INFLUENCE OF RELATIONSHIP MARKETING ON COMPETITIVENESS AMONG COMMERCIAL BANKS IN KENYA

LYDIA SYOKAU MWALIMU

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DECLARATION

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

Signature: .... Date: ....

Lydia Syokau Mwalimu

D61/64181/2013

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

Signature: ....Date: ....

Prof J.M. Munyoki

School of Business

University of Nairobi

DEDICATION

This research project is dedicated to my parents for their tireless effort & support accorded to me as well as my family who have been a pillar of strength in this journey of academics and for allowing me to sacrifice my time with them for a good course.

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LIST OF ABBREVIATIONS

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

ABSTRACT

This research project was aimed at studying the influence of relationship marketing on the growth in the commercial banks in Kenya. This study was a cross-sectional survey undertaken among the commercial banks in Kenya. The population of the study was 47 commercial banks. A survey of all banks was undertaken. Purposive random sampling was used to pick 1 relationship marketing managers from each bank's head office in Nairobi County. This formed the sample size which was 47 respondents who were administered with the questionnaire. The study used primary and secondary data. Primary data was collected using questionnaires. Secondary data was gathered by a review of existing materials on the topic under study and the Kenyan banks. Data was coded and analyzed with the aid of Statistical Package for Social Sciences (SPSS). The analysis involved descriptive statistics and content analysis.

The results showed that the selected variables i.e. customer trust, organizational culture, quality services and information technology each has influence on the banks market share index and each variable is very important in increasing the banks competitiveness. The study recommends that for a bank to remain competitive it should hire talent in relationship marketing management to take care of the banks portfolio/client base and be able to tailor its offering to meet and exceed customer needs. The study also recommends that every bank should have a dedicated team to handle the high profile customers of the bank since they have unique needs and they bring very high value business to the bank. And that the banking industry should plan for the adverse effects which might occur due to inflation, depreciation of USD against the KES.

Therefore this study concludes that there is a weak positive relationship between the selected variables (customer trust, organizational culture, quality services and information technology) together and competition for share market development among commercial banks in Kenya.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Relationship marketing is a facet of customer relationship management (CRM) that focuses on customer loyalty and long-term customer engagement rather than shorter-term goals like customer acquisition and individual sales. The goal of relationship marketing is to create strong, emotional, customer connections to a brand that can lead to ongoing business, free word-of-mouth promotion and information from customers that can generate leads. Competitiveness pertains to the ability and performance of a firm, sub-sector or country to sell and supply goods and services in a given market, in relation to the ability and performance of other firms, sub-sectors or countries in the same market. There are 47 commercial banks in Kenya licensed under the Central bank of Kenya (CBK, 2013). Banks have understood the need to capitalize on CRM strategies to gain advantage in the competition by exploiting their customer base, brand value and costly infrastructure investments in order to increase profits.

Relationship marketing theory states that successful relationship marketing is occasioned by certain aspects of cooperative relationships that characterize successful relational exchanges (Arnett & Badrinayanan, 2005). The success of relationship marketing is pegged on trust, relationship commitment, and communication (Sivadas &Dwyer, 2000). The balanced scorecard which was originated by Drs. Robert Kaplan (Harvard Business School) and David Norton in 1992 is a strategic planning and management system that is used extensively in business and industry, government, and nonprofit organizations worldwide to align business activities to the vision and strategy of the organization, improve internal and external communications, and monitor organization performance against strategic goals. The commitment-trust theory was advanced by Morgan and Hunt (1994). The theory asserts that relationship marketing involves establishing, developing, and maintaining successful relational exchanges.

According to the Economist, banking executives have discovering that the winning differentiator is no longer the product or the price, but the level of engagement - the degree to which a company succeeds in creating an intimate long-term relationship with the customer and external stakeholder especially when it comes to a firsthand relationships development. However, without discovering the silver bullet most banks executives will agree that a successful year over year customer relationships will always contain exceptional and skilled governance supporting with well-organized and high performing people, processes, and technology (Gillespie et al.,2007). In today's hypercompetitive market, banks must become skilled at how to create services quicker, cheaper, and better and improve profit margins in the face of escalating competition and other economic realities.

1.1.1 Concept of Relationship Marketing

According to Lee & Carter (2005) relationship marketing is defined as the development, growth, and maintenance of cost-effective, high-value relationships with individual customers, suppliers, distributors, retailers, and other partners for mutual benefit over time. Relationship marketing is based on promises: the promise of low prices, the promise of high quality, the promise of prompt delivery, the promise of superior service. A network of promises - within the organization, between the organization and its supply chain, and between buyer and seller- determines whether or not a relationship will grow. According to Lee and Carter (2005), marketing revolves around relationships with customers and with all the business processes involved in identifying and satisfying them. The shift from transaction based marketing which focuses on short term, one time exchanges; to customer-focused relationship marketing is one of the most important trends in marketing today. This strategy benefits the bottom line because retaining customers' costs much less than acquiring new ones. Building and managing long-term relationships between buyers and sellers are the hallmarks of relationship marketing.

Relationship marketing requires establishment of a system that would equip the company to cultivate and maintain relationships with a larger number of customers in a cost effective manner. The starting point is to identify customers, Pareto rule of 80:20 principles applies which means in any activity, 80% of the results are generated by 20% efforts alternatively, and 20% of customers may be responsible for as high as 80% of profit. According to Gordon (1998), marketing revolves around relationships with customers and with all the business processes involved in identifying and satisfying them. The shift from transaction based marketing which focuses on short term, one time exchanges to customer-focused relationship marketing is one of the most important trends in marketing today. Companies know they cannot prosper simply by identifying and attracting new customers; to succeed, they must build loyal, mutually beneficial relationships with both new and existing customers, suppliers, distributors, and employees.

Over the past years, a major shift has occurred in the way marketers approach their customers. Payne *et al. (*1995) assert a paradigm shift from the traditional marketing to relationship marketing if businesses are to retain their market share. Today's world is one where customers have a lot of options. There are too many retail stores; too many banks all going to the same place. Competition is getting hotter and hotter day by day. This means that customers have an increasing rate of expectation and a decreasing level of tolerance. It is with this in mind that a lot of attention has been given to how the customers are handled. Many institutions have realized the need to take great care of their customers and have gone ahead to establish customer care desks as part of their front office services. In so doing they seek to address customer queries and complaints before the customer goes back into the wider market and express their dissatisfaction to other customers and would be customers (Kotler, 2002).

1.1.2 Concept of Competitiveness

Competitiveness pertains to the ability and performance of a firm, sub-sector or country to sell and supply goods and services in a given market, in relation to the ability and performance of other firms, sub-sectors or countries in the same market. The market condition and business environment of the 21st century is witnessing rapid change. Business often must respond to this rapidly changing environment. Environmental change has been a business focus for decades, given these changes, businesses have rediscovered that, more than ever, in the face of increased competition, matured market, and ever demanding customers, treating existing customers well is the best source of profitability and sustained growth Gillespie et al. (2007).

Today, companies have realized that customers are the life blood of the business; business survival is largely depended on the customers. The realization of this fact has made it possible for companies to have a better chance to outperform competition. Customers are therefore, better satisfied through a competitive superior product and services beyond their expectation. Satisfying the customer eventually graduate into a relationship where the company sees the customer as part of the business and business decision making by continuously seeking customers opinion. A competitive advantage is an advantage over competitors gained by offering consumers greater value, either by means of lower prices or by providing greater benefits and service that justifies higher prices. Competition exerts pressure on firms to be proactive and to formulate successful response strategies to the changes in the competitive environment; all in the effort to gain competitive advantage and therefore firms constantly take offensive and defensive strategic actions to their competitors. According to porter, competitive advantage enables a firm to create superior value for its customers and superior value for itself (Porter, 1996).

The competitive position of an enterprise is the result of the market evaluation (especially by customers) of what it offers. The most basic and synthetic measures of competitive position of each enterprise are its market share and achieved financial results. The competitive potential describes all resources used or available for use by the enterprise. The achievement of a desired competitive position is determined by possession of competitive advantage. Competitive advantage, on the other hand, is the effect of applying a set of instruments of competition, which are elements of competitive strategy De madariaga, J., Garcia, & Valor (2007). The instruments of competition include, for example: quality of products, price, and size of product range, and advertising, sales promotion.

1.1.3 The Banking Sector in Kenya

The banking sector has recorded an improved performance - the sector's balance sheet expanded by 15.6 percent from Ksh.2.50 trillion in May 2013 to Ksh.2.89 trillion in May 2014 mainly supported by an expansion of banking services and financial inclusion. Consequently, the sector's profitability increased by 12.5 percent from a profit before tax of Ksh.48.7 billion for the quarter ended May 2013 to Ksh.54.8 billion for the quarter ended May 2014. The gradual improved performance has been supported by continued rollout of innovative banking products, adoption of cost effective delivery channels, and continued expansion of banks across the country and beyond Kenya (CBK, 2013).

The Banking Sector in Kenya is composed of the Central Bank of Kenya, as the regulatory authority and the regulated; Commercial Banks, Non-Bank Financial Institutions and Forex Bureaus. As at 31st December 2013 the banking sector comprised 47 institutions, 46 of which were commercial banks and 1 mortgage finance company, and 120 Foreign Exchange Bureaus. The banking sector was liberalized in 1995 and exchange controls lifted. The CBK, which falls under the Minister for Finance's docket, is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system. The Central Bank of Kenya publishes information on Kenya's commercial banks and non-banking financial institutions, interest rates and other publications and guidelines. The banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the bank's interests and also addresses issues affecting its members (Central Bank, 2013).

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

1.1.4 Commercial Banks in Kenya

Commercial banks and mortgage finance companies are licensed and regulated under the Banking Act, Cap 488 and Prudential Regulations issued thereunder. Commercial banks in Kenya are governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK). Commercial banks are the dominant players in the Kenyan Banking system and closer attention is paid to them while conducting off-site and on-site surveillance to ensure that they are in compliance with the laws and regulations.

Currently there are there are 46 licensed commercial banks and 1 mortgage finance company. Out of the 47 institutions, 34 are locally owned and 13 are foreign owned. The locally owned financial institutions comprise 3 banks (Consolidated bank, Development bank of Kenya and National Bank) with significant shareholding by the Government and State Corporations.

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

1.2 Research Problem

The importance of customers has been highlighted by lots of researchers and academicians all around the world. Top performing financial institutions believe that customers are the purpose of what they do and they very much depend on them; customers are not the source of a problem and they should never make a wish that customers should go away because their future and security will be at stake. That is the main reason why financial institutions of today are focusing much attention on customer satisfaction, loyalty and retention (Zairi, 2000). Equally well, dissatisfied customers are more likely to tell 10 another ten people about their unfortunate experiences with a particular organization. In order to achieve competitiveness, organizations must be able to build and maintain long lasting relationships with customers through satisfying various customer needs and demands which resultantly motivates them to continue to do business with the organization on on-going basis (La Barbera & Mazursky, 1983).

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 relationship marketing on competitiveness in commercial banks in Kenya.

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 relationship marketing on competitiveness in commercial banks in Kenya. This study, therefore, seeks to determine the influence of relationship marketing on competitiveness in commercial banks in Kenya.

1.3 Research Objectives

The objectives of this study are;

i. To determine the influence of relationship marketing on competitiveness among commercial banks in Kenya.

ii. To establish the influence of various aspects of relationship marketing on competitiveness among commercial banks in Kenya.

1.4 Value of the Study

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

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

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

The findings of this study are expected to contribute to research and practice, by elaborating the strategies that are pursued by banks in order to remain competitive in the industry. The study may also add to the existing body of knowledge by stimulating new areas for further research through the findings and subsequent recommendations.

1.6 Chapter Summary

This chapter has given the background which the study is based on, discussed the Concept of Relationship Marketing, Concept of Competitiveness and the Banking Sector in Kenya in general. The chapter has also touched on Commercial Banks in Kenya, given the Research Problem, Research Objectives and the Value of the Study

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of related literature on the subject under study presented by various researchers, scholars, analysts, theorists and authors. The chapter also contains materials that the researcher has drawn from several sources which are closely related to theme and objectives of the study. This has enabled the researcher to gain knowledge from previous research and come up with other useful information to strengthen the study.

2.2 Theoretical Foundation

The theoretical foundation that the study is anchored on is; Relationship marketing theory in which successful relationship marketing is occasioned by certain aspects of cooperative relationships that characterize successful relational exchanges and The balanced scorecard which is a strategic planning and management system that is used extensively to align business activities to the vision and strategy of the organization, improve internal and external communications, and monitor organization performance against strategic goals and finally the commitment-trust theory which asserts that relationship marketing involves establishing, developing, and maintaining successful relational exchanges.

2.2.1 Relationship Marketing Theory

Relationship marketing theory states that successful relationship marketing is occasioned by certain aspects of cooperative relationships that characterize successful relational exchanges (Arnett & Badrinayanan, 2005). The success of relationship marketing is pegged on three major factors. These are trust, relationship commitment, and communication (Sivadas &Dwyer, 2000). The theory suggests that successful relationship marketing efforts enhance customer loyalty and firm’s performance through stronger relational bonds (Sirdeshmukh, Singh, & Sabol, 2002).

There are diverse perspectives about which relational constructs mediate the effects of relationship marketing efforts on outcomes. Besides commitment, trust and communication, satisfaction, bonding, shared values, empathy, dependence and reciprocity have been identified as vital components of relationship marketing orientation (Sin et al. 2005; Eisingerich & Bell, 2006). The relationship marketing theory, however, fails to expound on how service quality is crucial in relationship marketing. Relationship marketing theory is adopted in this study to explain the link between the various components of relationship marketing (particularly, communication and customers trust) and customer retention.

2.2.2 Balanced Scorecard

The balanced scorecard is a strategic planning and management system that is used extensively in business and industry, government, and nonprofit organizations worldwide to align business activities to the vision and strategy of the organization, improve internal and external communications, and monitor organization performance against strategic goals. It was originated by Kaplan and Norton (1992) as a performance measurement framework that added strategic non-financial performance measures to traditional financial metrics to give managers and executives a more balanced view of organizational performance (Komal,2009). The balance score card is a carefully selected set of measures derived from an organizations strategy. The measures selected for the score card represent a tool for leaders to use in communicating to employees and external stakeholders of the outcomes and performance drivers by which the organization will achieve its mission and strategic objectives.

According to Omumia (2010) indicates that the balanced scorecard has evolved from its early use as a simple performance measurement framework to a full strategic planning and management system. It provides a framework that not only provides performance measurements, but helps planners identify what should be done and measured. It enables executives to truly execute their strategies. Milne (2006) indicates that the Learning & Growth Perspective includes employee training and corporate cultural attitudes related to both individual and corporate self-improvement. In a knowledge-worker organization, people the only depository of knowledge, are the main resource. In the current climate of rapid technological change, it is becoming necessary for knowledge workers to be in a continuous learning mode. Metrics can be put into place to guide managers in focusing training funds where they can help the most. In any case, learning and growth constitute the essential foundation for success of any knowledge-worker organization.

2.2.3 Commitment-Trust Theory

The commitment-trust theory was advanced by Morgan and Hunt (1994). The theory asserts that relationship marketing involves establishing, developing, and maintaining successful relational exchanges. The foregoing constitutes a major paradigm shift from marketing theory and practice. The authors conceptualized relationship marketing and its ten forms, which are: reliability, tangibility, responsiveness, communication, access, courtesy, credibility, competence, security and understanding of customers. The scholars theorized that successful relationship marketing requires relationship commitment and trust. They modeled relationship marketing and trust as crucial mediating variables. They tested this model and compared it with rivals that do not allow relationship commitment and trust to function as mediating variables.

Commitment-trust theory is founded on political economy paradigm (Thorelli, 1986). It is posited that though there are no doubt many contextual factors that contribute to the success or failure of specific relationship marketing efforts, the presence of relationship commitment and trust is theorized to be central to successful relationship marketing, not power and its ability to "condition others." Commitment and trust are noted to be key because they encourage marketers to work at preserving relationship investments by cooperating with exchange partners, resist attractive short-term alternatives in favor of the expected long-term benefits of staying with existing partners, and view potentially high-risk actions as being prudent because of the belief that their partners will not act opportunistically. Therefore, when both commitment and trust, not just one or the other, are present, they produce outcomes that promote efficiency, productivity, and effectiveness. Commitment-trust theory fails to address service quality as a component of relationship marketing. It has also fallen short of relating the various components of relationship marketing to customer retention. In other words, it has not explained how relationship marketing influences customer retention.

2.3 Relationship Marketing and Competitiveness

Relationship marketing approach focuses on customer retention, encouraging increased spends and long-term relationships with customers. Omumia (2010) stated that Relationship marketing aims to establish, maintain and enhance relationships with customers and other parties at a profit so that the objectives of the parties involved are met. This should be done by a mutual exchange and fulfillment of promises. Financial performance with key indicators such as the financial ratios; return on investment, return on equity, and return on assets are also key determinants of the financial health of the institution.

Relationship marketing is aimed at growing the net worth or the bottom line of the organization by utilizing the available resources optimally. Other key performance measures include the overall work environment and the learning and growth prospects of employees in an organization. These measures touch on the human capital which is a great resource to the institution. These four performance indicators can be used to determine the overall performance among Commercial banks in Kenya.

In order to remain competitive, banks need to have a good understanding of their customer behaviour so that appropriate marketing strategies directed towards relationship building and customer retention can be developed. One way of gaining competitive advantage in banking is by focusing on offering excellent services and meeting the needs of customer and secure customer satisfaction, commitment, trust, perceived service quality and perceived value.

2.3.1 Customer Trust

Trust is defined as a willingness to rely on an exchange partner in whom one has confidence. It is essentially the belief that an individual will provide what is promised. The inclusion of trust as a central variable in a relationship exchange has been examined widely in the marketing literature. For example, in service marketing, find that customer-company relationships require trust". In retailing, stresses that trust are the basis for loyalty. In strategic alliances, concludes that "the biggest stumbling block to the success of alliances is the lack of trust." In addition, recent work by Morgan and Hunt (1994) also identified trust as a key construct in their model of relationship marketing. Moreover, trust is viewed as a central construct in studies conducted by the Industrial Marketing and Purchasing Group. This study theorizes that the higher the level of trust between buyer and seller, the greater the probability of long-term relationships (Parasuraman et al., 1995).

Loyalty and trust are closely interlinked. Loyalty describes building and sustenance of trusted relationships with customers that could lead to the customer's repeated purchases of firm's products or services over a given period of time. Others identified trust as one of the key factors that consistently influence success of relationship marketing. Moreover, others considered trust to be one of the fundamental aspects of relationship marketing orientation. In addition, it is asserted that a firm which exhibits relationship marketing competence has the ability to identify, develop, and manage cooperative relationships with its key customers through enhancement of their customers' trust. .A study on the impact of relationship marketing orientation on customer loyalty in the banking sector in Jordan revealed that customer's trust in their banks is one of the crucial aspects of relationship marketing (Alrubaiee & Al-Nazer, 2010).

It is argued that relationship marketing reflects a strategic response by firms aiming to curve a competitive edge. In tandem, others observed that the interdependence of market players and mutual effort based on trust and commitment, would essentially allow firms to remain competitive. In the same breadth, it is noted that the key success factor in mature markets such as the banking industry, relies on sustenance of long-term relationships with stakeholders. Relationship marketing has been averred to be successful in building trust and commitment with external stakeholders such as customers in order to create loyal customer relationships (De Madariaga & Valor, 2007). In Kuria (2010) study on market relationship practices among commercial banks in Kenya, it is suggested that, development of trust may be one of the major components of successful relationships. Promise and trust are asserted to be determining elements of how relationship is established, maintained and enhanced. Long-term profitability requires that the relationship between a firm and its customers be maintained and enhanced in order to retain the customer base. Kibbeh's (2013) study on relationship marketing and customer loyalty in mobile telecommunication industry in Nairobi, Kenya recommended that firms operating in an intensely price-based competitive environment should purpose to build trust among their customers.

Failure to accomplish the foregoing would likely result in the firms suffering from shocks in their market positions and profitability.

Sivadas and Dwyer (2000) identified trust as one of the key factors that consistently influence success of relationship marketing. Moreover, Sin et al. (2005) considered trust to be one of the fundamental aspects of relationship marketing orientation.
Liang and Wang (2006) states in this context that trust is the perceived level of confidence in transaction partner’s reliability and honesty. Trust is an important construct in relational exchange because relationships characterized by trust are so highly valued that parties will desire to commit themselves to such relationships. Creating trust in customer mind set is importance for companies because from the previous studies Trust along with commitment is an important antecedent of loyalty. In order to increase the levels of trust, companies must focus on keeping promises to their customers and consistently carry their best interest at heart.

2.3.2 Organizational Culture

Organizational culture includes the shared beliefs, norms and values within an organization. It sets the foundation for strategy. For a strategy within an organization to develop and be implemented successfully, it must fully align with the organizational culture. Thus, initiatives and goals must be established within an organization to support and establish an organizational culture that embraces the organization‘s strategy over time. Institutions that remain flexible are more likely to embrace change and create an environment that remains open to production and communication. This provides a model that welcomes cultural diversity and helps clarify strategy implementation. Culture within an organization can serve many purposes, including unifying members within an institution and help create a set of common norms or rules within an institution that employees follow (De Madariaga & Valor, 2007).
A stable culture, one that will systematically support strategy implementation, is one that fosters a culture of partnership, unity, teamwork and cooperation among employees. This type of corporate culture will enhance commitment among employees and focus on productivity within the organization rather than resistance to rules and regulations or external factors that prohibit success. Flexible, strong and unified cultures will approach strategy implementation and affect implementation in a

positive manner by aligning goals. Goals can come into alignment when the Institutions culture works to focus on productivity and getting the organization‘s primary mission accomplished. This may include getting services delivered to customers on time, providing services better than the institution‘s chief competitor or similar goals. For this level of unification of work, goal setting must align with and be supported by systems, policies, procedures and processes within the organization, thereby helping to achieve strategy implementation and continuing the cultural integrity of the organization. Part of cultural alignment and strategy implementation involves process implementation (De Madariaga & Valor, 2007).

When culture aligns with strategy implementation, an institution is able to more efficiently operate in the global marketplace. Culture allows institutional leaders to work both individually and as teams to develop strategic initiatives within the institutions. These may include building new partnerships and re-establishing old ones to continue delivering the best possible services to a global market (Thorelli, 2006).

2.3.3 Quality of Services

Services are basically intangibles, heterogeneous and inseparable. Gronroos (2001) describe that the main characteristic of service is their process nature. Hence, a service is a process that leads to an outcome during partly simultaneous production and consumption processes.

Customer’s perceived quality construct has received considerable attention in the marketing literature. Customer perceptions of the quality of a service are traditionally measured immediately after the person has consumed the service. It has been mentioned about the perception of service quality at the time of the next purchase decision which influence consumers repeat buying behavior attitude. It is worth noting that an understanding of quality is not necessarily something that is perceived in the mind of the consumer upon the first impression. Phusavat and Kanchana (2008) described quality represented the most important competitive priority.

Specifically, service quality perceptions stem from how well a provider performs vis-à-vis customer’s expectations about how the provider should perform. According to Zeithaml et. al. (1990), there is four factors influencing expectation; word of mouth, personal needs, past experience and external communication. The development of the SERVQUAL scale has provided an instrument for measuring functional service quality applicable across a broad range of service. They identify that a customer's expectation of a service is influenced, externally, by word of mouth communication, and, internally, by the customer's personal needs and past experience. The model is a tool used to analyze the causes of service problems, and for understanding how service quality can be improved and refined. SERVQUAL contains 22 pairs of Likert type items in its original form and intends that there are five dimensions of service quality that is applicable to service providing organizations in general.

Intangibility of services makes the evaluation of service quality difficult which creates uncertainty to its customers and thus, loyalty acts as a risk reduction strategy for its customers. The term service loyalty is used to differentiate it from goods loyalty. Due to the idiosyncratic nature of services and its unique features like perishability, intangibility, and inseparability, service loyalty greatly differs from goods based loyalty. As such, the factors that contribute in explaining the service loyalty also varies from goods based loyalty. Being a prime competitive weapon in the service industry, service quality is often regarded as the key antecedent of service loyalty. It is the measure of consumers' quality perception of service firms. However, measuring service quality is far difficult than product's quality.Past studies suggest that consumer's favorable perception of service quality positively affect service loyalty. Moreover, it elevates consumer's repeat purchase intention and enhances inclination to buy additional services from the same service provider, makes consumers less price sensitive and creates positive word-of-mouth (Kibeh, 2013).

Little and Little (2009) stated that customers evaluate service quality based on perceptions of two-dimensional service quality concept, a technical quality or outcome of the service act dimension, (what is delivered) or how well the service performs as expected and as promised or what the customer receives in the end or what is delivered and the functional quality, or process-related dimension how it is delivered, that is, their perception of the manner in which the service is delivered. They believe that the how of service delivery is critical to perceptions of service quality. Grönroos (1984) states that this is another quality dimension, which is very much related to how the moments of truth of the buyer-seller interactions themselves are taken care of and how the service provider functions, therefore, it is called the functional quality of the process. Technical quality, also known as extrinsic quality which is defined as what the customer is actually receiving from the service, or the quality of the outcome or result of the service, is the is delivered during the service delivery process. Functional quality is also known as intrinsic quality, perceptual quality, and interactive quality; and describes the manner in which the service is delivered. Functional quality refers to employee's actions or the human interaction that takes place during the service encounter; it is the how a service is delivered or provided

2.3.4 Information Technology

James (2006) carried out research on how information technology had transformed business enterprises and found out that it has brought enormous offer on every aspect of business, he argues that information department had transformed from a back office support function to integral mechanism for designing what must e-supply and e-business models that will ensure that future viability for the firm and its position in value chain. He said that information technology has facilitated sharing of information; collaboration of industries in different department that has made communication sector to be able to control inventory use of technology has led to new business modes with greater responses to customer demand. This has led to business commerce created by emergency of internet.

Brian (2006) still insists that people revealed on information systems to communicate with each other using variety of physical devices(hardware) information systems instructions and procedures(software),communication channels(networks) and stored data since the drawn of civilization. It is insisted that the use of modern information technology was vital in ensuring effective quality services. The introduction of computers as insisted saved many organizations in terms of stationery, space for filling and cost on employees. He insisted that if many employees were computer illiterate and were using manual ways of serving customers long queues over the counter would be experienced. The use of computers ensures quality systems in terms of efficiency and effectiveness. It also ensures that data is kept in the main server and where needed.

In order to get a customer relationship marketing (CRM) to work properly the company’s functions must be process-oriented. In functions of order delivering and handling customer enquiries are usually designed upon a process base. Other functions like sales and marketing are unstructured and because of the non-mechanic nature of their work they are well-known for not being process-oriented. Technology is helping companies to interact with their customers on a personal level, which is important when getting to know the customers and understanding their needs. The relationships between the company and its customers are characterized in two ways, mutually beneficial and communication. The touch points, which are the actual interaction between the customer and company, can be called call centers, the internet, email, sales, direct marketing, telemarketing operations, advertising, fax stores and found that customer touch points were being used at the time as s source of customer relations strategy in the banking sector with the customer care centers acting as the customer touch points (Oduori, 2006).

Companies have different types of database organizations depending on how their structures are constructed. To get the desired shape of the database there are obstacles that the company needs to overcome. By getting through this crisis, a data management with high degree of professionalism can be obtained. This path which is described in five stages can be seen as a way that companies have to go when improving their data management Peelen, (2005).the five stages are the pioneering phase, the specialization phase, the multifunctional teams, system integration and one-to-one communication. Research on relationship marketing also highlights the importance of information exchanges in business relationships. Studies reveal that information exchange can help both buyers and sellers to respond better to new opportunities and threats. Hamfelt and Lindberg (1987) find that the transmission of information through a contact network can spur technological development.

2.4 Chapter Summary

This chapter has given the Theoretical Review where Relationship marketing theory, Balanced Scorecard and Commitment Trust Theory have been discussed, it has also discussed the variable of relationship marketing which are Customer Trust, Organizational Culture, Quality of Service and Information Technology.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research design and methodology that was used to carry out the research. It presents the research design, the population, sample size and sampling procedure, data collection and analysis.

3.2 Research Design

Research design refers to the way the study is designed, that is, the method used to carry out a research. In descriptive survey, research is the investigation in which quantitative data is collected and analyzed in order to describe the specific phenomenon in its current trends, current events and linkages between different factors at the current time. Descriptive survey research design was chosen because it enabled the researcher to generalize the findings to a larger population. This study has therefore generalized the findings to all the banks in Kenya.

3.3 Target Population

Population refers to an entire group of individuals, events or objects having common characteristics that can be observed and measured (Yin, 2003). A research study's target population should be clearly defined and the unit of analysis should be identified, which is not easy sometimes. This is a survey and the population of the study consists of all registered commercial banks in Kenya as at May 2014 CBK report. A list of the 47 commercial banks is provided as appendix II. One relationship manager was chosen in the 47 commercial banks and thus a total of 47 questionnaires were issued.

3.4 Data Collection

The study used both primary and secondary data. Primary data was collected through self-administered questionnaires containing closed questions. A questionnaire, as the data collection instrument of choice is, easy to formulate and administer and also provides a relatively simple and straightforward approach to the study of attitudes, values, beliefs and motives .Secondary data was obtained from CBK database, KNBS and Capital Market Authority.Secondary data which formed the bulk of the

information make use of structured data obtained from CBK (see appendix II). The secondary sources comprised of data collected from the CBK website on their annual reports and audited financial statement. The study's data collection source was justified by the fact that data on bank performance and return spread and most commercial Banks registered in Kenya is available in CBK`s supervision report. Data collected and reports and other publication was scrutinized in the central bank offices.
The questionnaires were distributed to one relationship managers in each bank. There was a follow-up to ensure that questionnaires are collected on time and assistance to the respondents having difficulty in completing the questionnaires offered. Follow-up calls were made to ensure that the questionnaires are dully filled within a reasonable period of time. This ensured that the information gathered was valid, reliable and suitable for the study. The research tools used included exercise books and pens to make and enter respective data. In addition computers and mobile phones were used in situations that required them.

3.5 Reliability and Validity of the data collection instruments

3.5.1 Reliability

Reliability is concerned with meaning and the consistency of responses received from the respondents or measuring consistency of results over time. A data collection instrument is considered to be reliable if the results of a study can be reproduced under a similar methodology. In this study, to test the reliability of questionnaire interviews, the researcher carefully formulated individual structured and unstructured questions that formed the basis for the interviews with the respondents; secondly, the researcher established a clear layout of the questionnaire.
The questionnaire was presented to the target respondents initially to provide their feedback. Upon receipt of responses, the researcher interviewed the respondents again after a lapse of 2 weeks either through the telephone or through face-to-face interview to ascertain the consistency of the answers provided on the questionnaire.
Morse and Niehaus (2009)) found out that there are three types of reliability referred to in quantitative research, which relates to: firstly, the degree to which a measurement given repeatedly remains the same; secondly, the stability of a measurement over time; and thirdly, the similarity of measurements within a given time period.

3.5.2 Validity

Validity is concerned with the extent to which the measurement is done and therefore the data obtained are relatively free from error (are accurate). Tharenou et al. (2007) describe the validity in quantitative research as construct validity. In carrying out this study, the researcher used triangulation to provide assurances of validity. This technique (triangulation) entails the employment of more than one approach to the investigation of a research question so as to raise confidence in the researcher's findings. The researcher used methodological triangulation, which entailed the application of more than a single method for gathering data. Triangulation strengthens a study by combining methods; this means using several kinds of methods or data, including using both quantitative and qualitative approaches.

3.6 Data Analysis

Data collected was checked for completeness with repeat calls being made for incomplete ones to maintain the number. Categorization and coding was then done and data entered into SPSS version 19 for analysis. Both descriptive and inferential tests will be used in the analysis. Data was described or summarized using descriptive statistics such as mean and frequencies, which help in meaningful describing of the distribution of responses. Various inferential statistics was used to infer population characteristics from the sample. Pearson's correlation coefficient was used to establish relationships between variables.

A Multiple linear regression model was used to predict return using the four independent variables in the study: customer trust, organizational culture, quality services and Information technology. The regression model which was used to test is shown below:

$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$ Where;

Y - Return

α – Constant

ε - Error term

β_1, β_2, β_3 and β_4 – Coefficient indicating rate of change of competitiveness as Customer Trust, organizational culture, Quality of services and Information technology changes where;

X_1 – Customer Trust

X_2 – Organizational Culture

X_3 – Quality of Services

X_4 – Information Technology

ε - Error term

For the purpose of this study, all the above statistical tests were analyzed using the Statistical Package for Social Sciences (SPSS), version 19. All tests were two-tailed. Significant levels were measured at 95% confidence level with significant differences recorded at $p < 0.05$.

3.7 Chapter Summary

Chapter three has presented the research design and methodology that was used to carry out the research. It presents the research design, the population, sample size and sampling procedure, data collection and analysis.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter provides the details as regards data analysis results and discussions of the study findings as set out in the research objective and research methodology. The study sought to establish the influence of relationship marketing on competitiveness among commercial banks in Kenya.

4.2 Response Rate

A total of 47 questionnaires were issued and only 43 were returned. This represented a response rate of 91.49% which was adequate for data analysis and conforms to previous researches who stipulated that a response rate of 70% and above was adequate.

4.3 Demographic Profile

The demographic information considered in the study was the job title held by the respondent, the highest level of education, the respondents work experience, the number of years the bank had operated in Kenya and the size of the bank in terms of branch spread.

4.3.1 Respondents Job title

The respondents were requested to state their job title basically to keep on track that the right respondent gave the response since the research only targeted Relationship managers. The results are presented in table 4.1

Table 4.1 Job Title of the respondent

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Relationship Manager	28	65.1	65.1	65.1
	Client Service and Relationship Manager	15	34.9	34.9	100.0
	Total	43	100.0	100.0	

The results as shown in table 4.1 above indicated that 65.1% of the respondents were Relationship manager and 34.9% were client service and relationship managers and therefore they would understand the influence of relationship marketing on competitiveness among commercial banks in Kenya.

4.3.2 Highest level of education

The respondents were requested to indicate their highest level of education they have attained. The level of education was important since it has been cited as a critical success factor in helping firms survive, improve profitability as well as remaining competitive. The results are presented in table 4.2

Table 4.2 Highest Education Level of the Respondent

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Tertiary	7	16.3	16.3	16.3
	University Level	36	83.7	83.7	100.0
	Total	43	100.0	100.0	

The results as shown in table 4.2 above indicated that 83.7% of the respondents had attained university level and 16.3% Tertiary education, this show majority of the respondents had attained University level and had a better understanding of the different aspects of relationship marketing used in the study.

4.3.3 Work experience

The study sought to establish the work experience of the respondents in their role as relationship managers or Client service and relationship manager. The results are presented in table 4.3

Table 4.3 Work Experience in the Bank

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 5 years	12	27.9	27.9	27.9
	5-7 years	18	41.9	41.9	69.8
	8-10 years	5	11.6	11.6	81.4
	11-15 years	7	16.3	16.3	97.7
	Above 15 years	1	2.3	2.3	100.0
	Total	43	100.0	100.0	

The results as presented in table 4.3 above indicated that 41.9% had a work experience ranging between 5-7 years, 27.9% with work experience of less than 5 years, 16.3% with work experience ranging between 11-15 years, 11.6% with work experience ranging between 8-10 years and 2.3% of the respondents had work experience of more than 15 years.

The study also found out that 27.9% of the respondents with work experience of less than 5 years had been poached from competitor banks and that the 2.3% of the respondents with work experience of above 15 years had gradually grown from different role to relationship management.

4.3.4 Number of years the bank has operated in Kenya

The respondents were asked to give the history of how long the bank had operated in Kenya. The results are presented in table 4.4

Table 4.4 Number of years the Bank has operated in Kenya

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	10-20 years	9	20.9	20.9	20.9
	20-30 years	12	27.9	27.9	48.8
	Above 30 years	22	51.2	51.2	100.0
	Total	43	100.0	100.0	

The results as shown in table 4.4 above indicated that 51.2% of the banks had operated in Kenya for more than 30 years, 27.9% of the banks had operated for years ranging between 20-30 years, 20.9% of the banks for years ranging between 10-20 years, the research also established that majority of the banks which had operated for more than 30 years had higher branch network and higher market share as compared to the branches with short lifespan of operation in Kenya

4.3.5 Branch Network

The study sought to establish the number of branches each bank had and whether the branch spread had any influence on competitiveness and the market share the bank had. The results were presented in the table 4.5

Table 4.5 Branch Network

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 10 Branches	16	37.2	37.2	37.2
	10-20 Branches	16	37.2	37.2	74.4
	20-30 Branches	1	2.3	2.3	76.7
	30-40 Branches	2	4.7	4.7	81.4
	Above 40 Branches	8	18.6	18.6	100.0
	Total	43	100.0	100.0	

The results as shown in table 4.5 above indicated that 37.2% of the banks had branches ranging from 1-20 branches, 18.6% of the banks had branches above 40, 4.7% 30-40 branches and 2.3% 20-30 branches. The research also established that majority of the banks which had higher branch network also had higher market share as compared to the banks with less branches.

4.4 Elements of Relationship Marketing

The study focused on four elements of relationship marketing which included customer trust, organizational culture, quality of service and information technology. The research sought to establish how the four elements of relationship marketing affected the level of competitiveness. The results are presented as follows;

On Customer Trust, the results as shown in table 4.6 below indicated that out of the 43 respondents, 86% said that customer trust was very important and it affected the banks competitiveness to a large extent, 11.6% said customer trust moderately affected the banks competitiveness and 2.3% to a very low extent. Previous researchers have found out that customer trust brings loyalty which in turn leads to customers referring their bank to their friends and positive word of mouth. The results are presented in table 4.6

Table 4.6 Customer trust

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Large Extent	37	86.0	86.0	86.0
	Moderate	5	11.6	11.6	97.7
	Low Extent	1	2.3	2.3	100.0
	Total	43	100.0	100.0	

On Organizational Culture, the results as shown in table 4.7 below indicated that out of the 43 respondents, 83.7% said that Organizational Culture was very key and it affected the banks competitiveness to a large extent, 14% said Organizational Culture moderately affected the banks competitiveness and 2.3% to a very low extent. Previous researchers have found out that Organizational Culture guides the way business is conducted in an organization and gives guideline to employee on how they should conduct themselves when representing the organization according to the organizations core values. Organizational Culture leads to employees delivering what is expected of them hence organizational success. The results are presented in table 4.7

Table 4.7 Organizational Culture

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Large Extent	36	83.7	83.7	83.7
	Moderate	6	14.0	14.0	97.7
	Low Extent	1	2.3	2.3	100.0
	Total	43	100.0	100.0	

On Quality of service, the results as shown in table 4.8 below indicated that out of the 43 respondents, 83.7% said that quality of service was very important and it affected the banks competitiveness to a large extent and 16.3% said customer trust moderately affected the banks competitiveness. The results are presented in table 4.8

Table 4.8 Quality of Service

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Large Extent	36	83.7	83.7	83.7
	Moderate	7	16.3	16.3	100.0
	Total	43	100.0	100.0	

On Information Technology, The results as shown in table 4.9 below indicated that out of the 43 respondents, 90.7% said that Information Technology was very crucial and it affected the banks competitiveness to a large extent, 4.7% said Information Technology moderately affected the banks competitiveness and 4.7% to a very low extent. Information Technology will involve the systems used by the bank to facilitate effective service delivery, the processes and procedures to be followed in the service delivery and the people. The respondents had understanding of this and they said information technology and they said it actually facilitated the other factors of relationship marketing discussed in this study. Information Technology had the highest percentage of 90.7% that it affected the banks competitiveness to a very large extent. The results are presented in table 4.9

Table 4.9 Information Technology

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Large Extent	39	90.7	90.7	90.7
	Moderate	2	4.7	4.7	95.3
	Low Extent	2	4.7	4.7	100.0
	Total	43	100.0	100.0	

4.5 Regression Analysis

In order to establish whether there exists a relationship between relationship marketing and competitiveness, the researcher conducted a regression analysis where the market Share Index was regressed against the four predictor variables; customer trust, organizational culture, quality services and Information technology.

However, before the regression analysis, the researcher sought to establish the trend of the four data sets in order to establish the trend of the involved variables. The respondents were requested to indicate the influence of relationship marketing on competitiveness among commercial banks in Kenya. This was important for the study in order to determine whether any relationship existed. The results are presented in table 4.10

Table 4.10 Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Customer trust	43	1	3	1.16	.433
Organizational Culture	43	1	3	1.19	.450
Quality of Service	43	1	2	1.16	.374
Information Technology	43	1	3	1.14	.467
Market share	43	.10	12.69	2.3258	2.89606
Valid N (listwise)	43				

From descriptive statistics table 4.10 above, The results indicate that the various elements of relationship marketing affect competitiveness among commercial banks in Kenya as the customer trust mean scores increase with 1.16, organizational culture 1.19, quality of service 1.16, and Information technology with 1.14 and the market share with the highest increase in mean score of 2.3258.

Analysis of variance (ANOVA)

Anova Summary of research finding obtained is shown in Figure 4.11 and 4.12 below

Table 4.11 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.403[a]	.163	.075	2.78604

a. Predictors: (Constant), Information Technology, Customer trust, Quality of Service, Organizational Culture

Table 4.12 Analysis of variance (ANOVA) Table

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	57.302	4	14.326	1.846	.140[a]
	Residual	294.958	38	7.762		
	Total	352.260	42			

a. Predictors: (Constant), Information Technology, Customer trust, Quality of Service, Organizational Culture

b. Dependent Variable: Market share

The study results revealed that there is a weak positive relationship between the selected variables and the market Share Index as depicted by coefficient of determination (R) of 0.403, and Correlation Coefficient (R- Square) of 0.163 depicting that there exists a weak positive relationship between variables and Market Share Index

Table 4.13 Table of Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	7.272	1.879		3.870	.000
	Customer trust	1.510	1.020	.226	1.481	.147
	Organizational Culture	1.071	1.219	.166	.879	.385
	Quality of Service	1.257	1.372	.162	.917	.365
	Information Technology	.401	1.038	.065	.387	.701

a. Dependent Variable: Market share

The multivariate correlation and regression analysis revealed that at $p<0.05$, relationship marketing variables namely customer trust, organizational culture, quality of service and information technology positively affected the banks competitiveness

Competitiveness =7.272+0.226CT+0.166OC+0.162QS+0.65IT

The results in table 4.13 Revealed that customer trust, organizational culture, quality of service and information technology had a Beta value of 0.226, 0.166, 0.162 and 0.065 respectively which were statistically insignificant.

4.6 DISCUSSION

The study results revealed that for banks to be competitive and to get a huge market share the bank must be customer centric and treat the customer as a kind and there should be no time when the bank should see the bank as a problem. Therefore the respondents were requested to tell to what extend the bank could be relied on to keep its promises where the results revealed that the banks can be relied on to a large extend. The banks which had earned more customer trust the customers were even willing to make pre payments and place deposits and other investments due to the trust that the bank was there for a long run and the customers had the trust that it will be able to pay back the clients money at the agreed rate of return.

The research results revealed that the loyal customers were very willing to refer their friends and relative to the bank which helped in increasing the banks market share. The results also revealed that the banks had established high branch network to take care of the clients need and this also has helped the bank in growing the market share. The banks hired relationship managers who had attained university education and who had work experience of more than 5 years and even in the cases where the work experience as a relationship manager was less than 5 years majority of those relationship managers were poached from competition banks where they had done a similar role from the competitor bank. This helped in ensuring that the respondents had adequate knowledge to respond to the questionnaire.

The results revealed that high level of customer trust enhanced banks competitiveness and that the staff had sufficient product knowledge to handle customer quarries satisfactorily and ensure customer satisfaction with the bank. The security guards and the back office staff also were knowledgeable about the banks products since they all work as representatives of the bank. The results revealed that the banks generally were involved in learning and culture and to the welfare of the employees. This results has revealed that for an organization to be successful its culture must be upright and for the benefit of the internal customers first since if the internal customers (staff) are satistified then they will extend the service to the external customers leading to quality delivery and hence the external customers gaining value in the service the banks offers.

The results reflected that quality of service was key and the bank had to tailor its products to meet the specific needs of its customers and hence business continuity and the bank acquiring competitive edge. The results revealed that banks product quality was enhanced through consolidated customer feedback which helped the bank in offering customer centric solutions which give value for money and leads to customer satisfaction.

The research results revealed that information technology was very key and helped in increasing the market share. Information technology involved the facilities used in service delivery, the processes followed in service delivery and the procedure followed. A bank that is not flexible in aligning its processes with the customer needs results showed that the clients were not interested in the process the bank used in the service delivery but in getting the right service they wanted and therefore the processes should work as a facilitator of quality desired by the customer but not in favor of the banks interest.

3.8 Chapter Summary

This chapter has provided details as regards data analysis results and discussions of the study findings as set out in the research objective and research methodology. This chapter has looked at Response Rate, Demographic Profile, the various Elements of Relationship Marketing and Regression Analysis.

CHAPTER FIVE: SUMMARY, CONCLUSION, LIMITATIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes and discusses the finding in relation to the research problem and research objective. The chapter is thus outlined in to summary of the findings, conclusions, recommendations, limitations of the study and suggestions for further research.

5.5 Summary of Findings

The study sought to establish the influence of relationship marketing on competitiveness among Commercial banks in Kenya. The study was guided by objectives; to determine the influence of relationship marketing on competitiveness among commercial banks in Kenya and to establish the influence of various aspects of relationship marketing on competitiveness among commercial banks in Kenya. The selected variables included customer trust, organizational culture, quality services and information technology.

The study used both primary and secondary data. The secondary data was for the period 2014 and was obtained from Central Bank of Kenya. The data used for the analysis was the average figures from the questionnaire and average annual figures for share index for the year 2014.The data was analyzed using SPSS version 19.
The study results established that markets share Index (used to measure competition) was influenced by the selected variables which included customer trust, organizational culture, quality services and information technology.

The regression analysis obtained Coefficient of determination (R), Correlation Coefficient (R-Square), P-Value and F-test statistics which were; 0.403, 0.163, 0.075 and 2.78604 respectively. Since R was positive (0.403) the relationship between the Market share index and the variables under study was positive. Since, R-Square was way below 0.75 as it was (0.163) the relationship between Competition performances as measured by Market Share Index is very weak. Also, since P-Value (0.075) was greater than 0.05, the established model describing the relationship between the study variables is statistically insignificant. However the F-test as the obtained test Statistics from the F-table as it was 1.846 which was lower than the F-test statistic 2.78604, determined through the analysis showed that the relationship between the study variables and market share was statistically significant. Furthermore, P-Values associated with each of the determinants variables were all greater than 0.05 depicting that the selected variables were individually statistically insignificant in predicting the influence of relationship marketing on competitiveness among commercial banks in Kenya.

5.3 Conclusions

Consumers are highly knowledgeable and demanding, for the banks to succeed in the competitive environment, banks have to be responsive to the needs and wants of the customer by offering service and products above customer's expectations. Banks need to be better than the competitor in order to have better market. Therefore banks should be customer focused, have efficient utilization of the banks scarce resources and be well positioned to conquer the competition. Therefore this study concludes that there is a weak positive relationship between the selected variables (customer trust, organizational culture, quality services and information technology) together and competition for share market development among commercial banks in Kenya.

The results showed that the selected variables i.e. customer trust, organizational culture, quality services and information technology each has influence on the banks market share index and each variable is very important in increasing the banks competitiveness, therefore for a bank to remain competitive, it should focus on increasing its customers trust an making them more loyal, create a good working environment to enable effective and efficient service delivery, provide quality that surpasses customer expectations and to put in place the right systems, processes and procedures that aids in delivering customer needs and wants.

5.4 Limitations of the Study

There are multiple variables of relationship marketing that influence competitiveness among commercial banks in Kenya and therefore the limitation of the study was found in the selection of the variables which was not exhaustive. This means the other additional factors that has been left out could provide further insight on the influence of relationship marketing on competitiveness among commercial banks in Kenya.

The study respondents were purposively chosen which means not all possible population had equal chances of being chosen which puts constrain on the generalization of the results to the banks in Kenya, to other firms and also other country contexts. The narrow and specific focus of this study means the results are limited to commercial banks in Kenya.

The study was overwhelming because the researcher had to conduct the study alongside official duty at the place of work and other personal and social commitments. Moreover, the study had to be conducted within a short period, hence the researcher had to work long-hours into the night. These made the researcher exhausted at times and could possibly affect the input into the study.

Possible errors in the process of measurement or during recording may have been carried along into the research results.

5.5 Recommendations

The study found out that relationship marketing influences competitiveness and that the banks that had embraced relationship marketing strategies had a competitive edge over the banks that didn’t embrace relationship marketing strategies. The study recommends that for a bank to remain competitive it should hire talent in relationship marketing management to take care of the banks portfolio/client base and be able to tailor its offering to meet and exceed customer needs.

The study found out that majority of the relationship managers had a work experience of not less than 5 years, this means that the relationship managers had the expertise that is required to handle the specific client needs that the clients had.therefore this study recommends that every bank should have a dedicated team to handle the high profile customers of the bank since they have unique needs and they bring very high value business to the bank.

The study found out that banks competitiveness was affected by the inflation of the economy since different banks had different capacities to handle the inflations and therefore the study recommends that the central bank of Kenya (CBK) and other regulators should plan in advance and influence the macro-economic variables such as inflation, money supply on the right direction. For instance the economy should have sufficient money supply to ensure that there is enough money to conduct trade in the economy.

The study established that all the selected variables worsened just before, during or/and the immediate year following any political instability The study recommends that the banking industry should plan for the adverse effects which might occur due to inflation, depreciation of USD against the KES. Future researchers should explore other elements of relationship marketing and consolidate them in drawing conclusion if those aspects affected competitiveness among commercial banks in Kenya.

5.6 Suggestions for Further Studies

The study was undertaken the influence of relationship marketing on competitiveness among commercial banks in kenya. The study recommended that banks should use both subjective and objective measures of performance so that the relationship between the two can be investigated as these was not tested in the context of commercial banks in Kenya.

The study suggests that further readings should explore on the specific factors that affect each of the study variables. For instance, further studies should aim to establish the determinants of Market share, organizational culture, quality of service, customer trust and information technology.

Also, further studies can be conducted to establish other variables as well as other factors that determine competitiveness. Establishing other macro-economic factors that determine stock market performance such as exchange rate inflations, international remittances etc can help the regulators to safeguard the market performance so that appropriate results are obtained for the good of investors and the listed corporate bodies.

Also, future studies should include comparison of a simultaneous comparison of the effect of the macro-economic variables on stock market performance. Comparison of different markets can help reach concrete conclusions as regards the subject of the study on whether relationship marketing influences competitiveness among commercial banks in Kenya.

5.6 Chapter Summary

This chapter has summarized and discussed the finding in relation to the research problem and research objective. The chapter thus has outlined the summary of the findings, conclusions, recommendations, limitations of the study and suggestions for further research.

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Appendix II; list of Commercial Banks in Kenya

1. AFRICAN BANKING CORPORATION
2. BANK OF AFRICA KENYA
3. BANK OF BARODA
4. BANK OF INDIA
5. BARCLAYS BANK
6. CFC BANK LIMITED
7. CHARTERHOUSE FINANCE
8. CHASE BANK (KENYA) LTD
9. COMMERCIAL BANK OF AFRICA
10. CONSOLIDATED BANK
11. CO-OPERATIVE BANK
12. CREDIT BANK LTD.
13. DEVELOPMENT BANK OF KENYA
14. DIAMOND TRUST BANK
15. DUBAI BANK
16. EAST AFRICAN DEVELOPMENT BANK
17. ECOBANK KENYA LIMITED
18. EQUATORIAL COMMERCIAL
19. EQUITY BANK
20. FAMILY BANK
21. FIDELITY COMMERCIAL BANK

22. FINA BANK
23. FIRST COMMUNITY BANK
24. GIRO COMMERCIAL BANK LTD
25. GUARDIAN BANK
26. GULF AFRICAN BANK
27. HABIB BANK
28. HABIB BANK A.G.ZURICH
29. IMPERIAL BANK
30. INDUSTRIAL DEV. BANK LIMITED
31. INVESTMENTS AND MORTGAGES
32. JAMII BORA BANK
33. KENYA COMM BANK
34. K-REP
35. MIDDLE EAST BANK
36. NATIONAL BANK
37. NATIONAL INDUSTRIAL CREDIT
38. ORIENTAL COMMERCIAL
39. PARAMOUNT BANK LTD.
40. PRIME BANK
41. SOUTHERN CREDIT BANKING CORP.
42. CFC/STANBIC
43. STANDARD CHARTERED
44. TRANSNATIONAL BANK

45. UNITED BANK OF AFRICA
46. VICTORIA COMMERCIAL BANK

APPENDIX III

QUESTIONNAIRE

(To be filled by Relationship Managers)

The purpose of this study is to establish the influence of relationship marketing on competitiveness in the 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. Name of the Bank (optional)…………………………………

2. What is your Job title…………………………………………..

3. Your highest education Level:
   - ☐ Secondary
   - ☐ Tertiary
   - ☐ University Level

4. Work experience in Bank
   - ☐ Less than 5 years
   - ☐ 5-7 years
   - ☐ 8-10 years
   - ☐ 11-15 years
   - ☐ Above 15 years

5. Number of years the Bank the bank has operated in Kenya.
   - ☐ Below 10 years
   - ☐ 10 – 20 years
   - ☐ 20 – 30 years
   - ☐ Above 30 years

6. Size of the Bank (Total number of employees)

- ☐ Below 500 employees
- ☐ 500 - 1000 employees
- ☐ 1000 - 1500 employees
- ☐ 1500 - 2000 employees
- ☐ 2000 employees and above

7. Size of the Bank (Banks network and spread);

- ☐ Below 10 branches
- ☐ 10 – 20 branches
- ☐ 20 – 30 branches
- ☐ 30 – 40 branches
- ☐ Above 40 branches

SECTION B: Influence of Relationship Marketing on Competitiveness in the Commercial Banks in Kenya

The following statements inquire about your thoughts and feelings in a variety of situations. For each item, indicate how well it describes you or the organization by choosing the appropriate letter on the scale at the top of the page: 1, 2, 3, 4, 5 when you have decided on your answer, fill in the letter next to the item number. Answer as honestly as you can. Thank you.

1	2	3	4	5
Strongly Disagree	Moderately Disagree	Neutral	Slightly Agree	Strongly Agree

Customer trust

	1	2	3	4	5
The bank can be relied on to keep its promises					
Customers are willing to make prepayments for services					
Customers feel less compelled when verifying products before buying					
The bank is honest to its customers regarding products					
The bank has a high frequency of referrals from its customers					
Customers have a good relationship and positive attitude towards the bank					
The customers easily interact with bank employees on matters of bank product					
High level of customers' trust enhances bank competitiveness					
The staff are knowledgeable about the bank services					

8. Does your organization carry out the following activities in order to pursue effective relationship marketing? Please tick in the appropriate boxes

Activity	None at all	Slight	Moderate	High	Extremely High Extent
Research to gain insight into the needs of customers?					
Providing channels for customer feedback?					
Responding to customer complaints?					
Proactive in dealing with customers?					
Offering a relationship					

marketing platform that captures customer information at all service points?					
Embedding a relationship marketing management culture within the bank?					

9. To what extent does customer trust affect the effectiveness of relationship marketing in the banking industry in Kenya?

   - ☐ Large Extent
   - ☐ Moderate Extent
   - ☐ Low Extent

The following statements inquire about your thoughts and feelings in a variety of situations. For each item, indicate how well it describes you or the organization by choosing the appropriate letter on the scale at the top of the page: 1, 2, 3, 4, 5 when you have decided on your answer, fill in the letter next to the item number. Answer as honestly as you can. Thank you.

Organization Culture

	1	2	3	4	5
Our organization gets involved in learning and culture					
Our organization gets involved in strategy and organization,					
Our organization helps in creating new customers					
Our organization gets involved in getting new relationships with customers					
Our organization participates in introduction of a new product					
Our organization gets involved in management of technology and customer linkages					
Our organization creates ways of harnessing relationships competitive base.					

10. To what extent does organization culture affect the effectiveness of relationship marketing in the banking industry in Kenya?

- [ ] Large Extent
- [ ] Moderate Extent
- [ ] Low Extent

11. To what extent does quality of services affect the effectiveness of relationship marketing in the banking industry in Kenya?

- [ ] Large extent
- [ ] Moderate extent
- [ ] Low extent

The following statements inquire about your thoughts and feelings in a variety of situations. For each item, indicate how well it describes you or the organization by choosing the appropriate letter on the scale at the top of the page: 1, 2, 3, 4, 5 when you have decided on your answer, fill in the letter next to the item number. Answer as honestly as you can. Thank you.

	Strongly Disagree	Moderately Disagree	Neutral	Slightly Agree	Strongly Disagree
The banks" staff have been trained in customer relationship issues					
The tellers are courteous and know customer needs					
The security guards are welcoming, smart and willing to help					

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

Information technology

	Strongly Disagree	Moderately Disagree	Neutral	Slightly Agree	Strongly Disagree
The bank has a comprehensive data collection system which enables collection of customers views					
The bank has an electronic suggestion box system placed in a strategic point in the banking hall					
The customers suggestions are used in decision making and designing new products					
The bank has a call centre where all customer queries are routed					
The bank has a toll free customer care help line which operates 24 hrs a day					
The bank has well laid out electronic procedures for handling customer complaints					
The bank sends updates to customers through the website					
The bank sends updates to					

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

13. How would you rate the effect IT affects the effectiveness of relationship marketing in the banking industry in Kenya?

☐ Large extent

☐ Moderate extent

☐ Low extent

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

Coming up with customized products and services [ ]

Introduction/ Improvement of customer care [ ]

Promotion to reward customers [ ]

Adoption of Information technology [ ]

Adoption of mobile banking [ ]

Availability of loan top ups [ ]

Conducting financial services seminars [ ]

Others (Specify) ____

Thank You for Your Time and Cooperation

APPENDIX IV

RESEARCH BUDGET

Item Description	Amount
Travel	15,000
Data Collection	30,000
Photocopying & Binding	20,000
Sundry Expenses	5000
Total	**70,000**

Source: Author (2015)