

**THE RELATIONSHIP BETWEEN CUSTOMER  
RETENTION STRATEGIES AND ORGANISATIONAL  
PERFORMANCE AT BARCLAYS BANK OF KENYA  
LIMITED**

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## DECLARATION

This research project is my own original work and has not been presented for the award of degree in other university.

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

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## **DEDICATION**

I dedicate this work to my husband Samuel, my babies Austin and Natalie and all those who supported me in the completion of this project.

## ABSTRACT

According to Ahmad and Buttle (2001), customer retention is the maintenance of continuous trading relationships with customers over the long term. In an increasingly dynamic and information-driven environment, the quest by business leaders and management researchers for performance measures which reflect competitive productivity strategies such as customer retention strategies have been adopted to enhance performance. The Kenyan banking industry is facing many challenges including cut-throat competition among each other and CBK strict regulations especially on minimum cash deposits, the rule dictating maximum interest rates on amounts borrowed, as well as floor rates. Other challenges include serving more educated and discerning customers, technological innovations, globalisation, and encroachment into banking services by mobile phone providers in money transfer and utility bill payment services. Banks therefore have a huge task of employing effective strategies to remain in profitable operations. Looking at the above empirical studies it is clear to note that the researcher did not get a research conducted to find out the relationship between customer retention strategies and performance specially targeting Barclays Bank of Kenya. The study was anchored on Customer Service theory and product life cycle theory. This research adopted a case study design .primary data on customer retention strategies and organizational performance at Barclays Bank of Kenya was obtained through in-depth interviews using interview guide. Content analysis was used to analyze the data collected. The study focused on the senior marketing manager, customer lifecycle manager, customer relations manager, head of customer service and products manager at Barclays Bank Headquarters in Nairobi because they are the one that deal with customers relations matters and therefore deemed conversant with the customers' relationships strategies adopted by the bank. Therefore the total population of this study comprised 5 senior managers of Barclays bank in Nairobi. The study established that there was a positive relationship between customer relationship marketing and market share growth explained by customer relationship marketing. The study also concludes that there was positive, moderate relationship between customer communication and market share growth. The study recommends that customer retention strategies should be enhanced in commercial banks in order to increase market share growth. It is also recommended that commercial banks should expand their market share through customer relationship marketing and customer communication. It is also recommended that there should be strong emphasis on the mutual relationship between commercial banks and bank customers as this would minimize customer switch and defections.

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## **LIST OF ABBREVIATION AND ACRONYMS**

**B2C** - Business to Customer

**BBK** - Barclays Bank of Kenya Limited

**CBK** - Central Bank of Kenya

**CRM** - Customer Relationship Management

**KPI** - Key Performance Indicator

**MFCs** - Mortgage Finance Companies

**MFIS** - Micro-Finance Institutions

**UK** - United Kingdom

# CHAPTER ONE : INTRODUCTION

## 1.1 Background

Ahmad and Buttle (2001) perceive customer retention the continual upholding of made relationship during trade for a long period of time. Kenyan businesses pose that, when customer retention level is low, it as an indication of high defection level. This can be expressed by evaluating how many clients a business has as its financial year ends usually stated in terms of percent (%) to show clients active throughout the year (Dawkins and Reichheld, 1990). The objectives of customer retention strategies are to maintain a company's customers and to keep hold of the revenue contribution. In other words, keeping of already existing clients from opting for rival brands.

Magson (2008) argues that; customer satisfaction leads to loyalty and favourable talks about the company since its products meet their expectation. This helps maintain the customers increasing the probability of repurchasing, marketing or advocating of the purchased item to their associates/ acquaintances, who then are drifted from thinking about rival brands and further become loyal customers (Baumeister, 2002). The study on the relationship between customer retention strategy and their performance is related to the customer service theory. The theory discusses about retaining customers where it explains that comprehension of the fundamental customer service principles is vital. The theory further states that for clients to be satisfied, five key buyer services must be observed. These are; reliability of its services, highly responsive to customer needs, customer assurance for consistency services provision and keep the bargain size serious, empathy must the staffs' virtue when handling customers, upholding of clients via real friendships and relationships creation and enterprises need be orderly in handling their "tangible" side.

This study seeks find out how performance is related to customer relation through research at Kenya's Barclays Banks. The motivation for this study is because Barclays Bank of Kenya Limited has over the years held the industry's recognition for leadership as the leading Bank in Kenya include; Kenya Institute of Management (2008); in 2008, 2009 & 2010 by Global Finance; Human Resource Management Practices company award; Best in Retail Banking – 2009 Banking Awards; and International Financial Reporting Standards - FIRE Awards (2009) for their excellence in conforming with international standards. This is demonstrated in the Banking Survey Part IV (2004), that Barclays Bank of Kenya Limited was a market leader in the retail segment and corporate business.

### **1.1.1 Customer Retention Strategies**

Strategy refers to the structure that defines a company's culture and decisions as per (Ganesh, 2010). This ultimately, depicts the criteria used in selecting products (or services) and the markets in which to offer these. The strategy to use involves matching available resources with the corporate objective. The resource allocation process is concerned with the general goals of any progressive organization, designed to keep the clients in business (Story, 2007). A good customer retention strategy encourages and rewards long term association with clients rather than blocking the firm relationship with its customers.

Some positive customer retention strategies may involve; creating customer delight, creating social and structural bonds, adding of value that customer desires, and engaging with. It is extremely important in for managed customer to be understood, and at all times resources that keep their customers are satisfied must be deployed to maintain their retention.

In a bid to achieve this Customer Relationship Management is grounded on detailed customer-related knowledge. For firms to exceed customer expectations, it requires them to go an extra mile of seeking to comprehend what impresses and fulfils clients the most and offer it. When an enterprise fathoms essential requirements of its customers, then strategizing becomes easy. Such commitment is a clear proof for firms' desire for customer relation and it eases trustworthiness a recipe for long term relationship. Simply put, constantly surprise your customers, keep them delighted. In formulaic terms:  $CD = P > E$ . While CD is the customer delight, P represents perception and E is the expectation. The formula shows that for customer delight to be experienced, two factors must be considered. First by expectation management and the second major positive strategy to retain customer is to add customer perceived value.

There are various addition value options firms can extrapolate, however, the most effective one does not involve further incurred cost by the entity, otherwise, if value addition leads to extra costs, that cost need to be recovered. For instance, club for clients that expects its revenue stream to be generated from being a club member. Commonly used programs for value addition are three. They include loyalty programmes, sales promotions and clubs for clients. In loyalty programmes customers are rewarded for their firm championships for example through rewards increment given to customer's constant support. The service provided, aimed at value addition is done during acquisition of credit and redemption. The credits to be redeemed may lack value materially, nevertheless, they offer a psychological impact to customers, creating the feeling of being valued and belonging that gets them excited about rewards in future. psychological and material benefits are offered at the redemption stage which positively reinforce purchase behaviour hence making customers feel

more appreciated. This is the surest way to augment customer relation as the buyers are attached emotionally to the firm since they feel valued.

On the other hand, a customer club only provide numerous value to its members. To be a member, one has to register with a certain amount, usually high, however further expenses after membership are mostly incurred by the firm at a profit. According to research such clubs are capable retaining its customers successfully. (Stauss, Chojnacki, Decker and Hoffmann, 2001). Benefiting from such clubs is therefore limited to being a registered member having provided personal details that enable the enterprise to interact with its buyers, seek to know them and provide them with more offers. Such may include, but not limited, exclusive goods and services for members, when there are new products, upcoming events, the members are informed first among others.

Sales promotions are the temporal option to retaining customers and is good for attracting new customers. Sale promotions focuses on retaining buyers by motivating customers into buying more and often. Another strategy of customer retention is through bonding with purchasers that include; legal bonding, technology bonding, interpersonal bonding and process bonding. Moreover, Buttle, Ahmad and Aldlaigan, (2002) even categorizes them into social and structural category.

Social bonds aim for absolute trust and commitment through positive relations, interpersonal in form. Although it is time consuming to achieve that, with constant reduction in uncertainty, it can be achieved. As customers and suppliers continue to interact and grow, the probability of development of social bonds increases. Therefore, it is fundamental for firms to create an enabling environment for growth of

trust and confidence with purchasers. Failure to do so, will deteriorate customer preference of a particular firm.

Multiple research concludes that sustaining a customer cannot be attributed only to proper client satisfaction strategies only. A firm need to go the extra mile of engaging with its buyer for example through engaging them to establish their preferences, a strategy referred to as customer engagement. Reichheld (1993) in his research showed that 65 to 85 per cent of uncommitted clients to an entity had been satisfied by offered service. In another study, although ten out of ten clients were completely satisfied service, one still defected to a competing brand after a year (Buttle, Ahmad and Aldlaigan, 2002). This means that even as effort is put to satisfy customers, even more attention should be put to ensure customer engagement. When buyers are engaged, they tend to feel more attached emotionally to the company and hence increasing the probability of customer commitment and a blind eye one rival company.

It is possible to negatively retain customers especially when clients feel the hardship of switching firms due their high prices. This is kind of customer retention is negative and harmful for Customer Relationship Management (CRM) practitioners as clients have a sense of being trapped. As a result, customers may negatively speak up or cause the firms to free them from such commitments. A common argument by such firms is that customers ought to be informed about what they want. The companies are entitled to consider or not enforce their customers cry out especially about price switching. Such companies could opt for considerations of client's requirement especially when they appear significant and hence make offer coinciding with that of potential suppliers.

### **1.1.2 Organizational Performance**

Organizational performance looks into financial performance with interest in profits, assets return and investment returns. There is also the market performance that encompass sales and market shares among others. Lastly, is the shareholder return. Through measuring a company's performance against its set goals, strategies to modify and improve output can be put in place, an action plan that increases the process's efficiency and effectiveness. This explains the primary goal of organizational performance i.e. improvement of goods and services delivery through an accelerated efficiency and effectiveness by firms (Cameron & Whetten, 1983).

Continuous improvement of firm's performance is a necessity and is sometimes looked upon via the area involving firm's efficacy. In organizational efficacy, goals and objectives are continuously set via considering two levels. One level involves the firm, who conducts surveys to measure the level of satisfaction of customers to qualitatively understand performance from consumer perspective. The other level entails the employee who conducts quality control statistics (Kaplan and Norton, 2001).

Business leaders and management researchers are being sought out for performance evaluation, as the business environment continually become dynamic and information driven. This means that strategies applied by companies are competitive, including products quality and performance speed in order for a meaningful performance. Such performance can be measured based on precise objective that must be realistic and achievable. Firms must have objectives that assist them in choosing best strategies and projects among the many. For example, a company that targets to maximize its

investment's returns will list in its objects a strategy that adopts investments greater than the current (Brah, 2000).

There are no boundaries towards the selection of the most effective indicators as performance is measured by several company's objectives since different objectives require different performance measurement strategies. Typically, the most common performance indicator combines finance, customer, competition, environment, internal business process and human resource indicators. Some firms prefer firm-specific indicators of performance that cater for all their needs (Camp 2008).

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

According to CBK, Bank Supervision Annual Report, (2009) Kenya banking sectors comprise of Central Bank of Kenya which is the regulatory authority. There are also the CBK controlled companies such as commercial banks, Non-Bank financial institutions, Foreign Exchange Bureaus and deposit taking micro-finance institutions (MFIs). By December 31<sup>st</sup> 2009, there were 130 foreign exchange bureaus. 33 of the 46 commercial banks were locally owned with 3 of the banks containing a public shareholding. There are 9 financial institutions that are foreign owned and incorporated with local banks with 4 branches.

Licensing and regulation of commercial banks and mortgage finance enterprises is done under the Banking Act, Cap 488. Thereafter, prudential guidelines are provided. While MFIs licensing and regulation is done under Microfinance Act and Regulation, foreign exchange bureaus are under Central Bank of Kenya Act, Cap 491 and guidance offered by Foreign Exchange Bureau.



The Kenyan banking industry is facing many challenges including cut-throat competition among each other and CBK regulation that limit amount of minimum cash deposited, maximum rates of interests are set by the induplum and also floor rates. Other challenges entail favouring of the literate customers, innovations due to technology, globalization and the intrusion of mobile phones to provide services such as payment of bills and transfer of money. Banks therefore have a huge task of employing effective strategies to remain in profitable operations (Waithaka, 2013).

#### **1.1.4 Barclays Bank of Kenya Limited**

Barclays PLC operates worldwide and is UKs second largest and the best bank in Kenya. In Forbes Global 2000(2008 list) it was ranked world's 25<sup>th</sup> largest company. Apart from being in the Tokyo stock exchange list, it is also listed on the London and New York stock exchanges. The company possess \$3.7 trillion assets and is a constituent of FTSE 100 Index.

The bank became operational in Kenya in 1961. Among the 28 countries in Africa with the bank, Kenya's is the largest in operation size and profit margins of US\$ 1 billion, forming 10% of GDP. In 1968, it was listed in the Nairobi Stock Exchange and has 34, 000 shareholders presently. Worldwide, there are 62 banks. (Barclays Bank of Kenya Limited 2009 annual report)

Barclays Bank of Kenya Limited card product range market offers are the largest, controlling 60 % plus of the market credit card in Kenya (Barclays Bank of Kenya Limited annual report, 2009). The reputation of the entity was built among 61 000 shareholders over time due to its consistency in performance into becoming among the blue-chip firms that lead the Nairobi Stock Exchange. In the country Barclays bank has 179 branches and 12 sales centres and its financial services have a global

standard. It also leads in terms of retail marketing controlling almost 30% of the retail market share. Use of technology such as web linkage and computers by its branches has eased transactions. ATM number the firm possess is among the highest, not forgetting the 6 000 number of employees it has and many other part time employees.

Barclays Bank of Kenya Limited contributes not only to banks' development but also in the sector involving finances and the economy at large. It has gained recognition in its space as Kenya's Best Bank by Global Finance (2008 and 2009); Best Retail Bank in 2009 by Banking Awards. In addition, it has been awarded as the Kenya's Company of The Year Award for Human Resource Management Practices by Kenya Institute of Management (2008). Financial Services Category of (2009) recognized it as East Africa's Super brand and Fire Awards (2009) named it as the best at complying with International Financial Reporting Standards.

## **1.2 Research Problem**

Research has found a positive correlation between customer retention strategies and performance and duration of the relationship (Gustaffsson et al., 2005). Dawkins and Reichheld (2010) showed how retaining of customers was beneficial by alleging that a 5% retention of rate increase can cause between 25% and 83% increase of customers in present net value in vast companies for example, in motor services, management of build, insurance brokerage and credit card.

It is imperative to note that Barclays Bank of Kenya Limited has over the years recognized for its leading role in banks leadership. The recent awards to the Bank include; 2008, 2009 & 2010 Global Finance; In 2008, Kenya Institute of Management awarded it Company of the Year Award for Human Resource Management Practices and the respective year a Best Retail Bank by Banking Awards; and firm great at

compiling International Financial Reporting Standards by Fire Awards in 2009. Furthermore, according to the Banking Survey Part IV (2004), Barclays Bank of Kenya Limited was a market leader in the retail segment and corporate business. However, in the recent years, Barclays Bank of Kenya Limited has been overtaken by other banks in Kenya both in performance and in the retail banking segment.

The concept of customer retention strategies has been researched both locally and globally. For instance, globally, Filip and Anghel (2009), studied customer's loyalty level in Romanian firms positioned as retailers in the banking sector and find out what influences clients to act in relation to institutions of banking with an inclusion of retention of customer reasons. It was observed that remaining of customers in the Romanian bank was influenced by their attitudes, inertia and motivations that customers considered favourable and positive.

Furthermore, Kaura (2012) examined Indian commercial banks to determine if perceived pricing influence customer satisfaction in any way and whether that perceived price had a relationship with customer satisfaction. According to results, increase in perceived price increased price fairness and thus customer satisfaction. Finally, Rootman, Tait and Sharp (2011) by studying Canada and United Kingdom banks, he sought to observe how bank retention of customer realities to marketing. From the research, he found out that relationship between marketing and customer retention are influenced by six banking service delivery variables. Among them, the one considered the most fundamental was banking fees.

Local studies have also been done on customer retention. For instance, Wangari (2012), conducted a study on Customer Retention by Barclays Bank of Kenya Limited. The study found out that the Banks uses the following retention practices;

offering assistances to customers in regards to the bank products, answering queries from customers, handling customers' complaints, offering guidance's on channels to use for their banking needs, educating on the banks existing products, offering products that were affordable and easily accessible to customers and how to make payments and transfers from one branch to another's.

Siboe (2006) did a study on customer retention strategies used by internet service providers in Kenya while Jerono (2008) conducted a study on how commercial banks of Kenya marketing relationship affect retaining customer. The study however narrowed down on only one determinant. On the other hand, Karitie (2011) conducted an analysis of the effectiveness of customer retention strategies in Equity Bank Kenya. Further, Simiyu (2010) did a study on factors affecting customer retention in oil industry case study Total Kenya Ltd while Mutai (2013) did a study on the factors influencing customer retention among corporate companies utilizing mobile telephone services in Kenya.

Looking at the above empirical studies it is clear to note that the researcher did not conduct a research to sought how customer retention strategies and performance relate specially targeting Barclays Bank of Kenya Limited. Thus, the need to establish if customer retention strategies and performance of an organization are in anyway related in particular for Barclays Bank of Kenya Limited. Therefore, this study aims to give deduction on the relationship between customer retention strategies and performance at Barclays Bank of Kenya Limited.

### **1.3 Research Objective**

The objective of this study was to investigate of the relationship between customer retention strategies and performance of Barclays Bank of Kenya Limited.

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

From a practical perspective, the findings of this research will provide vital information to facilitate the management of Barclays Bank of Kenya Limited to assess the suitability of customer retention strategies put in place and how they affect their performance. This will enable the bank to match up with the stiff competition being witnessed in the Kenyan banking industry by designing appropriate methods and strategies geared towards business excellence. The managers will be able to understand the factors that need to be put in place to be able to obtain adequate and quality services to their customers. Substantive information was provided on the strategies to banks should adopt manage to retain customers.

This study will be invaluable from a theoretical standpoint to academicians in that it will provide information on the field of customer retention. The conclusions and recommendations arrived at will be a useful theoretical underpinning on the relationship between customer retention and performance. The study focuses on the topic of customer retention strategies and performance, in this regard; scholars in this area will use this study as a form of reference.

This study will be of significance to policy makers in realizing the importance of core indicator of performance is for retaining customers calling for implementation of customer relationship management. This means customer relationship management (CRM) works on ensuring company maintenance of strategically important clients as

a customer retention strategy. This study will also assist policy makers of service companies to give due importance to marketing decisions and thus realize the importance of customer retention. Policy Makers will be clear and appreciate the expected results of the customer retention strategies.

## **CHAPTER TWO : LITERATURE REVIEW**

### **2.1 Introduction**

This chapter covers a review of literature relating to customer retention. First, a review of the theories is presented highlighting on the theories of customer retention and product life cycle. The relationship between customer retention strategies and organizational performance will also be discussed.

### **2.2 Theoretical Review**

This section discusses the theories related to customer retention.

#### **2.2.1 Customer Service Theory**

Customer service theory is considered practical naturally and is solely about customer retention through loyalty and satisfaction is about retaining customers. A company's lack of understanding of customer service basic principles such as their concerns and comforts, can lead to its failure as it puts off purchasers. Thus, company owners must be fully involved in fulfilling needs of its customers if it has to be successful. A lack of compliance by firms means being unsuccessful which is bad for business. Therefore, customers must be paid attention to if their loyalty is to be achieved and revenue generation at large (Anderson, 2000).

The customer satisfaction process include five fundamentals one being reliability of firms in service provision e.g. on time delivery and quick to respond to the needs of its buyers i.e. flexibility. Another vital feature is consistency, where entities are constant in needs meeting while taking grasp of the bargain side. Company's service providers must show empathy to its clients and value building of relationships and friendships with them for retaining. Aspects that physically affect clients must not be

left out. Such include the aesthetics of the firm environment in terms of comfortability, brightness and the warmth (Anderson, 2000).

Good service to customer means that they become loyal to you. This is achievable through a particular procedure Anderson considers as “equation of fantastic service”. First impression matters, hence, in the first step, greeting of your buyer is essential as it creates the “at home” feeling. Then identify what the client exactly needs and meet them with great efficiency through checking and re-checking those needs to ensure they suit. Remember, the objective in creation of a not only friendly but also personal relationship that could lead to further positive association. Then finally, ensure the buyer receives a return incentive and that defines an amazing service that makes a client want to come back. All a customer craves for is an experience that he or she considers pleasant and efficient.

A customer usually has expectations concerning particular goods or services that hope to be confirmed. If confirmed the firm is a step ahead to customer loyalty. The more buyer’s expectations are fulfilled the more they want to come back and the vice versa is also true. The key to expectation confirmation is for firms to be reliable and consistent and trust. This is based on the fact that clients are more attached to firms they fully trust to deliver and it can take time to create such. This is a virtue also applicable to the firm’s employees as they need some psychological safety. Therefore, when trust is build, long term relation is assured (Anderson, 2000).



### **2.2.2 Product Life Cycle theory**

Commercial banks apply the Product Life cycle as a strategy to retain customers. The theory believes that products have a cycle that firms must seek to know. A study by Vernon (200) was done that confirmed the need for comprehension of product cycle prior to product design and sales. His study solely focused on products and excluded its proportion factors, the manufacture country and technology used. In the theory, important concerns include introduction of product, growth, maturity, saturation and decline of the product.

The introduction looks at the show uptake and high investment timing, while growth where cost dropdown is a component for growth and maturity whereas product success, there is an increase in production leading to competition which lowers revenue generation as there are no new clients. As the market continues to get saturated, it gets overcrowded which create a lack of interest in the product. Banks must be informed of the process and make comparisons, get advice and identify various use of products. Therefore, at all time, it will be aware of the stage of its products (Kinneer, 2000). Having dynamic products is a good strategy to ensure distinct customer needs are meet. This can be done by being aware of client behavior and decisions about a product (Byrne, 2003).

In matters concerning finance, how customer behaves when dealing with financial services is typical in that it is always about improvement of the client's experience in all stages. This a firm can ensure by targeting customers whose propositional value is on point, begin relationships that are positive through acquiring and incorporating the clients in day to day advocating. It is very imperative to ensure the developing of the created relations to increase their probability to stick (Forrester 2009) through a

chance for analyzing of innovation process of new products, the theory informs the study acting as a push for performance improvement of commercial banks.

### **2.3 Customer Retention Strategies and Organizational Performance**

Radomir, Wilson and Scridon (2010) did examine how service quality dimension relates to satisfaction of customers using territorial units buy banks. It was observed that the greatest effect on satisfaction of customers with units of territorial banks was the human resources. Essential considerations by bank management to achieve a constant quality service.

According to Mascareigne (2009) factors that can cause retention of customers include; creation of client satisfaction and trustworthiness, involving of buyers, create barriers to choosing, effective communication. Quality service, proper pricing and developing several options for retaining customers are other factors that need attention especially in sector involving advertisement. From the study, it was found out that entities used highly customized strategies to specific customer retention. The companies lacked guiding basic or standardized procedures for retaining clients.

When a client is satisfied, the result is loyalty this means that the firm has a competitive advantage over it rivals and it gets easier to expand. This is because the retained clients will advertise on firm's behalf, its products. Consumer loyalty is also a great way to improve and maintenance of company economic performance. Financial service institutions must therefore value customer retention through creating and maintaining relationships that lasts. The way performance is bound to increase.

The Romanian firms research done by Filip and Anghel (2009), focused on level of customer loyalty toward those firms. The firms were considered as retailor banking systems. The study also wanted to know whether there were conditions that affected how customers acted and how they related with those banks and if they retained. Results indicated that the clients from Romania only remained in a bank if there were attitudes that they considered favourable and positively motivated and also inertia. In addition, retention was not only based on satisfaction but also factors such as attitude of the banks towards its clients, trustworthiness of the firm and its staff and customer commitment level. Lack of satisfaction however, highly determined the switch behaviour. Unfortunately, customer service, bank products price and products' quality relationship between banks and its clients was not established.

A Tanzania research on their commercial banks was conducted by Fasha (2007). She tried to determine how service quality affects buyers buy looking elements such as information provision about variables to customers and its availability and the comprehension of the language of consumers and how accurate, relevant and reliable the information is. Based on findings, how firms provided information, handled complains and quality of service greatly affected the satisfaction of customers and thus their retaining. other previously conducted studies focused on retention scope with regards to customer service, banks product pricing, that intensely aimed at analysing past banks product price and services offered and their satisfactory capability to look carefully into product quality banks offer that were unclear, because they were unstudied, with a consideration of speed and convenience indicators.

Local studies have also been done on customer retention. For instance, Siboe (2006) did a study on customer retention strategies used by internet service providers in Kenya while Jerono (2008) conducted a study on relationship practices by markets and their retention of customer effects in the Kenyan commercial banks. The study however narrowed down on only one determinant. On the other hand, Karitie (2011) conducted an analysis of the effectiveness of strategies of customer retention in Equity Bank Kenya. Further, Simiyu (2010) did a study on factors affecting customer retention in oil industry case study Total Kenya Ltd while Mutai (2013) did a study on the factors influencing customer retention among corporate companies utilizing mobile telephone services in Kenya.

## **CHAPTER THREE : RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter explains research methodology that was adapted in carrying out the study. It covers the following aspects: research design, population of study, analysing and presenting data.

### **3.2 Research Design**

Research design is defined as research method to be applied during fieldwork. This research adopted a case study design that discusses real existing relationships. A case study explains relationships that exist in reality (Yin, 1984). The choice for the design was due to the need for greatly real and detailed information in a setting that not only is natural but also grants the ability to collect data from one firm to another. Moreover, the focus on recently occurred events makes case studies a better design option (Yin, 1984). This research focuses on finding out the relationship between customer retention strategies and performance in Barclays Bank of Kenya Limited.

### **3.3 Data Collection**

The primary data on customer retention strategies and organizational performance at Barclays Bank of Kenya Limited was obtained through in-depth interview using interview guide. The Interview guide was divided into three sections. Section (A) will capture information about general characteristics of the organization and the interviewees; section (B) captured information on adoption of customer retention strategies (C) Relationship between customer retention strategies and Barclays Bank of Kenya Limited's performance.

The researcher interviewed senior marketing manager, customer lifecycle manager, customer relations manager, head of customer service and products manager at Barclays Bank of Kenya Limited Headquarters in Nairobi because they are the one that deal with customers relations matters and therefore deemed conversant with the customers' relationships strategies adopted by the bank. Therefore, the total population of this study comprised 5 senior managers of Barclays Bank of Kenya Limited in Nairobi.

### **3.4 Data Analysis**

Considering the kind of data intended as per the interview guide, the collected data was summarized, coded, classified and tabulated. Analysis of collected data was done using content analysis techniques. Content analysis describes and quantify information in a systematic and objective way (Sandelowski 1995). The analyzed data is presented in Table and charts and conclusion for these findings will be relayed and discussed in chapter four and five respectively.

## **CHAPTER FOUR : DATA ANALYSIS RESULTS AND DISCUSSION**

### **4.1 Introduction**

This chapter entails analyzing, interpretation and presentation of data to find out the impacts of customer retention strategies on firm performance at Barclays Bank of Kenya Limited. The qualitative data was analyzed by use of content analysis in answering the various questions in regard to the study objectives.

### **4.2 Response Rate**

The study targeted a total of 30 interviewees who constituted branch relationship managers, relationship assistant managers or branch managers in all the 15 Barclays Bank of Kenya Limited branches within the Nairobi central business district (NCBDA). Out of the targeted 30 interviewees 26 were interviewed while four interviewees could not be reached. Representing a response rate of 87%.

### **4.3 The Findings**

According to the study findings, 100% of the interviewees who participated in the study were either branch relationship managers, relationship assistant managers or branch managers. This implies that interviewees were all in the management and these are the people who oversee customer retention strategies initiatives in the organization. The interviewees were required by the study to disclose the duration they had served in their organizations. According to the research findings, the study established that most of the interviewees had served in their respective branches for period of 5 years and above while a few of the interviewees said that they had served for over 10 years.

### **4.3.1 Customer Retention Strategies**

The study required the interviewees to confirm whether branches have any customer retention strategies initiatives and at the same time to list some of the ones they were aware of. On this question, majority of the interviewees indicated that Barclays Bank of Kenya Limited has customer retention strategies initiatives in all their branches. Implementation of these activities is regularly monitored by the marketing and communications department from the head office. Interviewees, who confirmed the availability of customer retention strategies in their branch (86%), while those who were not sure (14%), respectively.

The interviewees also stated that the banks major customer retention strategies relate to monitoring of customer relations with 85% of the interviewees confirming that as a fact. Loyalty programs were also identified as a customer retention strategy with 88% of the interviewees confirming that as a fact. Customer clubs was also identified as a customer retention strategy with 73% of the interviewees confirming that as a fact. effective recovery systems were also identified as a customer retention strategy with 92% of the interviewees confirming that as a fact. Sales promotion was also identified as a customer retention strategy with 100% of the interviewees confirming that as a fact .

Customer bonds were also identified as a customer retention strategy with 65% of the interviewees confirming that as a fact. Commitments were also identified as a customer retention strategy with 73% of the interviewees confirming that as a fact. Market intelligence was also identified as a customer retention strategy with 100% of the interviewees confirming that as a fact and extraordinary customer service was also identified as a customer retention strategy with 100% of the interviewees confirming that as a fact.



#### **4.4 Relationship Between Customer Retention Strategies and Performance**

The research study sought to find out from the interviewees the various customer retention strategies based factors that lead to improved Barclays Bank of Kenya Limited's performance. to the responses, 45% of the interviewees said that various customer retention strategies based factors lead to the improved Barclays Bank of Kenya Limited's performance. These factors were tied to effective customer relationship management practices that have continuously led to brand awareness, customer bank inter-relationship, customer satisfaction, loyalty & trust and consumer pride.

30% of the interviewees also indicated that the customer retention strategies activities like the support for education directly touch on the people's lives and this had impacted the banks performance positively since its launch. More customer retention strategies based factors that have had an impact on the Barclays Bank of Kenya Limited branch include: youth development programs, support for health and talent development, environmental conservation measures, and basically initiatives that have an impact on the people's social lives e.g. support for sports. 25% of the interviewees added that the availability of an effective communication system in place leads to relationship improvement with the community investing and capital access becomes better. The interviewees made it clear that customer retention strategies activities that touch on the welfare of the privileged members of the society receive more attention and more effects including increased customer advocacy are felt in the bank.

In the determination of how customer retention strategies activities adopted by Barclays bank Kenya limited enhance the performance of brands in organization, interviewees who participated in the study indicated that the investments in customer retention strategies activities has an impact on the external customers and also on the internal customers who are the banks employees. Customer retention strategies initiatives for employees will include activities that nurture employee's motivation and pride. When this is observed, employees are better placed to execute their duties hence more productivity which promote the growth of various brands within the bank and in the long run promoting the growth of the Barclays Bank of Kenya Limited brand.

The interviewees said that sound customer retention strategies activities have a direct impact on the banks market share. This was witnessed after the launch of the Barclays Bank of Kenya Limited's education scholarship fund where the banks visibility was enhanced hence translating into more people making Barclays Bank of Kenya Limited the bank of their choice. the interviewees also said that customer retention strategies initiatives adopted by their branches stands for respect promotion among their firms resulting to higher sales, employee loyalty enhancement and attraction of better personnel.

Interviewees stated that customer retention strategies activities that focused on issues of sustainability, cost lowering and efficiency improvement is an added advantage in helping them attract new customers and new investors; hence leading to the organizational performance in the long run. Two interviewees also had the same view that customer retention strategies activities lead to stock price for firm optimization, executive stock making and stock varieties increase in profit and improves

shareholder's happiness and the long run promoting the organizations brands performance. The study required the interviewees to indicate the extent the customer retention strategies initiatives adopted by the branch enhance the performance of brands in the organization.

**Table 4.1: Extent to which customer retention strategies enhance the performance in the organization**

Very great extent	4	15
Great extent	18	69
Moderate extent	1	4
Little extent	2	8
No extent	1	4
Total	26	100

**Source: Researcher (2016)**

From the results in the table above, the study found out that majority of the interviewees as shown by 69% said that customer retention strategies initiatives adopted by the branch enhance the performance of brands in the organization to a great extent, 15% said to a very great extent while 8% said to a little extent.

Interviewees were required by the study to indicate how brand awareness affect customer retention strategies, customer interaction through customer retention strategies, customer satisfaction, brand loyalty created through customer retention strategies and consumer pride influence performance of Barclays bank Kenya limited. According to the results obtained, 35% interviewees said that; through brand awareness through, customer retention strategies (customer retention strategies)

activities have the potential to create several distinct forms of value for customers making them feel associated with the bank. a potential benefit of customer retention strategies brand awareness campaign as stated by one of the interviewees is that it leads to improvement of reputation of company and branding. Consequently, company prospects improve leading to its effectiveness to attracting new clients and market share increment through proper management of communications and marketing.

The interviewees added that brand awareness through customer retention strategies with variety of items helps position a company strategically in the market place with a proof of responsibility and sustainability than its rivals; hence promoting its brands performance. 30% interviewees indicated that customer interaction by way of customer retention strategies initiatives helps the staff feel free and learn from consumers on best ways of improving current services and products. It makes it easy for the banks to collect useful feedback on areas that need improvement.

On the same question, 35% interviewees indicated that when customer satisfaction is enhanced through customer retention strategies initiatives, customers tend to believe more in the organizations products and services hence buying more of their products than from any other bank in the city. Therefore, customer retention strategies helps the banking industry in creating repeat business and Barclays bank prides itself for having achieved this with most of their customers.

The interviewees were required by the study to explain the effects of customer retention strategies on some of the measures of performance of brands in their organization. According to the results obtained from 27% of the interviewees, the study established that customer retention strategies enhance the organizations market

share. These interviewees added that people generally easily associate with the bank that have gained their trust and associate them with a concern for community welfare making them to continue banking with organization. A good example of this cited by one of the relationship manager was the Barclays banks annual Eldoret half marathon that has helped the Eldoret branches scoop all the customers making them the most profitable in the entire Barclays bank network.

50% of the interviewees said that Barclays Bank of Kenya Limited support for customer retention strategies is echoed by the banks tagline 'with you for life'. The banks incorporate customer retention strategies activities in their operations and these have helped increase brand awareness. since the bank embarked on engaging the community in the various community development programs, more people have come to know more about the bank and the various products and services which they offer. At the same time this has increased the banks visibility even in areas where the bank is not represented. The banks customer retention strategies programs are implemented in all regions hence getting more people to recognize the Barclays Bank of Kenya Limited brand.

Customer retention strategies also have a positive effect on the Barclays Bank of Kenya Limited's reputation. This was echoed by the 23% of the interviewees who participated in the research. According to the research finding, most interviewees accepted that some of their customer retention strategies initiatives have helped them become resilient to negative publicity. This has helped them in maintaining their reputation which could otherwise have a big negative effect on the banks performance. Interestingly the study revealed that the banks with strong customer retention strategies initiatives have helped them handle price adjustments positively.

One manager observed that their clients care less about increased pricing of products and services offered by organizations that are more socially responsible. This has greatly helped in the introduction of new products by Barclays Bank of Kenya Limited.

## **CHAPTER FIVE : SUMMARY, CONCLUSION AND RECOMMENDATIONS**

### **5.1 Introduction**

This chapter presents the summary, conclusion and recommendations of the study which was on the relationship between Customer retention strategies and organizational performance in the case of Barclays Bank of Kenya Limited. The findings have been discussed relative to the interview guide aspects which were on; demographic data on the respondent, customer retention strategies and the effect of customer retention strategies on performance of Barclays Bank of Kenya Limited.

### **5.2 Summary of Findings**

It was established from the study that customer retention strategies enhanced corporate image and increased staff, customers and stakeholder's loyalty. The study reveals that customer retention strategies adoption by Barclays Bank of Kenya Limited ensures a trade-off between economical goals and social ones, utilization of resources that are scarce efficiently, improvement of firm reputation and confidence in clients and company partners and motivation of employees to proudly serve the firm.

The study found out that the organization's adoption of customer retention strategies is because it leads to improvement of performance in the finance sector, reduction of exposure risk, new product and market identification, enhancement of brand image, customer loyalty increment, improvement of recruiting and retaining performance, staff motivation, trustworthiness, development of community, enhancement of entity reputation, government relation improvement, social and environmental tax waiver , business lines that are responsible and regulatory interventions that are reduced and

cost reduction through best practices that are environmental friendly and continuously profitable.

According to the responses gathered from the interviewees, the various customer retention strategies that lead to the improved Barclays bank's performance were closely related to effective customer relationship management practices that have continuously led to brand awareness, customer bank inter-relationship, customer satisfaction, loyalty & trust and consumer pride.

The study found out that investment in customer retention strategies activities promotes goodwill to the bank and as well improve on the relationship between the customers and the employee to the bank. This is due to the fact that generally people want to be associated with organizations that care about the welfare of customers. Besides, the results revealed that customer retention strategies activities focusing on sustainability issues lower costs and improve efficiencies, helping them gain a stable share price hence an improved performance of the organization. This way the banks customer retention strategies initiatives are felt by all the stock holders.

The study found out that customer interaction by way of customer retention strategies initiatives helps the staff to freely interact with their customers and learn from consumers on best ways of improving current services and products. This way customer retention strategies helps in collecting customer feedback easily hence provide products and services that address the needs of the customers. When customer satisfaction is enhanced through customer retention strategies initiatives, they tend to believe more in the organizations products and services purchasing more of their products instead of running to the competition.



### **5.3 Conclusion**

The whole discussion insists on the existence of significant relationship between retention of customers and performance of commercial banks in Kenya. Customer retention contributes highest to bank market share, growth and profitability. Additionally, the study implicates that systems of banking in Kenya must work on their customer relation strategies as a way of enhancing their business level to be viable and specific to review policies that attract and retain customer and win over them. This study concludes that incorporation of customer retention strategies into the banks opt the whole rations helps in creating customer loyalty, satisfaction, trust, interaction, customer value which eventually lead to better performance.

Customer retention strategies enhances the organizations market share whereby people generally feel as associates with the bank, gain trust with the bank views it as caring for the community welfare and definitely making them to continue banking with organization. The study established that this has led to the geographical diversification of Barclays Bank of Kenya Limited in the country since the customers' existing are proudly associated with the bank that is having products and services that have a positive impact on the community attracting more customers who are likely to continue banking with organization (Barclays bank products and services).

Customer retention strategies of effectiveness in cost/pricing structure of brands in the organization attract new customers who open various cost structured accounts designed by the organization. the enhancement of brands competitiveness where customer retention strategies acts as advertisement platform provides an opportunity for the available products and services which when sold to the community are seen

more than not just products of staff and services but as products and services that are out to populace and serve their equal purpose more than those of the competitors.

#### **5.4 Recommendations**

The management of commercial banks should charge competitive interest rates, favorable account charges and administrative fees that will guarantee customer retention. Favorable fees and charges will reduce chances of credit facilities being defaulted and further, the customers will not move to other competitors. Commercial banks should introduce more credit products in their institutions to improve customer retention. There is need for management to ensure that staff members are well trained and are aware of the credit products and policy in place. Finally, markets are advised to carry out market segmentation that coincide needs of customers with company abilities. This is ensured management of customer base through service tie ring delivery of quality service plus conduction of a chum diagnostic that monitors customer defection.

#### **5.5 Recommendation for Further Studies**

The main aim of the study was to determine the role of customer retention strategy on the performance of commercial banks in Kenya. More studies need to be done on customer satisfaction, and customer relationship management and whether there exists an impact on the performance of commercial banks. Although some variables exhibited weak associations, further research is essential for the examination of how customer retention and its determinants associate.

## **5.6 Limitations of the Study**

Every study inevitably encounters certain levels of limitations due to a variety of factors; and although the study was completed and reached its aim, it was not done without some limitations. Since it was a case study focusing on one Institution the data gathered might differ from other organizations. This is because different institutions adopt different customer retention strategies. The study encountered limitation in terms of timing and finance. The time limitation faced during the research abhorred comprehensive research. The study, however, minimized these by conducting in-depth interviews that significantly covers the shortcomings of the study.

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## **APPENDIX : INTERVIEW GUIDE**

### **An Investigation of the Relationship between Customer Retention Strategies and Performance a Case of Barclays Bank of Kenya Limited of Kenya**

#### **Section A: Background Information of your Organization**

1. Please indicate your position in the organization
2. For how long have you been working in this position?
3. What is your highest level of education?

#### **Section B: Adoption of Customer Retention Strategies**

4. Kindly name the customer retention strategies that have been adopted by your bank?

Please name the factors that influence your organizations choice of the Customer Retention Strategies?

5. Please indicate the suitability of the customer retention strategies currently being used by the Bank?

**Section C: Relationship between customer retention strategies and Barclays Bank of Kenya Limited's performance**

This question intends to measure the performance of your company in terms of market share, gross profit and sales turnover (volumes) and its relationship with customer retention strategies.

Name the competitive advantages that the company enjoy within the industry as a result of the customer retention strategies put in place?

6. To what extent does implementation of Customer retention strategies contribute to improved market share,
7. To what extent does implementation of Customer retention strategies contribute to improved profitability
8. In what ways has implementation of Customer retention strategies affected your organizational performance
9. Indicate the approximate annual gross profit of your company in the last two years: