CUSTOMER RETENTION BY BARCLAYS BANK OF KENYA LIMITED

BY

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DECLARATION

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

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

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Lastly I thank Almighty God as my source of all inspiration in allowing me to undertake this project that is too involving in terms of time and resources.

DEDICATION

This research project is dedicated to my loving father the Late Stephen Maina, whose unconditional love and immense support has motivated me to go for the best and never settle for less; his famous quote had always been, "eating with your hands now does not stop you from eating with a spoon in the future" he taught me the most important wealth I could earn myself is education. It is also dedicated to my mother Judy Maina, who has always reminded me that I can do all things through Christ who strengthens me.

To my Big Sister late Irene Maina, she was my best friend who shared what she had with me to see me succeed. To my other sister Dorcus Maina, my brothers Tony Maina and Samuel Maina whose advice, support and patience during the entire period of my study and also for their encouragement and continued prayers towards successful completion of this course.

To my nephews Elvis, Kevin, Leon and niece Tamara, the sky is the Limit.

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ABSTRACT

To cope with increased competition and increased customer expectations, many organizations are forced to adopt proactive strategies to become more customers driven and to offer higher service quality in order to avoid customer turnover. When an International firm is unable to retain customers, it means that they are losing business which is critical for profitability. Many organizations including Multinational banks however overlook the potential of existing customers who develop their business.

This therefore is a case study aiming at getting detailed information regarding customer retentions in Barclay's bank of Kenya which is a Multinational operating on an International Business environment that has a lot of competitors.

The study used an interview guide as primary data collection instrument. The interview guide consisted of open-ended questions aimed at obtaining information on customer retention strategies that is employed by Barclays Bank. An interview guide was used to collect information from human Bank managers, head of department and operation managers of Barclays bank of Kenya. The interview guide was administered through personal interviews so as to yield the highest quality and quantity of data by providing supplementary information in the course of the interview.

This study concluded that Barclays bank products were accessible, ease channels of delivery and available with a well pricing and enhanced quality thus providing competitive products that satisfied its customers. Making changes in information technology systems in response to changing competitive situation and encourage among staff a more customer - focused service approach is important.

TABLE OF CONTENTS

ABBREVIATIONS

MNC – Multinational Corporation

TNC – Transnational Company

CBK- Central Bank of Kenya

ATM – Automated Teller Machine

SME – Small and Micro Enterprises

IT – Information Technology

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Organizations operate in a local or international business environment. International business will arise when international firms are pursuing an international strategy to create value by transferring core competencies from home to foreign subsidiaries, thus create Multinational corporations. If they are diverse, as most of them are, they operate with a worldwide product division structure.

Headquarters typically maintains centralized control over the firm's core competencies. Operating decisions such as borrowing are decentralized within the firm to subsidiary operations in each country thus creating challenges on lending. Multinational financial institutions have operated under very large scale production and thus need to have various strategies in order to build customer loyalty.

1.1.1 International Business

International Business involves those business activities which involve cross border transactions of goods, services, resources between two or more nations. Transaction of economic resources include capital, skills, people etc. for international production of physical goods and services such as finance, banking, insurance, construction etc.

An international business has many options for doing business, it includes, exporting goods and services, giving license to produce goods in the host country, starting a joint venture with a company, opening a branch for producing & distributing goods in the host country, providing managerial services to companies in the host country.

International Business has been known to bring if not all of the following importance; earn foreign exchange, optimum utilization of resources, to spread business risks, Improve organization's efficiency, expand and diversify and increase competitive capacity

1.1.2 International business environment

Countries with low international business environmental standards always gain a comparative cost advantage in the international market. Foreign investors will flock to poorer countries to take advantage of their lax business standards. Usually, these are referred to as emerging markets, which are common in Africa and some sections in the Middle East. It has long been debated whether this fear is a legitimate concern in terms of preserving the global business environment.

It is commonly believed that people in developing countries would have a lower marginal valuation on the business environment and hence a lower marginal social cost of production. To maximize social welfare, the government in a poorer country would set lower business taxes or standards, which would result in a lower production cost. This will attract multinationals to reallocate their production from a richer country to a poorer country to minimize their marginal costs of production.

The conducive international business environment has led to a sharp growth of the multinational financial institutions as well as local financial institutions, whose interest is to tap the investment fund and offer financial services to local and foreign investors.

1.1.3 Multinational corporations and Customer Retention

The international business environment can be well explained by the emergence of multinational corporations. Multinational enterprise is a company that has a worldwide approach to markets and production, or one with operations in more than one country. A multinational Enterprise is often called multinational corporation (MNC) or transnational company (TNC). Some of the well known MNCs in Africa are Barclays Bank, Standard Chartered Bank, Citi Bank, Bank of India, Sony, General Motors, LG, Coca cola etc.

This growth of International trade has led to the development of a global market that has spurred economic growth across nations. Multinational banks has taken advantage of this new development in Kenya and spread rapidly. This has opened a new chapter of risk to them leading to the need to find customer retention strategies.

Since most International banks offer comparable products and services, they continually search for a competitive advantage that will attract new customers and help them retain existing ones. International Banks therefore must endeavor to develop innovative programs and initiatives maintain superior customer retention levels while remaining profitable. No matter what the industry, a business could not succeed without customers.

Customer dictates product, quantity, quality and service and that the best organizations are alleged to go to extreme lengths to achieve quality, service and reliability and they claim that they get their best ideas for new products from listening intently and regularly to their customers Burnes (2004).

Customer retention is more than giving the customer what they expect; it's about exceeding their expectations so that they become loyal advocates for your brand. Creating customer loyalty puts 'customer value rather than maximizing profits and shareholder value at the center of business strategy'. The key differentiator in a competitive environment is more often than not the delivery of a consistently high standard of customer service.

Customer retention has a direct impact on profitability. Research by John Fleming and Jim Asplund indicates that engaged customers generate 1.7 times more revenue than normal customers, while having engaged employees and engaged customers returns a revenue gain of 3.4 times the norm.

Customer retention is not only a cost effective and profitable strategy, but in today's business world it's necessary. This is especially true when you remember that 80% of sales come from 20% of existing customers and clients.

Great customer relationships have been a passion of many Multinationals for the longest time. Multinationals want to become more profitable by growing more enthusiastic and more loyal customers in greater numbers, even in a very competitive marketplace. Bain and Company research found that a mere 5 percent increase in customer retention can yield from 25 to 100 % improvement in profitability.

Multinationals always implement a very affordable and proven program to measure the quality of its customer relationships. The information gleaned from this process links directly to bottom line financial results. In addition, it provides valuable information that can be used to help employees become more accountable for their role in maintaining and improving those relationships.

1.1.4 Banking Industry in Kenya

In the Kenyan market, the Central Bank of Kenya (CBK) has encouraged the commercial banks to restructure and rationalize their operations by acquiring the latest technology and rationalizing their branch networking and staffing. This is evident especially with government owned banking institutions. For a long time the commercial banks mainly made their income from interest on deposits by overcharging customers until later in the 1980's when the CBK began regulating these charges and rates and the bank had to come up with new products and ways of maximizing their income. A KPMG (1998) Study of banking industry in Hong Kong found that the main key to success factors for the banking industry included the ability to deliver product lines, strong focus on consumer business, advanced technology and delivery systems.

The banking industry is one of the fastest growing industries in the world as it has seen many entrants join the business in all regions of the Globe. This is one major cause of a greater challenge since banks have to lower their costs to match those of their competitors. The Central Bank of Kenya has had to come up with stringent measures to ensure that the banks meet all the standards so as not to defraud the Investors. The banking sector has a major challenge of the economy and costs of regulation.

In order for banks to be able to reduce the turnover of customers there is need to understand the behavior of customers. This means that there is need to understand how individuals make decision to spend their available resources.

1.1.5 Barclays Bank of Kenya

Barclays has operated in Kenya for over 90 years. Financial Strength coupled with extensive local and international resources have positioned Barclays Bank of Kenya as a foremost provider of financial services.

Barclays Bank of Kenya is the leading financial services provider in the country and has established an extensive network of 117 outlets with over 230 ATMs spread across the country. The bank's financial performance over the years has built confidence among the Bank's shareholders, with a reputation as one of the leading blue chip companies on the Nairobi Stock Exchange.

Over the years, Barclays has contributed to the development of the banking industry, financial services sector, as well as the economy overall. Industry recognition we have received for leadership include Best Bank in Kenya – Global Finance (2008, 2009 & 2010); Company of the Year Award for Human Resource Management Practices - Kenya Institute of Management (2008); Best Retail Bank – 2009 Banking Awards; and Company that best complies with the International Financial Reporting Standards - FiRe Awards (2009).

According to the Banking Survey Part IV (2004), Barclays Bank is a market leader in the retail segment and corporate business. The products offered by the bank can be classified into liability and retail assets products. Liability products include current and savings accounts that are disaggregated into various market segments that include the mass market, standard, prestige, premier and local business. Retail assets products include loans, overdrafts and other lending services including letters of credit and guarantees. Loans are segmented into scheme loans, local business loans, executive loans, Barclay loan and prestige loans. The bank offers various credit cards products through its flagship international credit card brand Barclaycard.

1.1.6 Barclays Bank and Customer Retention

The creation and implementation of customer retention strategies, including bank customer retention strategies is one of the core strengths of Barclays Bank of Kenya.

There are a range of strategies that Barclays Bank of Kenya implements and are classified based on a customer's position in the customer lifecycle. New to Bank customers are the single largest group of customer retention strategies that have been implemented in the new section of the customer lifecycle is customer on boarding. Customer on boarding is the process of bedding a customer into an organization and includes ensuring that their personal data is correct, that they understand the products they have undertaken and how to quickly contact the bank. It's been proven time and again that customers that are properly on boarded will stay with the bank longer and spend more money than other customers. As for existing customers, the best customer retention strategy that Barclays Bank of Kenya has used for existing customers is to classify each type of customer; Dormant customers and unhappy and create appropriate initiatives to change their behavior.

Dormant customers are those that have reduced or stopped using a product but where the account is still open. Examples of initiatives to active spend include awarding loyalty points for Barclaycard customers for every transaction within a specific period of time. Unhappy customers may be those who have previously sought a certain service but have been disappointed, either because of service issues, lack of promise closure. Such customers are treated with high regard and initiatives such as recognitions as valued customers or certain waivers are implemented

Customers that are Exiting are those customers that have started the process of moving their business to another company or are in the process of considering that move. The first step Barclays Bank of Kenya does in creating customer retention strategies for exiting customers is to identify which customers are in each camp.

For customers in the process of moving their business Barclays Bank of Kenya tries to understand the product drop cycle, i.e. the order in which customers drop the banks products before leaving. With this information, Barclays Bank of Kenya has realized they can create effective customer retention strategies to target those customers. Generically, strategies that are aimed at recapturing customers that have left the organization are called Win back strategies. This is the most expensive and lowest return on investment place Barclays Bank of Kenya has done to implement customer retention strategies. Ideally Barclays Bank of Kenya knows that customers have already moved to another bank and it takes a large inducement to bring them back.

Examples of win back strategies that have been applied by Barclays Bank of Kenya include upgrading customers from a specific class of customers to a more a rewarding and relationship managed level.

1.2 Research Problem

To cope with increased competition and increased customer expectations, many Multinationals are forced to adopt proactive strategies to become more customers driven and to offer higher service quality in order to avoid customer turnover. When a Multinational is unable to retain customers, it means that they are losing business which is critical for profitability. According to Cooks (2002), a company' s ability to attract and retain new customers is a function not only of its products offering but also the way it services its existing customers and the reputation it creates within and across market places. Many Multinationals however overlook the potential of existing customers who develop their business.

According to Barclays Bank of Kenya Newsletter for quarter four 2010, average new customer acquisition during the period was eight hundred and eighteen per month. Therefore the bank was losing more customers monthly than they were able to recruit. The report also sites that the cost of recruiting a new credit card customer was higher than the cost of maintaining an existing customer.

While there have been several studies emphasizing the significance of customer retention in the banking industry Dawkins and Reichheld (1990) Fisher (2001) Marple and Zimmerman (1999) Page, Pitt, and Berthon (1996) Reichheld and Kenny (1990) there has been little empirical research examining the customer retention processes for firms with massive presence in many countries. Other existing literature on the customer retention strategies employed within the service sector worldwide indicates that different service industries adopt different customer retention strategies. In the banking industry, for instance in New Zealand, there has been a revaluation of customer retention strategies in order to limit defection through enhancement of professionalism. Research in New Zealand showed that younger customers have a higher tendency of switching banks in search of greater convenience. In the case of the USA the customer retention strategies that were adopted by firms have led to new technological innovations, including the provision of online services.

While significant research has been done on a wide range of service industries, as highlighted above, evidence from existing literature on this subject suggests that similar research has not been done for Multinationals. This is particularly so with the Multinationals based in Africa. It is for this reason that the current research study focuses on customer retention strategies that are employed by Multinationals. No write up done on Customer Retention in Multinationals. The research was guided by the following questions:

Does customer satisfaction have an effect on retention of customers, what is the effect of product range on customer retention, how does industry competition influence customer retention and what is the effect of brand perception on customer retention?

1.3 Research Objective

This study was set to look at customer retention by Barclays Bank of Kenya and how it has implemented the customer retention strategies.

1.4 Value of the Study

Every business needs customers to survive, and it undertakes every possible action to get them. It runs advertisement campaigns on television, in print, and even on web. It hires public relation firm to build trust and create positive corporate image. It hires search engine optimization expert to make their web presence prominent. It does everything that is needed to be done – from sponsorship to realizing corporate social responsibility to hiring best people to making product available within the customers' reach to pricing it attractively.

A company does everything to acquire new customers, but when it comes to retaining them, most of the businesses fail; may be because some of the decision makers do not see any point in spending time on retaining customers. I have heard business people saying that why should they worry about customer retention, if they can get a lot more by spending some dollars on promotion.

I wish they knew why it is important for them to retain their customers for as long as it is humanly possible, and how customer retention becomes the only difference between a failure and success in business.

In today's International business environment, exemplary customer retention is one of the distinguished characteristics that banks can exploit to establish a competitive edge. Since most Multinationals deal with comparable products and services, they continually search for a competitive advantage that will attract new customers and help them retain existing ones. Multinationals therefore must endeavor to develop innovative programs and initiatives maintain superior customer service levels while remaining profitable. No matter what the industry, a business could not succeed without customers. It may seem like common sense, but as marketers know the task of retaining customers is a complicated one. Global competition is fierce, International institutions have to offer better and better incentives to attract customers. These same conditions have eroded customer loyalty as well, leaving businesses to pay the ever-increasing acquisition costs for customers who just bid their time until they found a better offer. Given today's market demands, it is more important than ever for businesses to reduce customer turnover. To succeed, a way is needed to determine which customers were likely to leave so that marketing strategies could be executed to convince them to stay.

Multinationals need customer retention solutions since the customer base are crucial to their survival. An understanding of the variables that influence customer turnover allows Multinationals to determine not only those customers who were likely to leave, but also the reason as to why they were likely to leave.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Organizations operate in a local or international business environment. International business will arise when international firms are pursuing an international strategy to create value by transferring core competencies from home to foreign subsidiaries, thus create Multinational corporations. If they are diverse, as most of them are, they operate with a worldwide product division structure.

Headquarters typically maintains centralized control over the firm's core competencies. Operating decisions such as borrowing are decentralized within the firm to subsidiary operations in each country thus creating challenges on lending. Multinational financial institutions have operated under very large scale production and thus need to have various strategies in order to build customer loyalty.

International business is a term used to collectively describe all commercial transactions (private and governmental, sales, investments, logistics and transportation that take place between two or more regions, countries and nations beyond their political boundary. Usually, private companies undertake such transactions for profit; governments undertake them for profit and for political reasons. It refers to all those business activities which involve cross border transactions of goods, services, resources between two or more nations. Transaction of economic resources include capital, skills, people etc. for international production of physical goods and services such as finance, banking, insurance, construction etc.

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2.2 International Business Environment

International Business involves those business activities which involve cross border transactions of goods, services, resources between two or more nations. Transaction of economic resources include capital, skills, people etc. for international production of physical goods and services such as finance, banking, insurance, construction etc.

An international business has many options for doing business, it includes, exporting goods and services, giving license to produce goods in the host country, starting a joint venture with a company, opening a branch for producing & distributing goods in the host country, providing managerial services to companies in the host country.

International Business has been known to bring if not all of the following importance; earn foreign exchange, optimum utilization of resources, to spread business risks, Improve organization's efficiency, expand and diversify and increase competitive capacity

Countries with low international business environmental standards always gain a comparative cost advantage in the international market. Foreign investors will flock to poorer countries to take advantage of their lax business standards. Usually, these are referred to as emerging markets, which are common in Africa and some sections in the Middle East. It has long been debated whether this fear is a legitimate concern in terms of preserving the global business environment.

It is commonly believed that people in developing countries would have a lower marginal valuation on the business environment and hence a lower marginal social cost of production. To maximize social welfare, the government in a poorer country would set lower business taxes or standards, which would result in a lower production cost. This will attract multinationals to reallocate their production from a richer country to a poorer country to minimize their marginal costs of production.

A favorable international business environment has led to a sharp growth of the multinational financial institutions as well as local financial institutions, whose interest is to tap the investment fund and offer financial services to local and foreign investors. Conducting and managing international business operations is a crucial venture due to variations in political, social, cultural and economic factors, from one country to another country. For example, most of the African consumers prefer less costly products due to their poor economic conditions, whereas the German consumers prefer high quality and high priced products due to their higher ability to buy. Therefore, the international businessman should produce and export less costly products to most of the African countries and vice versa to most of the European and North American countries. High priced and high quality Palmolive soaps are marketed in European countries and the economy priced Palmolive soaps are exported and marketed in developing Countries like Ethiopia, Pakistan, Kenya, India, etc International business houses need accurate information to make an appropriate decision. Europe was the most opportunistic market for leather goods and particularly for shoes.

International business houses need not only accurate but timely information. Coca Cola could enter the European market based on the timely information, whereas Pepsi entered later. Another example is the timely entrance of Indian software companies into the US market compared to those of other countries. Indian software companies also made timely decision in the case of' Europe, laws, business laws and policies and regulations formulated by the Indian Government. For example, international business should enter into joint venture with the domestic company to enter Malaysia. Important among them include: Host Country's Monetary System: Countries regulate the price level, flow of money, production levels etc. through their monetary systems. In addition, they regulate foreign exchange rates also through the monetary system. The tools of monetary system include bank rate, cash reserve ratio, statutory liquidity ratio etc. Governments also regulate remittance of the profit of international business houses to other countries. International companies should obey these regulations. The Indian Government introduced full convertibility on current account; in fact, many Governments introduced full convertibility on current account as a part of economic liberalization. National Security Policies of the Host Countries: Every country formulates the policies for its national security. Multinational companies should abide by these national security policies. For example, USA is a free economy as far as carrying out the business compared to many.

2.3 Customer Retention

Customer dictates product, quantity, quality and service and that the best organizations are alleged to go to extreme lengths to achieve quality, service and reliability and they claim that they get their best ideas for new products from listening intently and regularly to their customers Burnes (2004).

Customer retention is more than giving the customer what they expect, it's about exceeding their expectations so that they become loyal advocates for your brand. Creating customer loyalty puts 'customer value rather than maximizing profits and shareholder value at the center of business strategy'. The key differentiator in a competitive environment is more often than not the delivery of a consistently high standard of customer service.

Customer loyalty describes the tendency of a customer to choose one business or product over another for a particular need. Gilles (1990). In the packaged goods industry, customers may be described as being "brand loyal" because they tend to choose a certain brand of soap more often than others. Note the use of the word "choose" though; customer loyalty becomes evident when choices are made and actions taken by customers. Customer loyalty is consistent preference and /or purchase of the same product or service.

2.4 Customer Satisfaction Theory

Customers may express high satisfaction levels with a company in a survey, but satisfaction does not equal loyalty. Loyalty is demonstrated by the actions of the customer; customers can be very satisfied and still not be loyal. According to Peter Chereton (2000) loyalty does not result from monopoly because when there is a new entrant into the market most customers will jump ship the novelty wears off, then the customers looks elsewhere. It also does not come about because of discounting. True loyalty results from the relationship between the suppliers and the customer and the brand is a vital vehicle for defining and managing that relationship.

The most dominant theory of customer satisfaction is the expectancy-disconfirmation model Oliver (1980). According to this theory, satisfaction outcomes are a function of perceived performance and perceived disconfirmation. Perceived disconfirmation depends on perceived performance and standard for comparison. Standards of comparison may include expectations, ideals, competitors, other service categories, marketer promises and industry norms. If perceived performance is significantly worse than the comparison standard (more than the customer is indifferent to), a customer will experience negative disconfirmation (service did not meet the comparison standard). It does not matter how the service provider believed the service was performed. It is especially important for managers of business services to recognize negative disconfirmation, as it presents the largest threat to customer loyalty, word-of-mouth recommendation, repeat purchases, and other desirable customer responses.

2.5 Customer Loyalty

Good customer service builds loyalty and hence it aids customer retention. Bad service loses customers. Few customers expect 100% perfection. More than 65% change the suppliers because of poor customer service and it's often expressed as 'indifference' shown by the suppliers or a member of staff at the suppliers. If a supplier fails to act in response to a problem or even to recognize that anything has occurred then these results in a shift of customer loyalty. Customer service main aim is to principally retain and maintain existing business through high levels of customers' satisfaction. It's the job of a brand to create and maintain loyalty and the more complex the relationship the consumer has with the brand, the greater the chance of success. Cook (2002) states that loyal customers tend to spend more and cost less to serve.

According to Payne (1995) customers remain loyal, not because of promotions and marketing programs, but because of the value they receive. Loyalty can be managed by measuring systems based on retention economies, as this makes it possible to know how much is worth investing to increase loyalty a retention customer targeting – this means finding and keeping the right customer and the right customer are those whom the best value can be delivered by the firm over a sustainable period of time. Customers are loyal because they got the best value hence a company must be willing to monitor and revise the fundamental value proposition that brought customers into the systems in the first place in order to have excellent customer service and satisfaction there is need for technology as this allows for quick decision making on the part of the sales people in order to satisfy the customer.

2.6 Product Life Cycle theory

Product Life cycle is a major component in customer retention for Multinationals. According to Raymond Vernon (1966) he focused on the product (rather than the country and the technology of its manufacture), not its factor proportions. He noted that products have a life cycle and hence there is need to understand this cycle for the purpose of designing a product and putting it in the International market.

Introduction- This is the time for high investment and show uptake. Growth - If it takes off with resultant volumes bringing costs down so fuelling more growth. Maturity- The product success brings in competitors to share the spoils. Saturation- Too many players lead to crowding. Decline- Suppliers lose interest and the product declines towards death.

The knowledge of the above cycle serves to enable the International markets or suppliers to, comparative use, advisory use, and the dynamic use. Hence there is need to understand the major stages that product is undergoing in order to determine where it has reached Kinnear (1991). Multinationals need to offer a wide range of products to deal with the different customers' requirement. In order to do this there is need to understand how different customers behave or make decision to buy a product.

2.7 Brand Perception

Behavioral scientists who favor the theory of instrumental conditioning believe that brand loyalty results from an initial product trial that is reinforced through satisfaction leading to repeat purchase. Customer satisfaction is an individual's perception of the performance of a product or service in relation to his or her expectations. A customer whose experience falls below expectations is dissatisfied Schiffman (2004). While one whose experience matches expectation is satisfied. Relationship marketing which is developing a close personalized relationship with customers cements the level of loyalty and leads to more customers' satisfaction. One of the best way of measuring customers satisfaction is measuring the rate at which customers are kept i.e. customer retention and this is the percentage of customers at the beginning of the year that still remain at the end of the year Payne (1995).

Brand loyalty is a consumer with a high relative attitude and a high degree of repeat purchase behavior would be defined as brand loyal. Brand equity which refers to the value inherent in a well known brand name and the value stems from the consumer's perception of the brand's superiority and the social esteem that using it provides and the customers trust identification with the brand. Brand equity facilitates the acceptance of products and the allocation of preferred shelf space and enhances perceived quality, value and premium pricing options. Most Multinationals know that it is easier to buy than to create a brand name that has enduring strength.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The chapter presents the research design and methodology of the study. In this stage, most decisions about how research was done and how respondents were approached, as well as when, where and how the research was completed. The chapter therefore entails the way the study was designed, the data collection techniques and the data analysis procedure.

3.2 Research Design

The study was a case study aiming at getting detailed information regarding customer retentions in Barclay's bank of Kenya. A case study allows an investigation to retain the holistic and meaningful characteristics of real life events. Kothari (2008) noted that a case study involves a careful and complete observation of social units. It is a method of in-depth study rather than breadth and places more emphasis on the full analysis of a limited number of events or conditions and other inter-relations. Primarily data collected from such a study is more reliable and up to date.

3.3 Data Collection

The study used an interview guide as primary data collection instrument. The interview guide consisted of open-ended questions aimed at obtaining information on customer retention strategies that is employed by Barclays Bank. An interview guide was used to collect information from human Bank managers, head of department and operation managers of Barclays bank of Kenya. The interview guide was administered through personal interviews so as to yield the highest quality and quantity of data by providing supplementary information in the course of the interview.

3.4 Data Analysis

The content analysis technique was used to analyze the collected data. This is a systematic detailed qualitative description of the objectives of the study. It involved observation and detailed description of objects, items or things that comprise the study. This method made it possible to analyze and logically group the large quantity of data and compile the rest of the study. The data was presented in prose for easy of understanding and interpretations.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSIONS

4.1 Introduction

This chapter presents the findings of the study and the analysis of the data collected from the interview guide which was administered to the management staff working in Barclays Bank of Kenya. The interviewees to the interview guide were the human Bank managers, head of department and operation managers of Barclays bank of Kenya. According to the data collected, all the respondents projected in the previous chapter to be interviewed were interviewed which makes a response rate of 100%. The commendable response rate was achieved at after the researcher made frantic effort at booking appointments with the respondents despite their tight schedules and making phone calls to remind them of the interview.

4.2 Customer service offered by bank

The interviewees were requested to indicate the customer services offered by the bank. From the findings, the banks offers valuable assistance to customers in regards to the bank products, answering queries from customers, handling customers complains through the available Banking channels and offering guidance's on channels to use for their banking needs. The interviewees also indicated that customers are well educated on the banks existing products, the process of debiting and crediting their accounts, how to access the banking channels provided like the Contact centre, ATM and the banking lobby including how to make payments and transfers from one bank to another or even Internal funds transfers.

4.2.1 How nature of customer service affect customer retention at the bank

The interviewees were requested to indicate how the nature of customer service offered in banks affects retention of customers at your bank. The interviews indicated that through quality customer's services, the customers level of satisfaction increases and remain loyal to the banks by continually getting banking services from the banks. The study found that through effective customer's services, the customers refers other customers thereby increasing bank customers' base. The interviewees explained that when customers have bad experiences in the banks by being not attended to and complains not well handled, the customers move to another banks thus reducing the banks customers base which is called attrition. The interviewees also explained that through customer's services, the bank creates opportunities for cross selling which ensured customers are signed up on variety of bank products thereby making customers to stay in the bank hence increase the customers' base which is called customer retention. The study further found that through customer's services, the bank is able to identify the financial service gap and early diagnosis undertaken that facilitate early correction leading to provision of quality services that influence the customers loyalty to the banks

4.2.2 How the quality of customer services influence customer retention

The interviewees were requested to explain how the quality of customer services influences customer retention. From the findings, the accessibility, better priced and effective delivery channels for the Barclays products influence customer's satisfaction and hence enhance customer retention. The interviewees also explained that customers are attracted by quality of the financial services and remain loyal to the bank also increase customer retention in the bank. The interviewees also indicated that customers thought that the bank staff are friendly, articulate, knowledgeable and well trained in customer service and were well versed with the products with the products provided by the bank, thus are able to advise the customers accordingly.

4.3 How customer satisfaction influence customer retention in bank

The interviewees were requested to explain how customer satisfaction has influence customer retention in their bank. From the findings, the interviewees explained that when customers were satisfied with the bank financial services, they continue remain loyal to the bank improving customer's retention to a great extent. The customers services offer customers chance of acquiring more banks products and prevent going to other banks for same products as the their bank become a one stop shop for the banking services increasing customers retention. The Interviewees also noted that customers like to feel they are appreciated for doing business with the bank and the net effect is that they get satisfied by being appreciated.

4.4 Type of products offered by the bank

The interviewees were requested to indicate and describe the types of products offered by the bank to the customers. From the findings, interviewees indicated that the banks offered financial products such as loan facilities, mortgage financing, internet banking services and Barclaycard services where customer could access ATMs and credit card service respectively. The interviewees also indicated that other products offered by the bank included safe custodian, provision of financial advisory to customers, money transfers services and depository and cash management services such as personal banking ,business banking, SME banking, Premier banking and corporate banking.

This implied that banks offered variety of financial services for every kind of customers and this in turn assisted to increase and retain customers in the bank.

4.4.1 How products offered affect customer retention at the bank

The interviewees were requested to indicate how products offered affect customers' retention at the bank. From the findings, Barclays bank had developed variety of financial products among which included internet banking, Barclay's card products and loan facilities targeting different target groups based on their business activities, occupation and level of income. The interviewees indicated that through variety of financial products, more customers acquire the products without leaving to other competitor of the banks for the same. The banks was found to make efforts by ensuring the products are affordable and make it easily accessible making customers to continue getting financial services from the bank. The interviewees further explained that the banks products exceed the customers' expectations thus making the customer loyal to the banks. The bank also have diverse ways of creating relationships with the customers, that is through Relationship Management, retention tool kits and this increased customer loyalty to the bank.

4.4.2 Customers regarding Barclays and its products

The study sought how customers regarded Barclays and its banking products. It was found that customers trusted the Barclays product brands and that the products are widely known in the markets due to advertising and marketing. The customers were also indicated that they regard Barclays bank products as preserved for the rich in the society and the high profile people in the society. It was also found that there were customers who regard the bank products as quality by being accessible, available and save times while others indicated that bank products needed improvement to meet their expectations as the products were not friendly as they appealed to the high profile clientele in the society, some customers felt that the banking lobby were located in areas which were not accessible and in fact some did not feel their presence in some counties in the country. The study found that other customers regards the Barclays products as superior and meet their expectations making them satisfied and remain customers of the bank.

4.4.3 How Barclays and its products are regarded by its competitors

The study requested the respondents to explain how Barclays and its banking products are regarded by the by its competitors. From the findings, the competitors regard Barclay banks as stiff competitor in the bank. The interviewee indicated that bank offered innovative products through internet banking making it offer to the market and big market share, design services to fit the needs of customers; ensures that services are always on high quality without compromising; putting relevant systems in place; having competent employees in place; on time delivery of services and ensuring that services are driven by customers to increase satisfaction and acceptance. Markets are also segmented based on the size of the market and the size of the loan applied while positioning is done according to the needs they satisfy, the benefits they deliver, specific service features and when and how they are needed. The has enabled the Barclays bank to maintain its market-leading credit franchise by delivering superior ideas, solutions and liquidity across a full range of products globally as it is well positioned to provide innovative products and services that give its clients a substantial competitive edge.

4.4.4 Whether Barclays and its products satisfy its customers

The interviewees indicated that the Barclays bank products satisfied the customers and the customers who were loyal to the bank indicated that they were very satisfied with the bank financial products. The customers who were not satisfied, the interviewees indicated that it was because they had no adequate information on the bank products and low service quality. In addition, they also indicated that the products were a little bit rigid and did not fit into the local technology thus could not easily access the products. The study found that the bank product were offered conveniently through the various banking channels which included the contact centre mobile banking, internet banking, ATM services and lobby banking and could be accessed all the time the customers need the services. The study found that bank offered product without delays and reduced procedure of offering products to the customers. The interviewees explained that this make the customers very satisfied as the bank is keen to attract such fees as profits remain squeezed in other parts of their business, from high street lending to commercial and investment banking. This implied that Barclays is able to provide competitive products that satisfied its customers.

4.4.5 Quality of banking products in Barclays bank

The study sought the quality of the Barclays banking quality and how it influence customers retention in the banks. The interviewees indicated that accessibility of the banks products, ease channels of delivery of the banks products and improve real time and timely offering of the financial services from the banks improve quality of the Barclays bank products. The interviewees also indicated that availability of the financial products to customers, well pricing of the Barclay products enhance quality of the services offered by the Barclay bank. It's clear from the results of the study that Barclays bank has enhanced quality of its financial services to improve customer's retention.

4.4.6 The development of new products and services done in banks

The study investigated how development of new products and services was done in banks. From the findings, the interviewees explained that development of new financial products in the banks involve all the stakeholders including the customers. Respondents indicated that the development of management information systems has launched an innovative field of database marketing and use sophisticated models to forecast demand and segment markets. The study found that once the decision is made to try out a new product, the companion technical note walks the bank through the remaining stages of designing, testing, and launching new products. For successful new product development the bank revises and repositions the existing products as they evolve it's about innovation. It also balances market awareness with its operational capacity to meet client preferences.

4.7 How brand perception affect customer retention at the bank

The study found that Barclay's brands were offered to highly network who regards brand prestigious and make the customer loyal to using the bank products. The low and middle class customers were said tend to leave the bank products associated with higher earners. This implied that Barclay bank brand was is perceived to be for the rich customers affecting customer retention in the bank.

4.8 How Barclays bank responds to changes in the markets

The study sought to investigate how Barclay bank has responded to changes in the markets. From the findings, interviewees stated that the bank has been making changes in its information technology systems in response to its changing competitive situation. There have been many changes at Barclays bank hence a culture shift since the management has given rise to an equal opportunity organization. Barclays is encouraging among staff a more customer - focused service approach through the use of the concept of customer First" and the "quality Experience", aimed at delivering real value for the customer's money. Respondents further indicated that the strategic responses made by Barclays bank in the process of adapting to its changing competitive situation are adequate. They attributed this adequacy to the bank's currently sound financial performance, management and investment on IT in a dynamic competitive environment. The study found that Barclays bank first dealt with issue of resistance to change for it to implement any change to remain competitive and enhance its strategic capabilities as well as investing more on IT and internet for its wide network of outlets.

4.9 How competition has affected customer retention at the bank

The study requested the respondents to give their opinion on how competition has affected customer retention in banks. From the findings, interviewees indicated that the main factors influencing customers' retention in the bank included the range of services, rates, fees and prices charged. Prices are essential, if not more important than service and relationship quality. Therefore service excellence, meeting client needs and also providing innovative products earned the bank success in customer retention. The study further found that bank's customers go for core quality products and services with a variety of benefit. This condition forces the banks to adopt a market orientation approach that identifies consumer new needs and designs new products or services and redesigns current ones. Further, competitive pressures then push Barclays bank to target consumer segments by integrating service quality, brand loyalty, and customer retention strategies.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides the summary of the findings from chapter four and also it gives the conclusions and recommendations of the study based on the objectives of the study. The objective of this study was to look at customer retention by Barclays Bank of Kenya and how it has implemented the customer retention strategies and specifically to investigate the customer satisfaction, customer loyalty and product range effect on retention of customers, how industry competition influences customer retention and what is the effect of brand perception on customer retention.

5.2 Summary of the Findings

The study found that the aspect of banks offering assistances to customers in regards to the bank products, answering queries from customers, handling customers complains, offering guidance's on channels to use for their banking needs, educating on the banks existing products and how to make payments and transfers from one branch to another's were the quality customer's services offered in the Barclays bank. This increased customer's level of satisfaction causing them to remain loyal to the banks by continually getting banking services from the banks.

The study established that effective customer's services increased bank customers based as the customers referred other. However customers had bad experiences in the banks for not being attended to and well handled this coursed customers move to other banks affecting customer's retention in Barclays bank. To respond to this situation, the bank creates opportunities for cross selling that ensures customers are signed up on variety of bank products, identified the financial service gap and early diagnosis to facilitate early correction leading to provision of quality services that influence the customers loyalty and retention to the bank.

On the customer satisfaction influence on customer retention in bank, the study found that customers were satisfaction made them remain loyal to the bank improving customer's retention to a great extent. This is because they were offered a chance of acquiring more banks products such as loan facilities, mortgage financing, internet banking services and Barclaycard services where customer could access ATM and credit card service respectively and prevented going to other banks for same products. Barclays bank also offered safe custodian, provision of advisory to customers, money transfers services and depository services such as personal, business and corporate banking that enabled it to increase and retain customers.

The major outcomes of the products offered at the bank were the development of variety of financial products among which included internet banking, Barclaycard products and loan facilities targeting different target groups based on their business activities, occupation and level of income.

The bank ensured that the products were affordable and easily accessible to customers thus retained them. This made the customers to trust the Barclays product brands and regarded them as superior as the products were quality by being accessible, available and save times to meet their expectation making them satisfied and remain customers of the bank.

The study established that the competitors regard Barclays bank as stiff competitor in the banking industry. This was attributed by the innovative products such as internet banking, designed services to fit the needs of customers, high quality products, relevant systems put in place, competent employees, on time delivery of services and markets segmentation based on the size of the market and loan applied as well as positioning that was done according to the needs. The study also established that the benefits delivered and specific service features enabled the Barclays bank to maintain its market-leading credit franchise by delivering superior ideas, solutions and liquidity across a full range of products globally.

Barclays bank provides competitive products that satisfied its customers. Products were accessible, had ease channels of delivery and available with a well pricing and enhanced quality. This in turn influenced customer's satisfaction and enhanced customer retention.

The bank enhanced the development of new financial products that involved all the stakeholders including the customers. Launching of innovative field of database marketing and use of sophisticated models to forecast demand and segment markets were adhered to in the development of new products. For successful new product development the bank revises, repositions the existing products and balances market awareness with its operational capacity to meet client preferences.

The study established that bank has been making changes in its information technology systems in response to its changing competitive situation and encourage among staff a more customer - focused service approach. Strategic responses are adopted by the bank in the process of adapting to its changing competitive situation. The study established that competition affect customer retention in banks through the range of services, rates, fees and prices charged as customers go for core quality products and services with a variety of benefit.

5.3 Conclusions

The ability to deliver the right products to the right customers is critical for banks to grow their customer base and increase their share of customers' wallets. To cope with increased competition and increased customer expectations, Barclays bank is forced to adopt strategies to become more customers driven and to offer higher service quality in order to avoid customer turnover.

Barclays Bank should identify possible leakages through which attrition happens, that is the ways through which they lose customers to their competitors, this is because the cost of retaining an existing customer is far less than acquiring a new one. Barclays bank should have customer service strategies which attempt to win back the defecting clients, because recovered long-term customers can be worth much more to the bank than newly recruited clients. Retaining existing customers prevents competitors from gaining market share. It has been noted that the price of acquiring new customers can be 5 times greater than the cost of keeping current ones hence there is need for good customer service that Barclays bank needs to exceed. Customer service is all about perception and the attitude that a customer has.

Barclays bank should make a distinction between voluntary attrition and involuntary attrition through trends and analysis. Voluntary attrition would occur due to a decision by the customer to switch to another bank, involuntary attrition would occur due to circumstances such as a customer's relocation to a long-term care facility, death, or the relocation to a distant location. Barclays bank should concentrate on strategies to win back the voluntary attrition customers as in most applications, involuntary reasons typically occurs due to factors of the bank-customer relationship which bank has put controls that cover them.

This study concludes that Barclays bank should implement customer retention strategies to keep and retain the existing customers and not letting them to diverge or defect to other financial institutions for services. This would enable the bank to create its quality relationship with customer. Successful customer retention in Barclays bank starts with the first contact has with a customer and continues throughout the entire lifetime of a relationship.

This study concludes that a company's ability to attract and retain new customers, is not only related to its product or services, but strongly related to the way it services its existing customers and the reputation it creates within and across the marketplace. Barclays bank should offer assistances to customers in regards to the bank products, answering queries from customers, handling customers complains, offering guidance's on channels to use for their banking needs, educating on the banks existing products and how to make payments and transfers from one branch to another's were the quality customer's services offered in the Barclays bank.

The more possibility for the bank to retain customers the more is the probability of net growth. Usually a customer is tended towards sticking to a particular brand or product as far as basic needs are continued to be properly fulfilled. Banks should creates opportunities to ensure customers are signed up on variety of bank products, identified the financial service gap and early diagnosis to facilitate early correction in order to provide of quality services.

To achieve the objectives of the database and customer retention programs, the entire campaign should be designed and carried out with the customer in mind. Banks should offer customers a chance of acquiring more banks products such as loan facilities, mortgage financing, internet banking services and Barclay cards services where customer could access e-banking and credit card service respectively and prevented going to other banks for same products. The study concludes that banks should eliminate bottlenecks and balance workload to minimize product development delays. This would enable them to launch innovative field of database marketing and use of sophisticated models to forecast demand and segment markets.

Competition within the banking industry is very intense bringing a major challenge to the players and includes Barclays bank. The homogeneity of services offered and competition within the banking industry has put added pressure on Barclays bank to achieve competitive differentiation which has led to an emphasis on service quality. Barclays bank use service quality as a means of gaining competitive advantage. This practice has been realized by Barclays to be a prerequisite for achieving high quality customer service which is seen as the only mechanism for achieving differentiation and retaining customers in a highly competitive and homogenous industry. Barclays bank should extend its product quality beyond the core service and expected service with additional and potential service features to be remembered and distinguished by customers.

This study concludes that Barclays bank products were accessible, ease channels of delivery and available with a well pricing and enhanced quality thus providing competitive products that satisfied its customers. Making changes in information technology systems in response to changing competitive situation and encourage among staff a more customer - focused service approach is important. The bank should adopt strategic responses in the process of adapting to its changing competitive situation.

Barclays bank needs to offer a wide range of products to deal with the different customers' requirement. In order to do this there is need to understand how different customers behave or make decision to buy a product.

5.4 Recommendations

This study recommends that Barclays bank should adopt strategies to become more customers driven and offer higher service quality in order to avoid customer turnover. Bank should implement customer retention strategies to keep and retain the new, existing and exiting customers and not letting them to diverge or defect to other financial institutions for services.

This study recommends that a company's ability to attract and retain new customers, is not only related to its product or services, but strongly related to the way it services its existing customers and the reputation it creates within and across the marketplace. Barclays bank should offer assistances to customers in regards to the bank products, handle customers complains, offer guidance's on channels to use for their banking needs, educate on the banks existing products and how to make payments.

Brand loyalty is a consumer with a high relative attitude and a high degree of repeat purchase behavior would be defined as brand loyal. It is important for Barclays bank to research past customer behavior and use the data to increase the loyalty of new customers. Brand equity which refers to the value inherent in a well known brand name and the value stems from the consumer's perception of the brand's superiority and the social esteem that using it provides and the customers trust identification with the brand. Brand equity facilitates the acceptance of products and the allocation of preferred shelf space and enhances perceived quality, value and premium pricing options. Barclays bank should know that it is easier to buy than to create a brand name that has enduring strength. Brand loyalty and equity lead to increased market share and greater profit and this can increase Barclays bank profitability.

The study recommends that banks should eliminate bottlenecks and balance workloads to minimize product development delays in order to launch innovative field of database marketing and use of sophisticated models to forecast demand and segment markets. The bank should adopt strategic responses in the process of adapting to its changing competitive situation.

In today's competitive banking environment, exemplary customer service is one of the distinguished characteristics that Barclays bank can exploit to establish a competitive edge. Since most banks offer comparable products and services, they continually search for a competitive advantage that will attract new customers and help them retain existing ones. Barclays bank therefore must endeavor to develop innovative programs and initiatives maintain superior customer service levels while remaining profitable. Global competition is fierce, financial institutions have to offer better and better incentives to attract customers. Given today's market demands, it is more important than ever for businesses to reduce customer. To succeed, a way is needed to determine which customers were likely to leave so that marketing strategies could be executed to convince them to stay.

Barclays bank needs excellent customer retention solutions since the customer base is crucial to their survival. An understanding of the variables that influence customer turnover allows bank to determine not only those customers who were like to leave, but also the reason as to why they were likely to leave. In order for Barclays bank to be able to reduce the turnover of customers there is a need to understand the behavior of customers. This means that there is need to understand how individuals make decision to spend their available resources.

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APPENDIX: INTERVIEW GUIDE

1. Explain the customer service offered by your bank

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2. Explain how the nature of customer service offered in you banks affects retention of customers at your bank

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3. Explain how customer satisfaction has influence customer retention in your bank

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4. Indicate and describe the types of products offered by your bank

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5. Kindly explain how products offered affect customers' retention at your bank

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6. Indicate how customers regard Barclays and its Banking products

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7. Explain how Barclays and its banking procts are regarded by the by its competitors

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8. In your opinion, kindly indicate whether Barclays and its products satisfy its customers

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9. In your own opinion, explain how Barclays Banks' brand perception affects customer retention at the bank

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10. Describe the quality of banking products in your bank

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11. Explain how the quality of customer services influence customer retention

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12. Discuss the how development of new products and services done in your banks

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13. Explain how Barclay bank has respondents to changes in the markets

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14. In your own opinion, indicate how competition has affected customer retention in your banks

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