. They further indicate that a brand is a trademark in legal language (AMA, 2007). Kottler (2001) indicates that there are several branding strategies that can be adopted by companies so as to make their products look different from those of the competitors. These strategies include using individual names for products; using blanket family names; adopting separate family names for all the company’s products or the use of company trade name with individual product names.

Branding in marketing originated in the 19th century with the advent of packaged goods. Industrialization moved the production of many household items, such as soap, from local communities to centralized factories. When shipping their items, the factories would literally brand their logo or insignia on the barrels used, extending the meaning of "brand" to that of trademark. The process witnessed its growth during the era of industrial revolution when the market was flooded with more than one identical product and there arose a need for some way to differentiate them from one another and an alternate way to know which has the better quality or at least to believe it to be so. Now, however, brands are renowned for offering consumers a unique set of perceived benefits not found in other products (Boyle, 2007).According to Phillip (2006), consumers view the brand as a signal of quality. They trust manufacturers to stand behind their brands. Their positive experience with brands helps establish both a preference for the brand as well as an emotional attachment. In essence, brands reduce potential risks involved for a purchase for consumers such as functional risks financial risks and physical risks among others.

As observed by Jones et al. (2002), branding generally offers a range of perceived advantages and benefits for both buyers and sellers including providing images and information on quality, offering recognition, reassurance, security and exclusivity, contributing to brand image and identity, market segmentation, the mutual development and strengthening of trading relationships, and legal protection. Debling (2000) asserts that branding plays a special role in service companies since strong brands increase customers' trust of the invisible, enable them to better visualize and understand the intangible and reduce customers' perceived financial, social or safety risk.

1.1.2 The Concept of Branding Strategy

One of the effective marketing strategies in business world is branding strategy. This strategy uses brand of either products or companies as its marketing media. In branding strategy, brand has an important role to represent the product or company so customers are interested in buying your products. Apple, Samsung, Coca-Cola and LG are popular brands that are known for their high quality products. A brand strategy is the process of identifying your brand's most compelling unique attributes and combining them into a unique promise. A strong brand stands out from its category. It's relevant to those who come into contact with it. And it's believable, because it's built on credibility and a compelling truth.

According to Stanley et al. (2011), to build and deliver a brand, it is vital that the brand is effectively communicated both internally and externally. The authors further assert that brands are not things; rather brands are a representation of a highly valued idea that resides in the minds of consumers and stakeholders alike. Brands represent a set of unifying principles that guide an organization's behavior and its manner of delivering experiences customers highly value above the available alternatives in the marketplace. Strong healthy brands maintain an intrinsic value to customers that over time translates into tangible financial value for the brand's owners. According to Bhaskar (2004), some companies let a web of subcontractors, produce their goods and they spend all of their time building up their brand image. The companies build their brands by projecting their brand image onto the culture of consumers as well as drawing brand image inspiration from the culture itself. Holt (2004) identifies a number of branding strategies that are used by organizations. These strategies include: using the company name as a brand; there is individual branding Where each product has its own brand; attitude or iconic branding; "No brand" branding; brand dilution or brand extension; multi-brands; derived brands; private labels; organizational and individual brands; crowd sourcing branding and nation branding.

According to Phillips (2006), branding strategies is comprised of two elements that are external and internal to the customer. Internal brand elements include personality, which relates to customers' description of the brand; culture, or the social context within which a brand is perceived and self- image, which encompasses what consumers feel the brand says about them. External elements include physique, or the physical characteristics of the brand that makes consumers want to know what it does; reflection, which relates to the target user or customer being nurtured; and relationship, which says the customer must have an identifying relationship with the brand itself. Stanley et al. (2011) assert that there are two main keys of success in branding. The first one is the combination of execution of the model and strong customer service, and secondly to ensure that the new service is allowed to build its own brand position in customers' minds so that it may eventually survive and thrive on its own, differentiating itself from direct competitors and from the parent brand of complementary services. The combinations of the two with a balanced marketing mix and clear marketing message will ensure the success of branding.

1.1.3 The concept of customer loyalty

According to Jones &Sasser (1995), customer loyalty can be defined as an attachment or some level of affection that a person has towards a company's products and people working for the company. On the other hand, Oliver (1999, 50) gives a more elaborate definition of customer loyalty as a deep commitment to re-buy or repatronize a preferred product or service consistently in the future, thereby causing repetitive same brand or same brand set purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviour. Creating a loyal customer is very expensive and business enterprises need to take into account how they can maintain the customers that they already have. Boora & Singh (2011) argue that the competition that reigns in the business environment is a crucial driver towards better practices in the management of customer relations.

There are various antecedents that can lead to customer loyalty in business. According to Oliver (1999) customer satisfaction is a very important antecedent of achieving customer loyalty. If customers are satisfied with the type of products they get (in terms of quality) then they are likely to be loyal to the company. Business enterprises that are able to make and keep promises to customers can easily win their trust. Trust is a significant pillar of customer loyalty in business (Bitner, 1995). Communication between the company and its customers is also very important in ensuring that the necessary information is passed across. Ndubiri& Chan (2005) assert that the initial marketing information that meant to build awareness and convince the customer is very important. It is also important to provide timely and trustworthy information to customers to boost their loyalty to the company. They further state that the manner in which a business enterprise handles complaints that arise from customers will determine whether the customer will exit or remain loyal to the company and its products.

1.1.4 The Banking Industry in Kenya

The Banking industry in Kenya is governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK). The banking sector was liberalised in 1995 and exchange controls lifted. The CBK, which falls under the Minister for Finance docket, is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system (PWC, 2012).

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 banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the banking sector's interest. The KBA serves a forum to address issues affecting members. Over the last few years, the Banking sector in Kenya has continued to growth in assets, deposits, profitability and products offering. The growth has been mainly underpinned by; an industry wide branch network expansion strategy both in Kenya and in the East African community region. Automation of a large number of services and a move towards emphasis on the complex customer needs rather than traditional 'off-the-shelf' banking products (PWC, 2012).

1.1.5 Commercial Banks in Kenya

The Central Bank of Kenya (CBK) indicates that there are currently 43 commercial banks that are fully licensed to operate in Kenya (CBK, 2012). This number has been growing over time thus increasing the level of competition among commercial banks in the country. The competition has resulted from increased innovations among the players and new entrants into the market. Among these innovations include moving from the traditional decentralized banking to one branch banking that has been enabled by integration of various business functions (PWC, 2012). In order for commercial banks in Kenya to maintain brand leadership and customer loyalty, they employ various strategies such as introduction of unique products and instating on good customer relations management.

The rapid increase of commercial banks in Kenya has resulted to the increase of the number of banking products and services that are offered by various players in the industry. This has created challenges among banks in retaining customers and attracting them. As a result, the banks need to pursue a number of strategies to meet their broad goals and objectives. Among the strategies, that banks utilize is branding strategies aimed at creating a distinctive image of the banks' products and services among various customers.

1.2 Problem Statement

The banking industry worldwide is undergoing transformation. The driving force for this attitude globally as observed by Bello (2005) as the dynamic changes experienced in the global business and marketing environment. Due to these changes in the global market, competition among commercial banks is stiffer than any other time. Therefore for a bank to remain more competitive than the other competitors there is need to build strong brands that can be able to maintain the loyalty of customers. According to Larry (2001), strong brands can be achieved by developing brands that address the basic needs of customers. In the face of homogeneity of products in the banking industry, banks need to adopt appropriate branding strategies that can lead to customer loyalty.

Commercial Banks in Kenya have been forced by the existing competition to differentiate their products in order to survive. According to an analysis conducted by Shah et al. (2011) on the banking industry in Kenya, The number of commercial banks in Kenya is high and this has increased the level of competition among commercial banks thus making it more challenging to achieve customer loyalty. Kumar & Prasad (2012) carried out a study on the branding strategies of the new decade, featuring banks in India. The study established that various brand attributes such as quality, reliability and innovation are very important and are to be packaged in a way that appeals to the people who will be using it. Daffey and Abratt (2002) carried out a study on corporate branding in a banking environment in South Africa. It was established that ABSA created a personality for its brand by determining the most desirable characteristics required by the banking public for a financial services corporation. Anna, Carollina and Persson (2004) also conducted a study on the promotion strategies of banking services in Estonia. It was confirmed that banks attempt to standardize their promotion as much as possible in order to reduce costs and reach economies of scale.

In Kenya there are few local studies on branding strategy. For instance Muta (2009) conducted a study on the branding strategy for the Kenya agricultural Research institute and its products. The study established that KARI adopts a branding strategy that creates visual linkages with its customers. Mahoney (2012) carried out a study on the changing strategies in marketing Kenya's tourist art. The findings indicate that Kenya's artisans and traders have also adapted to diverse and complex tastes beyond the desire for an invented tradition. In Kenya there has been stiff competition among banks and this has ignited the need for banks to build strong brands that can assist them maintain customer loyalty. This study sought to fill this academic gap by answering the following questions: what are the branding strategies adopted by commercial banks in Kenya? And what relationship exists between branding strategies and customer loyalty?

1.3 Objectives of the Study

The objectives of the study were:

i. To establish branding strategies adopted by commercial banks in Kenya.
ii. To find out the customer loyalty levels in commercial banks in Kenya.
iii. To determine the relationship between branding strategies and customer loyalty levels in commercial banks in Kenya.

1.4 Value of the Study

The findings of the study will benefit those in the academic realm. Those interested in conducting further research in this area will be able to find materials for reference. The study will also be a significant contribution to research in branding and customer loyalty.

The findings of the study are expected to assist Kenyan banks as it will highlight and emphasize the various branding and customer loyalty strategies that are adopted by various banks. It will act as a benchmark for best practice in branding and customer loyalty strategies in the banking industry.

The findings of this study will also inform policy makers among commercial banks in Kenya on the global best practices in branding and customer loyalty. This will assist them to come up with strategies that can compete effectively in the global market.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter presents relevant literature in the area of branding and customer loyalty. The issues discussed include, the theoretical foundation of this study, branding, branding strategies as well as customer loyalty. The chapter also presents the summary of the literature review and the knowledge gap.

2.2. Theoretical foundation of the study

Theories of behavioral loyalty were dominating until 1970 considering loyalty as the share of total purchases (Farley, 1964), buying frequency or buying pattern or buying probability. These approaches looked at brand loyalty in terms of outcomes (repeat purchase behavior) rather than reasons, until Day (1969) introduced the two-dimensional concept of brand loyalty, which stated that loyalty should be evaluated with both behavioral and attitudinal criteria.

Even though the many early loyalty researchers considered frequent buying as loyalty, modern research shows that mere repeat purchasing is not a sufficient indicator of loyalty (Reichheld, 2003). The buyer could instead be trapped by inertia, indifference or switching costs, due to circumstances or the company (Reichheld, 2003).Based on different kinds of repeat purchase conduct, Kuusik (2007) suggests that behaviorally loyal consumers can be divided into three sub-segments: forced to be loyal, loyal due to inertia or functionally loyal. Theories that support this division are described in the following sections.

Firstly, consumers can be forced to be loyal when they are made to buy a certain product or a brand even if they do not want to (Kuusik, 2007). Customers may have to consume certain products or services for example when the provider has a monopoly over a market or if the consumers' financial situation is limiting their selection of goods. Interestingly, Grönholdt, Martensen and Kristensen (2000) discovered that companies with a low price strategy had a much higher degree of loyalty among their customers than expected based on their customer satisfaction. On the other hand, companies that had invested heavily on branding had a high level of customer satisfaction but scored a lot lower on customer loyalty. Apart from these alternatives exit barriers created by service providers may also create forced loyalty (Kuusik, 2007).

Secondly, behavioral loyalty may also be a result of inertia when the consumer doesn't switch vendors because of comfort or relatively low importance of the particular product or service (Reichheld, 2003). If the choice has low importance, there is no point to spend time and effort on searching for alternatives. The inertia-based behavioral loyalty is in accordance to Oliver's (1999) approach of cognitive loyalty: "Cognition can be based on prior or vicarious knowledge or on recent experience-based information. If the transaction is routine, so that satisfaction is not processed (e.g. trash pickup, utility provision), the depth of loyalty is no deeper than mere performance" (Oliver, 1999). Bendapudi and Berry (1997) say that one of the reasons that customers don't switch brands when they are unsatisfied is that they feel that the alternatives are just as bad as the brand they are using or even worse. Inertia may also be caused by lack of information about attractive characteristics of the brands (Wernerfelt, 1991).

A third form of behavioral loyalty is functional loyalty that is based on a consumer's objective reason to be loyal. Wernerfelt (1991) identifies cost-based brand loyalty where the benefits of using a brand have a positive effect on brand choice. Functional loyalty can be created by functional values such as price, quality, distribution channels, convenience of use, or loyalty programs that give a reason to prefer a certain supplier (Wernerfelt, 1991). These kinds of functional values are, though, easily copied by competitive brands (Kuusik, 2007). This is why Kuusik (2007) suggests that behavioral loyalty based on functional values isn't profitable in the long run.

Jones and Sasser (1995) propose that behavioral loyalty can come up in different kinds of behavior. According to them the recency, frequency and amount of purchases can be identified as a consumer's primary behavior. A consumer's secondary loyalty behavior consists of customer referrals, endorsements and word of mouth. A third kind of loyalty behavior is a consumer's intent to repurchase – whether or not the consumer is ready to repurchase the brand in the future. (Jones & Sasser, 1995).

2.3 Branding Process

Branding is the process of harnessing a set of associations and perceptions in people's minds concerning the products and services offered by an entity in the marketplace. The associations and perceptions arise from the identification of the company's brand in the market. A brand according to (Keller, 1998), is a name, term, sign, symbol, or design, or combination of both intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors. According to Tybout and Calkins (2005), branding provides a holistic approach to an entity's position, customer interactions, and operations, based on the values of the company. The goal of branding as pointed out by the Tybout and Calkins (2005), is establishing and nurturing a relationship with customers. Any institution can benefit more by creating a brand that presents the company as distinctive, trusted, and exciting among other reliable attributes that are appropriate to its business activities. This implies that branding forms the art and cornerstone of any organization's marketing goals and objectives. Thus, it is vital for marketers in organizations create, maintain, protect and enhance brands.

According to Aaker (1996), branding provides a way that makes it possible for an organization to highlight clearly, what makes its offers different and more desirable than those of the competitors in the marketplace do. Effective branding elevates a product or an organization from being just one commodity amongst many identical commodities, to become something with a unique character and promise. It can create an emotional resonance in the minds of consumers who choose products and services using both emotional and pragmatic judgments. Phil (2006) observes that brands build relationships between consumers and products, services, or lifestyles by providing beneficial exchanges and adding value to their objects. Largely, as indicated by Kotler et al. (1999), individuals are most likely to pay more for a branded product or service than they are for products and services that are largely unbranded. This is because a brand makes it possible for the company to create a connection with people, which is very important for all business enterprises since it embodies attributes which consumers will feel drawn to.

According to Pradeesh and Prasad (2012), branding makes it possible for an organization to communicate the value of a variety of products and services to its audiences and thereby build a relationship and encourage exchange. Keller (1998), states that the basic notions of relationship, value and exchange highlight the fact that branding is more than simply a matter of communicating with consumers and persuading them to purchase a product or take some desired action. Branding certainly utilizes communication strategies, but it is much more than that. Brands position products, services, behaviors, and organizations by creating associations that can transcend any one advertisement or other promotional activity. Thus, effective branding can position an organization's offerings in the lives of consumers in the larger social and physical environments in which we live. As pointed out by Kotler et al. (1999), branding takes the core benefits of a product or service and extends them into a source of greater value through the accretion of intangible benefits (like lower perceived risk and added emotional benefits). By adding these additional benefits, the brand earns an entity a higher degree of differentiation that leads to lower customer churn.

The various elements that makes a brand successful include, taglines and slogans; which underlines a company's philosophy, brand colours; which impart a visual appeal to communication process as it anchors the brand in the minds of the customer thus developing a high brand recall, and also a logo.

2.4 Branding Strategies

Branding strategies are aimed at influencing people's perception of a brand in such a way that they are persuaded to act in a certain manner, e.g. buy and use the products and services offered by the brand, purchase these at higher price points, donate to a cause. In addition, most branding strategies aim to persuade people to buy, use, and donate again by offering them some form of gratifying experience. As branding is typically an activity that is undertaken in a competitive environment, the aim is also to persuade people to prefer the brand to competition (Gelder, 2002). As asserted by Gelder (2002), a brand needs to provide relevant meaning and experience to people across multiple societies. To do so, the brand strategy needs to be devised that takes account of the brand's own capabilities and competencies, the strategies of competing brands, and the outlook of consumers (including business decision makers) which has been largely formed by experiences in their respective societies. There are four broad brand strategy areas that can be employed that is brand domain, brand reputation, brand affinity and brand recognition.

Holt (2004) identifies a number of branding strategies that are used by organizations. These strategies include: corporate brand strategy; using the company name as a brand; there is individual branding strategy; Where each product has its own brand; attitude or iconic branding; here, brands present a larger feeling to the buyer ;"No brand" branding; a type of strategy in which a company creates a package that imitates the generic brand simplicity by either use of colour without a brand name; brand extension strategy; the existing strong name can be used as a vehicle for new or modified products, the new product usually has a brand name marking; multi-brands strategy; an organization can deliberately launch a totally new product to compete with their own existing strong brand; derived brands; some suppliers of key components may wish to guarantee their own position by promoting a component as a brand in its own. e.g. safaricom stickers on mobile gadgets; private labels; also called own brands; organizational and individual brands; the type of branding that treat individuals and organizations as the products to be branded; crowd sourcing branding strategy; where the people create the brands for the organization and nation branding; aims to measure, build, and manage the reputation of countries e.g Kenya being advertised as the best tourist destination in Africa.

In terms of Kotler, et al (2001), four brand strategies can be used to develop a brand. Line extensions strategy are done through adding new features, flavours, colours, size, packaging etc with company's existing products. The reason for doing this is to increase the sales when company faces high competition.

Brand extensions strategy is to launch new or modified products/services. Companies extend their brand because it increases consumers brand loyalty. Apple's Ipad2, Smirnoff apple, Smirnoff ice, Pepsi max, lucozade sport are examples of brand extensions.

Multi brands strategy was defined as "a strategy under which a seller develops two or more brands in the same product category". Multi brand strategy is an innovative brand development idea. Most companies go through this strategy because when they promote similar products under the different brand name they can fill up the price and quality gaps of the target market. It helps them to have greater market share. This strategy has some risks as well such as, a company might be denied due to miscommunication with targeted consumers and poor management.

New brands strategy means creating a complete new product and new brand whether multi brand stays with existing product but establishes new brand. For example, Toyota created a separate family name "Lexus" (luxury executive car) in order to distinct its identity.

According to Phillips (2006), branding strategies is comprised of two elements that are external and internal to the customer. Internal brand elements include personality, which relates to customers' description of the brand; culture, or the social context within which a brand is perceived and self- image, which encompasses what consumers feel the brand says about them. External elements include physique, or the physical characteristics of the brand that makes consumers want to know what it does; reflection, which relates to the target user or customer being nurtured; and relationship, which says the customer must have an identifying relationship with the brand itself.

2.5 Customer Loyalty

According to Kim and Yoon (2004), customer loyalty is the willingness of clients to maintain their relations with a particular firm or service/product. It is the commitment of a customer to engage in trade with a particular firm, buying their products and services and even referring it to colleagues. Rauyruen and Miller (2007) explain customer loyalty as a merged concept of behavioral loyalty that is willingness of customer to repurchase from and continue relationships with the company and attitudinal loyalty that entails emotional attachments and advocacy of customers toward the company. Customer loyalty implies that even if companies make minor errors or mistakes, customers are still willing to do business with them or maintain relations. This is because as indicated by Kincaid (2003) due to customer loyalty, the behavior of consumers are built on positive experience and value, which leads to buying products, even when that may not appear to be the most rational decision.

Inamullah, (2012) asserts that by tradition, customer loyalty is divided into two dimensions. One is based on behavior and the other is based on attitudes. The behavior dimension refers to a customer's behavior on repeat purchases, indicating a preference for a brand or a service over time. Examples of customer loyalty behavior include continuing to purchase services from the same supplier, increasing the scale and or scope of a relationship, or the act of recommendation. Attitudinal dimensions, on the other hand, refer to a customer's intention to repurchase and recommend, which are good indicators of a loyal customer. Different feelings drive an individual's overall attachment to a product, service, or organization. These feelings define the individual's (purely cognitive) degree of loyalty. The duo makes customer loyalty a focal point for numerous business organizations. The successes of company's sales are ensured by customer loyalty, which can be influenced by management action. In the ever dynamic, turbulent and competitive business environment, the loyalty of customers is seen by entities as the main feature in getting continued competitive advantage. Chang and Chen (2007) argue that oriented customer-business organizations will attract and develop loyal customers, it is therefore crucial to understand the customer psyche for building competitive policies to succeed in differentiation and winning of customer loyalty in the competitive market. A firm can develop long lasting, jointly profitable associations with customer by developing customer loyalty this makes customer loyalty a vital element for the continued existence and operating of firms business.

Bowen and Shoemaker (1998) point out that the main prerequisites in maintaining customer loyalty are satisfaction and service quality. Other additional prerequisites of customer loyalty as indicated by Shoemaker (1998) include economical and psychological factors that influence customers to switch suppliers as well the firm's image that influences customer enthusiasm value and delight thus affecting the customer loyalty. According to Reicheld and Sasser (1990), customer loyalty can be achieved in some cases by offering a quality product with a firm guarantee. Customer loyalty is also achieved through free offers, coupons, low interest rates on financing, high value trade-ins, extended warranties, rebates, and other rewards and incentive programs. Further, Reicheld and Sasser (1990) assert that behaviors including relationship continuance, increased scale or scope of relationship, and recommendation (word of mouth advertising) result from customers' beliefs that the quantity of value received from one supplier is greater than that available from other suppliers. The ultimate goal of customer loyalty programs is happy customers who will return to purchase again and persuade others to use that company's products or services. This equates to profitability, as well as happy stakeholders through enhanced revenues, reduced costs to acquire customers, lower customer-price sensitivity, and decreased costs to serve customers familiar with a firm's service delivery system.

Gustavsson and Lunfgren (2005) state that there are several approaches that an organizations can utilize in order to accomplish and maintain customer loyalty. The key approachesas indicated by Gustavsson and Lunfgren (2005) are defensive approaches, decision-making stages, building and sustaining profitable customer loyalty, customer loyalty programs and brand loyalty. According Fornell (1992), loyal customers are not necessarily satisfied customers however; customers that are satisfied tend to be loyal. As observed by Fornell (1992), an entity's relationship to its clients can be divided into two separate business strategies, offensive and defensive. The offensive strategy deals with attracting new customers while on the other hand, defensive strategies try to keep already existing customers. Conventionally, organizations devoted more resources to acquiring new customers but today, most business enterprises apply a combination of both offensive and defensive strategies. The objective of the defensive strategy as pointed out by Gustavsson and Lunfgren (2005) is to minimize customers' switching and maximum customer retention by protecting the brand and its market from competitors and highly satisfied customers. Further, switching barriers makes it costly for the customer to switch brand, vendor or even store. To achieve this, entities put in place mechanisms that limit the customers brand alternatives in order to accomplish repeated purchase such as search costs, loyal customer discounts, customer habit and emotional costs among other strategies for building up switching barriers for customers.

Another way that firms can maintain customer loyalty is through the establishment of customer loyalty programs. According to Uncles, Dowling and Hammond (2003), customer loyalty programs offer financial and relationship rewards to customers with the purpose of making the customers brand loyal. As stated further by Uncles et al. (2003), there are two aims of loyalty programs. The first is to increase sales or revenues through purchase increases and the second aim is to build bonds between the brand and the existing customers in order to maintain the existing customer base. O'Malley (1998) asserts that loyalty programs are developed to reward loyal customers, generate information about customers and to manipulate their behaviors. The loyalty programs are normally introduced to build customer loyalty through a reward scheme. The goal of loyalty programs is to establish a high level of customer retention by providing satisfaction and value to certain customers. The programs also can increase brand loyalty by creating switching costs and profits by avoiding competition. As stated by Butscher (2002), loyalty programs primarily aim to build up emotional relationships that generate benefits. The benefits need to be valuable and capable of creating an emotional connection between the customers and the organization so that customers select an entity's brand based on their desire.

The other approach of maintaining customer loyalty according to Aaker (1996), is to develop or strength customer relationship with the company's brand through brand awareness, perceived quality and a clear brand identity.

Brand awareness reflects the presence of the brand in the mind of the consumer, perceived quality is the brands associations and brand identity provides direction, purpose and meaning of the brand. Programs that can build this type of loyalty are frequent buyer programs and customer club members. Frequent buyer programs provide direct and tangible reinforcement for a customer's loyal behavior. The programs enhance the value proposition of the brand, the brands differentiation and affirm the commitment between the companies and their loyal customers. Gustavsson and Lunfgren (2005) point out that the more intense loyalty program is the customer clubs were the members receive discounts, news of upcoming events and special offers. The clubs also provides evidence that the company really cares for their loyal customers.

According to Kumar and Shah (2004), the main goal of every company is profitability and one method to achieve this for a company is to gain and maintain loyal customers. If an entity invests resources to build customer loyalty without focusing on profitability may lead to failure in the end. Therefore, an entity must invest in customer loyalty activities directed to meet specific strategic objectives. To achieve this, companies should reward all customers do or has been doing business with the company. Entities can also reward their customers either on how much the customers are spending or the profitability of customers.

According to Jones & Sasser (1995), there are four different ways consumers behave and this has an effect to the way they treat brands in the market

The Loyalist and Apostle; in most cases, the loyalist is a happy customer who has had good experiences with the company and who is ready to return on a regular basis. This customer has a need and the company provides exactly the product or service that fits him. It explains why this customer is so easy to serve. Even more enthusiastic than loyalists, the apostle is so overwhelmed; his experience brings him so much more satisfaction than he expected that he share his strong feelings with others.

The Defector and the Terrorist; Defectors' ranks include very dissatisfied, quite dissatisfied, neutral, or even satisfied customers. The number of merely dissatisfied customers or satisfied customers who have encountered failures and defect can be quite impressive. It would be a huge error to let them go since the company has the tools to turn them into highly satisfied customers. The worst defector a company can dream of is called the terrorist. This customer has endured a bad experience and he cannot wait to communicate his frustration and anger to others. These people are angry because no one was there to respond, listen or correct the failure they encountered.

The Mercenary; this is a kind of customers having no rule and reacting in unpredictable ways. Even if they are highly satisfied, they will show almost no loyalty. "These customers are often very expensive to acquire and quick to depart. They chase low prices, buy on impulse, pursue fashion trends, or seek change for the sake of a change" The Hostage; these customers have endured the worst the company has to offer and still have to accept it. These individuals are stuck in a monopolistic environment.

Jones &Sasser enact what should be every company's ultimate objective: "Turning as many customers as possible into the most valuable type of loyalist, the apostle, and eliminating the most dangerous type of defector or hostage, the terrorist".

2.6 Branding Strategies and Customer Loyalty

It is apparent from the preceding discussion that both branding and customer loyalty are crucial in the success of the products and services of a company in the current business environment that is dynamic, turbulent and ever competitive. As observed by Gustavsson and Lunfgren (2005), branding and customer loyalty is a central theme of marketing theory and practice in establishing sustainable competitive advantage. The triumph of an organization largely depends on its ability to attract consumers towards its brands. In order to get the most out of their purchase, consumers try different strategies, among which, branding and loyalty is recognized by a large amount of business enterprises as the mechanism to reach more customers and position themselves competitively in the market.

Bhatnagar and Sinha (2012), assert that the one-size-fits-all branding and customer loyalty marketing strategies often does not work for all industries/institutions. Understanding what motivates customers and cause them to choose the selected branded services or products over other competitors' brand plays a key role in developing appropriate branding and customer loyalty strategies. Thus, carefully selecting a brand position can provide an entity such as the bank with marketplace advantages help in translating the existing position to a strong and consistent brand identity. Including the intuitive brand architecture backed up with a strong name, icon, and tagline that concisely reinforces brand promise. Banks also have to indulge in activities such as developing brand messages by including a well framed and focused speech, educating its employees about the brand promise and giving them the incentives, helping customers identify itself easily with its identity standards for services delivered. Similarly, the tools and training methods to become effective brand and customer loyalty champions should be periodically assessed at all levels by using the most effective and efficient means. Banks also should develop an integrated launch and ongoing marketing plan, and should emphasize the banks promise at each point of customer contact.

2.7 Chapter Summary

Branding and customer loyalty are among the most powerful tools in the marketing arsenal. Branding represent a set of unifying principles that guide an organization's behavior and its manner of delivering products and services with the goal of making certain that customers experience highly value above the available alternatives in the market. Strong healthy brands maintain intrinsic value to customers, which over time translates into tangible financial value for firms. On the other hand, customer loyalty programs ensure that clients built their behavior on positive experience and value, which leads to buying products, form an entity even when it may not appear to be the most rational decision. Branding strategies and customer loyalty require an action plan that specifies which marketing mix elements will be used, how they will be used, and how they will be integrated to achieve a consistent branding effort as well as customer loyalty. Every firm activity that engages prospective customers is a potential tool for branding and customer loyalty plans. Thus, all elements of the marketing mix contribute to branding and customer loyalty. They can also destroy a brand value as well as customer loyalty if they are not managed properly.

From the reviewed literature, it is apparent that branding strategies can affect customer loyalty levels to an organization. The branding strategies include line-extension strategy, new brand strategy, corporate strategy, co-branding strategy, brand range strategy, all of which represent the brand in popular culture via public relation and pricing while the customer loyalty levels include loyalists, defectors, terrorists and mercenaries. The effectiveness of these strategies varies from one territory to another as well as from industry to industry. In Kenya, today's banking market is overflowing with some of the most diverse and vibrant group of consumers. This has created a problem in that unlike the previous era and generations where the one-size-fits-all marketing that often works in typical retail does not work for the banking industry. Equally, the literature on branding strategies and customer loyalty in Kenya is limited and the studies on the topic are rather scant. This creates a knowledge gap that this study aims to bridge by conducting a study to determine relationship between branding strategies and customer loyalty among Commercial Banks in Kenya.

CHAPTER THREE:RESEARCH METHODOLOGY

3.1 Introduction

This chapter highlights the research methodology that was used to conduct this study. Among the issues discussed herein include the research design that was employed, the population targeted by the study, the sample size and how it was selected, the data collection methodology and instruments as well as the data analysis and presentation techniques used in analyzing the data that was collected.

3.2 Research Design

This study adopted descriptive survey design. Tanur (1982) asserts that a survey is a means of collecting information about a large group of elements referred to as a population. A survey has three characteristics: to produce quantitative descriptions of some aspects of the study population in which case it is concerned either with relationships between variables, or with projecting findings descriptively to a predefined population; data collection is done by asking people structured and predefined questions and data is collected from a fraction of the target population (Pinsonneault and Kraemer, 1992). Descriptive design research was appropriate for this study since the researcher was interested in studying the variables their state without making any changes to them. The data collected was in descriptive form.

3.3 Population of the study

The population of the study for this research included all the commercial banks operating in Kenya. The Central Bank of Kenya (2012) indicates that there were 43 licensed commercial banks as at December 2012 as shown in appendix II. The 43 banks therefore formed the target population of the study. The study involved a census of all the licensed commercial banks in Kenya.

3.4 Data Collection

The researcher collected both primary and secondary data. Primary data was collected through semi structured questionnaire which were distributed to marketing or brand managers in the licensed commercial banks in Kenya. The questionnaire comprised Likert type questions, multiple choices and open ended questions. The questionnaire was divided into four sections: Section A of the questionnaire contained questions on the bank profile. This section sought general information on the bank; Section B solicited data on the branding strategies adopted by commercial banks in Kenya; Section C sought information on the relationship between branding strategies and customer loyalty among commercial banks in Kenya while section D solicited data on the customer levels of loyalty among commercial banks in Kenya.

3.5 Data Analysis

The data analysis was done using both qualitative and quantitative approaches. The collected data was sorted coded and entered into SPSS where descriptive statistics were generated. In order to establish the branding strategies used by commercial banks, means were generated to identify the strategies with favorable responses. The customer loyalty levels were analyzed using descriptive statistics were. The relationship between branding strategies and customer loyalty was measured using correlations analysis. Content analysis was used in making inferences on the qualitative data that was collected. The findings were presented in form of Tables.

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATIONS

4.1 Introduction

The purpose of this study was to establish the effect of branding strategies on customer loyalty among commercial banks in Kenya. The study had three specific objectives: To establish branding strategies adopted by commercial banks in Kenya; To find out the customer loyalty levels in commercial banks in Kenya and to determine the relationship between branding strategies and customer loyalty levels in commercial banks in Kenya. Primary data was successfully collected from 35 out of the 43 commercial banks in Kenya. This is an indication that the study achieved a response rate of 81.4%. The findings from the study are discussed next.

4.2 Demographic profile of the respondents

The researcher sought information on the demographics of the various respondents that participated in the study. The aim of seeking this information was to assist the researcher to get the way the respondents give out results in different demographic situations as this could help in further understanding their branding strategies and customer loyalty. The findings are presented below.

4.2.1 Position of the respondents

The respondents were asked to indicate their position in the organization. The findings are contained in Table 4.1

Table 4.1: Position of the respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Clerk	4	11.4	11.4	11.4
Section head	13	37.0	37.0	48.4
Manager	18	51.6	51.6	100.0
Total	35	100.0	100.0	

It is evident from the findings that most of the respondents represented by 51.6% were managers. This is an indication that most of the respondents who gave information had the necessary skills and experience to provide relevant information for the study.

4.2.2 Experience of the respondents

The respondents were asked to indicate the number of years they have worked in their particular banking institution. The findings are indicated in Table 4.2 below.

Table 4.2: Experience of the respondents

	Frequency	percent	Valid Percent	Cumulative percent
Less than 5 years	8	22.8	22.8	22.8
5-10 years	12	34.2	34.2	57.0
More than 10 years	18	43.0	43.0	100.0
Total	35	100.0	100.0	

The findings from the study reveal that 43% of the respondents had worked in the various banks for more than 10 years; 34.2% had worked for between 5-10 years whereas 22.8% had worked for less than five years. The results confirm that most of the respondents had been with their respective banks long enough to understand the branding strategies used by the banks.

4.3 Organization profile

The researcher sought information on the profile of the various banks that participated in the study. The aim of seeking this information was to assist the researcher to get more understanding of the various commercial banks as this could help in further understanding their branding strategies and customer loyalty. The findings are presented below.

4.3.1 Age of the commercial bank

The respondents were asked to give information on the number of years the bank they are working in have been in operation and the findings are indicated in Table 4.3

Table 4.3: Age of The commercial Banks

	Frequency	Percent	Valid Percent	Cumulative Percent
5-10 years	4	11.4	11.4	11.4
10-15 years	4	11.4	11.4	22.8
Above 15 years	17	77.2	77.2	100.0
Total	35	100.0	100.0	

The study established that 77.2% of the commercial banks that participated in this study have been in operation or in business for more than 15 years. This implies that the banks have a wealth of experience in branding and customer loyalty having been in operation for a long time.

4.3.2 Size of the commercial banks

The respondents were asked to indicate the size of the bank in respect to the number of employees working there. The findings are contained in Table 4.4

Table 4.4: Size of the commercial banks

	Frequency	Percent	Valid percent	Cumulative percent
100-500	9	24.9	24.9	25.9
500-1000	12	34.2	34.2	59.1
Above 1000	14	40.9	40.9	100.0
Total	35	100.0	100.0	

The results from the study tabulated confirm that 40.9% of the commercial banks in Kenya have more than 1000 employees; 34.2% have more than 500 employees but less than 1000 whereas 24.9% of the commercial banks have more than 100 employees but less than five hundred.

4.3.3 Existence of branding department

The respondents were asked to indicate if the bank has an existing branding department. The findings are contained in Table 4.5

Table 4.5: Branding Department

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	27	77.2	77.2	77.2
No	8	22.8	22.8	100.0
Total	35	100.0	100.0	

It is clear that 77.2% of the commercial banks in Kenya have a branding department that addresses the branding needs of the banks. However, 22.8% of the commercial banks indicated that they do not have an operational branding department.

4.4 Rebranding of commercial banks

The researcher sought information on the rebranding of the various banks that participated in the study. The aim of seeking this information was to assist the researcher to get more understanding on the effects that rebranding has had on the various commercial banks as this could help in further understanding their effects on their customers.

4.4.1 Last time of rebranding

The respondents were asked to indicate the last time the bank did a rebranding campaign at their premises. The findings are indicated in Table 4.6

Table 4.6: Last time of rebranding

	Frequency	Percent	Valid percent	Cumulative percent
Last five years	2	5.6	5.6	5.6
Last 10 years	6	17.4	17.4	22.9
More than 10 years	17	77.2	77.2	100.0
Total	35	100.0	100.0	

The results tabulated confirm that most of the commercial banks represented by 77.2% rebranded more than 10 years ago; 17.4% of the commercial banks rebranded within the last ten years while 5.6% rebranded within the last five years.

4.5 Customer retention among commercial banks

The researcher sought information on the customer retention of the various banks that participated in the study. The aim of seeking this information was to assist the researcher to get more information on the number of customers that the commercial banks can be able to maintain at a given time period. The findings are presented below.

4.5.1 Customer retention

The respondents were asked to indicate information on the rate of customer retention among the banks. The findings are indicated in Table 4.7

Table 4.7: Customer retention

	Frequency	Percent	Valid percent	Cumulative percent
Very high	24	68.6	68.6	68.6
High	8	22.8	22.8	91.4
Moderate	3	8.6	8.6	100.0
Total	35	100.0	100.0	

The respondents were requested to indicate the level of customer retention among the commercial banks that were involved in this study. It is evident from the findings that 68.6% of the commercial banks indicated that their customer retention is very high. This is a confirmation that customer loyalty among the commercial banks is relatively high.

4.6 Branding strategies

The study sought to establish the branding strategies that are adopted by commercial banks in Kenya. The respondents were given a set of commonly used branding strategies to rate them in terms of their usage within the organization. The responses obtained from the respondents were subjected to descriptive statistics and the mean for each strategy was used to explain the outcome. The results are presented in Table 4.8. The lowest score was 5 representing not at all while the highest score was 1 representing to a larger extent.

Table 4.8: Branding strategies

Strategy	N	Minimum	Maximum	Mean
Using the company name as a brand	35	1	5	1.23
Branding each product	35	1	5	3.52
Using attitude or iconic branding	35	1	5	4.86
Using no particular brand	35	1	5	4.97
Brand dilution or extension	35	1	5	3.41
Use of multi-brands	35	1	5	2.48
Use of derived brands	35	1	5	5.00
Utilizing private labels as brands	35	1	5	5.00
Using organizational and individual brands	35	1	5	3.94

It is evident from the findings that using the brand name is very common among the commercial banks in Kenya. This is supported by a mean of 1.23. This is an indication that most of the commercial banks use their company names as brand names for the products they offer to customers. Use of multi-brands by commercial banks had a mean of 2.48, an indication that banks also use several brand strategies for various products they have. A number of strategies are also used by the commercial banks to a moderate extent. These strategies include branding each of the products that commercial banks come up with which has a mean of 3.52 in the table above; brand dilution or extension is also used by banks. It was revealed that brand extension is more common especially if the bank is convinced that the brand is strong and popular among its customers. The study findings also established that commercial banks in Kenya do use organizational and individual brands in selling their products to customers. The study further revealed that there are some branding strategies that are not completely used by commercial banks in Kenya. These strategies include attitude or iconic branding strategy; using no particular brand at all; use of derived brands as well as utilizing private labels as brands. These branding strategies had means of 4.86, 4.97, and 5.00 respectively. This implies that the strategies are not used at all by most commercial banks in Kenya.

4.7 Customer Loyalty Levels

The researcher also sought to establish the customer loyalty levels among the commercial banks that participated in the study. The respondents were provided with a set of indicators of customer loyalty in the commercial banks. They were required to rate the indicators which were later subjected to descriptive analysis to obtain the mean for each indicator. The lowest rating was 5 representing strongly disagrees and the highest rating was 1 representing strongly agree. The findings are represented and discussed next.

Table 4.9: Customer loyalty levels

	N	Minimum	Maximum	Mean
High customer turnover	35	35	1	4.651
Maintaining accounts long	35	35	1	1.562
Few account closures	35	35	1	2.365
Customers stay even if wronged	35	35	1	2.421
Customers refer potential customers	35	35	1	1.961
Customers advice on how to improve services	35	35	1	2.013
Accounts have been in the bank for long	35	35	1	2.145
New customers rarely stay for more than 5 years	35	35	1	4.879

From the findings tabulated in Table 4.9. It is revealed that a number of customer loyalty indicators are evident among the commercial banks in Kenya. The study confirmed that maintaining accounts for long by the customers had a mean of 1.562 and customers referring potential customers to the bank also had a mean of 1.961. This implies that the respondents strongly agreed that these two indicators are evident within their banks. It was also established that there are few account closures among the commercial banks as can be revealed by a mean of 2.365. The study also reveals that customers opting to stay even when they feel offended had a mean of 2.421 an indication that the respondents agreed that customers who are loyal to the bank usually choose to stay even when they are occasionally offended or dissatisfied. It was also established that customers giving advice on how to improve service delivery and accounts being maintained for a long time had a mean of 2.013 and 2.145 respectively. This is an indication that the respondents agreed that these indicators could be witnessed in their banks. However, the study also established that there is no high customer turnover and that new customers stay for more than five years.

4.10 Relationship between branding strategies and customer loyalty

The study sought to establish nature of relationship that exists between branding strategies and customer loyalty among commercial banks in Kenya. To achieve this, the respondents were given various aspects to respond to and they were subjected to correlation analysis. The correlation coefficients were obtained to assist identify the nature and direction of the relationship that exists between branding strategies and customer loyalty among commercial banks in Kenya. The correlation results are presented in the table below.

Table: 4.10: Relationship between Branding and Customer loyalty

	high customer turnover	customers maintain accounts for long	customers close accounts	Customers willing to stay even if wronged	Customers refer potential customers	Customers advice on how to improve services than leave bank	accounts have been in bank for long	New customers rarely stay more than 5 years
Using the company name as a brand	-.894	.695	-.786	.562	.742	.254	.674	-.613
Branding each product	.126	.354	-.136	-.248	.622	.635	.589	0.106
Using attitude or iconic branding	.174	-.236	.181	.214	.148	-.214	.127	.094
Using no particular brand	.009	.242	.119	.003	.245	.137	.222	.106
Brand dilution or extension	-.214	.569	.118	.421	.501	.780	.208	.184
Use of multibrands	-.674	-.635	.112	.689	.780	.452	.589	.052
Use of derived brands	.006	.012	.045	.007	.084	.096	.009	.014
Utilizing private labels as brands	.032	.047	.096	.008	.112	.004	.074	.056
Using organizational and individual brands	.134	.529	-.687	.742	.676	.512	.539	.005

It is evident from the correlation results in table 4.8 that there was a relatively strong positive correlation of 0.695 between Using the company name as a brand and customers maintaining accounts for long. This is a confirmation that using the bank name as a branding strategy enhances customer loyalty and it can also serve as a reason for some customers to maintain their accounts for such a long time with their specific banks. Another significant positive correlation of 0.742 was established between using the company name as a brand and customers referring other potential customers to the bank. This is an indication that customers prefer the bank name and can easily refer other potential customers to get services associated with the name of the bank. The study further established that there exists a strong positive correlation between using multi-brands and the possibility of customers referring other potential customers to the bank. This confirms that when a bank has several products with different brands, existing customers may refer potential customers for specific services or products. The study also reveals that there exists a strong inverse relationship of -.687 between using organizational and individual brands and the closure of accounts by customers. This is an indication that when the banks use organizational and individual brands, there is less closure of accounts and when they don't use there is higher closure of accounts.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This study was carried out for the sole purpose of establishing the effect of branding strategies on the customer loyalty levels of commercial banks in Kenya. This chapter presents a summary of findings from the study's analyzed data; the conclusions arrived at by the researcher upon careful consideration of the results; the recommendations the study presents for policy and decision making purposes as well as the suggestions on research gaps the researcher believes were left out by the study.

5.2 Summary of Findings

The findings from the study reveal that most of the commercial banks in Kenya branded more than ten years ago. This is an indication that most of the banks do not change their brands frequently because it is associated with customer loyalty and retention. It was also evident that most of the commercial banks in Kenya have branding departments that handle all the issues on branding of their institutions and products that are offered to their customers. It was also clear that most of the commercial banks have been in operation for more than 15 years an indication that they have a wealth of experience on branding strategies and its effect on customer loyalty.

It was established that most of the commercial banks in Kenya have high customer loyalty levels based on the customer loyalty indicators that were used in this study. For instance the findings reveal that most of the commercial banks have customers who have maintained their bank accounts for a very long time averagely more than five years. The findings also indicated that most commercial banks in Kenya do not have high customer turnover and account closures since most of the customers they have prefer staying with their respective banks even if they feel offended occasionally. It was further clear that commercial banks also benefit from word of mouth marketing from their existing customers who in most cases refer other potential customers to the bank. The other customer loyalty indicator is that most new customers do not close their accounts as soon as they are opened but instead stay for more than five years. It was also evident from the study findings that customers provide important advice to the bank on how to improve its services rather quit for another bank.

It was also established that the commercial banks in Kenya use a number of branding strategies that assist in enhancing their customer loyalty. One such branding strategy that is widely used by the commercial banks in Kenya is the use of the bank name as a brand. Most of the commercial banks in Kenya often use their bank names in addition to a product brand name. This assists the banks to differentiate their products from similar ones that are provided by other competitors in the market. The study also revealed that the banks may also use multi-brands as one of their brandings strategies. This implies that commercial banks may use several brands for various products. However, the use of several brands is only possible if the bank brand name is also included. Branding each of the products was also found to be common among commercial banks and the same case applies to using of the organizational brand and brand extension.

The study established that there is a strong positive correlation between branding strategies and customer loyalty among commercial banks in Kenya. For example the correlation results indicate that there exists a strong positive correlation between branding and retention of customers, creating confidence among customers, and customer staying because of a strong brand name.

5.3 Conclusions

Branding is a very significant element of customer loyalty among commercial banks in Kenya. Most commercial banks in Kenya have demonstrated this significance by establishing departments that deal with all the branding issues that they face. The most common branding strategies among commercial banks in Kenya are the use of the bank name alongside other brands for their products; use of multi-brands strategy; use of brand extension strategy; use of the organizational brand as well as use of several brands. Banks also indicated that their customer loyalty levels are high through various indicators such as operating accounts for long, opting to remain with the bank even if occasionally offended, low customer turnovers and referral of other potential customers by existing customers.

5.4 Recommendations for policy and theory

The study has established that branding is very essential in maintaining customer loyalty. Commercial banks in Kenya should be encouraged to look for better ways of strengthening their brands in order to enhance the level of customer loyalty.

It is clear that there are some brand strategies that are not used by commercial banks such as not using any brand at all. It will be important for commercial banks to benchmark with other banks in other countries that are more advanced for best practices in brandings.

5.5 Limitations of the study

This study was limited to the generalized effect of branding on customer loyalty among commercial banks in Kenya and did not include the impact on the number of customers and the type of branding used by the banks.

The data collection was confined to only thirty five relatively large commercial banks in Kenya. The replication of the study at different regions in East Africa or the African continent would enable better generalizability of the findings of the study. At the same time data collection with enough time given for the activity could have elicited better responses improving findings which were not the case in this study due to time constraint.

5.6 Suggestions for further Research

A comparative study needs to be carried out to compare the branding strategies and customer loyalty between Kenyan banks and other commercial banks in another country. This will assist in benchmarking for best practices.

Future research can seek more information on the different branding strategies that the commercial banks use to retain their existing customers

This study can also be replicated in other industries so that a cross industry comparison can be done to establish any possible similarities and differences.

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APPENDICES

Appendix I: Research Questionnaire

Section A: Company Profile

1. Name of the bank
2. Position held at the bank
3. Number of years with the bank
4. Years bank has been in operation
   a) Less than five
   b) 5-10 years
   c) 11-15 years
   d) More than 15 years
5. No of employees in the bank
   a) Less than 100
   b) 101-500
   c) 501-1000
   d) Above 1000
6. When was the last time the bank rebranded?
   a) 5 years ago
   b) 10 years ago
   c) More than 10 years ago
   d) The bank has never rebranded

7. How can you rate customer retention in your bank?
    a) Very high
    b) High
    c) Moderate
    d) Low
    e) Very low

8. Is there a branding department in your bank?
    a) Yes
    b) No

Section B: Branding strategies

Kindly indicate the extent to which the following branding strategies are used by your bank.

Use the scale of: 1= Very large extent 2= Large extent 3= moderate extent 4= small extent = 5 Not at all

No.	**Strategy**	**1**	**2**	**3**	**4**	**5**
1	Using the company name as a brand					
2	Branding each product					
3	Using attitude or iconic branding					
4	Using no particular brand					
5	Brand dilution or extension					
6	Use of multibrands					
7	Use of derived brands					
8	Utilizing private labels as brands					
9	Using organizational and individual brands					

10. Please list any other branding strategies used by the bank

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Section B: Levels of customer loyalty

Kindly indicate the extent to which you agree with the following statements concerning customer loyalty in bank.

Use the scale of: 1= Strongly agree 2= Agree 3= Not specific 4= Disagree 5= Strongly disagree

No.	**Statement**	**1**	**2**	**3**	**4**	**5**
1	There is high customer turnover					
2	Most customers maintain their accounts for a long time					
3	There are more customers closing accounts than opening					
4	Customers are willing to stay even if wronged					
5	Customers are happy to refer potential customers to the bank					
6	Customers advice on how to improve services than leave for another bank					
7	There are accounts that have been in the bank for long					
8	New customers rarely stay for more than 5 years					

Section C: Relationship between branding strategies and customer loyalty

Kindly indicate the extent to which you agree with the following statements concerning the relationship between branding and customer loyalty in bank.

Use the scale of: 1= Strongly agree 2= Agree 3= Not specific 4= Disagree 5= Strongly disagree

No.	**Relationship**	**1**	**2**	**3**	**4**	**5**
1	Branding strategies enhance customer loyalty					
2	Branding has no role in customer loyalty					
3	Customers stay long because of strong brand					
4	Customers can quit because of a weak brand					
5	Branding plays a role in retaining customers					
6	Branding is essential in creating confidence among customers					

7. What else can you say about the relationship between branding and customer loyalty in bank?

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Appendix II: List of Commercial Banks in Kenya

This is a list of notable licensed commercial banks in Kenya

1. ABC Bank
2. Bank of Africa
3. Bank of Baroda
4. Bank of India
5. Barclays Bank
6. Brighton Kalekye Bank
7. CFC Stanbic Bank
8. Chase Bank (Kenya)
9. Citibank
10. Commercial Bank of Africa
11. Consolidated Bank of Kenya
12. Cooperative Bank of Kenya
13. Credit Bank
14. Development Bank of Kenya
15. Diamond Trust Bank
16. Dubai Bank Kenya
17. Ecobank
18. Equatorial Commercial Bank
19. Equity Bank
20. Family Bank
21. Fidelity Commercial Bank Limited
22. Fina Bank
23. First Community Bank
24. Giro Commercial Bank
25. Guardian Bank
26. Gulf African Bank
27. Habib Bank
28. Habib Bank AG Zurich

29. I&M Bank
30. Imperial Bank Kenya
31. Jamii Bora Bank
32. Kenya Commercial Bank
33. K-Rep Bank
34. Middle East Bank Kenya
35. National Bank of Kenya
36. NIC Bank
37. Oriental Commercial Bank
38. Paramount Universal Bank
39. Prime Bank (Kenya)
40. Standard Chartered Kenya
41. Trans National Bank Kenya
42. United Bank for Africa
43. Victoria Commercial Bank