

**THE PERCEIVED EFFECTS OF CUSTOMER RELATIONSHIP  
MANAGEMENT ON SERVICE QUALITY AT CHASE BANK**

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## **DECLARATION**

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

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## **DEDICATION**

To my family and colleagues for their inspiration, moral support and enduring in my absence even as I worked to get this project completed.

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## **ABSTRACT**

Customer Relationship Management (CRM) is a business strategy to identify, cultivate, and maintain long-term profitable relationships. It requires developing a method to select the most profitable customer relationships or those with the most potential and working to provide those customers with quality service that exceeds their expectations. Quality is a key determining factor of customer satisfaction and precipitates the customer to seek value for money. The study sought to establish the perceived effect of customer Relationship Management on service quality at Chase Bank Kenya limited. The study was guided by the following objectives; to assess the level of awareness of CRM among customers at Chase Bank Kenya Limited and to establish the perceived effects of CRM on customer service quality at Chase bank Kenya Limited. The study adopted a cross-sectional survey design because it allows the researcher to compare many different variables at the same time. A questionnaire was administered to customers and quantitative data collected was analyzed using descriptive analysis. The study found out that there was awareness among the customers on customer relationship management at the bank. The study further found out that the perceived effects of CRM on customer service quality at Chase bank Kenya Limited was good. The study concluded that there was awareness among Chase Bank limited customers on the existence of customer relationship management at the bank. The customers were aware of the products that the bank offered the location of the bank's branches and the opening and closing times. The prices charged at Chase bank were fair and the customers got value for their money. Further the study concludes that the perceived effects of CRM on customer service quality at Chase bank Kenya Limited was good. The study recommends that the financial advisors and relationship managers should pursue leads for more customers in order to grow the banks business and although Chase Bank has been successful in the CRM practice, in order to retain these relationships with the customer, the bank should continuously train its employees on how to manage customer relationships.

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# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

Managing customer relationships has been acknowledged as one of the key issues in organizations following increased competition. New firms entering the market destabilize the ones previously operating in such market thus calling for proper management of customer relationships (Parvatiyar and Sheth, 2002). More and more companies are realizing the need for in-depth and integrated customer knowledge in order to build close cooperative and partnering relationships with their customers. McDonald (2002) notes that Customer Relationship Management (CRM) is a business strategy to identify, cultivate, and maintain long-term profitable relationships. It requires developing a method to select the most profitable customer relationships or those with the most potential and working to provide those customers with quality service that exceeds their expectations. CRM looks at ways to treat clients as individuals with specific needs so as to attain a position where the organization can influence clients' choices positively toward their product and service offerings (Robert-Phelps, 2004). The emergence of new channels and technologies is significantly altering how companies interface with their customers, a development bringing about a greater degree of integration between marketing, sales, and customer service functions in organizations.

The study is founded on two theories: the resource based view theory which defines resource as anything which could be thought of as strength or weakness of a given firm (Wernerfelt, 1984). Barney (1991) argues that the resources include all assets,

capabilities, organizational processes, firm attributes, information and knowledge among other variables meant to provide a firm with competitive advantage. The resources form the basis of a firm's competitiveness. The study will also be based on the open systems theory which dictates that in order to sustain its operations, a firm needs to take good care of its key stakeholders including suppliers, customers and shareholders. Customers comprise an important stakeholder of a firm as they provide an avenue through which the output of the firm is consumed to ensure continued production.

Financial services offered by commercial banks are more less the same except for the manner in which they are packaged according to the targeted market segment. Chase Bank Kenya Limited identified of a unique and profitable market segment such as the SME market in its expansion so as to grow its market share. However, other commercial banks have also set up SME departments keen on gaining and growing their share in this market. This therefore calls of Chase Bank to rethink its strategies of managing customer relationship if it is to ensure higher customer satisfaction and retention. The Bank then launched CRM as one of their strategies to improve customer experience and increase retention.

### **1.1.1 Concept of Customer Relationship Management**

Phelps (2004) defines Customer Relationship Management (CRM) as a methodology of creating and evolving an organization in the marketplace while at the same time influencing positively the perception of the organization in individual customers. It looks at ways to treat clients as individuals with specific needs so as to attain a position where the organization can influence clients' choices positively toward their product and service

offerings. McDonald (2002) notes that CRM is a business strategy to identify, cultivate, and maintain long-term profitable relationships. It requires developing a method to select the most profitable customer relationships or those with the most potential and working to provide those customers with quality service that exceeds their expectations.

Stone, Woodcock and Machtynger (2002) observe that the mastery of CRM can very well mean the difference between success and failure in organizations. Customer relationship management (CRM) is a combination of organizational strategy, information systems, and technology that is focused on providing better customer service (Chen and Popovich, 2003). The main objectives of CRM are to acquire new customers, retain the current customers, and nurture a favorable relationship with the existing customers. It should be considered as a corporate strategy because it is a fundamental approach to doing successful business as it helps managers understand, anticipate and respond to the needs of an enterprise current and potential customer in order to grow their relationship value.

The goal of CRM is to be customer-focused and customer-driven, running all aspects of the business to satisfy the customers by addressing their requirements for products and by providing high-quality, responsive customer service. Cross-functional integration of CRM should be encouraged in the whole organization to take responsibility for customer satisfaction and allow better predictive models to improve cross-selling and improved products and delivery options. CRM can consist of virtually any front office or customer facing process designed to improve the company's relationship with customers (Kotler & Keller, 2006).

### **1.1.2 Customer Service Quality**

Abbasi, Khalid, Azam and Riaz (2010) define quality as the perception of the customer on how well a product or service meets or exceeds their expectations. Quality is a key determining factor of customer satisfaction and precipitates the customer to seek value for money. It is often judged by customers and not by the organization itself (Abbasi, Khalid, Azam and Riaz, 2010). Service quality as defined by Parasuraman, Zeithaml, and Berry (1985) is the “difference between customers' expectations of service provider's performance and their evaluation of the services they received.” It is perceived as subjective since it relies on the judgement of the customer however it is an important concept in influencing the extent and nature customer satisfaction experienced after service delivery.

Lehtinen and Lehtinen (1982) proposed that service quality can be measured by its physical, corporate and interactive quality whereas Le Blanc (1992) suggested a variety of factors such as responsiveness, corporate image and accessibility as some of the factors used to evaluate service quality. However, the most popular model for measuring service quality is the SERVQUAL model developed by Parasuraman et al. (1985) and engenders five determinants of service quality presented in order of importance, reliability, responsiveness, assurance, empathy and tangibles. The SERVQUAL instrument is widely recognized and has been tested in different service settings to measure service quality and customer satisfaction (Chang, 2009).

Hoffman and Bateson (1997) argue that the measurement of service quality allows a company to make comparisons before effecting any changes, provides the company the

opportunity to identify quality related problems and guide the establishment of quality standards for service delivery. Gronroos (1994) argued that there is substantive empirical evidence to suggest that customer satisfaction is driven by service quality from the customer's point of view. In this regard, modern companies are compelled to devise strategies that will communicate, deliver and improve the quality of services to customers.

### **1.1.3 The Banking Industry in Kenya**

The Banking sector in Kenya is governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK) (CBK, 2013). The banking sector was liberalized in 1995 and exchange controls lifted. The CBK, which falls under the National Treasury docket, is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system.

The Kenyan banking industry has 44 banks; 31 are locally owned and 13 are foreign owned. The locally owned financial institutions comprise three banks with significant shareholding by the Government and State Corporations, 27 commercial banks and one mortgage finance institution, Housing Finance (Bank Supervision Report, 2013). The banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the bank's interests. KBA serves a forum to address issues affecting members. Over the last few years, the Banking industry in Kenya has continued to grow in assets, deposits, profitability and products offering. The growth has been mainly underpinned by; an industry wide branch network expansion strategy both in Kenya and in the East

African community region and automation of a large number of services and a move towards emphasis on the complex customer needs rather than traditional ‘off-the-shelf’ banking products (CBK, 2012). Players in this industry have experienced increased competition over the last few years resulting from increased innovations among the players and new entrants into the market.

#### **1.1.4 Chase Bank Kenya Limited**

Chase Bank is a privately owned bank incorporated in Kenya in 1996. It is a conventional one stop financial institution with a focus on the SME Market. In addition, Chase Bank has an Islamic window branded Chase IMAN which was introduced in May 2009 and it was licensed and approved by the Central Bank of Kenya as well as the bank competent Shariah Advisory Board. Through the identification of unique and profitable segments such as the SME market which has been directly responsible for the increase in country's GDP, the Bank has positioned itself as the preferred SME Bank. The Bank has now positioned itself as the “Relationship Bank” (Chase Bank, 2015).

The Bank has uniquely tailored products to suit the needs of SMEs in the country to ensure that they benefit from the varied financing options (Chase Bank, 2015). The Bank has established partnerships with the aim of capacity building for entrepreneurs and increasing their knowledge in book keeping. Chase Bank focus is to continually deliver a unique banking experience modeled around a one stop financial solutions product offering. Through this, the bank will ensure that the customers financial needs are all met under one roof.

Chase Bank's objective is to provide the client with exceptional service through product diversification, and relationship creation. Today the intricate branch expansion strategy has seen the Bank grow from a one branch bank into a strong institution that now has branches located in strategic urban and peri-urban centers within the country. Chase Bank Branches are located in five major towns mainly Nairobi, Nakuru, Mombasa, Kisumu, Eldoret, Malindi and Thika (Chase Bank, 2015).

## **1.2 Research Problem**

Customer relationship management has been recognized as a business strategy to effectively understand, manage, and sustain customer relationship with advanced information and communication technologies (Robert-Phelps, 2004). Rapid development of CRM applications have seen the trend that more and more companies are seeking to implement it in order to survive and compete in the business environment. According to McDonald (2002), it takes up to five times more money to acquire a new customer than to get an existing customer to make a new purchase. Moreover, a dissatisfied customer causes market damage because they are more likely to defect to competition and more likely to persuade others to defect with them. Retaining and improving their customer databases and focusing on meeting their customers' expectations are the only ways for commercial banks to survive in this volatile competitive environment ([Injazz](#) and [Karen](#), 2003). Today's customers are more informed and more aware of their rights due to technological advances which ease the flow of information. Customers are more knowledgeable and are able to articulate their needs and expectations when need arises.

Several studies have been done on the perceived effects of CRM on customer service quality. For instance, on the international front, Parvatiyar and Sheth (2001) studied CRM by looking into emerging Practice, Process, and Discipline. This study only reviewed CRM in terms of emerging Practice, Process, and Discipline and failed to review its effects on service quality. [Injazz](#) and [Karen](#) (2003) did a study on understanding CRM by looking at people, process and technology. Findings show that although a large portion of CRM is technology, viewing CRM as a technology-only solution is likely to fail. Managing a successful CRM implementation requires an integrated and balanced approach to technology, process, and people. This study was done more than ten years ago and as such its findings may not apply to the current settings. Wainaina, Kibera, K'Obonyo, and Thuo (2011) examined CRM and competitiveness of commercial banks in Kenya. The study concluded that organizational competitiveness was achieved through appropriate CRM practices and marketing productivity. This study was done over four years ago. Many changes and developments in CRM have been done and thus its findings may not apply directly to the current study. In addition, the study reviewed CRM and how it affected competitiveness and not service quality. Muro, Magutu and Getembe (2013) examined the strategic benefits and challenges in the use of customer relationship management systems among commercial banks in Kenya. The study concludes that CRM is a useful business strategy and most essential to banks which have a day to day dealing with the customers. However, the study reviewed benefits and challenges and not the perceived effects on service quality. From the above discussions, it can be noted that the existing studies are either too old or have been done on completely different variables from the ones under study hence the



need to undertake the study. This study therefore sought to assess perceived effects of customer relationship management on service quality at chase bank. To achieve this, the study sought to answer one research question: What is the perceived effect of customer relationship management on service quality at chase bank?

### **1.3 Research Objective**

This study was guided by the following research objectives:

- i. To assess the level of awareness of CRM among customers at Chase Bank Kenya Limited
- ii. To establish the perceived effects of CRM on customer service quality at Chase bank Kenya Limited

### **1.4 Value of the Study**

It is hoped that the findings of this study would be important to several stakeholders including policy makers, future scholars and academicians and managers at Chase Bank Kenya Limited together with the whole banking industry. First, the findings of this study would be valuable to future researchers and scholars as it would specifically suggest areas for further research while at the same time act as source of reference material.

Secondly, the findings of this study would also be important to the government in policy formulation especially the Central Bank of Kenya and Kenya Bankers Association (KBA) in their quest to regulate the operations of commercial banks in Kenya. More specifically, the findings of this study would be valuable to the ministry of Finance through the

Central Bank of Kenya in the formulation of relevant policies governing the operations of financial institutions for a stronger banking sector in the country.

This study would also be important to the managers at Chase Bank Kenya Limited and the larger banking industry especially because they would be in a better position to understand how to apply CRM with the aim of improving service quality. It would also assist managers in other sectors to appreciate the importance of CRM in service quality and overall customer satisfaction.

### **1.5 Chapter Summary**

This chapter presented the introduction to the study by clearly discussing the concepts and context of the study. The key concepts discussed included CRM and service quality in the context of banking industry in Kenya and Chase Bank Kenya Limited as a case study. The chapter also presented research problem where the gap to be filled by the study was illustrated. This was followed by the research objective and value of the study.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter presents a review of the literature related to the subject under study as presented by various researchers. The materials are drawn from several sources which are closely related to the theme and the objectives of the study. The chapter first presents the theoretical framework on which the study is founded and then the concept CRM and service quality.

#### **2.2 Theoretical Perspective**

This study will be founded on two theories in explaining the strategic responses adopted to enhance customer retention by commercial banks in Kenya. Specifically, the study will be founded on the resource based view theory and the open systems theory. The two theoretical perspectives are relevant to this research as they assume that organizations need to have resources which it will utilize in realizing its objectives. Organizations also operate as open systems where they need to get input from the environment and utilize them to produce output which they release into the environment (Pfeffer and Salancik, 2003).

##### **2.2.1 Open Systems Theory**

This study is built on the open systems theory which provides managers with metaphors, terminology and explanations about how organizations function. This theory holds that organizations are strongly influenced by their environment made up of other organizations exerting various forces of economic, political, or social nature. The environment provides key resources that sustain the organization and lead to change and

survival (Pfeffer and Salancik, 2003). Open systems theory was developed in reaction to earlier theories of organizations, such as the human relations perspective of Elton Mayo and the administrative theories of Henri Fayol, which treated the organization largely as a self-contained entity (Scott, 2002). This means that the organization has to take into consideration the other stakeholders when developing its CRM programs to ensure optimal operations.

Environmental influences that affect open systems can be described as either specific or general. The specific environment refers to the network of suppliers, distributors, government agencies, and competitors with which a business enterprise interacts. The general environment encompasses four influences that emanate from the geographical area in which the organization operates (Pfeffer and Salancik, 2003). The open-systems theory assumes that all large organizations are comprised of multiple subsystems, each of which receives inputs from other subsystems and turns them into outputs for use by other subsystems. Learning institutions like any other organization rely on the environment for input resources in form of human capital and at the same time, its customers and competitors are in this environment (Scott, 2002). As such, it has to understand how to manage all these resources and stakeholders for effective turnaround strategy.

### **2.2.2 Resource Based-View Theory**

The theory originated from research that acknowledged the importance of organizational specific resources to firm success and was developed further by Penrose (1959). The Resource Based View (RBV) suggests that sustainable superior performance and competitive advantage of any firm is the result of the accumulation and utilization of

resources, managerial choices, factor market imperfections and strategic industry factors (Grant, 1991). Firm heterogeneity instead of external environmental factors are considered relatively more important determinants of the performance and competitive position of a firm both in the local and international market place (Barney, 1996).

This theory views firms as a combination of skills, resource and capabilities. The acquisition, integration and utilization of resources and capabilities are expected to influence the performance of firms. These resources are expected to be rare, inimitable, valuable and unbundable (Grant, 2002; Yaprak & Karademir, 2010). Within the CRM and service quality environment, it can be argued that it is through the resources owned and controlled by the firm which are employed in CRM to create and sustain competitive advantage over their competitors.

### **2.3 Customer Relationship Management Strategy**

The emergence of CRM strategy is a consequence of several important trends observed in the business: the shift in business focus from transactional marketing to relationship marketing; the realization that customers are a business asset and not simply a commercial audience; the transition in structuring organizations on a strategic basis from functions to processes; the recognition of the benefits of using information proactively rather than solely reactively; the greater utilization of technology in managing and maximizing the value of information; the acceptance of the need for trade-off between delivering and extracting customer value and the development of one-to-one marketing approaches (Bose, 2002).

Customer relationship management (CRM) involves using technology to organize, automate, and synchronize business processes. The objectives of CRM are to enhance profitability, income, and customer satisfaction. To attain CRM, many organizations use set of tools, technologies, and procedures to support the relationship with the customer to enhance sales. Therefore, CRM is an issue of strategic business and process rather than a technical one (DeNisi and Jackson, 2002). Customer relationship management (CRM) is a combination of organizational strategy, information systems, and technology that is focused on providing better customer service (Chen & Popovich, 2003).

The main objectives of CRM are to acquire new customers, retain the current customers, and nurture a favorable relationship with the existing customers. CRM should be considered as a corporate strategy because it is a fundamental approach to doing successful business as it helps managers understand, anticipate and respond to the needs of enterprise current and potential customers in order to grow their relationship value. The goal of CRM is to be customer-focused and customer-driven, running all aspects of the business to satisfy the customers by addressing their requirements for products and by providing high-quality, responsive customer service.

According to Duran (2001) there are different reasons for the adoption of CRM among organizations. He asserts that marketing has become more costly, customer share has gained importance, not market share, concepts of customer satisfaction and customer loyalty have become more important, customer value and one on one marketing has gained importance, and finally intensive competition and developments in communication technologies.

In literature many definitions have been given to describe CRM. Cook (2004) defined CRM as strategic approach designed to improve shareholder value through developing appropriate relationships with key customers and customer segments that unites the potential of information technology and relationship marketing strategies to deliver profitable long term relationship. Some authors from marketing background emphasize marketing side of CRM while the others consider IT perspective of CRM.

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

#### **2.4 Perceived Service Quality**

In today's highly competitive environment, companies need an extra edge, and many have found that high quality customer service can make the difference in winning and retaining customers or losing them (Domingo and Hui, 2003). Perceived service quality from customers' point of view is the foundation of a comparison between customers' expectations and the perceived performance of service providers ([Injazz](#) and [Karen](#), 2003). Customer expectations compared with actual service performance results in the assessment of quality that customers obtain from particular service providers (Menzela,

2009). Perceived quality is often measured through three measures: overall quality, perceived reliability, and the extent to which a product or service meets the customer's needs. Customer perceptions of quality are the single greatest predictor of customer satisfaction (Hoffman and Novak, 1998).

After conducting a study to establish the relationship between customer satisfaction and service quality, Parvatiyar and Sheth (2002) concluded that a significant relationship between the two existed. All the dimensions of service quality were identified as the key factors in influencing customer satisfaction. Customer satisfaction is an important aspect of customer retention. Parvatiyar and Sheth (2002) argue that a satisfied customer will endeavor to make a repeat purchase and be loyal to a brand. The outcome of the study suggested that to improve customer satisfaction, organizations need to improve the dimensions of service quality. The dimensions of service quality focus on tangibles, reliability, responsiveness, assurance, and empathy outstanding service quality can lead to favorable behavioral intentions, which may result in improved customer retention (Parvatiyar and Sheth, 2002).

Stone, Machtynger and Woodcock (2002) suggested that a service is characterized by attributes such as intangibility, heterogeneity, perishability and inseparability. These attributes delineate a service from a good which further complicates the evaluation of the performance of a service. This creates the need for an organization to develop new models or use already existing models to measure the performance of the services and the perceptions that customers have towards the company. In order to meet the expectations of their customers, service providers must always do their best to identify the



expectations of their target customers with respect to each specific service. However, this does not mean that the service provider would be able to meet the customer's wishes. The service provider faces tradeoffs between customer satisfaction and company profitability.

According to Domingo and Hui (2003) providing the service as promised, at the promised time and doing it right the first time makes the service provider reliable to the customers. Financial banks being service providers must handle customer problems in a dependable manner and keeping customers informed. Berry and Parasuraman (1991) highlighted that assurance is a key determinant of service quality. He argued that customers must have confidence in the service provider that they will deliver in the transactions involved. He further suggested that one of the ways in which organizations can assure their customers is by having employees responding to their queries. Tangibility involves the use of modern equipment, visually appealing facilities and materials related to the service, employees with professional appearance, and convenient operating hours. In order to serve customers faster and better the organization needs to have modern equipments and competent employees (Zeithmal & Bitner, 1999). Other dimensions of service quality that Zeithmal and Bitner (1999) were responsiveness and empathy. The study argued customers will be more satisfied when service providers are prompt and have a willingness to help customers and the readiness to respond to customer requests. The study further argued that employees should deal with customers in a caring fashion and understand their needs; giving customers individual attention and having their best interests at heart (Zeithmal & Bitner, 1999).

## **2.5 Effects of CRM on Customer Service Quality**

Customer relationship management has several effects on the perceived service quality in an organization. Boyle (1990), states that, the growth of CRM has enabled firms in coming up with better management strategies, overall cost reduction and enhancement of sales. CRM addresses customer responses and identifies the market trends and uses information to advocate marketing plans. As observed by (Sheth and Parvatiyar 1995), developing customer relationships has historical antecedents going back into the pre-industrial era. Much of it was due to direct interaction between producers of agricultural products and their consumers. Similarly, artisans often developed customized products for each customer. Such direct interaction led to relational bonding between the producer and the consumer. It was only after the advent of mass production in the industrial era and the advent of middlemen that interaction between producers and consumers became less frequent leading to transaction oriented marketing. In other words, the production and consumption functions became separated leading to the marketing functions being performed by middlemen, and middlemen, in general, are oriented towards economic aspects of buying since the largest cost is often the cost of the goods sold (Sheth and Parvatiyar, 1995).

Customer relationship management focuses on strengthening the bond between customers and the firm by maximizing the value of the relationship for the benefit of both the customer and the firm. As a business philosophy, CRM is based upon individual customers and customized products and services supported by open lines of communication and feedback from the participating firms that mutually benefits both by buying and selling organizations. The buying and the selling firms enter into a 'learning

relationship', with the customer being willing to collaborate with the seller and grow as a loyal customer (Bendapundi and Leone, 2002). In return, the seller works to maximize the value of the relationship for the customer's benefit. With the objective of most businesses today being to create and maintain loyal customers at a profit, CRM provides the platform for seeking competitive advantage by embracing customer needs and building value-driven long-term relationship. More and more companies are adopting customer-centric strategies, programs, tools, and technology for efficient and effective customer relationship management. They are realizing the need for in-depth and integrated customer knowledge in order to build close cooperative and partnering relationships with their customers.

Further, Elsewhere Ang & Buttle (2006) argue that CRM is about creating the process that promotes longer more beneficial customer relationship. Creating beneficial customer relationships entails a better knowledge of customers. Analysis of a given customer's profile and every interaction with that customer will provide predictive information on his or her behaviour and how he or she prefers to be treated. Only after this has been completed, will a company be prepared to personalize that customer's experience through all customer touch points. The purposes of CRM are to boost profitability, revenue, and customer satisfaction. A companywide set of tools, technologies, and procedures support the association with the customers to raise sales. CRM is primarily a strategic business and process issue rather than a technical issue.

The growing adoption of a customer relationship management system is evidence that more and more providers are trying to put the customer's interest at the heart of their

business by integrating marketing, customer support, and other functions to maximize added value in a dialogical relationship. CRM is a holistic approach to the generation, production and representation of a value-creation system (marketing, customer service and logistics). The aim is to move the supply chain nearer to the customer to link customer needs and more directly into the management of supplies, design, manufacturing, packaging, transport, and the ultimate purpose of all this – profitable exchange. The technology captures and provides information about interaction history, enabling a consistency of experience for valuable customers in all interactions – inquiry, order, delivery, maintenance, upgrade and so on.

In another study, Winer (2001) considers the customer retention as the final goal of firms practicing CRM programs. He suggests that if firms want to deliver their customers the performance they expect, a comprehensive set of relationship programs is a necessity. He implies that these programs include customization, service quality, customer service, rewards programs, community building, and loyalty programs. The emergence of new channels and technologies is significantly altering how companies interface with their customers, a development bringing about a greater degree of integration between marketing, sales, and customer service functions in organizations. For practitioners, CRM represents an enterprise approach to developing full knowledge about customer behaviour and preferences and to developing programs and strategies that encourage customers to continually enhance their business relationship with the company (Winer 2001)

## **2.6 Summary of the Literature Review**

### **Table 2.1: Table of Gaps**

Author	Research Title	Findings	Research Gap
Boyle (1990)	Growth of CRM as a management strategy	CRM addresses customer responses and identifies the market trends	Done in developed countries and not Kenya
Ang & Buttle (2006)	Effects of CRM on customer satisfaction	CRM creates beneficial customer relationships	Done in developed countries and not Kenya
Muro, Magutu and Getembe (2013)	Strategic benefits and challenges in the use of CRM systems among commercial banks in Kenya	CRM is a useful business strategy and most essential to banks	Reviewed benefits and challenges and not the perceived effects on service quality.
Thuo (2011)	CRM and competitiveness of commercial banks in Kenya	organizational competitiveness was achieved through appropriate CRM practices and marketing productivity	done over four years ago and hence its findings may not apply to the current context

**Source: (Author, 2015)**

## **2.7 Chapter Summary**

This chapter presents literature review starting with the theoretical perspective then CRM and perceived service quality. The chapter then presented the effects of CRM on customer service quality as argued out by other scholars and researchers. It then summarised the literature review.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter details the methodology that was employed in the study. Specifically, it discusses the research design, data collection and analysis and why they are the most preferred for the study.

#### **3.2 Research Design**

The research was carried out through a cross-sectional survey design which is normally carried out at one time point or over a short period of time and they are descriptive, often in the form of a survey. This design has been chosen because the study surveyed different customer categories at chase bank Kenya Limited. Cross-sectional survey design is not only observational but also allows the researcher to compare many different variables at the same time. The survey will ask respondents on the level of awareness of CRM and the perceived effects of CRM on customer service quality at Chase bank Kenya Limited. Studies that have successfully used this research design are; Magori (2011) and Ombati (2007).

#### **3.3 Population of the Study**

According to statistics from the Bank, there were 785,817 customers at Chase Bank Kenya limited as at December 2014. This comprised 784,922 mass market customers, 542 corporate account customers and 353 SME account customers. The target population of the study was all the 785,817 customers at Chase Bank Kenya limited as at December 2014. The population will be stratified into corporate, Small and Medium Enterprises and

mass market for the sake of this study. However, since the customers majorly managed through customer relationship management are majorly Corporate and SME, this study will focus on these two strata.

### **3.4 Sample Selection**

Ngechu (2004) underscores the importance of selecting a representative sample through making a sampling frame. From the population frame the required number of subjects, respondents, elements or firms will be selected in order to make a sample. The study applied purposive sampling technique in selecting the corporate and SME customers for inclusion in the study since majority of the customers managed through customer relationship management are Corporate and SME customers. Therefore, the target population of this study is 895. According to Mugenda and Mugenda (2003), a representative sample of at least 30 elements of the population is adequate for generalization of findings to the whole population. This study selected a sample of 60 respondents to reduce on data redundancy as the target population is highly homogeneous.

### **3.5 Data Collection**

The study used primary data collected by the use of a questionnaire administered to customers whose relationship with the Bank is managed by relationship officers. Corporate and SME customers was selected upon because they were the recipients and target for CRM in the Bank. They have their expectation in terms of the quality of service they ought to receive and the actual services they are receiving hence are better placed to

provide information relevant for this study. They are also assigned relationship officers who manage all their banking transactions and manage the whole relationship.

### **3.6 Data Analysis**

Completed questionnaires were inspected for completeness and consistency. Quantitative data collected were analyzed by the use of descriptive statistics using SPSS version 21. Analyzed data were presented through percentages, means, standard deviations and frequencies. The data were broken into different aspects of CRM and service quality. The study further conducted inferential statistics involving simple regression analysis of the form:

$$Y = \beta_0 + \beta_1 X_1 + \epsilon$$

Where  $Y$  = Perceived service quality

$X_1$  = Customer Relationship Management

$\epsilon$  = Error Term

### **3.7 Chapter Summary**

This chapter presented research methodology including the research design, study population and sample selection. It clearly presented data collection by explaining the types of data to be collected and how it was to be analyzed.



## CHAPTER FOUR

### DATA ANALYSIS, FINDINGS AND DISCUSSION

#### 4.1 Introduction

This chapter presents analysis and findings of the study as set out in the research objective and methodology. The objectives of the study were to assess the level of awareness of CRM among customers at Chase Bank Kenya Limited and to establish the perceived effects of CRM on customer service quality at Chase bank Kenya Limited. The study targeted a total of 60 respondents comprising of owners/managers of the sampled SMEs and corporate customers. Out of the 60 questionnaires administered, 45 were filled and returned. This represented 75% response rate, which is considered satisfactory to make conclusions for the study.

#### 4.2 General Information

The study sought to find out the general information of the respondents including the type of account held, the number of years banking with Chase Bank Limited and the position they hold in their organization. The findings are shown below in table 4.1, 4.2 and 4.3:

##### 4.2.1 Type of Account

As indicated in Table 4.1, the respondents were also asked to indicate the type of account held at Chase bank.

**Table 4.1: Type of Account**

	<b>Frequency</b>	<b>Percentage</b>
SME Business Account	21	47%
Corporate Account	14	31%
Others	10	22%
<b>Total</b>	<b>45</b>	<b>100%</b>

From the response the study established that majority 47% of the respondents held SME accounts, followed by 31% who held the corporate account while the least 22% held the other collection accounts. The three account types are the account offered by Chase bank to customers and hence the information was reliable.

#### 4.2.2 Number of Years Banking with Chase Bank

The respondents were further required to indicate the period they had maintained their account with Chase Bank so as to determine how well they understood customer relationship management strategies practiced by the bank.

**Table 4.2: Number of Years Banking with Chase Bank**

	<b>Frequency</b>	<b>Percentage</b>
Below 3 Years	23	51%
4-6 Years	12	26%
7-10 Years	8	18%
11 Years and Above	2	5%
<b>Total</b>	<b>45</b>	<b>100%</b>

From the responses, majority 51% of the respondents had been banking with Chase Bank less than years, 26% for 4-6 years, 18% for 7-10 years and the least 5% for 11 years and above. These findings show that they had interacted with the bank long enough to understand the level CRM practices at Chase Bank. Therefore the information provided was highly reliable

#### 4.2.3 Position Held in their Organization

The respondents were requested to indicate the position they held in the organization. The findings are well illustrated in the Table 4.3:

**Table 4.3: Position Held in their Organization**

	<b>Frequency</b>	<b>Percentage</b>
Top Level	5	11%
Middle Level	27	61%
Low Level	13	28%
<b>Total</b>	<b>45</b>	<b>100%</b>

From the responses, 5% of the respondents were in top level management, 13% were in low level management and majority 61% were in middle level management. This was an indication that the respondents were in positions of authority that required them to make decisions on behalf of the business, these decisions include the choice of bank the SMEs and corporate customers would like to bank with, and hence the information collected was reliable and relevant for the study.

#### **4.3 Customer Relationship Management Awareness**

The respondents were asked the extent to which they agreed on the statements below on Customer relationship management awareness. A five point Likert scale was provided where 1= strongly disagree, 2= Disagree, 3 Neutral, 4= Agree and 5= Strongly Agree. From the responses, descriptive measures of central dispersion: mean and standard deviation were used for ease of interpretation and generalization of findings.

**Table 4.4 Elements of Customer relationship management**

<b>Elements of Customer relationship management</b>	<b>Mean</b>	<b>Std dev</b>
Chase Bank has assigned me financial advisors to handle my enquiries	3.35	1.111
Chase Bank has customized their financial services to suite my specific business needs	3.54	1.216
Chase Bank has partnered with me to ensure success in my business	2.92	1.402
Chase Bank Kenya Limited has located branches convenient for my banking needs	3.03	1.343
Chase Bank opening hours are convenient for my banking needs	3.59	1.257
Chase Bank staff are well informed of the financial services and solutions for their customers	3.14	1.251
Chase Bank Kenya Limited handle my enquiries within reasonable time	2.78	1.228
Chase Bank staff avail information on the financial implication of different financial sources	3.76	1.234
Chase Bank have a variety of financial solutions for my business needs	3.42	1.343
Chase Bank Kenya Limited have priced their financial services competitively	3.41	1.301
Chase bank Kenya Limited have multiple access channels (m-banking, internet banking etc) to improve my banking experience	3.49	1.283
Chase Bank staff visit me from time to time to discuss my financial needs	3.52	1.187

As indicated in Table 4.4, Chase Bank opening hours are convenient for my banking needs had the highest mean of 3.59 with a standard deviation of 1.257, followed by Chase Bank has customized their financial services to suite my specific business needs with a mean of 3.54 and a standard deviation of 1.216. Chase Bank Kenya Limited handles my enquiries within reasonable time had the least mean of 2.78 with standard deviation of 1.228. These shows that Chase Bank Kenya Limited had made their opening and closing hours during weekdays and weekends convenient to their customers. The financial

services offered by the bank suits their customers' needs though they were not satisfied time taken by the bank to handle their inquiries.

#### 4.4 Perceived Service Quality

The respondents were asked the extent to which they agreed on the statements below on Perceived Service Quality. The Findings are shown in Table 4.3:

**Table 4.5: Perceived Service Quality**

<b>Perceived Service Quality</b>	<b>Mean</b>	<b>Std Dev</b>
Chase Bank Kenya Limited is a reliable financial service provider	4.00	1.106
Chase Bank has provided convenient banking facilities through diversified access channels	3.92	0.924
Chase Bank Kenya Limited have clearly understood my financial needs	3.76	1.188
Chase Bank Kenya Limited range of financial services is appropriate for me	3.73	1.194
Chase Bank Kenya Limited financial services pricing is fair	3.86	1.251
I would want to continue banking at Chase Bank Kenya Limited	3.41	1.343
Chase Bank Kenya Limited are responsive to my financial needs	3.76	1.234
Chase Bank Kenya Limited services meet my financial expectations	2.78	1.228
Chase Bank Kenya Limited have flexible financial solutions for my business	3.14	1.251
I would refer my friends to bank with Chase Bank Kenya Limited all the time	3.59	1.257

As indicated in Table 4.5, Chase Bank Kenya Limited is a reliable financial service provider had the highest mean of 4.00 with standard deviation of 1.106 followed by Chase Bank has provided convenient banking facilities through diversified access channels with a mean of 3.92 and standard deviation of 0.924. Chase Bank Kenya Limited services meet my financial expectations had the least mean of 2.78 with standard deviation of 1.228. These shows that the customers were in agreement with that Chase Bank Kenya Limited was reliable in providing services to them and were satisfied with

the banking facilities offered though to disagree on the expectation on their financial needs.

#### 4.5 Regression Analysis

In order to establish the perceived effect of customer relationship management on service quality at chase bank regression analysis was conducted. Statistical package for social sciences (SPSS) aid in the computation of the measurements of the multiple regressions for the study.

**Table 4.6 Regression Model**

<b>Model</b>	<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>
1	0.892	0.795	0.784	0.102

The independent variables that were studied, contribute 79.5% of the perceived service quality on customer relationship management represented by the  $R^2$ . This therefore means that there are other factors not studied in this research which contributes 20.5% of the perceived service quality.

**Table 4.7 ANOVA**

<b>Model</b>	<b>Sum of Squares</b>	<b>df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
Regression	0.834	1	0.834	14.379	0.003
Residual	2.56	44	0.058		
<b>Total</b>	<b>0.890</b>	<b>45</b>	<b>0.2097</b>		

The probability value of 0.003 indicates that the regression relationship was highly significant. The F critical at 5% level of significance was 1.96. Since F calculated 14.379 is greater than the F critical (value = 1.96) this shows that the overall model was significant.

**Table 4.8 Coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients Beta	T	Sig.
	B	Std. Error			
(Constant)	2.531	1.162		1.57	.0013
Customer Relationship Management	1.386	0.511	0.499	0.89	.0041

From the table 4.14, the regression model can be written as:

$$Y=2.531 + 0.499X_1 + \text{error term.}$$

The regression equation above has established that taking all factors into account constant at zero, the perceived service quality will have an autonomous value of 2.248. The findings presented also show that taking all other independent variables at zero, a unit increase in customer relationship management would lead to a 0.499 increase in the perceived service quality. All the variables were significant as the P-values were less than 0.05.

#### **4.6 Chapter Summary**

This chapter presented data analysis, findings and discussions as collected from the field. The findings were arranged in thematic areas to enable adequate response to the research question. The specific sections covered here include: general information, CRM and perceived service quality and the relationship between them through a regression analysis.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATION**

#### **5.1 Introduction**

This study sought to investigate the perceived effects of customer relationship management on service quality at Chase Bank Kenya limited. The summary of findings, discussions, conclusion and recommendations are presented below.

#### **5.2 Summary of Findings**

From the findings the study established that the customers had been assigned financial advisors who occasionally called on them and gave financial advice on various bank products that Chase Bank offered which include credit facilities, investment services and introduction of new accounts or improvement of existing account features.

The study established that Chase Bank partnered with the customers to ensure success in their businesses. Their responses indicated that the bank had partnered with them to provide free financial consultations on how to obtain and manage funding for their businesses, training on business management skills and also advisory services in areas like market research and legal aspects.

On perception of the service quality offered at Chase bank, the study found out that Chase Bank Kenya Limited was a reliable financial service provider and that the bank had provided convenient banking facilities through diversified access channels that were offered to address the customer's financial need and hence appropriate for the customer. They expressed that they would highly recommend Chase bank to other customers.



### **5.3 Conclusion**

The study concluded that there was awareness among Chase Bank limited customers on the existence of customer relationship management at the bank. Some of the ways through which the relationship management was done was through assignment of financial advisors and relationship managers who were responsible of giving financial advice to the SMEs and also managing the accounts. The customers were aware of the products that the bank offered the location of the bank's branches and the opening and closing times. The prices charged at Chase bank were fair and the customers got value for their money. Introduction of other products like foreign exchange accounts and asset finance was seen as a major move by the bank in addressing the banking need.

Further the study conclude that the perceived effects of CRM on customer service quality at Chase bank Kenya Limited was good, the bank was rated as a reliable financial service provider and that the bank had provided convenient banking facilities through diversified access channels that were offered to address the customer's financial need and hence appropriate for the customer.

### **5.4 Limitations of the Study**

The main limitations of this study include the fact that the respondents regarded banking relationships as confidential and hence were unwilling to disclose the information sought from them. To counter this, the researcher assured them that the study was for academic purposes only and they were not required to disclose their names/names of their companies and that information provided would be treated with a lot of confidentiality.

The small size of the sample could have limited confidence in the results and this might limit generalizations to other situation. The study was a case study of one organization and therefore it may not be expanded to include more organization. Therefore the applications of the study findings are limited to one organization.

### **5.5 Recommendations**

The study found out that there was awareness among the customers on customer relationship management at the bank and therefore recommends that although Chase Bank has been successful in the CRM practice, in order to remain these relationships with the customer, the bank should continuously train its employees on how to manage customer relationship.

The study also found out that the perceived effects of CRM on customer service quality at Chase bank Kenya Limited was good and customers would recommend their friends to Chase bank. The study therefore recommends the financial advisors and relationship managers should pursue leads for more customers from the existing customers in order to grow the banks business.

### **5.6 Suggestions for Further Studies**

The study was carried out on Chase Bank customers and therefore would be difficult to generalize the findings to other bank. A detailed study should be conducted to include all commercial banks in Kenya.

Another study should be carried out to assess the perceived effects of CRM on customer service quality with focus on corporate customers. A study should also be done to assess the perceived effect of technological advancement on customer service quality.

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## APPENDICES

### APPENDIX I: QUESTIONNAIRE FOR EMPLOYEES

Please fill out the questionnaire in the spaces below. Kindly tick only one response

#### SECTION A: GENERAL INFORMATION

1. Type of account held at Chase Bank Kenya Limited

SME Business Account [     ]

Corporate Current Account [     ]

Other [     ]

2. Number of years you have been banking with Chase Bank Kenya Limited

Below 3 years ( )    4-6 years ( )    7-10 years ( )

11 years and above ( )

3. Do you have credit facilities with Chase Bank Kenya Limited?

Yes [     ]    No [     ]    I do not know [     ]

4. What position do you hold in your organization?

Top level management (     )

Middle level management (     )

Lower level management (     )

#### SECTION B: CUSTOMER RELATIONSHIP MANAGEMENT AWARENESS

5. Below are some of the key elements of Customer relationship management in organizations. Kindly indicate the extent to which you agree with each of these in relation to your banking experience at Chase Bank Kenya Limited. Use a scale of 1-5 where 1= Strongly disagree, 2= Disagree, 3 Neutral, 4= Agree and 5= Strongly Agree.

<b>Elements of Customer relationship management</b>					
Chase Bank has assigned me financial advisors to handle my enquiries					
Chase Bank has customized their financial services to suite my specific business needs					
Chase Bank has partnered with me to ensure success in my business					
Chase Bank Kenya Limited has located branches convenient for my banking needs					
Chase Bank opening hours are convenient for my banking needs					
Chase Bank staff are well informed of the financial services and solutions for their customers					
Chase Bank Kenya Limited handle my enquiries within reasonable time					
Chase Bank staff avail information on the financial implication of different financial sources					
Chase Bank have a variety of financial solutions for my business needs					
Chase Bank Kenya Limited have priced their financial services competitively					
Chase bank Kenya Limited have multiple access channels (m-banking, internet banking etc) to improve my banking experience					
Chase Bank staff visit me from time to time to discuss my financial needs					

6. What other customer relationship management activities have Chase Bank Kenya Limited put in place for your use?

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7. In your opinion, in what other ways does the Bank need to do to improve your level of satisfaction with their services?

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**SECTION C: PERCEIVED SERVICE QUALITY**

8. Below are several ways that customer relationship management affects service quality in organizations. Kindly identify the extent to which each of these customer relationship management initiatives has affected the quality of services offered by Chase Bank Kenya Limited. Use a scale of 1-5 where 1= Strongly disagree, 2= Disagree, 3 Neutral, 4= Agree and 5= Strongly Agree.

Chase Bank Kenya Limited is a reliable financial service provider					
Chase Bank has provided convenient banking facilities through diversified access channels					
Chase Bank Kenya Limited have clearly understood my financial needs					
Chase Bank Kenya Limited range of financial services is appropriate for me					
Chase Bank Kenya Limited financial services pricing is fair					
I would want to continue banking at Chase Bank Kenya Limited					
Chase Bank Kenya Limited are responsive to my financial needs					
Chase Bank Kenya Limited services meet my financial expectations					
Chase Bank Kenya Limited have flexible financial solutions for my business					
I would refer my friends to bank with Chase Bank Kenya Limited all the time					

9. How would you rate the overall quality of services rendered by Chase Bank Kenya Limited?

- Very Satisfactory (     )
- Satisfactory (     )
- Neutral (     )

Less satisfactory ( )

Bad ( )