FACTORS DETERMINING BRAND LOYALTY: THE CASE OF COMMERCIAL BANKS IN THE WESTLANDS AREA OF NAIROBI

BY:

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DECLARATION

This Management Research project is my own original work and has not been presented for award of a degree in any university.

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

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DEDICATION

To my loving husband Seb, son Nelson and daughter Flora. Thank you for everything.

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M. N. Ndeti, August 2007

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ABSTRACT

This study was conducted with the objective of finding out the factors that determine brand loyalty to commercial banks and also to rank these factors in order of their importance. The focus of the study was the Westlands area of Nairobi.

To achieve the above objective, a sample of 154 customers was used and questionnaires were administered to the respondents. The questionnaire had structured Likert scale questions. Data collected was analysed using percentages, means and standard deviations. Ranking was also done. Factor analysis was done to reduce the variables and determine interrelationships.

Analysis of the data indicated that there were many factors that customers considered important in their decision of where to bank. After carrying out factor analysis on the variables, nine factors emerged and the variables that customers considered important were fitted into these nine factors.

When ranking was done, prompt service emerged as the most important factor. Employees' willingness to help, location of the bank, operating hours, and availability of ATM outlets, were other factors ranked very highly. From these factors, one can argue that customers want to be served fast and at convenient locations. They also want to deal with employees who appreciate them and treat them with courtesy.

The study recommends that banks need to understand their customers in terms of age, level of education, level of income and marital status in order to know what the different categories of customers want and hence give it to them.

It is also recommended that banks should try to improve most of the factors that were brought out by the customers as important in their decisions. It is important that the banks maintain competitive bank charges. As such, it becomes necessary for the banks to manage their costs well. The banks should also ensure that the employee- related factors such as training, being courteous, ready to help should not be left behind. This is because customers need to be treated well and served fast in order for them to remain loyal.

Lastly, it is recommended that banks keep researching in order to keep themselves abreast with the dynamics of banking and customer loyalty. This is because it is always much cheaper to serve loyal customers than to attract new ones. It is therefore recommended that commercial banks try to take into consideration all the factors that will turn their customers into loyal ones.

The small size of the sample (154) could have limited confidence in the results and this might limit generalizations to other situations, although this depends on how the sample was drawn. Another limitation would arise in that the study was on the commercial banks in Westlands area of Nairobi. The banking behavior of people in Westlands may differ from that of other people in other parts of Nairobi and also in rural areas. As such, the results may not be generalized.

The study relied on convenience sampling, as far as respondents were concerned. This may have an effect on the results.

CHAPTER ONE

INTRODUCTION

1.1 Background

The environment in which financial service organizations operate is constantly changing with different factors exerting influence in their organization. It is vital that organizations constantly scan their environment and become aware of these influences (Mukule, 2006).

Today's customers are becoming more and more knowledgeable, their tastes, preferences and quality expectations continue to change and this exerts pressure on organizations which seek to meet these ever-changing customer needs (Mukule, 2006).

A bank can be defined as a company which carries on or purposes to carry on banking business (Banking Act, Cap. 488). Basically, a bank collects deposits from savers and pays interest to the depositors and on the other hand uses the savers; deposits to grant loans to borrowers, who in turn pay interest and fees (Mukule, 2006).

As there are many options available for banking services, customers remain loyal to a specific bank when they feel they are getting good service (Okatch, 2001). Customers expect quick response time, top quality service, convenience and supernormal profits among other factors (Opiyo, 2002).

The commercial banks and non-banking financial institutions offer corporate and retail banking services, but a small number, mainly comprising the larger banks, offer other services including investment banking.

Banking in Kenya started with British colonialists and a few Indian traders towards the end of the nineteenth century. According to Mukule (2006), the first bank to open in Kenya was the National Bank of India, now called the Kenya Commercial Bank in 1896 followed by the Standard Bank in 1910. Up to the 1980s, regulation in the financial services was mainly restriction on both the range of products that a bank could offer and the nature and volume of contracts in the geographical area in which the services could be offered. The banking industry in Kenya is governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK) (Price Waterhouse, 2007). The banks have come together under the Kenya Bankers Association (KBA) which serves as a lobby for the banks' interests and also addresses issues affecting member institutions.

According to the Central Bank of Kenya, there are forty-three commercial banks in Kenya currently (Appendix 1). The Westlands area of Nairobi was selected as the focus of this study because it has a wide representation of these banks. Out of the forty-three banks operating in Kenya, eighteen of them have branches in Westlands (Appendix 2). The area is also a very active commercial centre and has developed to become a 'city within a city', particularly with the recent opening of the first 24-hour shopping complex at Nakumatt Ukay.

A brand is a total offering of a product or service including a set of assets (and liabilities) linked to the name and symbol that adds to (or subtracts from) the value provided by the product or service to a firm and/or that firm's customers (Aaker, 1996). A brand is also defined as a distinguishing name and/or a symbol such as a logo, trademark, package, design or a combination intended to identify the good or service (Aaker & Joachimsthaler, 2000).

The major asset categories of a brand include brand loyalty, name awareness, perceived quality, brand associations, and other proprietary brand assets (Aaker, 1991).

Brand loyalty, therefore, is a key aspect in enhancing brand equity. Brand loyalty is a consumer's preference to buy a particular brand in a product category. It occurs because consumers perceive that the brand offers the right product features, images, or level of quality at the right price. This perception becomes the foundation for a new buying habit.

Basically, Consumers initially will make a trial purchase of the brand and, after satisfaction, tend to form habits and continue purchasing the same brand because the product is sate and familiar (Giddens, 2006).

A highly loyal customer base can be expected to generate a very predictable sales and profit stream since it is much less costly to retain existing customers than to attract new ones.

1.2 Statement Of The Problem

Brand loyalty comes when customers know that they will get the same features, benefits and quality each time they buy the brand (Kotler, 2000). Thus, customers will frequent a particular bank only if they are assured of a consistently similar and satisfying experience.

Key issues affecting the banking industry in Kenya are changes in the regulatory framework, where liberalization exists but the market still continues to be restrictive; declining interest margins due to customer pressure, leading to mergers and reorganizations; increased demand for non-traditional services including the automation of a large number of services and a move towards emphasis on the customer rather than the product; and introduction of non-traditional players, who now offer financial services products. The banking sector is poised for significant product and market development that should result in further consolidation of the banking sector (Price Waterhouse Coopers, 2007).

Given the forgoing challenges, banks have been forced to become more innovative and seek loyalty from their customers in order to remain in business long into the future. A study on what customers consider as most important in choosing banking services is therefore crucial to ensure that these needs are met better than competitors.

In a recent survey by Yahoo! And the Journal of Financial Advertising and Marketing, financial services marketers thought 100% of consumers would agree that such institutions act in the consumers' best interest. Unfortunately, the real answer was 60%. That was just one area where marketers overestimated consumers' trust. For example 90% of marketers thought consumers would trust their financial institutions to make sound financial investment decisions on their behalf. Only 59% of consumers agreed. Jurie Pieterse, head of brand communications at ING Direct, pointed out that consumers are much more skeptical than marketers think they are, and rightfully so. They have been taught to think that there is always some catch to any offer from a bank, like in order to get that 'free' account you actually have to have a certain minimum balance or only make a limited number of transactions (Constantine, 2006).

This skepticism is so ingrained among consumers that companies are having to do additional marketing when they offer a product that actually is "catch free." Pieterse said that when ING started offering a no-points mortgage with lower rates, it had to follow up its initial marketing with a direct mail campaign that pointed out that there were no hidden requirements.

The disconnect between the perceptions of consumers and marketers is at least in part because marketers misperceived how much informed consumers have become. Pieterse said that because comparison shopping is so easy, financial marketers need to move away from the old "bait the hook" method and instead make all their communication with consumers as simple and clear as possible (Constantine, 2006).

A number of researches have been done on the banking sector in Kenya. One such study was conducted by Ndambuki (2000) in which he studied the state of social marketing in the Kenyan banking sector and concluded that banks in Kenya engage in social marketing in order to improve value delivery to customers and to enhance their (the banks) profitability. Another study was conducted by Mazrui (2003) where she sought to investigate the marketing approaches used by managers to address customer service challenges in banking in Kenya. This study concluded that the management in banks is aware of the challenges encountered in trying to understand customers' needs and meeting these needs. Carrying out research to understand customer needs was seen as the best approach to overcoming the challenges.

Kandie (2003) carried out an investigation of customers' perception and expectation of quality service: The case of selected banks in Kenya and concluded that the top ten critical factors of service quality in banking were neatness in appearance, feeling of safety in dealing with the bank, knowledge of bank personnel, modern-looking equipment, courteous bank personnel. Visually appealing physical facilities, promptness of service, behaviour of bank personnel, materials associated with the service, and convenient operating hours. The study also established that what banks considered as service quality was significantly different from the banks customers' views.

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

Other studies have also been done in the field of brand loyalty and applied in other industries. Wambugu (2002) investigated the factors that determine store loyalty: The case of selected supermarket chains in Nairobi and found that the top five factors were; availability of all types of merchandise, location of the supermarket, convenient operating hours, prompt service, and courtesy of employees.

A study carried out by Ongubo (2003) sought to highlight the determinants of brand loyalty for prescription brand medicine by doctors in Nairobi and found the top five most important factors as; reasonable price, patient buying power, experience through samples given to doctors, source of medicine, and medical literature about the product.

Giathi (2004) carried out a survey of loyalty status of consumers to various cigarette brands in Nairobi and came up with the five most important factors that determined loyalty as; availability of the cigarettes, information about the brands, level of Nicotine, income of the smokers and satisfaction derived from smoking.

Mwangi (2005) studied the factors affecting choice of milk store brands by consumers in Nairobi and concluded that consumers buy milk store brands because of quality, packaging, trust in the retailer's name, and low price offered in that order. He also pointed out that convenience in terms of location and shop opening time was very important in deciding where to buy milk store brands.

From the above previous studies, it is felt that a gap exists in the field of brand loyalty with respect to commercial banks in Kenya, a case that this study sought to investigate. The research therefore sought to answer the following questions:

i. Are there some specific factors that determine brand loyalty to commercial banks by customers in the Westlands area of Nairobi?
ii. What are the most important factors determining brand loyalty to banks?

1.3 Objectives Of The Study

i. To identify the factors that determine brand loyalty to banks by customers in the Westlands area of Nairobi.
ii. To rank the factors according to their importance in determining brand loyalty.

1.4 Importance Of The Study

This study will be of interest and useful to:

i. Bankers in Kenya who want to know how to manage and increase their sales through brand loyalty enhancement.
ii. Marketers interested in building brands through the brand loyalty dimension.
iii. Bank customers in evaluating the different banks in terms of the extent to which they consistently meet their (customers) needs and preferences.

iv. Academicians who may see this as a good basis for further research related to brand loyalty in the banking sector, particularly with the recent announcement by the Minister for Finance regarding the banks' reserves that may see more branded banks merging in order to meet the two billion minimum stipulated by the minister. (June 14, 2007 Budget Speech).

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter gives a review of the literature related to the study. It is specifically concerned with the importance of brands, the concept of brand loyalty and how it is measured, how consumers perceive brands and the advantages of having loyal customers. It is also discuss the uniqueness of services as compared to products and the challenges involved in branding services. The history of the banking sector in Kenya will also be brought into focus.

2.2 Meaning of Branding

The work brand comes down from the Old Norse word 'brandr' meaning 'to burn'. By branding their livestock, early humankind could mark their ownership and distinguish their cattle from those of their neighbours (Blackett, T. & Boad, B. 1999). Thus the primary role of the brand was established – to identify ownership or origin.

Gad (2001) pointed out that in order to understand a brand fully, to live it and enable customers to live it, means creating a brand code using a four-dimensional model to understand the strengths and weaknesses of the brand. The four dimensions are: ***functional, social, spiritual,*** and ***mental.***

The ***functional dimension*** concerns the perception of benefit of the product or service associated with the brand,

The ***social dimension*** concerns the ability to create identification with a group,

The ***spiritual dimension*** is the perception of global or local responsibility, while

The ***mental dimension*** is the ability to support the individual mentally.

According to Gad (2001), differentiation is crucial in business because if you are not different, you will be replaceable and under constant pressure to lower your price.

A brand has been defined by Aaker (1991) as a distinguishing name and/or symbol (such as a logo. Trade mark, or package design) intended to identify the goods or services of either one seller or a group of sellers, and to differentiate those goods or services from those of competitors.

Nilson (1999) suggested that a brand is the means by which one differentiates their offering from those of everyone else. A name becomes a brand if it fulfils the criteria of: carrying distinct values, differentiating, appealing, and having a clear identity (Nilson, 1999).

2.3 Brand Equity Assets

According to Aaker (1996), brand equity is defined as a set of assets (and liabilities) linked to a brand name and symbol that adds to (or subtracts from) the value provided by the product or service to a firm and/or that firm's customers. Aaker categorizes major brand equity assets as; brand name awareness, brand loyalty, perceived quality, brand associations, and other proprietary brand assets.

Brand equity is therefore highly related to the degree of brand loyalty (Kotler, 2000). Aaker (1991) went further to support Kotler's view by suggesting that the other four brand equity dimensions enhance brand loyalty. According to Kotler therefore, brand loyalty can be seen as the point of intersection for all the other assets that determine equity level. This argument can be interpreted to mean that the strength and impact of the other four assets will be seen in the extent to which they enhance loyalty, which in turn transforms into financial benefits for the brand.

Management of brand equity involves investment to create and enhance these assets. Brand equity reflects bonds between the firm and its customers and channel (Kabura, 2002).

2.4 The Concept of Brand Loyalty

Brand loyalty is a measure of the attachment that a customer has to a brand. It reflects the likelihood of a customer switching to another brand, especially due to that brand's change in price and/or product features (Aaker, 1991). Aaker points out that loyalty is manifested through commitment. He argues that a strong brand has high equity as a result of the commitment, which manifests itself through a high level of interaction and communication that is involved with the product or service.

Assael (1998) defines brand loyalty as representing a favourable attitude towards a brand as a result of consistent purchase of the brand over time. According to him therefore, loyalty is the result of consumers learning that one brand can satisfy their needs.

Oliver (1999) had defined brand loyalty as a deeply held commitment to re-buy or repatronize a preferred product/service consistently in the future, thereby causing repetitive same brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause one to switch.

The American Marketing Association also came up with two definitions of brand loyalty. The first definition drawn from a sales promotion point of view defined brand loyalty as the situation in which a consumer generally buys the same manufacturer-originated product or service repeatedly over time rather than buying from multiple suppliers within the category. The second definition was from a consumer behaviour point of view and defined brand loyalty as the degree to which a consumer consistently purchased the same brand within a product class (Sriram, S. et. al., 2007).

2.4.1 Levels of Brand Loyalty

Aaker (1991) proposed five categories of brand loyalty from the least to the most loyal as; the non-loyal buyer (switcher), the habitual buyer, the satisfied buyer, one who likes the brand, and committed customers.

Evans (1997) viewed brand loyalty as a continuum from undivided brand loyalty to brand indifference and gave the five categories along the continuum as; undivided loyalty an ideal situation where consumers purchase only a single brand and forego purchase if it is not available, brand loyalty /occasional switch, a more likely situation where customers occasionally switch for such reasons as their usual brand being out of stock, a new brand may come to the market and is tried, or a competitive brand offering a special low price, brand loyalty / switch which reflects a competitive situation especially in low growth markets, fivided loyalty which refers to consistent purchase of two or more brands, and brands indifference, the opposite extreme of undivided brand loyalty which refers to purchases with no apparent repurchase pattern.

Kotler (2000) also appreciates that consumers have varying degrees of loyalty to specific brands, stores and other entities and classifies consumers into four groups of loyalty status as; hard-core loyals representing consumers who buy one brand all the time, split loyals who are loyal to two or three brands, shifting loyals who shift from one brand to another, and switchers who show no loyalty to any brand.

Aaker (1991) points out that the above levels do not always appear in the pure form, but the most important point is that there are different levels of loyalty which impact differently on brand equity.

2.4.2 Determination of Brand Loyalty

Aaker (1991) appreciated that there are several approaches to measuring loyalty, but concentrated on behaviour measures which include repurchase rates, percent of purchases as well as number of brands purchased. He also discussed other approaches based upon the loyalty constructs of switching costs, measuring satisfaction, liking of the brand and commitment. He concluded that if switching costs are high, loyalty is likely to be high also. The degree of satisfaction or dissatisfaction with a brand also affects the loyalty consumers have to a particular brand. Liking and positive feelings about the brand can result in resistance to competitive entries, while commitment is indicated through interaction and communication with the brand. In this case, the extent to which the brand is important to a person in terms of his or her activities and personality really matters.

In order to offer to the customers that which they seek, it is important to investigate how they make their purchase decisions. Randall (2000) points out that it is pointless complaining that consumers' beliefs are irrational or wrong; they are their beliefs and that is all that matters. It is therefore vital to discover what beliefs consumers have, and how they rate different factors in importance.

2.5 Advantages of Having Loyal Customers

In today's low-growth and highly competitive market place, retaining brand loyal customers is critical for survival (Wambugu, 2006). Keeping customers is often a more efficient strategy than attracting new ones. Aaker (1991) argues that loyalty of existing customers represents a strategic asset that has potential to provide value through; reduced marketing costs, trade leverage, attracting new customers, and giving the company time to respond to competitive threats.

2.5.1 Reduced Marketing Costs

Customers with brand loyalty reduce the marketing costs of doing business. It is simply much less costly to retain customers than to get new ones. Loyalty of existing customers represents a substantial entry barrier to competitors because a lot of resources may be required to entice them to switch (Aaker, 1991).

2.5.2 Trade Leverage

Strong brands will ensure preferred attention because marketers know that consumers will have such brands in their (consumers) minds since they are already familiar with the brands (Aaker, 1991). It would therefore take less effort on the part of the marketers to introduce their products to the market as compared to other brands that the consumers are not familiar with.

2.5.3 Attracting New Customers

A customer base with a satisfied segment can provide assurance to a prospective customer. A large satisfied customer base provides an image of the brand as an accepted successful product which will be around and will be able to afford product improvements. Friends and colleagues of a brand's customers will become aware of a product just by seeing it. This exposure will be more effective than even seeing an advertisement (Aaker, 1991).

2.5.4 Time To Respond To Competitive Threats

If a competitor develops a superior product, a loyal following will allow the firm time needed for the product improvements to match or neutralize the competitor's one (Wambugu, 2006). This is because loyal customers do not just move quickly to the superior competitor (Aaker, 1991).

2.6 Branding In Service Businesses

Services are different from products in several ways that affect their branding. Services are ***intangible,*** meaning that we cannot see, feel, or touch them, ***perishable*** hence cannot be stored, ***inseparable*** meaning that the service comes into existence only at the moment of delivery, and ***variable*** in that they are necessarily offered by people and people cannot be controlled precisely (Randall, 2000).

Financial services companies (where banks fall) along with all service providers have realized that brands are even more important for services than for goods since consumers have no tangible attributes to assess the brand. Increased competition in the financial services sector has made banks' marketers more aware of the complexity and blurred demarcations of their services. An effective route to convey the values of service brands is through the way the company does things (Chernatony & McDonald, 2000). Thus, the company's culture acts as a key communicator of values.

To successfully develop and maintain service brands, marketers should take heed of Conrad Free's contention that an effective brand strategy must reflect a true competitive advantage. There is need for the strategy to be supported by a high quality top management that shows commitment towards providing guaranteed excellent service brand delivery. The brand vision also needs to be communicated to all employees in order for them to remain committed to it, the vision should be translated into clearly defined results-driven goals. Competitiveness should be enhanced by benchmarking the brand's performance against best practice, both inside and outside the sector and also by use of new technologies that are a source of sustainable competitive advantage. Finally the brand strategy should be consumer focused meaning that the consumer needs to be regarded as central to everything the organization does. (Chernatony & McDonald, 2000).

2.6.1 Problems in the Branding of Services

Services can be copied. An idea cannot be patented so services can be copied by competitors. There is no way that a company can protect its services, hence it is very easy for competitors to copy them without serious legal implications (Randall, 2000).

Services are difficult to encapsulate and communicate. They cannot be displayed hence difficulty in advertising them (Randall, 2000). Unlike goods that can be put on display for one to sample before actually purchasing them, services cannot be displayed and can only be felt or experienced .

Consumers are involved in production – Most services are enjoyed in the presence of other people and such aspects, as queuing and slow service may be unavoidable (Randall, 2000). Since many people seek services at the same time, inconveniences brought about by the presence of other customers at the time of service delivery cannot be completely avoided. For example in the banking sector in Kenya, where most of customers receive their salaries at the end of the month, such times present challenges to the sector due to the high demand of their services at these peak periods.

Quality is hard to evaluate and communicate – Services cannot be laid side by side and compared. Where standards such as ISO 9000 (the quality standard of the International Standard Organization) and other certifying bodies exist, the service can only be certified as meeting certain specifications, but these are difficult to communicate to customers (Randall, 2000).

Standardization and Quality control are difficult – One essential part of branding is the guarantee that the brand as delivered will always be what is expected. Given the variability of humans, this is impossible to control precisely (Randall, 2000). Human beings are affected by factors that are external to the places of work, hence cannot be controlled absolutely.

No inventory is possible – Services cannot be stored. If availability or responsiveness are part of the brand's core values, this may cause problems when demand fluctuates. Either extra staff must be employed to cope with peak demand – thereby raising costs – or some dissatisfaction will be caused (Randall, 2000).

2.6.2 Possible Solutions

Exploit additional elements **–** Over and above the four Ps of the normal marketing mix (product. price, place and promotion), services have three additional elements – people, process, and physical evidence. Through staff selection and training, it is possible to guarantee that the promise is actually delivered by acquiring the right people for best quality service delivery. Use of technology goes a long way in trying to improve the quality of the process. Technology in the banking sector has been used to enable e-banking, use of Automated Teller Machines and also availability of automated customer services. Physical evidence is enhanced through appropriate décor and cleanliness of the premises(Randall, 2000).

Innovate continuously – If each service development can be copied, the only solution is to keep innovating to stay ahead. Having a truly customer-oriented view; looking for changes rather than resisting change will keep the brand ahead of competing brands (Randall, 2000).

Make the brand tangible – Branding the premises, having logos and emblems, and providing branded merchandise from time to time will keep reminding customers about the brand (Randall, 2000). Since services are intangible, provision of tangible items bearing the brand name or logo goes a long way in ensuring that customers feel part of the brand.

Use personal rather than impersonal media – While using impersonal media such as television advertising, try to humanize the service (Randall, 2000). For example, it is possible to make a bank look friendly by advertising using friendly people who smile at and welcome customers, making the customers to feel at home. This will entice the customer to actually visit the bank with the hope of getting a fulfilling experience.

Develop a continuing relationship – This involves giving a means of drawing attention to quality and reminding customers of the brand's values. Use of databases and direct marketing provides enormous potential for this approach (Randall, 2000). It is vital that all communication be monitored to make sure that different sources are saying the same thing and that the values being communicated are updated.

Manage consumers – To avoid some of the problems of inseparability, consumers have to be managed, partly by designing the process so that negatives do not arise, and partly by developing additions to mitigate the effects of negatives (Randall, 2000). Banks in Kenya have segmented their customers and have come up with exclusive services for certain segments such as the Excel and Advantage banking in Standard Chartered and Kenya Commercial Bank respectively.

Industrialize the service – Making the whole process identical in every outlet brings in some form of standardization (Randall, 2000). This is achieved through continuous staff training to ensure uniform service delivery at all outlets.

Manage demand – Use of flexible staffing to cope with fluctuations in demand and matching supply to the periods when customers use the service. Customers can also be provided with alternatives (Randall, 2000). For example in the banking industry this has been achieved by provision of alternative Automated Teller Machines hence reducing the number of people going to the banking halls.

2.7 E-Commerce and Brand Loyalty

Recent developments in E-commerce have changed the way business is conducted all over the world hence creating new ways of building brands and increasing their loyalty among customers. Aaker and Joachimsthaler have given six tools for building brands and brand loyalty on the web as follows:

A Web Site – A web site dedicated to the brand can be tailored to the needs of the brand and the customer-brand relationship and can be used to create and reinforce associations (Aaker & Joachimsthaler, 2000). The web site opens up the brand to its customers and hence customers are able to learn more about the brand and understand it better.

Advertising and Sponsored Content – Web placements of creating visuals, messages and experiences provide visibility and associations and also stimulate people to click through to particular Web sites. A brand can also sponsor content on a third-party site. Sponsorship provides the ultimate ability to leverage the association of another brand and to gain ownership of a portion of the Internet (Aaker & Joachimsthaler, 2000).

Intranet - Aaker & Joachimsthaler (2000) describe an intranet as a system of private Web sites connecting people, within an organization as well as its partners. This plays a key role in communication the brand and its brand identity internally so that everyone knows and cares about what the brand stands for. An intranet can also more directly communicate the brand identity, brand strategies and the best practice efforts to enhance that identity, as well as visual presentation rules and guidelines.

Customer Extranet – Opening up part of the intranet t customers (by use of
password protection and customization) links them with the internal system of the company behind the brand. It enables customers to access information and receive backup support, just as if the customers were a part of the organization. Extranets build brands in that they enable the delivery of enhanced service while vividly reinforcing the brand's core identity associations, for example efficiency and responsiveness, and customers are made to feel special and part of the brand's extended family (Aaker & Joachimsthaler, 2000). This relationship creates a comfort level that increases loyalty.

Web Public Relations – Web public relations involves web communication not controlled by the brand such as personal home pages, new or gossip-oriented sites, discussion groups, and chat rooms (Aaker & Joachimsthaler, 2000). Specialized chat rooms and discussion groups organized around brands or brand applications can dramatically influence sales, both positively and negatively.
Web public relations provides an avenue for customer communication, making it possible to hear firsthand reactions – both good and bad – to the brand and the brand use experience. Access to such information can lead to identification of new application areas usage problems can be dealt with, and early warnings of serious problems can be heard and addressed.

E-mail – E-mail provides ultimate personalization, creates a connection, and at the same time reminds the customers about the brand and its relationship with customers. To avoid being perceived as annoying, brands should limit the flow of messages and should make each one as meaningful as possible and inform recipients how thy can be deleted from the recipient lists. While using E-mail, it is vital to encourage customers to offer feedback and ensure prompt responses. A slow or sloppy response sends a signal that the brand does not care about the customers (Aaker & Joachimsthaler, 2000).

2.8 Challenges Facing The Banking Sector In Kenya

The banking sector in Kenya was liberalized in 1995. Liberalization of the banking sector thus brought about major changes, which have greatly impacted on these institutions. One notable change is the increased competition it brought hence the need for differentiation in an attempt for each bank to “stand out from the crowd”. Since banking is a service and services are easily copied, there is an increased need for banks to entice customers to choose them and not their competitors and to also remain loyal to one particular bank despite the intense competition.

Key issues affecting the banking industry in Kenya include changes in the regulatory framework, where liberalization exists but the market still continues to be restrictive; declining interest margins due to customer pressure, leading to mergers and reorganizations; increased demand for non-traditional serviced including the automation of a large number of services and a move towards emphasis on the customer rather than the product; and introduction of non-traditional players, who now offer financial services products.

The banking sector is poised for significant product and market development that should result in further consolidation of the banking sector (Price Waterhouse Coopers, 2007).

2.9 Possible Important Factors Determining Loyalty to Commercial Banks In Kenya

To achieve repeat patronage and loyalty which are desired by the banks, it is paramount that the management knows and has an understanding of what motivates customers to choose the particular bank and remain loyal to it (Mukule, 2006). What motivates customers to keep coming to us for their banking needs? This is a question that the management should be in a position to answer truthfully and in the context of the customers. The motivators need to be understood in order to develop them to withstand any competition (Wambugu, 2002). Some of the determining factors include the following.

The image of the bank versus the customer's image – If one's image of the bank conforms to his/her self image, then the customer's loyalty to the bank will be high (Aaker, 1991)

Level of satisfaction and/or dissatisfaction – This involves many issues such as the problems faced by customers, their sources and how they are addressed (Aaker, 1991). Banks should therefore seek to enhance satisfaction and reduce dissatisfaction of their customers.

Customer Service – This consists of several services designed to aid in the delivery of the banking services. They may include longer operating hours, availability of ample and secure parking. Wambugu (2002) describes customer service as the activities that increase the quality and value that customers receive when they patronize a particular outlet.

Atmospherics – This refers to an outlets combination of architecture, layout, colour, sound and temperature monitoring, displays and other related factors that attract and stimulate customers (Wambugu, 2002).

Location – The actual place where the bank is located determines whether it is available to the customers or not. The location also has an effect on the bank's image (Kotler, 2000).

Available technology like electronic media that allows the customer to access the bank's services while not physically present at the bank. Such services include E-banking and telephone banking.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter sets out the research methodology that was adopted so as to meet the objectives stated in chapter one of this study. The research setting, the population of interest, sample, data collection instruments and data analysis techniques are discussed.

3.2 The Research Design

The research is a survey that was conducted within the Westlands area of Nairobi because the researcher established that there is a wide representation of banks within this area. A survey was deemed appropriate for this study because it was possible to obtain samples from all the eighteen banks represented in this area.

3.3 Population

The target population for this study comprised all account holders within the Westlands area of Nairobi. According to the Central Bank of Kenya Act Chapter 491, there are forty-three commercial banks operating in Kenya (Appendix 1). A survey earlier carried out by the researcher had indicated that eighteen (18) of these banks have branches located in the Westlands area of Nairobi (Appendix 2). All the customers of the branches in Westlands formed the target population for this study. There was no list available for all the customers.

3.4 Sampling

A sample of 200 respondents was selected from the eighteen branches of the banks in Westlands. The 200 figure was based on previous similar studies. Wambugu (2002) used a sample of 200, while Mukule (2006) used 175 for example. For each branch, twelve (12) account holders were selected using convenience sampling where the first twelve customers in each bank who were willing to fill in the questionnaire were selected. The selected sample was deemed adequate for general conclusions about the entire population. The sample was also adequate for the statistical tools which were used in the data analysis.

3.5 Data Collection Method

Primary data was used in the study. A questionnaire was used to collect the data by the researcher (Appendix 3). The questionnaire had structured Likert scale questions. The questionnaire was administered to the customers as they walked out of the banking hall. The respondents filled in the questionnaire as the researcher waited so as to reduce the instances of non-response.

3.6 Data Analysis

Data was analyzed by use of descriptive statistics including tables, charts and percentages to represent the response rate and information on the other variables that the study considered. Percentages, were used to establish the number of respondents in each of the demographic profiles used while means and standard deviations were used to come up with the factors that customers considered as important in their choice of a bank. Ranking was also done in order to show the five most important factors that consumers considered.

Factor analysis was also used for analysis due to the large number of variables that were considered. This brought out nine factors into which all considerations were fitted. No variable was designed as being predicted by others and the researcher looked at the interrelationship among all the possible variables that may impact on loyalty together.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter presents analysis and findings of the research. From the study population target of 200 respondents, 154 responded to the questionnaire, providing 77% response rate.

4.2 Respondents' Demographic Profiles

Table 4.1 Occupation of the respondent

Occupation of respondents	Frequency	Percent
Government	7	4.5
Parastatal	63	40.9
Company	69	44.8
NGO	7	4.5
Formal business person	3	1.9
Professional	2	1.3
Informal business person	3	1.9
Total	154	100.0

In the above table, the researcher sought to investigate the occupation of the respondents. The findings in the above table show that the majority of respondents were employed in companies as shown by 44.8%, followed by parastatals at 40.9%. The respondents who said that they were employed in the government sector and those who were employed by the NGOs were both at 4.5%, those who were in formal businesses and those who were in informal businesses both scored 1.9%, while the least group of respondents rated at 1.3% said that they were in professional businesses.

Table 4.2 Age bracket

Respondents' age bracket	Frequency	Percent
Below 18 years	11	7.1
19-29 years	41	26.6
30-39 years	67	43.5
40-49 years	34	22.1
50 years and above	1	.6
Total	154	100.0

The above table shows the findings of the age bracket of the respondents.

From the study, it was found out that the majority of the respondents fell within the 30-39 age bracket representing 43.5% of the total number of respondents, 26.6% were aged between 19-29 years, 22.1% were between 40-49 years, 7.1% were below 18 years, while 0.6% said that they were 50 and above years old.

Table 4.3 Gender

Respondents' gender	Frequency	Percent
Male	79	51.3
Female	75	48.7
Total	154	100.0

In the research as shown in the above table, the researcher used 51.3% males, and 48.7% females.

Table 4.4 Highest education level attained

Respondents' highest education level attained	Frequency	Percent
Primary	7	4.5
Secondary	12	7.8
College	33	21.4
University	102	66.2
Total	154	100.0

In the above table, the researcher sought to investigate the education level of the respondents where she found out that the majority had university education as was shown by 66.2%, 21.4% had college education, 7.8% had secondary education, while 4.5% had primary education.

The above information helps the researcher to have confidence in the data collected as it was found out that 87.6% of the respondents had college and university education which means that they were able to understand and give the most relevant answers to the questionnaires.

Table 4.5 Marital status

Respondents' marital status	Frequency	Percent
Single	53	34.4
Married	101	65.6
Total	154	100.0

From the above table, it can be concluded that the majority of respondents were married as shown by 65.6%. This supports the fact that their banking requirements are higher than those who were single as shown by 34.4%.

Table 4.6 Monthly income

Respondents' monthly income	Frequency	Percent
Below 20,000	5	3.2
20,000-40,000	12	7.8
40,000-60,000	31	20.1
60,000-80,000	47	30.5
80,000-100,000	43	27.9
Above 100,000	16	10.4
Total	154	100.0

As the above table shows, 30.5% of the respondents earned Kshs 60,000-80,000, per month, while at the same time, only 3.2% of the respondents were earned below Kshs 20,000.

This clearly shows that the customers to the banks in Westlands in Nairobi earn more money as the findings show that 88.9% earn more than Kshs 40,000 per month.

4.3 Important factors in the choice of a bank

Table 4.7 Important factors in the choice of a bank

	1	2	3	4	5	6	7	8	9	10	11	Total
Wide selection of accounts	8.4	9.7	3.9	1.9	13	5.2	15	4.5	17.5	6.5	14.3	154
Prompt service	53.2	18.2	9.7	7.1	5.8	1.3		3.9	0.6			154
Employees willingness to help	9.7	9.1	5.8	26	5.2	14.3	10	7.1	8.4	2.6	1.3	154
Courtesy of employees	9.1	3.9	11	12.3	16.2	13	8.4	13.6	4.5	7.8		154
Employees knowledge of products	13.6	11	13	11.7	12.3	10.4	5.8	12.3	4.5	4.5	0.6	154
Complaints handling	5.2	8.4	3.9	14.9	20.1	10.4	12	7.8	13.6	111	1.9	154
Physical facilities	1.3	5.8	9.7	8.4	3.9	5.8	7.1	5.8	12.3	24	13.6	154
Employees appearance	0.6	2.6	9.1		2.6	5.2	4.6	8.4	11	22.7	33.1	154
Location	16.2	20.1	9.1	9.1	5.8	1.3	19	6.5	4.5	8.4		154
Operating hours	11.7	6.5	14.9	11.7	13	13.6		9.7	5.2	7.8	5.8	154
Availability of ATM outlets	18.8	11.7	14.9	2.6	12.3	9.1	7.8	9.1	5.2	3.9	4.5	154

The above table shows the findings on the important factors in the choice of a bank.

From the table, there were 154 respondents who gave useful responses. As the table shows, the extent to which any of the factors is considered important does not differ very much from how others are considered. However, it came out clearly that the level of importance differs among the various factors.

Of the total respondents, 53.2% indicated that prompt service was their most important factor in the choice of a bank. Employees willingness to help was the second most important factor rated at 26% while at number three was location of the bank at 20.1% The fourth most important factor was operating hours with 14.9% and at number five was availability of ATM outlets also at 14.9%.

It can therefore be concluded that the five most important factors determining customer loyalty to commercial banks were; prompt service, employees' willingness to help, location of the bank, operating hours, and availability of ATM outlets

4.4 Importance of loyalty factors

4.4.1 Means and Standard Deviations

Table 4.8 Means and Standard Deviations

	Mean	Std. Deviation
Availability of various accounts to suit your needs	4.1688	.85410
Reasonable bank charges	4.7273	.65950
Ownership of bank (local or multi national)	3.3377	1.15028
Availability of supervisor in case of customer queries	4.2597	1.04039
Knowledge by employees of products	4.6039	.68043
Employees being neat and appealing	4.1623	.82819
Willingness of the employees to help	4.7597	.45812
Well trained employees	4.7727	.42044
Employees are courteous and warm with customers	4.7013	.54986
Individualized attention to customers	4.5455	.66756

Sincere interest in solving customer problems	4.7013	.53785
Providing good services right first time	4.6234	.72381
All employees working as a team	4.0390	.96935
Bank housed in an attractive building	3.4156	1.00782
The bank is located near where I work or live	3.5584	1.00318
Enough space for customers in the bank to move freely	4.0455	.94517
Enough lighting in the bank hall	4.0909	.84299
Availability of secure parking space	3.9221	1.06968
General image of the bank	4.1234	.85044
Bank located near other specialized shops	3.6429	.98139
Clean and well air -conditioned banking hall	4.3377	.71602
Adequate number of tellers to reduce queuing time	4.6753	.74871
Existence of an express counter	4.3831	.91607
Convenient opening hours	4.2987	.98439
Constant update on my account(s)	4.2662	.87105
A channel for customer complaints	4.4935	.70708
Availability of ATM services	4.5649	.92125
Countrywide network branches	4.4221	1.02761

N = 154

The above table shows the varying degrees with which the customers to the banks considered the various loyalty factors. Using the response scale of 1-5 1 being not at all important and 5 being very important, the most important factor was found to be well-trained employees with a mean of 4.7727, the other two factors found as most important were willingness of the employees to help and reasonable bank charges with mean scores of 4.7597 and 4.7273 respectively. The three factors that were reported as being somewhat important to the customers' choice of bank were ownership of bank (local or multi national) with a mean score of 3.3377, bank housed in an attractive building with a mean score of 3.4156 and the bank is located near where I work or live which scored a mean of 3.5584.

4.4.2 Communalities

Table 4.9 Communalities

	Initial	Extraction
Availability of various accounts to suit your needs	1.000	.650
Reasonable bank charges	1.000	.802
Ownership of bank (local or multi national)	1.000	.629
Availability of supervisor in case of customer queries	1.000	.723
Knowledge by employees of products	1.000	.588
Employees being neat and appealing	1.000	.854
Willingness of the employees to help	1.000	.816
Well trained employees	1.000	.622
Employees are courteous and warm with customers	1.000	.745
Individualized attention to customers	1.000	.847
Sincere interest in solving customer problems	1.000	.819
Providing good services right first time	1.000	.667
All employees working as a team	1.000	.731
Bank housed in an attractive building	1.000	.849
The bank is located near where I work or live	1.000	.774
Enough space for customers in the bank to move freely	1.000	.868
Enough lighting in the bank hall	1.000	.870
Availability of secure parking space	1.000	.763
General image of the bank	1.000	.603
Bank located near other specialized shops	1.000	.733

Clean and well air -conditioned banking hall	1.000	.767
Adequate number of tellers to reduce queuing time	1.000	.816
Existence of an express counter	1.000	.806
Convenient opening hours	1.000	.721
Constant update on my account(s)	1.000	.657
A channel for customer complaints	1.000	.765
Availability of ATM services	1.000	.812
Countrywide network branches	1.000	.664

Extraction Method: Principal Component Analysis.

The above table helps the researcher to estimate the communalities for each variance. This is the proportion of variance that each item has in common with other factors. For example 'enough lighting in the bank hall' has 87% communality or shared relationship with other factors. This value has the greatest communality with others, while 'knowledge by employees of products' has the least communality with others at 58.8%.

4.4.3 Total Variance Explained

Table 4.10 Total Variance Explained

Component	Initial Eigen values			Rotation Sums of Squared Loadings		
	Total	% Of Variance	Cumulative %	Total	% Of Variance	Cumulative %
1	5.900	21.072	21.072	4.219	15.066	15.066
2	3.381	12.077	33.149	3.031	10.825	25.892
3	2.770	9.891	43.040	2.632	9.400	35.292
4	1.924	6.870	49.911	2.415	8.623	43.915
5	1.788	6.386	56.297	2.005	7.160	51.075
6	1.460	5.215	61.512	1.928	6.884	57.959
7	1.430	5.107	66.618	1.694	6.051	64.011
8	1.188	4.241	70.860	1.619	5.783	69.793
9	1.122	4.006	74.866	1.420	5.073	74.866
10	.861	3.076	77.942			
11	.820	2.929	80.871			
12	.784	2.801	83.672			
13	.661	2.360	86.032			
14	.610	2.180	88.212			
15	.510	1.820	90.032			
16	.464	1.656	91.688			
17	.377	1.347	93.035			
18	.340	1.213	94.247			
19	.310	1.106	95.354			
20	.271	.967	96.321			
21	.241	.860	97.180			
22	.221	.789	97.970			
23	.158	.563	98.532			
24	.120	.429	98.961			
25	.093	.332	99.293			
26	.090	.321	99.614			
27	.067	.240	99.854			
28	.041	.146	100.000			

Extraction Method: Principal Component Analysis.

In the above table, the researcher used Kaiser Normalization Criterion, which allows for the extraction of components that have an Eigen value greater than 1. The principal component analysis was used and nine factors were extracted. As the table shows, these nine factors explain 74.87% of the total variation. Factor 1 contributed the highest variation of 15.07%. The contributions decrease as one moves from one factor to the other up to factor 9.

4.4.4 Rotated Component Matrix(a)

Table 4.11 Rotated Component Matrix(a)

	Component								
	1	2	3	4	5	6	7	8	9
Availability of various accounts to suit your needs	.140	-.125	.011	-.123	.723	.030	-.245	.116	.046
Reasonable bank charges	-.007	-.061	.091	-.082	.089	-.011	.078	.875	.060
Ownership of bank (local or multi national)	.225	-.039	.015	.347	-.364	-.037	-.390	.246	.332
Availability of supervisor in case of customer queries	.017	-.020	.121	.754	-.229	.103	.019	-.226	-.160
Knowledge by employees of products	.145	-.059	-.174	-.023	.644	.142	.259	.113	-.136
Employees being neat and appealing	.082	.501	-.282	.362	.335	-.436	.137	.144	.210
Willingness of the employees to help	-.067	.175	-.279	.019	-.040	.586	.555	.201	.097
Well trained employees	.338	.454	-.238	.174	.055	.365	.113	.228	-.116
Employees are courteous and warm with customers	.009	.122	.126	.144	.012	.002	.767	.117	.300
Individualized attention to customers	.006	.135	.061	-.024	-.049	.095	.202	.052	.877
Sincere interest in solving customer problems	.318	.021	-.061	.091	.244	.793	.012	-.018	.128
Providing good services right first time	.202	-.028	.130	-.002	.408	.401	.072	.523	.046
All employees working as a team	.345	.182	.156	.549	.394	.096	.121	-.254	.098
Bank housed in an attractive building	-.099	.574	.202	.279	.098	.009	-.506	.076	.347
The bank is located near where I work or live	.036	.106	.842	.115	-.012	.157	-.044	-.026	.108

Enough space for customers in the bank to move freely	.321	.641	.361	-.147	.134	.351	-.073	-.164	.168
Enough lighting in the bank hall	.012	.887	.090	.034	-.146	-.018	.020	-.164	.159
Availability of secure parking space	.205	.100	.754	.225	-.173	-.075	-.098	.194	-.100
General image of the bank	.209	.005	.288	.634	.165	.085	-.055	.119	.153
Bank located near other specialized shops	.017	.092	.758	.239	.023	-.257	.147	.037	.058
Clean and well air - conditioned banking hall	.034	.838	.111	-.063	-.126	.011	.145	.045	-.088
Adequate number of tellers to reduce queuing time	.844	.020	.149	.008	.267	.087	.018	.041	-.018
Existence of an express counter	.832	-.067	.049	-.096	.200	-.019	.023	-.131	.200
Convenient opening hours	.715	-.202	.230	.273	-.006	.105	.108	-.136	.023
Constant update on my account(s)	.573	.259	.125	.056	-.021	.364	-.277	.075	-.168
A channel for customer complaints	.793	.252	-.063	.214	.074	.092	-.056	.077	-.013
Availability of ATM services	.792	.124	-.062	.229	-.173	.044	-.023	.272	-.082
Countrywide network branches	.202	.004	.270	.632	-.322	-.177	.085	.095	-.007

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
Rotation converged in 12 iterations.
Source: Research Findings

The initial component matrix was rotated using Varimax (Variance Maximization) with Kaiser Normalization. The above results allowed the researcher to identify what variables fall under each of the nine major extracted factors. Each of the 28 variables was looked at and placed in one of the nine factors depending on the percentage of variability; it explained the total variability of each factor. A variable is said to belong to a factor to which it explains more variation than any other factor.

From the above table, the individual variables constituting the nine factors extracted are summarised and identified below-

Factor 1

Adequate number of tellers to reduce queuing time

Existence of an express counter

Convenient opening hours

Constant update on my account(s)

A channel for customer complaints

Availability of ATM services

This factor can be named good customer service

Factor 2

Clean and well air -conditioned banking hall

Enough lighting in the banking hall

Enough space for customers in the bank to move freely

Bank housed in an attractive building

This factor can be named the bank's internal environment

Factor 3

The bank is located near where I work or live

Bank located near other specialized shops

Availability of secure parking space

This factor can be named the location of the bank

Factor 4

Availability of supervisor in case of customer queries

Employees being neat and appealing

All employees working as a team

Countrywide network of branches

Ownership of bank (local or multi national)

General image of the bank

This factor can be named employees' performance and ownership of bank

Factor 5

Availability of various accounts to suit your needs

Knowledge by employees of products

This factor can be named flexibility of bank products

Factor 6

Willingness of the employees to help

Sincere interest in solving customer problems

Well-trained employees

This factor can be named high degree of customer value

Factor 7

Employees are courteous and warm with customers

This factor can be named employees' courtesy

Factor 8

Reasonable bank charges

Providing good services right first time

This factor can be named reasonable charges and reliability

Factor 9

Individualized attention to customers

This factor can be named individualized attention to customers

CHAPTER FIVE

SUMMARY, DISCUSSIONS AND CONCLUSIONS

5.1 Introduction

The study intended to find out the factors that determine customer loyalty to commercial banks and also to rank these factors in order of importance.

In the literature review, some factors were highlighted as being important in the determination of bank loyalty. This study attempted to confirm whether such factors were important and also find out any other factors that the customers consider as important.

5. 2 Summary

This study was carried out in all the banks that have branches in the Westlands area of Nairobi. The study aimed at achieving two objectives. The first objective was to identify the factors that determine brand loyalty to banks by customers in the Westlands area of Nairobi, while the second objective was to rank the factors according to their importance in determining brand loyalty.

On the factors that determine brand loyalty, all the twenty-eight factors that the researcher included in the questionnaire (Appendix 3) emerged as determining customer loyalty to a certain degree. None of the factors emerged as not being of consideration at all. Using means and standard deviations, the researcher was able to establish the degree to which each of the factors was considered by the respondents.

In order to rank the factors in terms of their importance in determining brand loyalty, factor analysis was used to reduce the number of variables. Nine factors emerged and all the twenty-eight factors considered were fitted. Prompt service was ranked as the most important factor, followed by employees' willingness to help, location of the bank, operating hours, and availability of ATM outlets in that order.

5.3 Discussions and conclusions

The findings of the study as highlighted in chapter four are discussed in this chapter.

5.3.1 Loyal customers

From the analysis, it was clear that the most loyal customers to commercial banks in Westlands area of Nairobi were employees of private companies. The analysis also found out that the majority of the customers to these banks were in the age bracket of 30-39 years.

The study also found out that the male customers were slightly more than the females. From the group surveyed, males accounted for 51.3%. This means that males earn slightly more than the females. This was in line with the findings that 65.6% of the loyal customers were married people, and this means that married people need more savings than single people.

The study also revealed that most of the banks loyal customers (87.6%) had at least college education. This means that they are knowledgeable customers who can make rational decisions.

From the analysis, it was found out that at least 68.85 of the respondents surveyed earn over Kshs 60,000 per month, while only 3.2% earn below Kshs 20,000 per month. This brings out clearly that the customers to the banks in Westlands are high-income earners.

5.3.2. Factors determining loyalty

Most of the respondents rated the factors as at least fairly important or important. Out of the factors mentioned, three of the factors were mentioned as being somewhat important meaning that they were not very important to the customers. The three were ownership of the bank, bank housed in an attractive building, and bank is located near where I work or live. Respondents rated all the other factors as important or very important.

Prompt service, employees' willingness to help, location of the bank, operating hours, and availability of ATM outlets, were the most highly rated factors by the respondents in that order.

From the analysis then, it means that most loyal customers do not care much about the ownership of the bank. They do not possibly see this consideration as adding value to their banking experience. The customers also do not consider the building in which the bank is housed. As earlier indicated, most of the loyal customers were middle aged and family people and the building does not really make a difference in their decisions.

However, well-trained employees come out as an important consideration by the customers. This could be as a result of the quality of services that the customers expect in the banks. Banking is a very sensitive issue and this makes customers consider well-trained staff to do the banking for them without any inconveniences. Willingness of the employees to help also came out as an important consideration. This is possibly because majority of the customers are working and they need employees who are willing to help them and go back to their work.

Another factor that came out as important was reasonable bank charges. This means that the customers want a bank where there are all chances to make good savings.

All in all the customers attached at least some level of importance to all the factors.

After the factor analysis, the nine factors that emerged were, good customer service, bank's internal environment, location of the bank, employees' performance and ownership of the bank, flexibility of bank products, high degree of customer value, employees' courtesy, reasonable charges and reliability, and individualized attention to customers.

5.3.3. Most important loyalty factors

After ranking the factors, prompt service was ranked as the most important factor. This means that customers attach a lot of weight to the extent to which the staff are able to serve them without delay. Employees' willingness to help, location of the bank, operating hours, and availability of ATM outlets, were other factors ranked very highly.

From the above factors, one can argue that customers want to be served fast and at convenient locations. They also want to deal with employees who appreciate them and treat them with courtesy.

5.4 Recommendations

From the findings, it is clear that the majority of the bank customers become loyal after consideration of some factors. The banks also need to understand their customers in terms of age, level of education, level of income, marital status and any other relevant basis. This will enable banks to tailor their services as they target customer loyalty. This will lead to long-term mutual and profitable relationships.

It is also recommended that banks should try to improve most of the factors that were brought out by the customers as important in their decisions. It is important that the banks maintain competitive bank charges. As such, it becomes necessary for the banks to manage their costs well. The banks should also ensure that the employee related factors such as training, being courteous, ready to help should not be left behind. This is because customers need to be treated well and served fast in order for them to remain loyal.

Lastly, it is recommended that banks keep researching in order to keep themselves abreast with the dynamics of banking and customer loyalty. This is because it is always much cheaper to serve loyal customers than to look for new ones. It is therefore recommended that commercial banks try to take into consideration all the factors that will turn their customers into loyal ones.

5.5 Limitations of the study

The result of the study may have been affected by the following possible limitations. One such limitation is the small size of the sample (154) which could have limited confidence in the results and this might limit generalizations to other situations. A larger sample size may provide more generalizable results.

Secondly, the study was carried out on the commercial banks in Westlands area of Nairobi. The banking behavior of people in Westlands may differ from that of other people in other parts of Nairobi and also in rural areas. As such, the results may not be generalized.

The third limitation was that the study relied on convenience sampling as far as respondents were concerned. This may have an effect on the results. This may produce a bias in the results in that only the willing customers filled in the questionnaires. A different sampling method, such as simple random sampling, may produce a more representative sample hence providing more generalizable results.

Another limitation was that some respondents refused to fill in the questionnaires. This reduced the response rate to 77%. This reduced the probability of reaching a more conclusive study. Even among those who were willing to fill in the questionnaire, not all of the 200 respondents approached actually filled it in, mainly due to pressure of time since the respondents were required to fill in the questionnaire as the researcher waited. If the drop and pick later option was available to the respondents, this could have reduced the non-response rate. However, conclusions were made with this response rate.

5.6 Suggestions For Further Research

This research was broad. It dealt with many different factors of customer loyalty.
The researcher suggests that a future research could be done which concentrates on the various different factors of customer loyalty. The factors could be categorized and then the different categories studied individually and independently. This may give a deeper insight into such factors and their contribution in determination of customer loyalty.

It is also suggested that this study be carried out by individual banks in order to come up with products that are tailored to suit different customer needs. This could greatly assist the banks in segmentation and eventual delivery of services to meet the needs of the various customers that they will target.

A study could also be done to determine which category of factors determines loyalty more than the other(s).

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APPENDICES

APPENDIX 1
SPECIFIED BANKS UNDER SECTION 2 OF THE CENTRAL BANK OF KENYA ACT CAP 491

African Banking Corporation Limited
Akiba Bank Limited
Bank of Africa (K) Limited
Bank of Baroda (K) Limited
Bank of India Limited
Barclays Bank of Kenya Limited
CFC Bank Limited
Chase Bank (Kenya) Limited
Charter House Bank Limited
Citibank N. A.
City Finance Bank Limited
Commercial Bank of Africa Limited
Consolidated Bank of Kenya Limited
Co-operative Bank of Kenya Limited
Co-operative Merchant Bank
Credit Bank Limited
Daima Bank Limited
Development Bank of Kenya Limited
Diamond Trust Bank of Kenya Limited
Equatorial Commercial Bank Limited
Equity Bank
Fidelity Commercial Bank Limited
Fina Bank Limited
First American Bank of Kenya Limited
Guardian Bank Limited
Giro Commercial Bank Limited
Habib Bank A. G. Zurich
Habib Bank Limited
Imperial Bank Limited
Investments & Mortgages Bank Limited
Kenya Commercial Bank Limited
K. Rep Bank Limited
Mashreq Bank P. S. C.
Middle East Bank Kenya Limited
National Bank of Kenya Limited
National Industrial Credit Bank Limited
Paramount Bank Limited
Prime Bank Limited
Southern Credit Banking Corporation Limited
Stanbic Bank Kenya Limited
Standard Chartered Bank Limited
Trans National Bank Limited
Victoria Commercial Bank Limited

Source: Central Bank of Kenya Act Chapter 491 Pp. 136 - 137

APPENDIX 2

COMMERCIAL BANKS WITH BRANCHES IN THE WESTLANDS AREA

African Banking Corporation
Bank of Africa (K) Limited
Barclays Bank of Kenya Limited
Commercial Bank of Africa
Equity Bank
Fidelity Commercial Bank Limited
Fina Bank Limited
Giro Commercial Bank Limited
Guardian Bank Limited
Habib Bank A. G. Zurich
Investments & Mortgages Bank Limited
Kenya Commercial Bank
National Industrial Credit Bank Limited
Paramount Bank Limited
Prime Bank Limited
Southern Credit Banking Corporation Limited
Stanbic Bank Kenya Limited
Standard Chartered Bank Limited

Source: Researcher's physical count

APPENDIX 3

QUESTIONNAIRE

(Please help answer the following questions)

PART A

1. Please indicate the extent to which these statements are important in the decision of your bank.

		Very Important	Important	Somewhat important	Not important	Not at all important
		(5)	**(4)**	**(3)**	**(2)**	**(1)**
1.	Availability of various accounts to suit you needs.					
2.	Reasonable bank charges					
3.	Ownership of bank (local or multinational					
4.	Availability of supervisor in case of customer queries					
5.	Knowledge by employees of products					
6.	Employees being neat and appealing					
7.	Willingness of the employees to help					
8.	Well trained employees					
9.	Employees are courteous and warm with customers					
10.	Individualized attention to customers					
11.	Sincere interest in solving customer problems					
12.	Providing good services right first time					
13.	All employees working as a team					
14.	Bank housed in an attractive building					
15.	The bank is located near where I work or live					
16	Enough space for customers in the bank to move					

	freely					
17.	Enough lighting in the banking hall					
18.	Availability of secure parking space					
19	General image of the bank					
20	Bank located near other specialized shops					
21	Clean and well air-conditioned banking hall					
22.	Adequate number of tellers to reduce queuing time					
23.	Existence of an express counter					
24.	Convenient opening hours					
25.	Constant updates on my account(s)					
26.	A channel for customer complaints					
27.	Availability of ATM services					
28	Countrywide network of branches					

2. What are the most important factors in your choice of a bank? Please rank all the factors below starting from No. 1 for the most important.

i. Wide selection of accounts. [ ]
ii. Prompt service [ ]
iii. Employees willingness to help [ ]
iv. Courtesy of employees [ ]
v. Employees' knowledge of products [ ]
vi. Complaints handling [ ]
vii. Physical facilities [ ]
viii. Employees appearance [ ]
ix. Location [ ]
x. Operating hours [ ]
xi. Availability of ATM outlets [ ]
xii. Others (specify) ……………………………………………………………………
………………………………………………………………………………………

PART B

1. What is your name? (optional)……………………………………………………

2. Please tick your occupation below as appropriate:

a. Formal employment

Public

Government [ ]

Parastatal [ ]

Private

Company [ ]

NGO [ ]

b. Self employed

Formal business person [ ]

Professional [ ]

Informal business person [ ]

Any other (specify)…………………………………………………………………

3. Please tick the age bracket in which you fall

i. Below 18 years [ ]

ii. 19 – 29 years [ ]

iii. 30 – 39 years [ ]

iv. 40 – 49 years [ ]

v. 50 years and above [ ]

4. What is your gender? (please tick)

Male [ ] Female[ ]

5. What is your highest education level?

i. Primary [ ]

ii. Secondary [ ]

iii. College [ ]

iv. University [ ]

6. Please indicate your marital status

i. Single

ii. Married

7. Please tick the bracket within which your monthly income (in Kenya Shillings) falls.

i. Below 20,000 [ ]

ii. 20,000 – 40,000 [ ]

iii. 40,000 – 60,000 [ ]

iv. 60,000 – 80,000 [ ]

v. 80,000 – 100,000 [ ]

vi. Above 100,000 [ ]

THANK YOU VERY MUCH FOR YOUR CO-OPERATION.

APPENDIX 4