

**FACTORS AFFECTING CONSUMER BRAND LOYALTY AMONG TIER ONE
AND TIER TWO COMMERCIAL BANKS IN KENYA**

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**A MANAGEMENT RESEARCH PROJECT SUBMITTED IN PARTIAL
FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF MASTER
OF BUSINESS ADMINISTRATION (MBA) DEGREE,
SCHOOL OF BUSINESS,
UNIVERSITY OF NAIROBI**

OCTOBER 2015

DECLARATION

I hereby declare that this Management Research Project is my own original work and has not been presented by any other person(s) for award of a degree in university of Nairobi or any other University.

Signature

Date.....

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This Management Research Project has been submitted for examination purpose with my approval as the university supervisor.

Signature

Date.....

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DEDICATION

I dedicate this paper to my dear parents, siblings and close friends.

ACKNOWLEDGEMENT

I hereby wish to thank God for the strength, good health and Wisdom He granted me to undertake this project.

Further, I wish to thank my immediate family; My parents Mr. and Mrs. Charles Mulwa, My brothers Daniel and Joshua, My only sister Mariam for their financial and emotional support. Your words of encouragement and prayers kept me moving.

I wish to recognize the support given to me by my supervisor Dr. Musyoka, lecturer school of business. Without your advice and time, this paper would not have become a reality.

I also wish to acknowledge my workmates Christopher, Norah, Caro and Urbanus for their immense support and understanding as I did this project. A big thank you goes to Mr. Patrick (MBA office staff, Main Campus) for his assistance as I undertook the MBA programme.

Finally, I appreciate the support given to me by my friends and extended family.

May God bless you all.

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ABSTRACT

Banking industry is exponentially growing in Kenya due to investment and savings needs that Kenyans have. Creating brand loyalty to ensure constant flow of customers is very important. Banking industry is complex and requires understanding of customer needs and meeting them at all times. This study therefore examined factors affecting brand loyalty among tier one and tier two commercial banks in Kenya. The objective of the study was to determine the factors affecting loyalty among customer loyalty among tier one and tier two commercial banks in Kenya. The study adopted a cross sectional descriptive research design. A census was done. Data was collected through questionnaires which were filled by the customers of the banks. The data collected was analyzed using SPSS and was presented using Tables. The findings of the study revealed that location of the bank, availability of mobile and internet banking, availability of ATM services and ability to meet and solve customer queries affected customer loyalty to a great extent. It was further revealed that customers have expectations before joining their desired bank and once these expectations are met by their banks, they continue banking using the same bank due to the sense of satisfaction obtained. The study showed that minimum opening and operating balances in accounts, availability of various products that suited customer needs were key issues that influenced customer loyalty. This study concluded that reasonable bank charges and interest rate, well trained and knowledgeable employees, friendly employees, availability of mobile and online banking facilities, availability of various products that suited customer needs, enough lighting and ventilation in the banking hall, long opening hours, customer service by employees, minimum opening and operating balances in accounts and ability to meet and solve customer queries affect loyalty of bank customers to a great extent. The study recommended that banks should incorporate mobile banking, make ATM services available to everyone and open branches all over the country so as to prevent losing their customers to other banks. Commercial banks ought to open branches countrywide so as to be able to attend to their customers wherever they are and acquire loyalty from the customers. They also ought to introduce quality mobile banking services so as to make banking easy for their customers. ATM services should be readily provided to the customers to enhance convenience and easy access at all times. The adoption of reasonable bank charges and interest rates will translate to more customers joining banks and subsequent retention in those banks. This study also recommends that banks ought to employ well trained and knowledgeable employees so as to serve customer needs professionally.

CHAPTER ONE

INTRODUCTION

1.1 Background

Banking industry is exponentially growing in Kenya due to investment and savings needs that Kenyans have. The industry has over the recent years enjoyed rampant growth in deposits, assets, profitability and products offering mainly attributed to automation of services and branch network expansion. Commercial banks differentiate their products and services so as to cater for their consumers' changing tastes and preferences. They recognize the need to stand out from their competitors, to highlight differences between their products and those of their competitors in order to attract and retain customer (Okutoyi, 2012).

Most of the commercial banks gain their revenues from locals of a particular country. Nurturing an ongoing relationship with a customer creates a steady revenue stream that requires less marketing thus in banking industry, trust and consumer confidence is important to enhance and maintain customer loyalty. One important aspect of the industry is to create and maintain satisfied customers by ensuring high level of customer standards. Customers are attracted and retained when their needs are met. Not only do they return to the same bank they also talk favorably to others about their satisfaction (Kotler, Bowen and Makens, 2002).

Creating brand loyalty to ensure constant flow of customers is very important. Banking industry is complex and requires understanding of customer needs and

meeting them at all times. Brand loyalty therefore, is becoming very important in maintaining and achieving high level of sales in an organization. Companies are investing a lot in brand equity by enhancing and maintaining quality which in turn leads to brand loyalty. Brand loyalty is therefore crucial in both product and service industry and cannot be ignored or over looked.

Brand loyalty is achieved after prior purchase and use experience, that is, when a customer purchases a service and meets its perceived quality. Perceived quality is the first impression a customer has to a product or a service. Dick and Basu (1994) suggest that brand loyalty favors positive word of mouth and greater resistance among loyal customers to competitive strategies. Due to stiff competition marketers are coming up with suitable marketing strategies that lead to repeat purchase which is a reflection of brand loyalty.

1.1.1 Concept of Brand Loyalty

A Brand is total offering of a product or service including a set of assets (and liabilities) linked to the name and symbol that adds (or subtracts from) the value provided by the product or service to a firm and or that firm's customers (Aaker, 1996). The major assets categories of a brand include brand loyalty, brand awareness, perceived quality, brand associations, and other proprietary brand assets (Aaker, 1991).

Brand is also defined as a distinguishing name and or a symbol such as a logo, trademarks, package, design or a combination intended to identify the goods or service

(Aaker and Joachimsthaer, 2000). According to Nilson (1999) a brand is really just a symbol but a symbol with tremendous potential. The symbol represents different value dimensions of a company which can be nurtured, built, exploited or neglected. Stephen King (WPP Group, London) describes brand by comparing it to a product thus a product is something that is made in a factory; a brand is something that is bought. A product can be copied; a brand is unique. A product can be quickly out dated; a brand is timeless.

Brand loyalty has an impact on both present and future revenues thus it is important to any business. It is a measure of the attachment that a customer has to a brand. It reflects the likelihood of a customer switching to another brand, especially due to that brand's change in price and / or product features (Aaker 1991). He argues that a strong brand has high equity as a result of the commitment, which manifests itself through a high level of interaction and communication that is involved with the product or service. He also points out that brand loyalty cannot exist without prior purchase and use experience. This translates to a customer must have purchased and used a brand at least once before his attachment to it can be determined. However this differs from Schiffman and Kanuk (2007) who recognize covetous loyalty. They argue that no purchase occurs but the person has a strong attachment towards the brand that develops from his social environment.

Brand loyalty is based on customer satisfaction as a result of the customer having previously used the product or service. According to Aaker (1991) brand loyalty is a

basis of brand equity that is created by many factors, the main one being the use experience. Keller (2000) stated that brand loyalty certainly seems to be a key variable for management interested in the value of brand equity when measured from a consumer perspective.

Brand loyalty is therefore a key aspect in enhancing brand equity. According to Ndeti (2007), brand loyalty is a consumer's preferences to buy a particular brand in a product category. It occurs because consumers perceive that the brand offers the right product features, images or level of quality at the right price. Consumers initially will make a trial purchase of the brand and offer satisfaction, tend to form habits and continue purchasing the same brand because the product is safe and familiar (Giddens, 2006).

Customer satisfaction and perceived quality creates brand loyalty, that is, for a customer to purchase a product or services he/she must be guaranteed of quality. Quality is the only patent protection we've got (James Robinson CEO, American Express). Perceived quality provides value to customers by providing them with a reason to buy and by differentiating the brand from competing brands.

Perceived quality is defined as the customer's perception of the overall quality or superiority of a product or service with respect to its intended purpose, relative to alternatives. Perceived quality is the first perception by customers. It is considered a

“core/primary” aspect across customer-based brand equity frameworks (Aaker, 1996; Dyson et al., 1996; Farquhar, 1989; Keller, 1993). Service quality has significant effects on customer loyalty (Bolton and Drew, 1991). There are many benefits associated with brand loyalty in any given sector. Brand loyalty provides value to the firm by; reducing marketing costs, increasing trade leverage, time to respond to competitive threats and attracting new customers and/or retaining customers.

Today’s customers are becoming more and more knowledgeable in their tastes, preferences and quality expectations continue to change and this exerts pressure on an organization which seek to meet these ever changing customer needs (Mukule, 2006). Highly loyal customers’ base can be expected to generate a very predictable sales and profit stream since it is much less costly to retain existing customers than to attract new ones (Aaker, 1991).Customer satisfaction is critical in brand loyalty.

Brand loyalty is a measure of the level of attachment that a customer has to a brand. It reflects on how likely a customer will switch to another brand, due to factors such as changes in price or product features. There are different levels in brand loyalty; committed buyer, likes the brand (considers it a friend), satisfied buyer with switching costs, satisfied/ habitual buyer (no reason to change), switchers/ price sensitive (no brand loyalty).

1.1.2 Banking Industry in Kenya

The banking industry in Kenya is governed by the Companies Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the central Bank of Kenya

(CBK). Currently there are forty four banks operating in Kenya who engages in various activities such as collecting deposits from savers and paying interest to the depositors and granting loans to borrowers who in turn pay interest and fees (Mukule, 2006).

Commercial banks play a crucial role in the economic development of a country. They promote capital formation by collecting deposits from individuals and business and making it accessible for people to invest with. Banks also provide timely credits which increases the productive capacity of the economy. They also aid in promotion of both local and international trade, and in development of agriculture.

There are many challenges facing the banking industry in Kenya. According Price Waterhouse Coopers (2007), these major issues include changes in the regulatory framework where liberalization exists but the market still continues to be restrictive; declines in the interest margins due to customer pressure leading to mergers and reorganizations; increase in demand for non-traditional services including the automation of a large number of services and a move towards emphasis on the customer rather than the product; and introduction of non-traditional players who now offer financial services products. These challenges as well as the stiff competition in this industry have forced banks to become more innovative and seek loyalty from their customers in order to remain in business long into the future (Ndeti, 2007). Players in this industry have move from the traditional way of banking such as over the counter deposits and withdrawals to mobile banking and online (internet) banking plat forms. This creates convenience to the customers.

As there are many options available for banking services, customers remain loyal to a specific bank when they feel they are getting good services (Okatch, 2001). Customers are loyal to banks which not only offer good services but also one which meets its financial needs. Providing solutions to customers is key in this industry. All the banks in the industry are striving to give their customers superior products and services. This means that for the bank to retain their customers and ensure they remain loyal, they must offer both superior and differentiated products and services. Corporate social responsibilities undertaken by various banking institution is key to customer brand loyalty. Each brand is associated with a certain CSR activities notable, Equity Bank in education with its Wings to fly programme, Kenya Commercial Bank in Education and sports, Standard chartered Bank and Citi Bank in health just to name but a few. The activities that the banking institutions undertake help the customers in identifying with the brand. These brand associations built over time create customer brand loyalty.

1.2 Research Problem

Brand loyalty is of paramount importance for marketers and consumer researchers (Aaker, 1991; Reichheld, 1996). In services context, many scholars focused on importance and significance of brand loyalty (Asuncian et al., 2004; Bloamer et al., 1999; Caruana, 2002). The organization that have pool of brand loyalists have greater market share and higher rates of return on investments, in turn. Many other researchers favored this (Buzzell et al., 1975; Raj, 1985; Jensen and Hansen, 2006). Such results persuade marketing officials to generate and up-hold brand loyalists. To attain such

targets, information about variables which causes brand loyalty becomes a core issue. Anderson et al. (2004) argued a loyal and contented customer base helps to increase the organizations' relative bargaining power regarding suppliers, partners and channels. So, customer loyalty should affect shareholder value in a positive manner by reducing instability and associated risk with expected future cash flows. Dick and Basu (1994) hold a view that customer loyalty creates positive WOM communication (word of mouth) and competitive strategies are resisted by loyal customers. Such findings appeal to strategists and marketers to build and hold strong customer loyalty.

Oliver (1999) agreed with Dick and Basu that customer loyalty is engaged in affirmative word of mouth communication. Kotler and Keller (2005) said that "based on a 20-80 principle, the top 20% of the customers may create 80% of profit for a company". Thus a favorable connection between a company and its customers is lucrative for the business. (Noor-UI-Ain Nawaz-International Journal of Business and Social Science, Vol. 2 No. 14).

Much has been written on brand loyalty in the product industry and very little in service industry especially the banking industry. While brand loyalty is mostly associated with tangible goods and has received a great deal of attention in the literature, a basic understanding of the nature of brand equity in relation to brand loyalty in services has yet to emerge. Most of what is known about brand equity for services is based on theoretical or anecdotal evidence (Krishnan and Hartline, 2001).

Mwangi (2005) carried out a survey of factors effecting choice of milk store brands by consumers in Nairobi. He concluded that consumer buy milk store brands because of quality packaging, trust in the retailer name, and low price offered in that order. In addition, he pointed out that convenience in terms of location and shop opening in time was very important in deciding where to buy milk store brands.

Marami (2006) investigated on the factors determining brand loyalty in the case of petroleum marketing industry in Kenya. She concluded that the security of the service station, service station employees' additional services, product quality and knowledge, and name and service quality are the most important factors that determine brand loyalty in the industry.

Ndeti (2007) studied factors determining brand loyalty; the case of commercial banks in the westlands area of Nairobi she come with factors that are somewhat important to the customers and factors which are very important to the customer. The somewhat important factors included the ownership of the bank, bank house in attractive building and bank location where as the most important factors included prompt service, employee's willingness to help operating hours of availability of ATM outlets.

Other studies that have been done in the banking industry but not in relation to brand loyalty include: Ndambuki (2000) who sought to find out the state of social marketing in the Kenyan banking sector. He concluded that Kenyan banks engage in social

marketing in order to improve value delivery to customers and enhance banks profitability. Ohaga (2004) studied the strategic responses of commercial banks in Kenya to changes in the environment. He concluded that despite the instability in the environment, some banks did not regularly carry out environmental analysis while others even indicated that environment analysis rarely resulted in identifiable strategies which they pursue hence putting them at risk of adopting strategic responses on a trial and error basis.

From the above previous studies, it is felt that a gap exist in the field of brand loyalty with respect to the banking industry in Kenya, in which this study sought to investigate. The research seeks to answer this problem; Are there factors that affect brand loyalty among tier one and tier two commercial banks in Kenya?

1.3 Research Objective

To determine factors affecting brand loyalty among tier one and tier two commercial banks in Kenya.

1.4 Value of the Study

The research will be useful to Kenyan bankers who would wish to know how to position themselves and gain more revenues through brand loyalty enhancement. Also help relevant managers to come up with strategies that will enable them retain their customers and hence brand loyalty. The research will indicate what enhances brand loyalty and customer behavior towards a brand. This will be useful to the management.

For marketers this study will shade light to the importance of brand loyalty. It is important to understand consumer behavior in regards to brand loyalty and will also help marketers understand more in relation to brand loyalty. It will also help the marketer to come up with competitive marketing strategies that will enhance brand loyalty. Finally this research will help researcher/ scholar understand customer/ consumer behavior in regards to brand loyalty.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter is a review of literature that is pertinent to this study. It is concerned with the theoretical foundation of the study, concept of brand loyalty and how it is measured, how consumers perceive brands and the value of brand loyalty of customers.

2.2 Theoretical Foundation

There are five theories in which my research is based. These theories include: Theory of reasoned action; Brand equity theory; Customer based brand equity theory; Brand position theory; and Brand differentiation theory.

2.2.1 Theory of Reasoned Action

According to this theory, the experience a consumer has had before and after purchasing a service or product determines his subsequent purchase of the service from the same organization. If the past history of purchase behaviour is integrated to predict and measure brand loyalty, the prediction and measurement of brand loyalty will be more stable over time and accurate (Ha, 1998).

2.2.2 Brand Equity Theory

According to Keller, Aperia and Georgson (2012) this theory is identified as having the potential to provide guidance to strategist to help them make critical decisions in regards to branding and brand management. A brand equity is a special or unique

characteristic in a brand. Keller, Aperia and Georgson (2012) define brand equity in terms of marketing effects uniquely attributable to a brand, that is, brand equity relates to the fact that different outcomes result from marketing a product or service because of its brand than if that same product or service had not been identified by that brand. They further concluded that brand equity theory stresses the importance of the role of the brand in marketing strategies.

2.2.3 Customer-Based Brand Theory

It states that the power of a brand lies in what customers have learned, felt, seen and heard about the brand as result of their experiences (Keller, Aperia and Georgson, 2012). This means customer's post experience has an effect to a brand. If the customers had positive experience they will definitely continue purchasing and using the brand thus being loyal to the brand as well as if the customers had a negative experience they will stop using the brand and thus shift to brands in similar category.

Customer-based brand equity is defined as the differential effect that brand knowledge has on consumer response to the marketing of the brand. A brand with positive customer based brand equity might result in consumers being more accepting of a brand extension, less sensitive to price increases and withdrawal of advertising support or more willing to seek the brand in a new distribution channel (Keller, Aperia and Georgson, 2012). They further identified four steps of building/ creating a strong brand using this theory. The first step involves identifying a brand with customers and associating the brand in customer's minds with a specific product class or customer

need; then establishing the totality of brand meaning in the minds of customers by strategically linking a host of tangible and intangible brand associations with certain properties; the third step being, eliciting the proper customer responses to this brand identification and brand meaning; while the final step being converting brand responses to create an intense, active loyalty relationship between customers and the brand. Customer-based brand equity can be achieved by creating brand awareness (brand salience) among customers; creating brand performance; creating brand imagery; creating brand judgements; creating brand feelings; and finally creating brand resonance.

2.2.4 Brand Position Theory

Brand position is defined as an activity of creating a brand after in such a manner that it occupies a distinctive place and value in the target customer's mind. It also refers to target consumer's reason to buy your brand in preference to others ([www.http//managementstudyguide.com/brand-positioning.htm](http://managementstudyguide.com/brand-positioning.htm)). Keller, Aperia and Georgson (2012) define brand positioning as an act of designing the company's offer and image so that it occupies a distinct and valued place in the target customers mind. They further stated that positioning is all about identifying the optimal location of a brand and its competitors in the minds of consumers to maximize potential benefit to the firm.

Kapferer (1997) defines brand position as a means emphasizing the distinctive characteristics that make it different from its competitors and appealing to the public. He also stated that positioning is a two-stage process: first, it indicates to what category the brand should be associated and compared; secondly, indicates what the brand's essential difference is in comparison to other products and brands of that category. From the above definitions, we can conclude that identifying the target consumer market whether niche or mass market and segmenting the market (on the bases of behavioral, demographic, geographic or psychographic) is essential in the growth and sustainability of a brand.

2.2.5 Brand Differentiation Theory

This involves creating a positive mind of what your brand is all about against other brands within a particular market. These are specific/ unique characteristics with in a brand that makes it stand out than other brands. Brand differentiation theory therefore takes the concept of brand positioning to an in-depth level.

According to Keller, Aperia and Georgson, (2012) points of difference of brands have to be identified and created in order to remain competitive. They defined points of differences as strong, favourable and unique associations for a brand which may be based on almost any type of attribute or benefit association which are unique in the consumers' minds.

2.3 Meaning of Brand

According to Kotler (1999), a brand is essentially a seller's promise to consistently deliver a specific set of features, benefits and services to the buyers. It is also defined as a distinguishing name and/ or symbols such as trademark, logo or package design intended to identify the goods and services of either one seller or a group of sellers and to differentiate those goods or services from those of competitions (Aaker, 1996). Nilson (1999) suggested that a brand is the means by which one differentiates their offering from those of everyone else. A name becomes a brand if it fulfills the criteria of; carrying distinct values, differentiating, appealing and having a clear identity.

As Richard (2005) puts it 'customers buy products but choose brands. While products satisfy a customer's functional needs, brands provide the emotional benefits that connect with their hearts and minds. A brand is a promise of a benefit, it is a combination of perceptions in customers' minds about who you are, what you do and what value you bring to them. The twentieth century has seen branding take center stage in marketing strategies. With increasing consumer awareness and their demand for greater value for money, marketers are under pressure to differentiate their products. 'The idea has been to reduce the primacy of price upon the purchase decision and accentuate the bases of differentiation' (Aaker 1991).

2.4 Levels of Brand Loyalty

The loyalty pyramid as shown in figure 2.1 classifies brand loyalty as: Switchers/ Price Sensitive/Indifferent in which the brand is perceived to be adequate regardless of the

brand name. The buyer will be influenced by factors such as convenience or price offered. Satisfied /Habitual Buyers, No reason to change: There is no immediate reason for this set of customers to switch unless a competitor demonstrates visible and superior benefits. Satisfied Buyer with switching costs: This is the cost in relation to time, money and performance-risk associated with trying another brand. To attract clients, competitors need to overcome the switching cost by offering an inducement to switch or by offering a benefit large enough to compensate. Likes the brand, considers it a friend: This customer base truly likes the brand. The preference could be based on association with a symbol, user experience, high perceived quality or simply the long-term relationship with the brand.

There is definitely an emotional /feeling attachment. Committed buyer: The brand is very important to these consumers both functionally and as an identity basis. Their confidence in the brand will cause them to recommend it to others. The value achieved from this set of customers is more to do with their impact and influence upon others and the market itself.

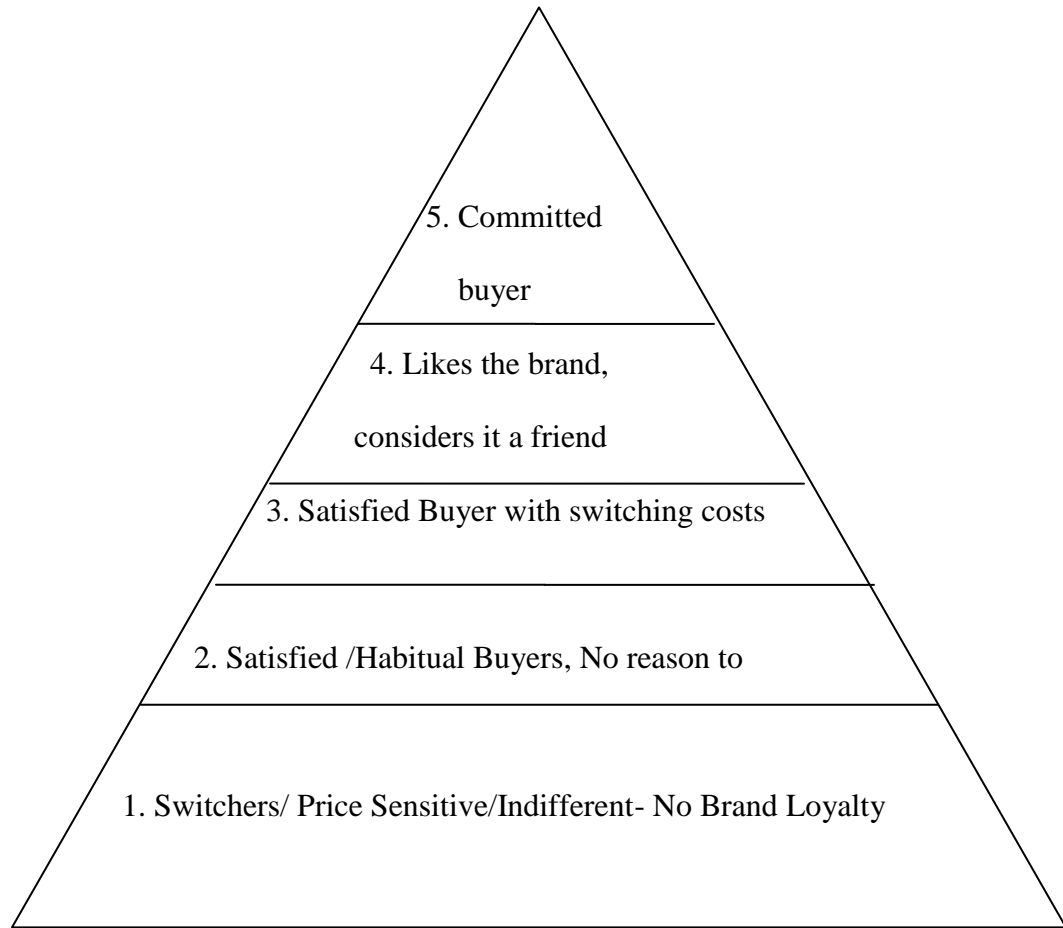


Figure 2.1: Loyalty pyramid diagram according to Aaker (1991).

McCarthy and Perreault (1993) also classified brand loyalty into five levels. At the lowest level is Brand Rejection which means that potential customers reject or avoid a brand which they consider it undesirable and they can only buy the brand after the image is changed. In the second level we have Brand Non-recognition, here the potential customers do not recognize the brand at all thus have a low chance of purchasing the brand. Brand Recognition is the third level, customers are aware of the existence of the brand and view it as an alternative to purchase if the preferred brand is unavailable. Brand Preference, the fourth level, is where a customer prefers one brand over competitive

offering and will always purchase this brand if it's available. However, if the brand is not available the customer may opt to purchase a substitute brand. On the highest level we have Brand Insistence where a customer strongly prefers a specific brand and can not go for any substitute brands. The customer is willing to spend a great deal of time and effort to acquire his favorite brand.

Kotler and Keller (2012) categorize consumers into four brand loyalty groups namely Hard core loyals- are consumers who consider and buy a specific brand at all times over competitive offering; Split loyals- are consumers who are loyal to more than one brand and will therefore alternate their purchases between a set of brands over time; Shifting loyals- are consumers who shift from favouring one brand to another over time; lastly we have Switchers- are consumers who do not have a specific or favourable brand (no loyal to any brand) thus they purchase randomly within a product category.

Okutoyi (2012) points out that the various attempts to define groups of brand loyal consumers reveal that consumers vary widely in their attitudes and behavior towards products and services in which this may range from active avoidance of a brand to accepting a brand as an integral part of their lifestyle and a willingness to speak about a brand's benefits to other consumers. Okutoyi further points out that brand loyalty classification shows the different value of groups of customers to a company based on their loyalty levels thus companies should use the four marketing mix tools to try and move customers up through the various levels as a way of increasing revenues.

2.5 Importance of Brand Loyalty

Success of any company depends on developing a profitable lifetime relationships with customers. Customers who are loyal to a brand tend to buy the specific brand whenever it's available or purchase related brands. They as well generate revenues through positive referrals. The longer the customers are loyal to a specific brand the more profitable they become.

According to Aaker (1991) and Kotler (1997), loyalty of existing customers represents a strategic asset that has a potential to provide value through; One, reduced marketing costs. Firms find it cheaper retaining existing customer who are loyal to their brand than acquiring or attracting new ones thus it helps in reduction of costs that will be incurred to attract new customers. Secondly, firms will be in a position to attract new customers. Customers who are loyal to a brand will refer the brand to their friends and relatives who will eventually buy the brand. Thirdly, firms benefit from trade leverage when dealing with retailers buy will frequently go to shop outlets that stock and sell their favourite brands. Also as Aaker puts it strong brands will ensure preferred attention because marketers know that consumers will have such brands in their consumer's minds since they are already familiar with the brands. Lastly, firms gain time to respond to competitive treats. If a competitor develops a superior product loyal following will allow the firm time needed for the product improvement to be matched or neutralized (Wambugu, 2006). The firm's brand also provides a defense against fierce price competition (Okutoyi, 2012).

2.6 Creating and Maintaining Brand Loyalty

Aaker (1991) outlines some basic rules which if followed, would create a loyal customer base for a marketer: they include; treat the customer right, stay close to the customer, measure/ manage customer satisfaction, create switching costs, and provide extras.

Treat the customer right involves fostering of positive interactions with the customers which includes being polite, responsive and respectful of the customer. Companies must learn to deliver on their promises and meet customer needs. Staying close to the customer helps to achieve a strong customer culture. Employees especially those in managerial position must learn to ask customers for feedback so as to understand what they like and what improvements can be done to keep the customers happy.

In Measuring / Managing customer satisfaction, Aaker (1991) recommends that regular customer satisfaction surveys need to be timely, sensitive and comprehensive for them to deliver the intended results. Create switching costs involves creating solutions specific to a customer. Loyalty programs such as those employed by some banks are effective means of creating switching costs for the customer. Providing Extras Aaker (1991) advocates for the provision of extra, unexpected services as a means of creating customer loyalty, a simple apology can have the potential to turn even a disastrous solution into a tolerable one. Having provided an insight into what brand loyalty is and the potential means of generating it, we will review what value this important aspect of Brand Equity can and does deliver.

2.7 Factors affecting brand loyalty among commercial banks in Kenya

There are several factors which affect brand loyalty. Some of the major issues that affect brand loyalty are customer satisfaction/dissatisfaction; service quality, customer service, pricing, perceived quality, relationship marketing, location, customer willingness and trust and technology used by banks.

The impact of customer satisfaction on loyalty has been the most popular subject of study. Several studies have revealed that there exists a direct connection between satisfaction and loyalty. Satisfied customers become loyal and dissatisfied customers tend to switch more to another vendor (Heskett et al. 1993). Today's customers have more choices to make than ever before. The market is filled with competitors and every customer must be won not just once, but again and again. Researchers have shown that 60-80% of customers who defect to a competitor said they were satisfied or very satisfied on the survey just prior to their defection (Reichheld et al. 2000). So it's clear that there must be also other factors besides satisfaction that have a certain impact on brand loyalty. Banks should therefore seek ways of getting their customers satisfied and reduce on dissatisfaction of their customers.

Service quality holds that this is the result of the comparison about a service and their perception of the way the service has performed (Lewis and Booms, 1983). Service quality such as empathy, reliability, responsiveness and tangibility significantly predict customer loyalty. Pricing is the only element of the marketing mix that generates revenues for the firm, while it is also the most flexible element of this mix in the sense

that pricing decisions can be implemented relatively quickly (e.g. price changes) and be adapted easily to the conditions surrounding a company's internal or external environment (Lowengare and Mizrali 2000).

Customer service is another factor that may affect brand loyalty among banks in Kenya. It involves several services designed to aid in the delivery of the banking services (Ndeti, 2007). They may include longer operating hours; time spent to respond to customer enquires; professionalism and passion portrayed by the service provider and availability of ample and secure parking. According to Wambugu (2002) customer service entails activities which are geared in increasing the quality and value that customers receive when they patronize a particular outlet.

Relationship marketing implies that interpersonal relationships are particularly important in the development of loyalty to service (Berry 1983: Crosby et al. 1990). That is, with services an additional important component of the product offering can be the interpersonal interaction between employees and customers (Surprenant and Solomon 1987). Three characteristics of services: intangibility, heterogeneity and interaction intensity, which provides opportunities for person to person interactions (Czepiel and Gilmore 1987). Ranp and Collins (1990) suggest, similarly that the goals are to create and maintain lasting relationships between the firm and its customers that are rewarding for both sides. Personal relationships can be influential in service contexts, the specific components or dimensions of these relationships of most importance were found to be familiarity, care, friendship, rapport and trust are significant influence on service loyalty.

Perceived Quality is where the brand should represent a credible guarantee, guarantee of quality to the consumer (Aaker, 1991). Once the consumers are persuaded that the brand offers what they expect, they stay with the brand. Brand names provide a symbolic meaning which assists the user in the recognition and decision making process. Customers perceive to receive additional benefits from being a loyal customer. These benefits can include a feeling of optimal satisfaction, a knowledge of what to expect from the service provider, confidence in the provider, friendship with employees, time savings from not having to search for a provider and various types of special treatment.

Customer willingness and trust is another important factor. Chaudhuri and Holbrook (2002) define brand trust as the customer's willingness to rely on the ability of the brand to perform its stated function. Trust causes dedication because it reduces the costs of negotiating agreements and lessens customers' fear off opportunistic behavior by the service provider (Berry, 2007).

Location of the bank will also determine whether customers will be loyal or not. Most customers prefer banks which are accessible and which have no long queues. Branch networks and agent banking also are helpful in creating brand loyalty among consumers in the Kenyan banking industry.

Lastly availability of latest technology which are applicable in the banking industry such as mobile banking (M-banking), Online (Internet) banking and Automated teller machines (ATM) are also factors which are considered by customers before being loyal to a particular bank.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

Research methodology is the process of collecting and analyzing data for research purposes. This chapter discusses the methodology used so as to meet the objective of determining factors affecting brand loyalty among commercial banks in Kenya. The chapter covers research design, population, sampling design, data collection and data analysis.

3.2 Research Design

The study adopted a descriptive cross sectional research design method. This form of research design was found to be appropriate among a selected group of respondents. Orotho (2003) describes a cross sectional as a guide to a researcher in collecting, analyzing and interpreting observed facts and making inferences about the population of interest. The research was conducted within various Counties because it was established that there is a wide representation of banks within the counties with the main focus being tier one and two. Tier one banks have a weighted index of five per cent and above, while tier two banks have an index of between one and five per cent. The top tier banks hold 48.8 per cent of the industry's total assets of Sh3.19 trillion, 49.6 per cent of the total customer deposits of Sh2.29 trillion, 50.2 per cent of the industry's capital and reserves of Sh501.7 billion and accounted for 61 per cent of pre-tax profits of Sh141 billion recorded last year (Business Daily, June 8th 2015).

3.3 Population

According to Central Bank of Kenya, there are forty four licensed commercial banks in Kenya (Appendix 1) which are classified into three tiers based on a weighted composite index of their net assets, capital and reserves, customer deposits, number of loans and deposit accounts and all represented within the major Counties. The target population for the study was customers of the various banking institutions within Kenya because it was convenient for the researcher in terms of cost and logistics.

3.4 Sampling

No sampling was used, however, the study adopted census this is because the entire population of tier 1 and tier 2 which consists 20 banks was studied (Appendix 2). Customers of those banks gave their views on the reasons why they chose to be banked by those respective banks.

3.5 Data Collection

Primary data was collected through use of questionnaires. The questionnaires were dropped at the selected bank institution premises and were picked at an agreed date and time. Both structured and unstructured questions were used in which the unstructured questions formed part A of the questionnaire while part B constituted the structured questions. The respondents were customers of the selected institutions.

3.6 Data Analysis

Data collected was analyzed by use of descriptive statistics which included frequencies, mean scores, tables, charts and percentages in order to represent the response rate and information on other variables that the study considers. Ranking was done so as to show the factors that consumers consider most. Factor analysis was also used due to the substantial number of variables that will be considered.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND DISCUSSION

4.1 Introduction

This chapter presents the research findings, analysis and interpretation of the data collected from respondents. It also presents the discussion about the factors affecting brand loyalty among commercial banks in Kenya.

4.2 Response Rate

A total of 120 questionnaires were administered out of which 92 were filled and returned giving a response rate of 76.7% as shown in Table 4.1. This response rate was made a reality after the researcher dropped the questionnaires and made personal visits and phone calls to the respondents who then completed the questionnaires. This response was good enough and representative of the population and conforms to Mugenda and Mugenda (2003) stipulation that a response rate of 70% and above is excellent. The data was analyzed using statistical package for social sciences (SPSS) version 21.

Table 4.1: Response rate

	Frequency	Percentage
Response	92	76.7
Non response	28	23.3
Total	120	100

Source: Research Data 2015

4.3 General information of the respondents

4.3.1 Gender

The study sought to find out the gender of the respondents. The findings were as shown in the Table 4.2.

Table 4.2: Gender

	Frequency	Percent
Male	55	59.8
Female	37	40.2
Total	92	100.0

Source: Research Data 2015

From the findings in Table 4.2, the study established that majority of the respondents, 59.8% were male while 40.2% of the respondents were female. These finding show that the respondents included both male and female although male were slightly more than female.

4.3.2 Age Bracket

The study then sought to establish the age bracket of the respondents' .The findings were as shown in Table 4.3.

Table 4.3: Age Bracket

	Frequency	Percent
25 or below	55	59.8
31-35 years	19	20.7
41-45years	18	19.5
Total	92	100.0

Source: Research Data 2015

From the findings in the Table 4.3 the study found out that majority of the respondents 59.8% were below 25 years, 20.7% were 31-35 years old while 19.5% were 41-45 years old. There was no respondent who was 46-50 years or over 50 years old. These findings show that the respondents were of different age categories and thus their brand loyalty levels were affected by different aspects.

4.3.3 Period that the respondents have used the Banks product

The study sought to establish the period that the respondents had used the bank. The findings were as shown in Table 4.4.

Table 4.4: Period that the respondents have used the Banks product

	Frequency	Percent
1-5 years	50	54.3
6-10 years	16	17.4
16-20years	17	18.5
21-25years	9	9.8
Total	92	100.0

Source: Research Data 2015

From the findings in Table 4.4, majority of the respondents had used the banks product for a period of 1-5years, 18.5% had use the product for 16-20 years, 17.4% had use the product for 6-10 years while 9.8% had used the product for 21-25 years. These findings show that majority of the respondents had used bank products for between 1-5 years followed by those who had used them between 16-20 years. These findings imply that the respondents had used banking services long enough to provide information relevant for the completion of this study.

4.3.4 Level of Education

The study sought to find out the level of education of the respondents .The findings were as shown in Table 4.5.

Table 4.5: Level of Education

	Frequency	Percent
College	11	12.0
University	81	88.0
Total	92	100.0

Source: Research Data 2015

From the findings in Table 4.5, Majority of the respondents 88% were educated up to the university level while 12.0% were educated up to the college level. These findings show that majority of the respondents had university education and were thus able to read and understand the questions hence they appropriately answered the questions to provide relevant data for analysis. In *Measuring / Managing customer satisfaction*, Aaker (1991) recommends that regular customer satisfaction surveys need to be timely, sensitive and comprehensive for them to deliver the intended results. Highly learned respondents will be in a position to provide required data for the surveys.

4.3.5 Expectations from the bank

The study sort to establish if the respondents had any expectations from the banks. The findings were as shown in Table 4.6

Table 4.6: Expectations from the bank

	Frequency	Percent
Yes	92	100.0

Source: Research Data 2015

From the findings shown in the table above, 100% of the respondents said yes, they had expectations before joining the bank. In normal circumstances, customers are pulled by certain factors in their decision to choose one banking institution over another. Therefore these expectations drive their desire to bank with the Bank of their choice. These findings are consistent with argument of Heskett et al. (1993) that satisfied customers become loyal and dissatisfied customers tend to switch more to another vendor. Masters (2005) puts it ‘customers buy products but choose brands. While products satisfy a customer’s functional needs, brands provide the emotional benefits that connect with their hearts and minds.

4.3.6 Bank has Mate Expectations

The study sought to find out if the expectations of the respondents had been met by the bank. The findings were as shown in the Table 4.7.

Table 4.7: Bank has Mate Expectations

	Frequenc y	Percent
Yes	69	75.0
No	23	25.0
Total	92	100.0

Source: Research Data 2015

From the findings above, 75% of the respondents showed that the bank had met their expectations. However a 25% of the respondents said that the bank had not met their expectations. These findings show that a majority of the respondents had their expectations met. All organizations especially in the service industry strive to deliver excellent service as they are the only distinguishing factors.

These findings are consistent with Aaker (1991) outlines some basic rules which if followed, would create a loyal customer base for a marketer: they include; treat the customer right, stay close to the customer, measure/ manage customer satisfaction, create switching costs, and provide extras. Kotler and Keller (2012) categorize consumers into four brand loyalty groups namely Hard core loyals- are consumers who consider and buy a specific brand at all times over competitive offering; Split loyals- are consumers who are loyal to more than one brand and will therefore alternate their purchases between a set of brands over time; Shifting loyals- are consumers who shift form favouring one brand to another over time; lastly we have Switchers- are consumers

who do not have a specific or favourable brand (no loyal to any brand) thus they purchase randomly within a product category.

4.3.7 Number of products used before

The study also sought to find out the number of products from the bank that the respondents had used before. The findings are illustrated in the Table 4.8:

Table 4.8: Number of products used before

	Frequency	Percent
Below 5	52	56.5
5 to 10	40	43.5
Total	92	100.0

Source: Research Data 2015

From the findings shown in the table above Majority of the respondents 56.5% had used below five products before while 43.5% of the respondents had used 5-10 products before. These findings show that majority of the customers had accessed more than one bank products hence were better placed to provide information required for this study.

These findings are in line with those of Okutoyi (2012) who points out that the various attempts to define groups of brand loyal consumers reveal that consumers vary widely in their attitudes and behavior towards products and services in which this may range from active avoidance of a brand to accepting a brand as an integral part of their lifestyle and a willingness to speak about a brand's benefits to other consumers. Aaker (1991) argues that strong brands will ensure preferred attention because marketers know that consumers will have such brands in their consumer's minds since they are already familiar with the brands. Lastly, firms gain time to respond to competitive treats. If a competitor develops a superior product loyal following will allow the firm time needed for the product improvement to be matched or neutralized (Wambugu, 2006). The firm's brand also provides a defense against fierce price competition (Okutoyi, 2012).

4.3.8 Total Number of Products used

The study sought to establish the total number of products that the respondents were using from the various commercial banks. The findings were as shown in the Table 4.9.

Table 4.9: Total Number of Products used

	Frequency	Percent
Below 5	64	69.6
5 to 10	28	30.4
Total	92	100.0

Source: Research Data 2015

From the findings shown in the table 4.9 above, Majority of the respondents 69.6% were using less than five products while 30.4% of the respondents were using 5-10 products. These findings show that the respondents were using several products hence were better placed to respond to the research questions. Aaker (1991) advocates for the provision of extra, unexpected services as a means of creating customer loyalty, a simple apology can have the potential to turn even a disastrous solution into a tolerable one. Having provided an insight into what brand loyalty is and the potential means of generating it, we will review what value this important aspect of Brand Equity can and does deliver.

The study further sought to establish the extent to which the respondents agreed to various statements in regards to them choosing a bank.

Table 4.10: Factors affecting selection of a bank

	Mean	Std. Dev
Location of the bank	4.3152	.94844
Availability of ATM services	4.6739	.63087
Countrywide network of branches	4.0217	.75561
Availability of ample and secure parking space	2.5978	1.13931
History, Reputation and image of the bank	4.0326	.94289
Quality of products and services offered by the bank	4.4783	.91780
Tailor-made products and services	4.3587	.93270

Reasonable bank charges and interest rate	4.4674	1.14307
Well trained and knowledgeable employees	4.1196	.79618
Well groomed, and friendly employees	3.7826	1.03591
Spacious banking hall	3.3804	1.02542
Ability to meet and solve customer queries	4.5978	.75680
Availability of various products to suit your needs	4.3370	.96393
Enough lighting and ventilation in the banking hall	3.7935	1.20017
Long opening hours	3.6304	1.10660
Customer complaints handling channels	3.9565	.98241
Quick (prompt) service by employees	4.1739	.97688
Availability of soft drinks(e.g. water, tea) within the banking hall	2.1196	1.31636
Minimum opening and operating balances in an account	4.0000	1.35062
Availability of mobile and online banking facilities	4.5000	.96647

Source: Research Data 2015

Asked to what extent location of a bank affected their selection of a bank the respondents showed that was to a great extent as indicated by a mean of 4.3152 and a standard deviation of 0.94844. These findings are consistent with those of Berry (2007)

who argues that location of the bank will also determine whether customers will be loyal or not. Most customers prefer banks which are accessible and which have no long queues. Branch networks and agent banking also are helpful in creating brand loyalty among consumers in the Kenyan banking industry.

Asked the extent availability of ATM services affected their choosing of a bank the respondents showed that it was to a very great extent which was supported by a mean of 4.6739 and a standard deviation of 0.63087. The findings are consistent with those of Chaudhuri and Holbrook (2002) who argue that availability of latest technology which are applicable in the banking industry such as mobile banking (M-banking), Online (Internet) banking and Automated teller machines (ATM) are also factors which are considered by customers before being loyal to a particular bank.

Regarding the extent Countrywide network of branches of a bank was a priority when choosing a bank the respondents showed that it was to a great extent as shown by a mean of 4.0217 and a standard deviation of 0.75561. Asked if the availability of ample and secure parking space affected them choosing a bank the respondents agreed that it affected to a moderate extent as shown by a mean of 2.5978 and a standard deviation of 1.13931. According to Kotler, Bowen and Makens (2006), customers are attracted and retained when their needs are met. Not only do they return to the same bank they also talk favorably to others about their satisfaction. Therefore, convenient location of network branches and ATMs will improve service delivery and customer loyalty among banks.

Asked on the extent History, Reputation and image of the bank affected their choosing of a bank the respondents indicated that it was to great extent which was supported by a mean of 4.0326 and a standard deviation of 0.94289. Dick and Basu (1994) suggest that brand loyalty favors positive word of mouth and greater resistance among loyal customers to competitive strategies. Creating brand loyalty to ensure constant flow of customers is very important. Banking industry is complex and requires understanding of customer needs and meeting them at all times.

Asked on the extent their choosing of a bank was affected by Quality of products and services offered by the bank, the respondents indicated that it was to a great extent as shown by a mean of 4.4783 and a standard deviation of .91780. This concurred with Aaker (1991) that perceived quality of brands represents a credible guarantee and guarantee of quality to the consumer. Once the consumers are persuaded that the bank offers what they expect, they then stay with the bank. These findings are also in consistent with those of Okatch (2001) that customers are loyal to banks which not only offer good services but also one which meets its financial needs. Providing solutions to customers is key in this industry. All the banks in the industry are striving to give their customers superior products and services.

Asked if Tailor-made products and services affected their choosing of a bank the respondents showed that it affected them to a great extent as shown by a mean of 4.3587 and a standard deviation of 0.93270. The findings are consistent with those of Ndeti

(2007) who established that some of the important factors included the ownership of the bank, bank house in attractive building and bank location where as the most important factors included prompt service, employee's willingness to help operating hours of availability of ATM outlets.

Asked on the extent the Reasonable bank charges and interest rate affected their selection of a bank, the respondents showed that it was to a great extent as shown by a mean of 4.4674 and a standard deviation of 1.14307. Ndeti (2007) further argues that reasonable bank charges will leave customers satisfied besides average interest rate which will form the cost of credit.

Asked on the extent well trained and knowledgeable employees affected their selection of a bank the respondents showed that it was to a great extent as shown by a mean of 4.1196 and standard deviation of 0.79618. Regarding the extent well-groomed and friendly employees affected their selection of a bank the respondents showed that it was to a great extent as shown by a mean of 3.7826 and a standard deviation of 1.03591. When asked the extent Spacious banking hall affected their selection of the bank, the respondents indicated that it was to a moderate extent as shown by a mean of 3.3804 and a standard deviation of 1.02542. This is important as it helps customers in defining perceived quality. Perceived quality is defined as the customer's perception of the overall quality or superiority of a product or service with respect to its intended purpose, relative to alternatives. Perceived quality is the first perception by customers. It

is considered a “core/primary” aspect across customer-based brand equity frameworks (Aaker, 1996).

Asked on the extent the Ability of a bank to meet and solve customer queries affected their selection of a bank the respondents showed that it was to a very great extent as shown by a mean of 4.5978 and a standard deviation of 0.75680. According to Aaker (1991) brand loyalty is a basis of brand equity that is created by many factors, the main one being the use experience. One important aspect of the industry is to create and maintain satisfied customers by ensuring high level of customer standards. Customers are attracted and retained when their needs are met. Not only do they return to the same bank they also talk favorably to others about their satisfaction (Kotler, Bowen and Makens, 2006).

When asked the extent availability of various products to suit customers’ needs affected their selection of a bank the respondents showed that it was to a great extent which was supported by a mean of 4.3370 and a standard deviation of 0.96393. Dick and Basu (1994) notes that brand loyalty is achieved after prior purchase and use experience, that is, when a customer purchases a service and meets its perceived quality. Perceived quality is the first impression a customer has to a product or a service.

Asked if the enough lighting and ventilation in the banking hall affected their selection of a bank the respondents showed that it was to a great extent as shown by a mean of 3.7935 and a standard deviation of 1.20017. Dick and Basu (1994) argue that well

ventilated banking hall which is kept clean will motivate customers to bank with a given institution. Regarding the extent long opening hours affected their selection of a bank the respondents showed that it was to a great extent as shown by a mean of 3.6304 and a standard deviation of 1.10660. Convenient opening hours besides location is a key motivator for customers to remain loyal.

Asked on the extent the Customer complaints handling channels affected their selection of a bank the respondents showed that it was to a great extent as shown by a mean of 3.9565 and a standard deviation of 0.98241. Asked on the extent quick (prompt) service by employees affected their selection of a bank, the respondents showed that it was to a great extent as shown by a mean of 4.1739 and a standard deviation of 0.93688. When asked on the extent availability of soft drinks (e.g. water, tea) within the banking hall affected their selection of a bank the respondents showed that it was to a little extent as shown by a mean of 2.1196 and a standard deviation of 1.31636. Asked on the extent minimum opening and operating balances in an account affected their selection of a bank, The respondents showed that it was to a great extent as shown by a mean of 4.0000 and a standard deviation of 1.35062. Regarding the extent the Availability of mobile and online banking facilities the respondents agreed that it was to a very great extent as shown by a mean of 4.5000 and a standard deviation of 0.96647. The study sought to establish how satisfied the respondents were with the banks .The findings were as shown in Table 4.11.

Table 4.11: Satisfaction

	Frequency	Percent
Very satisfied	29	31.5
Satisfied	55	59.8
unsatisfied	8	8.7
Total	92	100.0

Source: Research Data 2015

From the findings in table 31.5% of the respondents showed that they were very satisfied by their banks.59.8% showed that they were satisfied while 8.7% said that they were unsatisfied by their banks. This reflects that majority of tier one and tier two customers are satisfied with the services provided by their banks which include; longer operating hours, shorter time spent to respond to customer enquiries, professionalism and passion portrayed by the service provider to customers among others. These findings are also in consistent with the argument of Ndeti (2007) that brand loyalty is a consumer's preferences to buy a particular brand in a product category. It occurs because consumers perceive that the brand offers the right product features, images or level of quality at the right price.

Customer satisfaction and perceived quality creates brand loyalty, that is, for a customer to purchase a product or services he/she must be guaranteed of quality. Quality is the only patent protection we've got (James Robinson CEO, American Express). Perceived

quality provides value to customers by providing them with a reason to buy and by differentiating the brand from competing brands.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presented the summary of key data findings, conclusion drawn from the findings highlighted and recommendations made there-to. The conclusions and recommendations drawn were were focused on addressing the purpose of this study or achieving the research objective which was to determine factors affecting brand loyalty among tier one and tier two commercial banks in Kenya.

5.2 Summary of Findings

The study found out that location of a bank affected the respondents' selection of a bank to a great extent. The study also found out that the availability of ATM services affected the selection of bank by the respondents to a very great extent. The study established that the respondents' selection of a bank was affected to a great extent by the availability of ample and secure parking space. The study established that Countrywide network of branches of a bank affected the selection of a bank by a great extent. The study also established that History, Reputation and image of the bank affected their choosing of a bank by to a great extent. The study also established that the respondents agreed that Quality of products and services offered by the bank affected choosing of a bank to a great extent. The study established that the respondents agreed that the Tailor-made products and services also affected their choosing of a bank to a great extent.

The study also established that the respondents agreed that Reasonable bank charges and interest rate affected their selection of a bank to a great extent. The study found out that the respondents agreed that well trained and knowledgeable employees affected their selection of a bank to a great extent. The study also found out that the respondents agreed that groomed and friendly employees affected their selection of a bank to a great extent. The study established that the respondents agreed that spacious banking halls affected their selection of a bank to a great extent. The study also found out that the respondents agreed that the ability of a bank to meet and solve customer queries affected their selection of a bank to a very great extent. The study found out that the respondents agreed that availability of various products to suit your needs affected their selection of a bank to a great extent.

The study found out that the respondents agreed that enough lighting and ventilation in the banking hall affected their selection of a bank to a great extent. The study also found out that the respondents agreed that long opening hours affected their selection of a bank to a great extent. The study also found out that the respondents agreed that customer complaints handling channels affected their selection of a bank to a great extent. The study established that the respondents agreed that quick (prompt) service by employees affected their selection of a bank to a great extent. The Study also established that the respondents agreed that availability of soft drinks (e.g. water, tea) within the banking hall affected their selection of a bank to a little extent. The study also established that the respondents agreed that minimum opening and operating balances in an account affected their selection of a bank to a great extent. The study found out that the respondents

agreed that the availability of mobile and online banking facilities affected their selection of a bank to a great extent.

5.3 Conclusion

There are many factors that matter when one is choosing a bank. This study concludes that factors such as location of the bank, availability of ATM services, countrywide network of branches, history reputation and image of the bank, quality of products and services offered by the bank, ability to meet and solve customer queries, reasonable bank charges and interest rate, well trained and knowledgeable employees, well groomed, and friendly employees, spacious banking hall, tailor-made products and services affects selection of a bank to a great extent.

This study also concludes that Reasonable bank charges and interest rate, well trained and knowledgeable employees, well groomed, and friendly employees, spacious banking hall, availability of mobile and online banking facilities, availability of various products to suit your needs, enough lighting and ventilation in the banking hall, long opening hours, customer complaints handling channels, quick (prompt) service by employees, availability of soft drinks(e.g. water, tea) within the banking hall, minimum opening and operating balances in an account and ability to meet and solve customer queries affect selection of a bank by customers.

This study concludes that Availability of ample and secure parking space and availability of soft drinks in the banking halls does not have an effect on the selection of a bank .The study also concluded that availability of ATM services, ability to meet and solve customer queries and availability of mobile and online banking facilities affects selection of a bank to very great extent.

5.4 Recommendations

The study recommends that tier one and tier two Commercial banks should open branches countrywide so as to be able to attend to their customers wherever they are and acquire loyalty from the customers. The study also recommends that the commercial banks introduce mobile banking channels or facilities so as to make banking easy for their customers. The banks should also ensure availability of ATM services to the customers for convenience.

The study recommends that banks should have reasonable bank charges and interest rate so as to be able to keep their customers from moving to other banks. This study also recommends that Banks employ well trained and knowledgeable employees who will be able to satisfy customer needs professionally. Banks should also ensure that the minimum opening and operating balances in an account is not so high for many of the customers to maintain an account with the bank.

5.5 Limitations of the study

The following limitations were faced in the study.

Some of the respondents were afraid in providing the data fearing that the information provided may be used for other purposes other than academic. To counter this limitation, the researcher assured the respondents of the strict confidentiality of the information obtained which would only be used for academic study purposes. The study was limited in scope since it covered only 20 commercial banks (which form tier one and tier two commercial banks in Kenya) and yet there are more than 40 commercial banks in Kenya. The findings therefore may not be able to be applied in other commercial banks.

5.6 Recommendations for Further studies

The study recommends that a similar study be done focusing on all commercial banks in Kenya so that the findings can be generalized to all the banks in the country. The study also recommends that a study be done the impact of customer loyalty on performance of the banks. This will help establish the importance of customer loyalty to an organization.

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APPENDIX I:

Licensed commercial banks in Kenya

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

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

(Source Central Bank of Kenya)

APPENDIX TWO:

TIER ONE BANKS IN KENYA

1. Kenya Commercial Bank
2. Equity Bank
3. Co-operative Bank of Kenya
4. Standard chartered Bank Kenya
5. Barclays Bank Kenya
6. Commercial Bank of Africa

Tier two Banks in Kenya

1. NIC Bank
2. Diamond Trust Bank
3. I & M Bank
4. Chase Bank
5. Bank of Africa
6. Family Bank
7. Eco Bank Kenya
8. CFC Stanbic Bank Kenya
9. Imperial Bank
10. Citi Bank
11. United Bank of Africa
12. Prime Bank Kenya
13. Bank of Baroda
14. K-Rep Bank

(Source Central Bank of Kenya)

APPENDIX THREE:

QUESTIONNAIRE

Please help answer the following questions. The information given in this questionnaire will be handled with confidentiality.

PART A

1. What is your name? (Optional).....

2. Please indicate your gender by ticking in the appropriate box below

Male female

3. Kindly indicate your age bracket by ticking in the appropriate space below

25 or below years.....

26-30 years.....

31-35 years.....

36-40 years.....

41-45years

46-50years.....

Over 50 years.....

4. For how long have you used the product of the bank? (Tick as appropriate)

1-5 years.....

6-10 years.....

11-15 years.....

16-20years.....

- 21-25years.....
- 26-30years.....
- 31-35years.....
- Over 35years.....
- Other (Specify) _____

5. Please indicate your education level by ticking as appropriate below

- Primary.....
- Secondary.....
- College.....
- University.....
- Other (Please specify) _____

6. Did you have expectations before opening a bank account with the specific bank?

- Yes No Not really

7. Would you say the bank has met your expectations?

- Yes No Indifferent

8. What is the total number of products and services of the bank that you have used before?

- Below 5.....
- 5-10.....
- Over 10.....

9. What is the total number of products/services (on average) do you use in a month?

Below 5.....

5-10.....

Over 15.....

PART B

1. To what extent do you agree with the below statements when making a decision in regards to the choose of a bank.

Use the scale; 1-not at all, 2-low extent, 3-moderate extent, 4-large extent, 5-very large extent

		1	2	3	4	5
	
1.	Location of the bank					
2.	Availability of ATM services					
3.	Countrywide network of branches					
4.	Availability of ample and secure parking space					
5.	History, Reputation and image of the bank					
6.	Quality of products and services					

	offered by the bank					
7.	Tailor-made products and services					
8.	Reasonable bank charges and interest rate					
9.	Well trained and knowledgeable employees					
10.	Well groomed, and friendly employees					
11.	Spacious banking hall					
12.	Ability to meet and solve customer queries					
13.	Availability of various products to suit your needs					
14.	Enough lighting and ventilation in the banking hall					
15.	Long opening hours					
1	Customer complaints handling					

6.	channels					
1 7.	Quick (prompt) service by employees					
1 8.	Availability of soft drinks(e.g water, tea) within the banking hall					
1 9.	Minimum opening and operating balances in an account					
2 0.	Availability of mobile and online banking facilities					

2. Overall, how satisfied are you with the bank?

- Very satisfied
- Satisfied
- Very unsatisfied
- Unsatisfied
- Indifferent

THANK YOU.