COMPETITIVE STRATEGIES AND CUSTOMER RETENTION AMONG COMMERCIAL BANKS IN KENYA

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DECLARATION

I declare that this research project is my original work and has never been presented to any examining body of the award of certificate, diploma or degree.

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SUPERVISOR

This research project has been submitted for examination with my approval as University supervisor.

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DEDICATION

I dedicate this work to my family, friends and all those who supported me in the completion of this project.

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I would like to thank God Almighty for His able guidance throughout my studies. I would also like to acknowledge my supervisor, Dr. Mary Kinoti for her guidance and patience throughout this project. To all the respondents and research assistants involved in the data collection process.

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ABSTRACT

In most cases business loses some customers, but few ever measure or recognise how many of their customers become inactive. Most businesses, ironically, invest an enormous amount of time, effort and expense building that initial customer relationship. Customers' satisfaction is a key ingredient in retaining customers, it is important for the commercial banks to adopt competitive strategies in order to retain existing customers in the business and also attract prospective customers (Hunt, 2008).The Kenyan banking sector is facing stiff competition in terms of customer retention due to the increased competition in the sector. Customer retention is the goal of preventing customers from switching to the competitor. It is the way in which firms focus their efforts on existing customers in an effort to continue doing business with them. In order to retain their customers in a competitive market firms have been forced to come up with strategies that will give them competitive advantage. Competitive strategy is a long-term action plan that is defused to help a company gain a competitive advantage over its rivals. This study therefore sought the extent to which competitive strategies influence customer retention among commercial banks in Kenya. The study adopted a descriptive survey design and targeted all the forty four registered commercial banks in Kenya. The data was collected using questionnaires using the drop and pick later method. The questionnaires were then edited, coded and analyzed using the statistical package for data analysis (Version 20). The study concluded that there is a significant relationship between cost leadership strategies and customer retention. The study also concluded that banks use low prices of the bank products to target average customers and also develops new products that meet the market demands. The study also concluded that the banks adopt differentiation strategies by offering superior goods and services of high quality to their customers. The study also concludes that differentiation influences customer retention to a great extent. On focus strategy the study concluded that banks have developed products that target a particular market segment and that there is a measurable relationship between customer satisfaction and customer retention in banks. The study recommended that banks should adopt cost leadership strategies so as to attract and retain more customers, that banks should design products that are of superior quality compared to that of the competition so as to gain competitive advantage that banks should embrace focus strategy and design products that target different income classes and that banks adopt the various competitive strategies such as differentiation, cost leadership strategies and focus strategies so as to remain relevant to their customers by offering superior products that are of better quality.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Creating a customer was initially regarded as the solitary purpose of a business. However, today Customer retention is now regarded important because it has become increasingly difficult for firms to assume that there exists an unlimited customer base. According to Reichheld and Sasser (2010), it costs five times more to gain a new customer than to retain an existing customer as the acquisition costs are lowered in the long run which means that customer retention is related to the profitability of a firm (Hunt, 2008).

The resource based view on strategy plays a pivotal role in retaining customers in the organisation (Krapfel, et al., 2006).The theory as a basis for the competitive advantage of a firm lies primarily in the application of a bundle of valuable tangible or intangible resources at the firms disposal (Rumelt, 1984) The growth and performance in the banking industry majorly depends on uptake and usage of the banking products offered by different players in the industry. Competitive strategies play an important role in achieving customer retention; commercial banks can employ a number of competitive strategies for customer attraction and retention for example generic strategies postulated by Michael Porter (Storbacka and Lehtinen, 2009).

The banking industry in Kenya has become very competitive following the many changes that have occurred over the past ten years. For instance, several commercial banks have joined the industry pushing competition to a higher level. For instance, United Bank of Africa (UBA) and Ecobank Kenya Limited entered into the Kenyan banking industry between the years 2006 and 2011 (CBK, 2013). As each commercial bank struggles to outperform the other by attracting new customers and growing their market share, the level of competition in the industry has gone higher. Several banks are developing differentiated strategies with the aim of attracting new customers as they increase the rate of retention of their existing customers so as to grow their market share. This study aims at investigating the exact competitive strategies developed by commercial banks to increase customer retention.

1.1.1 The Concept of Strategy

Strategy is the pattern of activities which has an impact on the achievement of the organisational objectives in relation to its environment (Porter, 1990).Strategic management is the most important activity undertaken by any business or public organisation. Business strategy is concerned with how the company competes within a particular industry. If the company is to prosper within an industry it must establish competitive advantages over its rivals (Porter, 1998).Managers are constantly learning to play by a new set of rules. Organizations must be flexible to respond rapidly to competitive and market changes. They must benchmark continuously to achieve best practice.

They must outsource aggressively to gain efficiencies. And they must nurture a few core competencies in race to stay ahead of rivals (Prescott, 2001).The purpose of a strategy is to make a company fit into its business environment. various approaches have been adopted when coming up with a business strategy (Porter, 2008).The contingency approach holds that the success of an organization depends on the context in which it is operating (Craig and Douglas, 2006).The contingency theory suggests that there is no universal set of strategies which is optimal for all businesses or companies and thus different strategies should be designed for different environmental situations. The effectiveness of the strategy depends on the appropriate matching of organisational contingency factors to fit the company's context (Ansoff & McDonell (1990).

1.1.2 Competitive Strategies

Competitive strategy has been defined differently by several scholars. For instance, Porter (1996) defines competitive strategy as deliberately choosing different set of activities to deliver a unique mix of value. These activities form the basis of competitive advantage. Competitive strategy is a long-term action plan that is defused to help a company gain a competitive advantage over its rivals. This type of strategy is often used in advertising campaigns by somehow discrediting the competitions products or service. Competitive strategies are essential to companies competing in markets that are heavily saturated with alternatives for consumers. Competitive advantage is sustainable if competitors are unable to imitate the source of advantage or if no one conceives of a better offering (Barney, 2008).

Porter (1996) defines competitive strategy as deliberately choosing different set of activities to deliver a unique mix of value. These activities form the basis of competitive advantage. Strategy in itself can be defined as a game plan management has for positioning the company in its chosen market arena, competing successfully, pleasing customers and achieving good business performance (Thompson & Strickland, 2002). Strategy is also the commercial logic of a business that defines why a firm can have a competitive advantage.

The concept of competitive advantage has gained momentum due the global nature of the market place. Competitive strategy is the distinctive approach which a firm uses or intends to use to gain a competitive edge in the market place (Porter, 2008).The view competitive strategies as more skill-based and involving strategic thinking, creativity, execution, critical thinking, positioning and the art of warfare (Davidson 2001). Competitive strategy aims to establish a cost effective and sustainable position against the forces that determine industry competition. Competitive strategies are designed for situations where only partial information is available, whereas an optimal solution requires complete knowledge of all circumstances, or of the future (Ansoff and McDonnell, 1990).

1.1.3 Customer Retention

Retention is the activity that an organization undertakes in order to reduce customer defections. Successful customer retention starts with the first contact an organization has with a customer and continues throughout the entire lifetime of a relationship. A company's ability to attract and retain new customers, is not only related to its product or services, but strongly related to the way it serves its existing customers and the reputation it creates within and across the marketplace. Customer retention is an assessment of the product and service quality provided by a business that measures the level of loyal its customers (Dawes, 2009).Customer retention statistics are typically expressed as a percentage of long term clients and they are important to a business since satisfied customers tend to spend more, cost less and make valuable reference to new potential customers (Gee et al., 2008).

Customer retention is the goal of preventing customers from switching to the competitor. It is the way in which firms focus their efforts on existing customers in an effort to continue doing business with them. Still, customer retention can also mean the number of customers who stay with the provider in the course of an established period, such as a year (Dawes, 2009). In all cases, customer retention is a key factor in determining the success of any business in the current times. It impacts directly on long term customer lifetime value, which is a more profitable avenue for firms that seek to pursue growth and sustainability or those that seek to protect themselves from market shrinkage resulting from a contracting economy (Gee et al., 2008). As a result therefore, firms are under constant pressure to retain customers because of nature of the market whereby customer acquisition is slow (Gosselin and Bauwen, 2006).

1.1.4 Commercial Banks in Kenya

The Companies Act, the Central Bank of Kenya (CBK) Act and the Banking Act are the main regulators and governors of bankingIndustry in Kenya. There are 43 commercial banks in Kenya licensed under the Central bank of Kenya (CBK, 2013).Over the last five years; there has been a tremendous growth of commercial banks in Kenya that have seen new banks open up and growth of the existing ones locally and internationally (KBA, 2013). This has been attributed to a number of factors like adoption of modern technologies for instance information communication technology (ICT) and development of infrastructure facilities. This has intensified stiff competition in market forcing commercial banks to adopt various strategies to retain their customers and attract existing ones targeting to expand and develop their market shares to gain a competitive edge in the market (CBK, 2013).

The current statistics shows that recruitment of new banking customers is very costly to commercial banks compared to retaining existing customers. On average, commercial banks will lose 20% of their customer base annually but by retaining as little as five percent of that base can lead to increased profits by double the existing figures (CBK, 2013). According to CBK report, considering the fact that banks spend a significant bulk of their marketing budget on an acquisition cost per customer. This average cost incurred in winning a customer into the business is higher as compared to the cost of non-financial services business would be subjected to for the same retention purpose. In a report by the KBA(2013), experts in the banking industry claim that banks struggle in trying to recover acquisition costs since a high customer defection rate makes the recovery even more difficult (CBK, 2013).

1.2 Research Problem

In most cases business loses some customers, but few ever measure or recognise how many of their customers become inactive. Most businesses, ironically, invest an enormous amount of time, effort and expense building that initial customer relationship. Customers' satisfaction is a key ingredient in retaining customers, it is important for the commercial banks to adopt competitive strategies in order to retain existing customers in the business and also attract prospective customers (Hunt, 2008).

The banking industry in Kenya is facing a stiff competition as a result of technology and infrastructure that have highly contributed to growth of most banks this has hastened the need for commercial banks to develop competitive strategies in order to cope up with competition. Customers in the banking industry now have very many options of products and service providers. Banks are therefore facing a challenge to retain as many customers as possible even as they struggle to increase their customer base within the industry.

There are various studies that have been done locally and internationally in relation to competitive strategies and retention. Padmashantini, et al (2013), conducted a study on competitive strategies and customer retention for retail supermarkets, the study concluded that customer retention was vital for the survival of firms due to its nature of multiplying firm's yields merely with slight improvement in its practices. Mohebi and Hechter (1993) in a survey on customer retention in the New Zealand banking industry concluded that it is imperative for banking executives to improve performance on each construct that leads to customer retention to improve their competitiveness in the banking industry. Mylonokis et al (1998) in a study on Bank satisfaction factors and loyalty: a survey of the Greek Bank Customers found out that banking institutions need to re-examine their customer approach methods and apply the marketing of relationships to ensure loyalty. The above studies were too broad and did not address the influence of competitive strategies on customer's retention in commercial banks in Kenya. A study by Kihoro and Ombui (2012) on effects of competitive strategies on customer retention in G4S services (K) Ltd found that competitive strategies played an important role in achieving customer retention (Krapfel et al., 2006). Wekunda (2006), in a study on Customer Relation strategies used by Internet services providers in Kenya concluded that service quality is the most important factor in retaining customers ,although also other strategies such as customer satisfaction, customer loyalty and complaint handling systems seems to play a significant role in retaining customers. Momanyi (2010) and Njuguna (2010) in their study on Customer retention Strategies Adopted by Mobile Telecommunications Companies in Kenya concluded that customer retention strategies were found out to be most effective in achieving competitive advantage.

Although a number of studies have been done on competitive strategies and customer retention, a knowledge gap exists. None of the studies has focused on the influence of competitive strategies on customer retention among commercial banks in Kenya. This study, therefore, sought to determine the influence of competitive strategies on customer retention among commercial banks in Kenya. Do competitive strategies have influence on customer retention among commercial banks in Kenya?

1.3 Research Objective

The objective of this study was to determine the extent to which competitive strategies influence customer retention among commercial banks in Kenya.

1.4 Value of the Study

The study would be of significance to commercial banks in Kenya as it would expose the significance of customer retention to the bank's sustained performance. The results of the study guided the banks management in formulating policies and business processes that are supportive of competitive strategies that in return enhance customer retention and as a result increase competitive advantage for the banks.

The study would also assist the employees in the banks to appreciate the importance of positive customer experience and learn the compelling reasons of why they should at all times provide an exception service to the customers.

This study would enrich the Resource Based Theory, the concepts providing a theoretical basis for this research will also be evaluated and the insights obtained would enrich the theory.

The findings of the study could also be applied to other organisations in the service industry since principles of customer retention strategy are applicable to all service oriented organisations. Researchers and academicians could use this study as a point of reference besides they can use as a basis for further research.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter reviews the literature on competitive strategies and customer retention. From this review, broad categories will be derived which will help to identify the critical aspects of competitive strategies and customer retention in commercial banks. This chapter also reviews the resource based theory on competitive strategy since the study is anchored on this theory.

2.2 Theoretical Underpinning of the Study

This study will be anchored on the Resource-Based View Theory on competitive advantage. There is evidence that profitability differs much more between businesses than between industries (Rumelt, 1991). The beginnings of the theory of gaining a competitive advantage through internal factors can be attributed to Barney (1991). The resource-based view of the firm has gone through a considerable amount of modifications and variations during the past three decades by a great number of scholars using terms such as resources, capabilities, assets and or core competences to describe intrinsic factors that lead to a competitive advantage for a firm. Although scholars use a variety of terms, this research will only use the term `resources' to describe tangible assets, intangible assets, activities, capabilities and competences alike. A company's resources can be categorized into physical capital resources, human capital resources and organizational capital resources.

The resource-based-view assumes that resources are heterogeneously distributed among firms and immobile. Only this assumption can guarantee that a resource can be the source of competitive advantage (Barney, 2001). According to the valuable, rare, inimitable and fit into the organisation–framework (VRIO), a resource needs to possess the above values so as to provide a sustained competitive advantage (Barney *et al*, 2001). Especially the question if a company's resource fits to the organization determines if a company can truly exploit the resource and as a result gain a sustained or just a temporary competitive advantage (Barney *et al*, 2001). In a rapidly changing environment a fifth characteristic durability which defines how easy a company's resource is outdated, has proven to be important as well (Grant, 2010). Amit and Schoemaker (1993) argued that a company needs strategic assets a combination of resources and capabilities that respond to industry factors to gain competitive advantage. However, when competitors learn to duplicate those assets, they will turn into entry assets and their possession can then only lead to competitive parity. Hence, a company that wants to be successful in the long-term continuously needs to be able to develop strategic assets. The theory of core competences argues that companies already compete during the creation of competences and not only later in the market for products. It is claimed that, instead of structuring a company around diversified business units and end-products, a company should be structured around a few core competences. This allows a company to be flexible, respond to a rapidly changing environment and be prepared for the future (Prahalad and Hamel, 1990).

Core competences are extremely difficult to copy and can easily be leveraged to other markets (Mascarenhas, Baveja and Jamil, 1998). A more recent development in relation to gaining a competitive advantage is the theory of dynamic capabilities. It is argued that resources that allow a company to achieve a competitive advantage at one time might not do so at another point in time as a result of changing market conditions (Eisenhardt and Martin, 2000). Moreover, research has demonstrated that companies that are `lagging' at one moment in time often catch up (Cockburn and Henderson, 2000). A company's ability to constantly build new relevant resources in order to respond to a changing environment itself is already a resource a dynamic capability (Faulkner and Campbell, 2006). Helfat and Peteraf (2003) noted that capabilities undergo different stages of a lifecycle. It is reasonable to assume that a key source of competitive advantage is the anticipation of and responsiveness to change (Eisenhardt and Martin, 2000). When a company in an industry is earning above-average profits, its competitors will try to imitate or substitute the company's resources to gain competitive parity (Barney and Hesterly, 2009).

2.3 Dimensions of Strategy

Johnson and Scholas (2005) define strategy as the direction and scope of an organization over the long term through configuration of resources within the changing environment, to meet the needs of marketers and fulfil stakeholders' expectations. Kangarro (1998) defines strategy as the underlying concept in strategic management. It is about winning and it serves as a unifying theme that gives coherence and direction to the actions and decisions of an individual or an organization. Quinn (1980) defines strategy as a pattern or plan that integrates organization`s major goals, policies and action sequences into a cohesive whole. Thompson et al (2007) contends that a company`s strategy represents a managerial plan for running the business and conducting operations. In the end, the strategy by which the sustainable competitive advantage is gained is known as business level strategy of the organization (Hill & Jones, 2001)

A strategy or general plan of action might be formulated for broad, long term, corporate goals and objectives, for more specific business unit goals and objectives, or for a functional unit, even one as small as a cost center. Such goals might or might not address the nature of the organization, its culture, the kind of company its leadership wants it to be, the markets it will or won't enter, the basis on which it will compete, or any other attribute, quality or characteristic of the organization. Strategy and tactics relate to how a given end is to be attained. Together, strategy and tactics bridge the gap between ends and means. Resources are allocated or deployed and then employed in the course of executing a given strategy so as to realize the ending view. The establishment of the ends to be attained does indeed call for strategic thinking, but it is separate from settling on the strategy that will realize them (Nickols, 2011).

2.4 Competitive Strategies

Competitive strategy comprises all those moves that a firm has and is taking to attract buyers, withstand competitive pressure and improve its market position (Thompson & Strickland, 2002). It concerns what a firm is doing in order to gain a sustainable competitive advantage. Porter (1980) asserts that there are three Approaches to competitive strategy. One is striving to be the overall low cost producer, therefore being a cost leader, another is seeking to differentiate one's product offering from that of one's competitors, which is a differentiation strategy while a third involves focus on a narrow portion of the market, which is focus or niche strategy. Porter (1985) argues that strategy is about seeking a competitive edge over rivals while slowing the erosion of present advantages. Few advantages can be sustained indefinitely, for time eventually renders them obsolete (Johnson and Scholes, 1999).

Porter (1998) notes that competition is at the core of every success or failure of a firm. This means that it is necessary for every firm to craft competitive strategies that will enable it to gain competitive advantage over their rivals. Competitive strategy is that part of business strategy that deals with management's plan for competing successfully how to build sustainable competitive advantage, how to outmaneuver your rivals, how to defend oneself against competitive pressure or how to strengthen the firm's market positioning (Thompson & Strickland, 1996). Competitive strategy is the distinctive approach which a firm uses or intends to use in order to succeed in the market place and it involves positioning the business to maximize the value of capabilities that distinguish it from its competitors (Porter, 1980).

The essence of formulating competitive strategies is relating a company to match a company to its environment. Porter (1980) argues that although the relevant environment is very broad, the key aspect of the firm's environment is the industry or industries in which it competes. Therefore industry structure has a strong influence in determining the competitive rules of the game as well as the strategies potentially available to the firm.

Competitive strategy therefore emphasizes the improvement of the competitive position of a firm's products or services in the specific industry or market segment (Hunger & Wheelen, 1995).Thompson & Strickland (1998) define company strategy as that game plan that management has for positioning the company in its chosen market arena, competing successfully, pleasing customers and achieving good business performance. They continue to say that it consists of competitive moves and business approaches that managers employ in running the company. This shows that strategy is all about competition. However, it is worth noting that good strategies without implementation do not lead to success. Only organizations that are capable of formulating and implementing effective competitive strategies will achieve profitability and growth.

2.4.1 Cost Leadership Strategy

A cost leadership strategy is one in which a firm strives to have the lowest costs in the industry and offer its products or services in a broad market at the lowest prices. A firm pursuing a cost-leadership strategy attempts to gain a competitive advantage primarily by reducing its economic costs below its competitors (Porter, 1985). Characteristics of cost leadership include low level differentiation, aim for average customer, use of knowledge gained from past production to lower production costs, and the addition of new product features only after the market demands them. Cost leadership has advantages of protecting the organization from new entrants. This is because a price reduction can be used to protect from new entrants. However, the risk of cost leadership is that competitors may leap from the technology, nullifying the firms accumulated cost reductions. Other competitors may imitate the technology leading to firm's loss of its competitiveness.

In a study of competitive strategies applied by commercial banks, Gathoga (2001) concludes that banks had adopted various competitive strategies, which included delivery of quality service at competitive prices and at appropriate locations. The banks also engaged in product differentiation by creating differentiated products for different market segments. A firm following a cost leadership strategy offers products or services with acceptable quality and features to a broad set of customers at a low price.

2.4.2 Differentiation Strategy

Differentiation strategy is one in which a firm offers products or services with unique features that customers value. The value added by the uniqueness lets the firm command a premium price. The key characteristic of differentiation strategy is perceived quality (whether real or not). This may be through superior product design, technology, customer service, dealer network or other dimensions (Porter, 1985). The advantage of differentiation is that perceived quality and brand loyalty insulates company from threats from any of the five forces that determine the state of competition in an industry. Price increases from powerful suppliers can be passed on to customers who are willing to pay. Buyers have only one source of supply. Brand loyalty protects from substitutes. Brand loyalty is also a barrier to new entrants. The risks to differentiation strategy include limitation due to production technology. The 'shelf life' of differentiation advantage is getting shorter and shorter. Customer tastes may also change and wipe out the competitive advantage.

According to Sheikh (2007), computer technology is crucial to Accounting Information Systems (AIS) and to accountants for many reasons. One is that computer technology must be compatible with, and support, the other components the AIS. Secondly, in trying to expand their services, audit firms are moving into provision of outsourced accounting and/or internal auditing services, which require mastery of computer accounting packages. Githae (2004) implies that in differentiating, audit firms have to broaden their services. They have to embrace various disciplines crucial to world of business, charting what one may describe as new frontiers. They have to adopt such strategies as forensic services to remain competitive

2.4.3 Focus Strategy

Focus strategy involves targeting a particular market segment. This means serving the segment more efficiently and effectively than the competitors. Focus strategy can be either a cost leadership or differentiation strategy aimed towards a narrow, focused market.(Porter,1985). Advantages of focus strategy include having power over buyers since the firm may be the only source of supply. Customer loyalty also protects from new entrants and substitute products. The firm adopting focus strategy can easily stay close to customers and monitor their needs.

Kombo (1997), in a study on the motor industry notes that firms had to make substantial adjustments in their strategic variables in order to survive in the competitive environment. The firms introduced new techniques in product development, differentiated their products, segmented and targeted their customers more and improved customer service. Karanja (2002) observes in a study of real estate firms in Kenya that increase in the number of players has led to increased competition. The most popular type of competitive strategy was on the basis of focused differentiation. Firms tended to target certain levels of clients especially the middle and upper class who resided in certain targeted estates.

2.5 Customer Retention

Waterfield (2006) defines customer retention as keeping customers coming back and Nirmala (2009) says that a substantial time exceeding five years is regarded as a successful effort of customer retention. It indicates a stable and positive growth in the monetary financial institutions as well as the national economy of a country. Koy, (2003) concluded that a direct and measurable relationship exists between customer satisfaction and retention on the one hand and between customer retention and a firm’s performance on the other hand exists.

Firms have adopted various retention strategies depending on the type of business and the environment they find themselves in. Some opt for quality service, some switching barriers while others try to venture into customer retention programmes.

According to Pearce & Robinson (1999) a strategy is a large scale, future-oriented plans for interacting with the competitive environment to optimize achievement of organizational objectives. Strategy is the direction and scope of an organization over the long term which achieves advantage for the organization through its configuration of resources within a changing environment to meet the needs of markets and fulfill stakeholder expectations` (Johnson & Scholes, 2003).

Success in retaining customers is attributed to a combination of strategies being pursued such as: Define measure retention; Looking for loyalty in the right places with a focus of getting the right customers and not just a lot of them; Changing the channels of distribution; Minimizing adverse selection of customers through creative filtering; Rewarding the sales force for retaining customers ,not just winning new customers; Paying for continuity, not just conquests, and this may involve using coupons or vouchers to discriminate and reward customers that re-buy; Designing special programmes to attract and hold the most valuable customers. Basically, giving a differentiated attention (Richheld, 1996). Lions (2010) argued that customer service is one of the surest ways of retaining customers. It means that your customers feel that you understand them and their needs outstanding service is what customers require and if this is offered then the customers feel worth of the relationship .A successful business is defined by the relationship it has with its customers. Relationships with customers should be caring and on-going (Jill & Lowenstein, 2007).

2.6 Competitive Strategies and Customer Retention

Competitive strategy is a long-term action plan that is defused to help a company gain a competitive advantage over its rivals. Competitive advantage is sustainable if competitors are unable to imitate the source of advantage or if no one conceives of a better offering (Barney, 2008). Customer retention is the goal of preventing customers from going to the competitor. It is the way in which firms focus their efforts on existing customers in an effort to continue doing business with them. Still, customer retention can also mean the number of customers who stay with the provider in the course of an established period, such as a year (Dawes, 2009). Therefore competitive strategies have a direct impact on how much and for how long a company is able to retain its customers. Competitive advantage is advantage gained over competitors through competitive strategies by offering customers greater value either through lower pricing or providing additional benefits and services that justify similar or possibly high prices (Cole Ehmke 2008)

In today's competitive environment banks need to keep up with current and potential customers if they are to survive, grow and continue to prosper (Mohebi and Hechter, 1993).The banking industry is vulnerable to a changing environment eg loyal customers can be stolen away through aggressive marketing campaigns.(Holliday (1996).Today banks are focusing most of their competitive efforts on physical presence such as branch network development in very attractive locations and promotions as well as offering supplementary services to differentiate themselves from other competitors (Mylonokis et al 1998).

The homogeneity of services offered and competition within the banking industry have put pressure on banks to achieve competitive advantage through the use of competitive strategies such as differentiation which has led to emphasis on service quality. Banks are using service quality as a means gaining competitive advantage this practice has been perceived to be a basis for achieving differentiation and retaining customers in a highly competitive and homogenous industry (Loanna, 2002). Banks must look into the quality aspects of their products and to establish quality control systems for providing services that are consistent and at levels exceeding customer expectation banks should extend their product quality beyond the core service and expected service with additional and potential service features to be remembered and distinguished by customers (Chang et al, 1997)

Retaining an existing bank customer costs less than creating a new one. The cost of creating a new customer has been estimated to be 5 times more than that of retaining an existing one (Reichheld, 1996). Banks are seeking to achieve a zero defection rate of profitable customers to minimize the customer defection and subsequent loss of customers (Farquhar,2004) in addition long term customers buy more and if satisfied may generate positive word of mouth promotion for the bank (Reichheld and Kennedy,1990) long term customers also take less of bank's time and are less sensitive to price (Healy,1999) as a result retaining customers becomes a priority and banks must more carefully consider the factors that might increase customer retention rate.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the methodology that was adopted in carrying out the study. It covers the following aspects: research design, population of the study, methods for collecting data, analyzing and presenting data.

3.2 Research Design

The study adopted a descriptive survey design. Mugenda and Mugenda (2003) describes descriptive research design as a systematic, empirical inquiry into which the researcher does not have a direct control of independent variable as their manifestation has already occurred or because the inherently cannot be manipulated.

Descriptive research design was selected upon because of its ability to build a profile about a phenomenon. Bryman and Bell (2003) highlighted that a descriptive study is concerned with determining the frequency with which something occurs or the relationship between variables. This study seeks to establish the relationship between competitive strategies and customer retention in commercial banks in Kenya.

3.3 Population of the Study

The population of the study comprised of all commercial banks in Nairobi, Kenya. As at June 30th 2014, there were forty four financial institutions in the banking industry in Kenya. The study included all the commercial banks in the country the study hence a census study was conducted. The list of commercial banks is attached as appendix (1).

3.4 Data Collection

The study used primary data that was collected using a semi-structured questionnaire. According to Mugenda and Mugenda (2003), primary data is data the researcher collects while secondary data refers to already existing data. Primary data is considered more reliable and up to date. The main instrument for data collection was a semi-structured questionnaire that allowed for uniformity of responses to questions. The questionnaire is a fast way of obtaining data as compared to others instruments

(Mugenda & Mugenda, 2003). Questionnaires give the researcher comprehensive data on a wide range of factors.

According to Field (2005), structured questions are usually accompanied by a list of all possible alternatives from which respondents select the answer that best describes their position. Questions were constructed so as to address specific objectives and provide a variety of possible responses. Unstructured questions give the respondent freedom of response which helps the researcher to gauge the feelings of the respondent. The particular officers to participate in the study were the marketing directors/managers or their equivalent of the forty four commercial banks in Kenya. These officers have been selected upon because of their key role in connecting their banks with customers and clear understanding of their bank's competitive strategies. The questionnaire were administered through a drop and pick later method. The questionnaire was divided in to 5 main sections Section A seeking data on general information, section B seeking to collect data on cost leadership strategy and customer retention, section C seeking to collect data on differentiation strategy and customer retention, section D seeking to collect data on focus strategy and customer retention and section E seeking to collect data on competitive strategies and customer retention.

3.5 Data Analysis

The data collected was edited, coded and entered in Statistical Package for Social Sciences (SPSS) program for analysis. Qualitative data was analysed using content analysis while quantitative data was analysed using descriptive statistics including mean and standard deviation with the help of Statistical Package for Social Sciences (SPSS) Version 20. This was the main computer statistical program for analysis.

Descriptive statistics was used to describe the basic features of the data in the study. The study carried out a Pearson moment of Correlation which measures the strength and direction of linear relationships between two variables to establish the influence of competitive strategies on customer retention among commercial banks in Kenya.

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND INTERPRETATION

4.1 Introduction

This chapter presents findings of the study based on the objective of the study: which was to determine the extent to which competitive strategies influence customer retention among commercial banks in Kenya.

4.2 Response Rate

The study targeted the 44 commercial banks in Kenya. Out of the 44 commercial banks targeted only 32 of the banks filled and returned their questionnaires. This translated to a 82% response rate. This response rate was excellent and representative and conforms to Mugenda and Mugenda (1999) stipulation that a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent. The use of drop and pick method of the questionnaires together with the letter of introduction issued by the university ensured the high response rate as shown in Table 4.1

Table 4.1: Response Rate

	Frequency	Percentage
Response	32	73
Non Response	12	27
Total	44	100

Source: Research Data, 2014

4.3 Demographic Information

The demographic information sort to establish the specific information regarding the respondents of the study, such information included: gender, age, level of education, experience of the respondent both in the current bank they work for and in the industry.

4.3.1 Gender

The study sought to establish the gender of the respondents. From the findings 56% of the respondents were male and 44% were female. Table 4.2 shows the findings.

Table 4. 2:Gender of the respondents

	Frequency	Percentage
Female	14	44%
Male	18	56%
Total	32	100%

Source: Research Data, 2014

It was established that there were more male than female respondents in the study.

4.3.2 Age of the respondents

The study sought to establish the age bracket of the respondents the findings are shown in Table 4.3.

Table 4. 3: Age of the respondents

	Frequency	Percentage
Below 25 years	2	6
26-35 years	4	11
46-55 years	11	31
36-45 years	9	25
56-60 years	10	28
	36	100

Source: Research Data, 2014

The findings in Table 4.3 shows 31% of the respondents were aged between 46-55 years, followed by 28% aged between 56-60 years, 25% of the respondents were between 36-45 years, 11% were between 26-35 years and 6% below 25 years. Majority of the respondents were aged between 46-55 years and the least of the respondents were aged below 25 years..

4.3.3 Level of education

The study sought to establish the level of education of the respondents. Table 4.4 shows the level of education of the respondents.

Table 4. 4: Level of Education of the respondents

	Frequency	Percentage
Post Graduate Diploma	9	28%
Bachelors Degree	2	6%
Diploma	3	8%
Masters	14	44%
PHD	4	14%
Total	32	100%

Source: Research Data, 2014

From the findings in Table 4.4, the respondents who were diploma holders were 8%,6% had bachelor's degrees and 28% had post graduate diplomas. The findings also show that 44% had masters' degrees and 14% were PhD holders. The study showed majority of managers in the banks are Masters holders and only 14% are PhD holders..

4.3.4 Years worked for the Banks

The study sought to establish for how long the respondents had worked for the respective banks. The findings are shown in the Table 4.5.

Table 4. 5: Years worked for the Banks

	Frequency	Percentage
Below 5 Years	7	18%
6 To 10 Years	9	24%
11 To 20 Years	13	45%
Above 21 Years	4	12%
Total	32	100%

Source: Research Data, 2014

From the findings in Table 4.5, 24% had worked for their respective organizations for 6-10 years, 12% for above 21 years, 45% for 11-20 years and 18% for less than 5 years. Majority of the respondent had worked in their respective banks for between 11-20 years and thus had good experience in their roles.

4.3.5 Number of years in the marketing industry

The study sought to establish the number of years the respondents had been in the marketing industry.

Table 4.6: Years in the Marketing Industry

	Frequency	Percentage
Below 5 Years	8	25%
6 To 10 Years	10	31%
11 To 20 Years	12	36%
Above 21 Years	3	8%
Total	32	100%

Source: Research Data, 2014

Table 4.6 shows that 25% of the respondents had been in the marketing industry for less than 5 years, 31% for between 6-10 years, 36% for between 11-20 years and 8% for above 21 years. Majority of the respondents had been in the marketing industry for over 5 years thus had experience in the industry

4.4 Cost Leadership Strategy and Customer Retention

The study sought to establish the extent to which the respondents agreed on the statements below on cost leadership strategy on customer retention. Table 4.7 shows the findings.

Table 4.7: Cost leadership strategy and Customer Retention.

Statement	Mean	Std.Dev
The banks uses low prices of the bank products target average customers.	**3.4221**	**0.235**
Lowering the prices of the products in your banks enables it to have a broader market	**3.892**	**0.452**
The bank develops new products that meet the market demand.	**3.411**	**0.621**
The bank uses knowledge gained from past production to lower production costs.	**4.441**	**0.114**
The cost leadership strategy protects the bank from competition by other financial institutions.	**4.562**	**0.634**
The strategy helps the bank gain a competitive advantage by reducing its economic costs below its competitors.	**4.661**	**0.524**
There is quality delivery of service at competitive prices and at appropriate locations.	**3.421**	**0.446**
Cost leadership strategy at our bank offers services in a broad	**3.762**	**0.154**

market at the lowest prices.		
Other competitors imitate technology leading to the banks' loss of its competitiveness.	**3.4221**	**0.224**
Grand Mean	**3.888244**	**0.378222**

Source: Research Data, 2014

The respondents strongly agreed that the strategy helps the bank gains a competitive advantage by reducing its economic costs below its competitors with a mean of 4.661. The respondents also strongly agreed that the cost leadership strategy protects the bank from competition by other financial institutions with a 4.562. The respondents agreed that the bank uses knowledge gained from past production to lower production costs with a mean of 4.441. The respondents agreed that lowering the prices of the products in the banks enables it to have a broader market with a mean of 3.892. The respondents agreed that cost leadership strategy at our bank offers services in a broad market at the lowest prices with a mean of 3.762. The respondents were neutral on whether other competitors imitate technology leading to the banks' loss of its competitiveness with a mean of 3.4221. On whether the banks uses low prices of the bank products target average customers, the respondents were neutral with a mean of 3.4221. On whether there is quality delivery of service at competitive prices and at appropriate locations scored a mean of 3.421 an indication that they were neutral. However the respondents were neutral on whether the bank develops new products that meet the market demand with a mean of 3.411.

4.5 Low level Differentiation Strategy

The study sought to establish whether the cost leadership strategy of the bank adopts low level differentiation.

Table 4.8: Low level differentiation

	Frequency	Percentage
Yes	30	94
No	2	6
Total	32	100

Source: Research Data, 2014

From the findings in Table 4.8, 94% of the banks adopted low level differentiation as a cost leadership strategy while 6% did not.

4.6 Differentiation Strategy and Customer Retention

The study sought to establish the extent to which the respondents agreed on the statements on differentiation strategy on customer retention. Table 4.9 shows the responses.

Table 4.9: Differentiation Strategy and Customer Retention

Statement	Mean	Std. Dev
The bank offers products or services with unique features that customer's value.	**4.421**	**0.321**
Value added by the uniqueness lets the bank command a premium price.	**4.311**	**0.521**
The bank offers products that are designed in a superior way compared to the competitors'.	**4.121**	**0.441**
The bank offers quality products and services that meet the satisfactions of the customers.	**3.776**	**0.362**
The technological infrastructure helps the bank reach out to a broad customer base	**3.564**	**0.452**
Product differentiation insulates the bank from threats that determine the state of competition in an industry.	**3.782**	**0.146**
The risks to differentiation strategy include limitation due to production technology	**3.922**	**0.621**
Customers' tastes may wipe out differentiated productsand render the bank non-competitive.	**3.682**	**0.389**
Brand loyalty is a barrier to entrant of new customers	**3.621**	**0.312**
Grand Mean	**3.91111**	**0.39611**

Source: Research Data, 2014

The respondents agreed that the bank offers products or services with unique features that customer's value with a mean of 4.421. On whether value added by the uniqueness lets the bank command a premium price the respondents agreed with a mean of 4.311. On whether the bank offers products that are designed in a superior way compared to the competitors', the respondents agreed with a mean of 4.121.
Asked whether the risks to differentiation strategy include limitation due to production technology, the respondents agreed with a mean of 3.922. The respondents agreed that product differentiation insulates the bank from threats that determine the state of competition in an industry with a mean of 3.782. Asked whether the bank

offers quality products and services that meet the satisfactions of the customers the respondents agreed with a mean of 3.776. The respondents agreed that customers' tastes may wipe out differentiated products and render the bank non-competitive with a mean of 3.682 and also agreed that brand loyalty is a barrier to entrant of new customers with a mean of 3.621. The respondents also agreed that the technological infrastructure helps the bank reach out to a broad customer base with a mean of 3.564.

4.6.1 Extent to which Differentiation Influence Customer Retention

The study sought to establish the extent to which differentiation strategy influenced customer retention at your bank. Table 4.10 shows the findings.

Table 4.10; Extent to which Differentiation Strategy influence Customer Retention

	Frequency	Percentage
Very great extent	13	36
Great extent	18	50
Moderate extent	3	8
Little extent	2	6
Total	36	100

Source: Research Data, 2014

According to the findings in Table 4.10 36% of the respondents said that differentiation strategy affected customer retention to a very great extent 50% said the effect was to a great extent, 8% said the effect was to a moderate extent and 6% said it was to a little extent.

4.7 Focus Strategy and Customer Retention

The study sought to establish the extent to which customers agreed with the statements on influence of focus strategy on customer retention. The findings are shown in Table 4.11

Table 4.11: Focus Strategy and Customer Retention.

Statement	Mean	Std.Dev
The focus strategy employed by our bank involves targeting a particular market segment.	**3.422**	**0.022**
Focus strategy is the most popular type of competitive strategy to attract customers.	**4.021**	**0.421**
Focus strategy is aimed towards a narrow, focused market.	**4.231**	**0.632**

The bank adopts focus strategy to stay close to its customers and monitor their needs.	**4.662**	**0.452**
The bank handles dissatisfied customers appropriately.	**4.314**	**0.362**
The bank has strategies for creating customer satisfaction and customer loyalty.	**4.521**	**0.145**
Focus strategy is more efficient and effective in attracting new customers.	**4.688**	**0.995**
Grand Mean	**4.265**	**0.432**

Source: Research Data, 2014

On whether the focus strategy is more efficient and effective in attracting new customers the respondents strongly agreed with a mean of 4.688. The respondents agreed that the bank adopts focus strategy to stay close to its customers and monitor their needs with a mean of 4.662. On whether the bank has strategies for creating customer satisfaction and customer loyalty the respondents strongly agreed with a mean of 4.521. The respondents agreed that the bank handles dissatisfied customers appropriately with a mean of 4.314. The findings also established that focus strategy is aimed towards a narrow, focused market with a mean of 4.231. On whether focus strategy is the most popular type of competitive strategy to attract customers, the respondents agreed with a mean of 4.021. The respondents were neutral on whether the focus strategy employed by our bank involves targeting a particular market segment with a mean of 3.422.

4.8 Competitive Strategies and Customer Retention

The study sought to establish the extent to which the respondents agreed on the statements below on effect of Competitive strategies on customer retention. Table 4.12 shows the responses.

Table 4.12: Competitive Strategies and Customer Retention

Statement	Mean	Std.Dev
There is a measurable relationship between customer satisfaction and customer retention at our bank.	**4.562**	**0.321**
Time exceeding five years is regarded as a successful effort of customer retention at our bank.	**4.311**	**0.452**
This bank has adopted various retention strategies depending on business type and the environment.	**4.691**	**0.621**
Quality service, switching barriers and customer retention programmes are employed by the bank.	**3.982**	**0.442**

Differentiated products have led to successful relationship between the bank and its customers.	**3.652**	**0.634**
Differentiating products makes the bank more competitive than other financial institutions.	**4.021**	**0.224**
Designing special programmes is one of the surest ways of retaining customers at the bank.	**4.794**	**0.145**
Grand Mean	**4.287**	**0.405**

Source: Research Data, 2014

On whether designing special programmes is one of the surest ways of retaining customers at the bank with a mean of 4.794. On whether this bank has adopted various retention strategies depending on business type and the environment the respondents strongly agreed with a mean of 4.691. On whether there is a measurable relationship between customer satisfaction and customer retention at our bank the respondents strongly agreed with a mean of 4.562. The respondent also agreed that time exceeding five years is regarded as a successful effort of customer retention at our bank with a mean of 4.311 and that differentiating products makes the bank more competitive than other financial institutions with a mean of 4.021. The respondents agreed that quality service, switching barriers and customer retention programmes are employed by the bank with a mean of 3.982. The respondents also agreed that differentiated products have led to successful relationship between the bank and its customers with a mean of 3.652

4.8.1 Influence of Competitive Strategies on Customer Retention

The study sought to establish to what extent competitive strategies influenced customer retention at your financial institution. Table 4.13 shows the responses.

Table 4.13: Influence of Competitive Strategies on Customer Retention

	Frequency	Percentage
Very great extent	9	25
Great extent	19	53
Moderate extent	3	8
Little extent	2	6
no extent at all	3	8
Total	36	100

Source: Research Data, 2014

From the findings in Table 4.13, 25% said that competitive strategies influenced customer retention to a very great extent, 53% said to a great extent, 8% said to a moderate extent, 6% said to a little extent and another 8% said to no extent at all.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides the summary of the findings from chapter four, and also it gives the conclusions and recommendations of the study based on the objective of the study. The objective of this study was to determine the extent to which competitive strategies influence customer retention among commercial banks in Kenya.

5.2 Summary of the Findings

The respondents agreed that lowering the prices of the products in your banks enables it to have a broader market. According to porter (1985) one of the ways an organization gains advantage over its competitors is by implementing a cost leadership strategy. However the respondents were neutral on whether the bank develops new products that meet the market demand. The respondents agreed that the bank uses knowledge gained from past production to lower production costs. One of the characteristics of cost leadership is the use of knowledge gained from past production to lower production costs (Porter, 1985). The respondents also strongly agreed that the cost leadership strategy protects the bank from competition by other financial institutions and also strongly agreed that the strategy helps the bank gains a competitive advantage by reducing its economic costs below its competitors. Gathoga (2001) concludes that banks had adopted various competitive strategies so as to stay above the competition as well as enjoy the economic cost reduction that the strategies provide. On whether there is quality delivery of service at competitive prices and at appropriate locations the respondents were neutral. The respondents agreed that cost leadership strategy at our bank offers services in a broad market at the lowest prices. A firm following a cost leadership strategy offers products or services with acceptable quality and features to a broad set of customers at a low price (Gathoga, 2011).Majority of the respondents were neutral on whether other competitors imitate technology leading to the banks’ loss of its competitiveness.

The respondents agreed that the bank offers products or services with unique features that customer's value. On whether value added by the uniqueness lets the bank command a premium price the respondents agreed. Differentiation of product is a competitive strategy that enables affirm to offer products that have unique features in the market (Porter, 1985). On whether the bank offers products that are designed in a superior way compared to the competitors', the respondents agreed. Asked whether the bank offers quality products and services that meet the satisfactions of the customers the respondents agreed. According to Sheikh (2007) differentiation of goods involves ensuring that the goods and services an organization offers to its clients are of superior quality and of better quality than those offered by competitors in the market. The respondents agreed that the technological infrastructure helps the bank reach out to a broad customer base and also agreed that product differentiation insulates the bank from threats that determine the state of competition in an industry. Sheikh (2007) computer technology is key in Accounting Information Systems and that in trying to expand their services banks need to adopt the best technological infrastructure. Asked whether the risks to differentiation strategy include limitation due to production technology, the respondents agreed. The respondents agreed that customers' tastes may wipe out differentiated products and render the bank non-competitive and also agreed that brand loyalty is a barrier to entrant of new customer. Porter (1985) cited that brand loyalty is also a barrier to new entrants and that the risks to differentiation strategy include limitation due to production technology.

The respondents agreed that the focus strategy employed by our bank involves targeting a particular market segment. According to Porter (1985) focus strategy involves targeting a particular market segment. On whether focus strategy is the most popular type of competitive strategy to attract customers, the respondents' agreed. The findings also established that focus strategy is aimed towards a narrow, focused market. Focus strategy can be either a cost leadership or differentiation strategy aimed towards a narrow, focused market (Porter 1985).The respondents strongly agreed that the bank adopts focus strategy to stay close to its customers and monitor their needs. The respondents agreed that the bank handles dissatisfied customers appropriately. One of the advantages of focus strategy is that it enables the firms to have a closer association with its customers. Kombo (1997) cited that this enables the firms to handle the complaints of the customers in a much faster and appropriate way. On whether the bank has strategies for creating customer satisfaction and customer loyalty the respondents strongly agreed. On whether the focus strategy is more efficient and effective in attracting new customers the respondents agreed. Karanja (2002) established focus strategy is more effective in attracting new customers thus it is the most popular type of competitive advantage.

On whether there is a measurable relationship between customer satisfaction and customer retention at our bank the respondents strongly agreed. Waterfield (2006) defines customer retention as keeping customers coming back and attributes it to good services that ensure customers are satisfied. The respondent also agreed that time exceeding five years is regarded as a successful effort of customer retention at our bank. Nirmala (2009) says that a substantial time exceeding five years is regarded as a successful effort of customer retention. On whether this bank has adopted various retention strategies depending on business type and the environment the respondents strongly agreed. According to Koy (2003) firms have adopted various retention strategies depending on the type of business and the environment they find themselves in. Some opt for quality service, some switching barriers while others try to venture into customer retention programmes.The respondents agreed that quality service, switching barriers and customer retention programmes are employed by the bank (Koy, 2003). The respondents agreed that differentiated products have led to successful relationship between the bank and its customers and that differentiating products makes the bank more competitive than other financial institutions. A successful business is defined by the relationship it has with its customers. Relationships with customers should be caring and on-going (Jill & Lowenstein, 2007). On whether designing special programmes is one of the surest ways of retaining customers at the bank. Richheld (1996) cited that giving a differentiated attention involves designing special programmes to attract and hold the most valuable customers.

5.3 Conclusion

From the findings, the study concludes that there is a significant relationship between cost leadership strategies and customer retention. The study also concludes that banks use low prices of the bank products to target average customers and also develops new products that meet the market demands. The study also concludes that the cost leadership strategy has enabled the banks to offer services in a broader market at the lowest prices.

The study also concludes that the banks adopt differentiation strategies by offering superior goods and services of high quality to their customers. The study also concludes that differentiation influences customer retention to a great extent. The study also concludes that product differentiation insulates the bank from threats that determine the state of competition in the market.

On focus strategy the study concludes that banks have developed products that target a particular market segment. The study also concludes that focus strategy enables the bank to stay close to its customers and monitor their needs. The study also concludes that focus strategy is more efficient and effective in attracting new customers.

The study also concludes that there is a measurable relationship between customer satisfaction and customer retention in banks. The study also concludes that banks have adopted various retention strategies such as quality service and switching barriers.

5.4 Recommendations for Policy and Practice

The study recommends that banks should adopt cost leadership strategies so as to attract and retain more customers. The study also recommends that banks should use market surveys so as to identify the needs of the customers and thus develop products that meet their demand.

The study also recommends that banks should design products that are of superior quality compared to that of the competition so as to gain competitive advantage. The study also recommends that banks should embrace packaging products so that customers get more products in one package.

The study also recommends that banks embrace focus strategy and design products that target different income classes. This will ensure that all economic classes have products that suit their income level and thus the bank will meet the demands of large group while focusing on meeting the needs of each group.

The study recommends that banks adopt the various competitive strategies such as differentiation, cost leadership strategies and focus strategies so as to remain relevant to their customers by offering superior products that are of better quality.

This study recommends its use in the addition on to the existing body of literature on competitive strategies and customer retention and thus should benefit researchers and academicians in the future. This study should act as a body of reference to the researchers and academicians for their future publications and research.

Government: the Kenyan government has enacted policies and laws that regulate the banking industry. This study should be important in enabling the policy makers come up with laws and regulations that will favour the performance of the banks and at the same time protecting the consumers from exploitation.

Banking sector; this study should act as guidance to the management of the banking sector in identifying ways in which they can attract and retain more customers despite the increasing competition in the sector. This study should also be of importance to the banking sector in identifying ways in which they can produce better products that attract the customers and cater for all their needs.

5.5 Limitations of the Study

One of the limitations encountered in the study was that the respondents were reluctant in giving information fearing that the information would be used against them by the management or will tarnish the image of the organization. In order to overcome this limitation the researcher carried an introduction letter that assured the respondents that the information obtained will only be used for academic purposes.

The study targeted employees that worked in banks and thus were very busy. This limited the time they had to respond to the questionnaires. However the researcher overcame this limitation by using the drop and pick later method where the respondents were left with the questionnaires and were collected once they were done answering them.

5.6 Recommendations for Further Research

The study targeted commercial banks in establishing the extent to which competitive strategies influence customer retention. This study therefore recommends that in the future a similar study be conducted across all micro finance institutions in the country so as to generalize the findings.

The study also recommends that in the future a study be conducted on establishing the extent to which competitive strategies influence customer attraction. This will be important in helping organizations identify ways in which they can attract more customers to their organizations.

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APPENDICES

APPENDIX I: LIST OF COMMERCIAL BANKS IN KENYA

1. Africa Banking Corporation Bank Ltd(Kenya)
2. Bank of Africa Ltd
3. Baroda Bank Ltd
4. Bank of India Ltd
5. Barclays Bank of Kenya Ltd
6. CFC Stanbic Bank Ltd
7. CharterHouse bank Ltd
8. Chase Bank Ltd (Kenya)
9. Citibank N.A Ltd
10. Commercial Bank of Africa Ltd
11. Consolidated Bank of Kenya Ltd
12. Cooperative Bank of Kenya Ltd
13. Credit Bank Ltd
14. Development Bank of Kenya Ltd
15. Diamond Trust Bank Ltd
16. Dubai Bank Kenya Ltd
17. Ecobank Ltd
18. Equatorial Commercial Bank Ltd
19. Equity Bank Ltd
20. Family Bank Ltd
21. Fidelity Bank Limited Ltd
22. Fina Bank Ltd
23. First Community Bank Ltd
24. Giro Commercial Bank Ltd
25. Guardian Bank Ltd
26. Gulf African Bank Ltd
27. Housing Fin. Co. of Kenya Ltd
28. Habib Bank Ltd
29. Habib Bank A.G Zurich Ltd
30. I&M Bank Ltd
31. Imperial Bank Kenya Ltd
32. Jamii Bora Bank Ltd
33. Kenya Commercial Bank Ltd
34. K-Rep Bank Ltd
35. Middle East Bank Kenya Ltd
36. National Bank of Kenya Ltd
37. NIC Bank Ltd
38. Oriental Commercial Bank Ltd
39. Paramount Universal Bank Ltd
40. Prime Bank Ltd (Kenya)
41. Standard Chartered Kenya (K) Ltd
42. Trans National Bank Kenya Ltd
43. United Bank for Africa Ltd
44. Victoria Commercial Bank Ltd

SOURCE: (CBK, 2014)

APPENDIX II: QUESTIONNAIRE

(To be filled by marketing directors/managers)

The purpose of this study is to establish the influence of competitive strategies on customer retention among commercial banks in Kenya. Your opinions shall be kept confidentially and valuable to this study.

Kindly fill this questionnaire as honestly as you can. You need not to indicate your name. Answer by writing in the spaces provided or by ticking in the appropriate box.

SECTION A: GENERAL INFORMATION

1. Indicate your gender

   Male [ ] Female [ ]

2. Indicate your age bracket

Below 25 years	[ ]	46-55 years	[ ]
26-35 years	[ ]	56-60 years	[ ]
36-45 years	[ ]		

3. What is your highest level of education?

Certificate	[ ]	Diploma	[ ]
Bachelors' Degree	[ ]	Post Graduate Diploma	[ ]
Masters	[ ]	PhD	[ ]

4. How long have you worked at the bank?

Below 5 years	[ ]	11 years to 20 years	[ ]
6 year to 10 years	[ ]	above 21 years	[ ]

5. How long have you been in marketing industry?

Below 5 years	[ ]	11 years to 20 years	[ ]
6 year to 10 years	[ ]	above 21 years	[ ]

If any other, specify...

SECTION B: COST LEADERSHIP STRATEGY ON CUSTOMER RETENTION

6. Please tick the appropriate box for each statement in the Likert scale to indicate whether you strongly disagree (SD), disagree (D), neither agree nor disagree (N), agree (A), OR strongly agree (SA) where 1=strongly Disagreed, 2= Disagreed, 3= neutral, 4= Agree and 5= strongly Agree.

Statement	1	2	3	4	5
The banks uses low prices of the bank products target average customers.					
Lowering the prices of the products in your banks enables it to have a broader market					
The bank develops new products that meet the market demand.					
The bank uses knowledge gained from past production to lower production costs.					
The cost leadership strategy protects the bank from competition by other financial institutions.					
The strategy helps the bank gains a competitive advantage by reducing its economic costs below its competitors.					
There is quality delivery of service at competitive prices and at appropriate locations.					
Cost leadership strategy at our bank offers services in a broad market at the lowest prices.					
Other competitors imitate technology leading to the banks' loss of its competitiveness.					

7. The cost leadership strategy in our bank adopts low level differentiation.

Yes [ ] No [ ]

SECTION C: DIFFERENTIATION STRATEGY ON CUSTOMER RETENTION

8. Please tick the appropriate box for each statement in the Likert scale to indicate whether you strongly disagree (SD), disagree (D), neither agree nor disagree (N), agree (A), OR strongly agree (SA) where 1=strongly Disagreed, 2= Disagreed, 3= neutral, 4= Agree and 5= strongly Agree.

Statement	1	2	3	4	5
The bank offers products or services with unique features that customer's value.					
Value added by the uniqueness lets the bank command a premium price.					
The bank offers products that are designed in a superior way					

compared to the competitors'.					
The bank offers quality products and services that meets the satisfactions of the customers.					
The technological infrastructure helps the bank reach out to a broad customer base					
Product differentiation insulates the bank from threats that determine the state of competition in an industry.					
The risks to differentiation strategy include limitation due to production technology					
Customers' tastes may wipe out differentiated productsand render the bank non-competitive.					
Brand loyalty is a barrier to entrant of new customers					

9. To what extent has differentiation strategyaffected customer retention at your bank?

Very great extent [ ]

Great extent [ ]

Moderate extent [ ]

Little extent [ ]

No extent [ ]

SECTION D: FOCUS STRATEGY ON CUSTOMER RETENTION

10. The table below represents statements on focus strategy. Rate the extent to which you agree on the statements on a scale of 1-5 where 1=strongly Disagreed, 2= Disagreed, 3= neutral, 4= Agree and 5= strongly Agree.

Statement	**1**	**2**	**3**	**4**	**5**
The focus strategy employed by our bank involves targeting a particular market segment.					
Focus strategy is the most popular type of competitive strategy to attract customers.					
Focus strategy is aimed towards a narrow, focused market.					
The bank adopts focus strategy to stay close to its customers and monitor their needs.					
The bank handles dissatisfied customers appropriately.					
The bank has strategies for creating customer satisfaction and customer loyalty.					
Focus strategy is more efficient and effective in attracting new customers.					

SECTION E: COMPETITIVE STRATEGIES AND CUSTOMER RETENTION

11. The table below represents statements on focus strategy. Rate the extent to which you agree on the statements on a scale of 1-5 where 1=strongly Disagreed, 2= Disagreed, 3= neutral, 4= Agree and 5= strongly Agree

Statement	1	2	3	4	5
There is a measurable relationship between customer satisfaction and customer retention at our bank.					
Time exceeding five years is regarded as a successful effort of customer retention at our bank.					
This bank has adopted various retention strategies depending on business type and the environment.					
Quality service, switching barriers and customer retention programmes are employed by the bank.					
Differentiated products have led to successful relationship between the bank and its customers.					
Differentiating products makes the bank more competitive than other financial institutions.					
Designing special programmes is one of the surest ways of retaining customers at the bank.					

12. To what extent has competitive strategies and customer retention influenced customer retention at your financial institution?

Very great extent [ ]

Great extent [ ]

Moderate extent [ ]

Little extent [ ]

No extent [ ]