CUSTOMER RETENTION STRATEGIES USED BY BARCLAYS BANK OF KENYA LIMITED IN ITS INTERNATIONAL OPERATIONS

BY

MILDRED BITENGO OMWEBU

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DECLARATION

This Research project is my original work and has not been presented for examination in any other University.

Signed………………………………Date …………………………………..

MILDRED BITENGO OMWEBU

D61/63771/2011

This Research project has been submitted for examination with my approval as University Supervisor.

Signed……………………………… Date ……………………………………

DR. JOHN YABS

SENIOR LECTURER

SCHOOL OF BUSINESS,

UNIVERSITY OF NAIROBI

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DEDICATION

I dedicate this research project to my family.

ABSTRACT

Banks need strategies to acquire customers and then understand their needs and behaviours before they can meet with their needs in order to retain them. Customer acquisition, as well as customer retention are noted to be the main issues facing the industry today as a result of restructuring of the retail banking industry which has been characterized by retail internationalization, new discoveries of technology, fierce and ever increasing competition, economic uncertainties (economic recession) and deregulation and regulations. The objective of this study was to determine the customer retention strategies used by Barclays Bank of Kenya in its international operations. This study was conducted through a case research design. Primary data sources were used in this study where data was obtained through interactive interviews. The nature of data collected was qualitative and was therefore analyzed using content analysis technique. Through content analysis, responses from different respondents were compared and summarized according to the objectives of the study. The study found out that service quality at Barclays bank is high, because the bank consistently delivers higher quality service than its competitors. The key to managing customer satisfaction in Barclays is the measurement systems and the effective interpretation on the feedback that the customers give to the bank. The factors that affect customer satisfaction in Barclays bank were found to be; customers individual attention, the behavior of employees instilling confidence in customers, physical facilities with the bank should be appealing, no charges should be cut on outstation cheques, error free, online banking facilities among others. The study concludes that Barclays bank recognizes that quality service is a key to retaining their customers. They have therefore put in place stringent measures to enhance quality of Service within the Local and International Market. The study also concludes that Barclays bank handle different customer complaints and the service failures such as excessive/hidden fees were the most common complaints the bank handles, unfavorable bank policies (e.g. granting loans) among others. To counter this bank has high service recovery strategies such as not arguing with complaining customers, received the best score, acting fast in resolving customer problems. Barclays Bank achieves effective product strategy by identifying the target customers, differentiates them into groups, interacts with each customer group, and provides customized products and solutions in a cost-effective manner. Other strategies employed by the bank to achieve good customer retention are Promotion mix, which includes advertising, publicity, sales promotion, word-of–mouth promotion, personal selling and telemarketing. Interest rates on loans, innovation and technological use, base rates and the age of the banks, minimizing attrition, reviewing, attrition numbers, unfunded accounts, and review of key processes / procedures to make them more effective and introduction of loyalty /reward program for existing customers. The study recommends that to enhance quality of service within the local and international market the bank should formulate and implement measures to ensure that the bank meets the needs and expectations of customers. The study also recommends that Barclays bank should look at products and pricing based upon a total customer view and respond to the value that customers bring to the bank across the spectrum of rates, fees, features and services to improve product mix strategy to enhance customer retention.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the study

International business (IB) 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 nations (Daniels, Radebaugh & Sullivan, 2007). Transaction of economic resources includes capital, skills, people etc. for international production of physical goods and services such as finance, banking, insurance, construction. A multinational enterprise (MNE) is a company that has a worldwide approach to markets and production or one with operations in more than a country. An MNE is often called multinational corporation (MNC) or transnational company (TNC).

Many companies focus on strategies that overemphasize new sales, seriously neglecting the vital strategies related to customer loyalty and retention (Reichheld, 2010). If service providers knew how much it actually costs to lose a customer, they would make greater effort to retain them. The essential role of banks in international and national economies is to connect those who have capital (such as investors or depositors), with those who seek capital (such as individuals wanting a loan, or businesses wanting to grow) which is the general definition of banking (Macesich, 2000).

Banks are a fundamental component of the financial system, and are active players in the financial markets. In this regard, the banks need to enhance the trend in marketing towards building relationships with customers, continued growth, and retention of customers. Not surprisingly, many practical and theoretical models of customer retention have explored satisfaction as a key determinant in customers' decisions to keep or drop (discontinue) a given product or service relationship (Lemon et al., 2002).

Barclays Bank of Kenya has made excellent progress in the implementation of the highly anticipated banking system (Barclays Report, 2010). This demonstrates the focus as a bank, on delivering cutting-edge customer service based on a robust banking system. The new system incorporates excellent technology, the key competitive advantage is the staff and how well they leverage the capability to serve its customers better and attract new customers using the system. While there has been several studies emphasizing the significance of customer retention in the banking industry (Fisher, 2001), there has been little empirical research examining the constructs that could lead to customer retention.

1.1.1 Concept of Customer retention

Customer retention is a term, which is very popular and widely used now. Below are some definitions of customer retention. An assessment of the product or service quality provided by a business that measure how loyal its customers are (Anderson & Sulivann, 1993). Customer retention is the process when customers continue to buy products and services within a determine time period (Google).Customer Retention is the activity that a selling organization undertakes in order to reduce customer defections (Wikipedia). All these definitions of customer retention point to the need by organizations to maintain their customers. To do this, organizations come up with different strategies such as assessing the quality of their goods/services.

According to Armstrong and Kotler (2008), it is important for firms to implement the right customer retention strategies in order to succeed. Traditionally, firms have focused their customer retention strategies around attracting new customers and increasing their market share. However, due to globalization, most industries and markets are becoming more and more competitive forcing significant changes in the way firms do business (Kotler, 2008). In order to retain customers in industries characterized by high competition, firms need to meet each individual customer's needs and expectations. Gumesson (2002) argues that it is the value of the customers' experiences with the product/service that is important, therefore, the strategies employed by firms are highly customized to each individual customer.

Further, study findings indicate that in order to retain customers, over time professional service providers need to place more efforts on the creation of personal relationships with the clients, as it is a strong bond-tying customer to the firm. The findings further imply that the creation of customer satisfaction and the creation of switching barriers are the main strategies employed by firms, for retaining customers. Other factors affecting professional service firms' retention strategies are the firms' ability to convey confidence, to get the customers involved, and to be able to deliver good quality services (Gummesson, 2002).

Recent marketing activity has seen a shift in emphasis among marketers from a traditional transactional approach, to one that seeks a more long-term relationship (Hollensen, 2003). According to Egan (2004), the concept of relationship marketing which is defined as the attracting, the maintaining and the enhancing of customer relationships is one important customer retention strategy. Relationship marketing is particularly important in service marketing as it determines output, quality, customer satisfaction and service provider's differentiation.

Research and studies that exist today on relationship marketing focus on the differences that exist between a product and a service (Crosby, Evans and Cowles, 1990). The differentiation, according to Gronroos (1998), is that transactional marketing is supplier-focused, whereas relationship marketing is customer-focused. This has resulted in organisations moving away from merely attracting business to attempting to retain and sustain it for the long-term. When looking at this differentiation, four main factors have been identified as characterizing a service: intangibility, inseparability, heterogeneity and perishability (Zeithaml and Bitner, 1996).

Intangibility refers to the services being characterized by performances and actions that cannot be seen, felt, tasted, inspected, or touched in the same way as with goods (Gordon, Calantone and di Benedetto, 1993). Zeithaml and Bitner (1996) argue that this entails several marketing implications. For instance, as services cannot be inventoried, it becomes difficult to Introduction manage fluctuations in demand and as services cannot be patented legally, meaning that new service concepts can be copied by competitors. Furthermore, as services cannot be readily displayed and communicated to customers, quality may be difficult to assess by customers.

Inseparability is referred to as production and consumption occurring simultaneously (Gordon et al., 1993). Zeithaml and Bitner (1996) argue that as production and consumption occur simultaneously, it becomes difficult to apply a mass production strategy. The quality of service and customer satisfaction will be highly dependent on what occurs in, real life' which includes the actions of the employees and the interactions between employees and customers.

For a supplier, the financial benefits of retaining existing customers as opposed to sourcing new ones are clearly apparent. Nonetheless, customers also benefit from a close relationship in terms of customization through improved knowledge and better understanding of business needs by the supplier (Linton, 2003). Little and Marandi (2003) argue that quality and cost are important factors in supporting long-term relationships. In particular, customer concerns over switching suppliers and the suitability of the product and any associated rectification costs possibly negating potential cost savings is a key factor in supplier retention. Customization of product and knowledge exchange between customer and supplier therefore makes the switching costs seem higher (Gummesson, 2002).

1.1.2 Concept of International Business

According to Baldwin (1985), International business is generally business operations of any sort by one firm which take place within or between two or more independent countries. Baldwin (1985) also included that the general study of I.B. is subdivided into various branches of study such as the operation of domestic firm in domestic branches; export and import trade; comparative management; comparative economics system; and functional business analysis. A more recent definition of I.B. is that it consists of transactions and activities that occur between people or organizations from different countries, which take on various forms (Arpan, 1993). All in all, international business is usually defined as the transfer of factors of production owned by organizations across national borders, or the transfer of parts of that organization across national borders (Agmon, 1989).

Even though not all the nations are that progressive and productive economically, through observation one can say that the most significant alteration that the world economy has encountered during the second half of this century has been the internationalization of business. International business activity is predicted to increase at an even faster rate in the future. According to Farmer and Richman (1966), the operation of domestic firm in domestic branches; export and import trade; comparative management; comparative economics system; and functional business analysis constitutes the branches of international business.

More and more companies start to look abroad to expand their businesses as the world becomes more and more interconnected. To manage business operations across international boundaries has become one of the largest challenges for international business today. According to Root (1994) the global economy has formed business environments that require companies to look past the traditional thinking of the home market, and start instead looking at business from an international global perspective.

The method a company ventures from their home market to new geographical markets is of great importance for how well the company succeeds with their business. According to Osland et al. (2001), small and medium size firms that have taken the decision to internationalize and multinational companies that want to expand into foreign markets are both faced with the challenge of choosing the best structural arrangements.

Since a high number of businesses from around the world enter the global market, firms need to be more specialize in order to sustain their competitiveness. The situation today for companies is not easy. There is a high level of competition between Swedish and foreign companies. This is one of the reasons to why firms should specialize and establish business operations abroad if they want to survive and grow.

1.1.3 Customer Retention in the Banking Industry

The banking industry is highly competitive, with banks not only competing among each other; but also with non-banks and other financial institutions (Hull, 2002). Most bank product developments are easy to duplicate and when banks provide nearly identical services, they can only distinguish themselves on the basis of price and quality. Therefore, customer retention is potentially an effective tool that banks can use to gain a strategic advantage and survive in today's ever-increasing competitive banking environment. The majority banks have non-domestic owners, and are not very diversified in terms of the products and services they offer (Hull, 2002). This suggests that the banking industry has reached the maturity phase of the product lifecycle and has become commoditized, since banks offer nearly identical products. This carries the danger of creating a downward spiral of perpetual price discounting: fighting for customer share (Mendzela, 1999).

The key factors influencing customers' selection of a bank include the range of services, rates, fees and prices charged (Abratt and Russell, 1999). It is apparent that superior service, alone, is not sufficient to satisfy customers. Prices are essential, if not more important than service and relationship quality. Furthermore, service excellence, meeting client needs, and providing innovative products are essential to succeed in the banking industry. Most private banks claim that creating and maintaining customer relationships are important to them and they are aware of the positive values that relationships provide (Colgate et al., 1996). While there has been several studies emphasizing the significance of customer retention in the banking industry (Fisher, 2001), there has been little empirical research examining the constructs that could lead to customer retention thus the need for the research.

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 has established an extensive network of over 117 outlets with 231 ATMs spread across the country. The bank's financial performance over the years has built confidence among the 48,000 shareholders, with a reputation of being one of the leading blue chip companies on the Nairobi Stock Exchange. The main sectors of the Kenyan economy are agriculture, manufacturing, tourism and financial services. Tea and Horticulture are the country's leading exports and tourism sector continues to play a key role in contributing towards foreign exchange earnings of the country (Barclays Report, 2010).

Barclays Bank of Kenya has made excellent progress in the implementation of the highly anticipated banking system. This demonstrates the focus as a bank, on delivering cutting-edge customer service based on a robust banking system. The new system incorporates world-class technology, the key competitive advantage is the staff and how well they leverage the capability to serve its customers better and attract new customers using the system. The replatforming program is to bring the threshold of a brand-new banking system that will ensure sustainable and profitable growth. The new system is customer-centric; it has a unique straight-through processes multicurrency feature plus the fact that it has a seamless multi-branching functionality to certainly drive home real value to the business and banking customers alike. The staff jobs were expected to be much easier as the aim of the new system is to accelerate further growth of the business, which inevitably will require more staff working smarter, and in a better controlled environment that focuses on the customers (Barclays Survey Report, 2010).

1.2 Research Problem

A leap into the future of retail banking reveals a state of quandary that raises the question as to whether future customers will still need retail banking. Technology has ushered in a regime where non-bank businesses are providing new options for safe guarding and managing the finances of customers. Additionally, customer awareness and knowledge levels have appreciated dramatically. So the dependency on banks will only be guaranteed as long as banks can provide services and value that cannot be sourced elsewhere. In this regard, banks are rethinking on what, where and how they can serve the increasingly informed and demanding customers., (IBM Corporation, 2005). For instance, the recent developments in the retail banking in the Nordic countries has seen the emergence of new small players and even new banks adopting new strategies that offers competitive full range of bank services relying on the internet as the main distribution, marketing and communication channel instead of an extensive physical branch network (Report from the Nordic Competition Authorities, 2006).

Banks need strategies to acquire customers and then understand their needs and behaviours before they can meet with their needs in order to retain them. Customer acquisition, as well as, customer retention are noted to be the main issues facing the industry today as a result of restructuring of the retail banking industry which has been characterized by retail internationalization, new discoveries of technology, fierce and ever increasing competition, economic uncertainties (economic recession) and deregulation and regulations (Blankson et al., 2009). As the battle for new customers has intensified, one resulting trend is the growing need of researching into the factors influencing customer selection and loyalty decisions of banks. Recent studies have shown importance of bank customers' loyalty to overall customer value to banks. Barclays bank being one of the major banking institutions in the country has seen a rise of MFI and other avenues of cash transactions like the mobile transfer. The rise of MFI has put great pressure on the bank's management system due to their high rate of customer reduction and increased service cost due to customer retention strategies.

Barclays Bank has always experienced a growth in profit but at a reducing rate for the past three years due to high operation cost brought by strong competition in the market.

It is for this and other possible reasons why this study is committed to identify the determining factors of customer retention by multinational companies focusing on Barclays bank. The theoretical platform of the project will be reviewed of existing literature on retail bank marketing with specific focus on youth bank selection and retention strategies. Firms that understand and adapt to the customer buying behaviours and selection decisions for offerings are more likely to succeed in acquiring the decisions of customers. The fundamental research question that is driving this study is which strategies Barclays bank of Kenya uses to retain its customers. In this current dispensation, the prevalence of committed and often inherited relationships that exist between customers and their banks has become increasingly scarce (Afsar et al., 2010). Customer needs identification and retention has become the effective means by which banks can employed to obtain strategic advantage and survive in today's ever changing and increasing banking competitive environment (Ghazizadeh et al., 2010). The following research question was answered by the study; which customer retention strategies are used by Barclays Bank of Kenya in its international operations?

1.3 Research objective

The objective of this study was to determine the customer retention strategies used by Barclays Bank of Kenya in its international operations.

1.4 Value of the study

The managers at the Barclays Bank of Kenya will gain additional knowledge in relation to the issues that need to be addressed to retain customers. This will enable them overcome the competition posed by other banks.

The commercial banks will be adequately informed on what strategies to be adopted by the bank to achieve good customer retention strategies. The findings will, therefore, be of great importance in strategic planning on customer retention.

The study focuses on the topic of customer retention and in this regard, scholars and future researchers in this area will use this study as a reference in their studies.

1.5 Chapter Summary

Chapter one presents the background on customer retention strategies used by Barclays Bank of Kenya in its international operations. The chapter also outlined the specific objectives of this research, the research problem as well as the value of the study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents the literature review, specifically the literature review focuses on customer relationship management, and the discussion includes international business theoretical foundation, customer service and customer retention, as well as strategies for retaining customers

2.2 Theoretical Framework

Theoretical positions to customer retention management emerged from three main theories: service approach, industrial marketing and general management approach.

2.2.1 Service Approach

From the service marketing approach, the way to retain customers is to improve customer service and satisfaction (Zeithaml and Bitner, 1996). In a related study, Ennew and Binks (1996) examined the links between customer retention /defection and service quality in the context of relationships between banks and their small business customers in the UK. Their findings supported the hypothesis that retention is influenced by service quality, in terms of both functional and technical, and customers relationships.

2.2.2 Industrial Marketing Approach

According to the industrial approach, customers are retained by creating multi-level bonds comprising of financial, social and structural bonds. According to Turnbull and Wilson (1989) social bonds are positive interpersonal relationships between the buyer and the seller. Although they did not provide an explicit definition of structural bonds they implied, through their illustrations that structural bonds refer to relationship that are built upon joint investments which cannot be retrieved when the relationship ends. This may be due to the complexity of the relationship and the cost of changing to another supplier. In general structural bonds have created value to the customers by saving the costs of retraining or making a new investment with a new supplier.

2.2.3 Management Approach

This theory centers on the management behaviour and how the behaviour can influence customer retention. DeSouza (1992) advocates retention measures and implementation of measures, which prevent customers defecting by learning from former customer, analyzing complaints, service data and identifying and raising barriers to customers switching. In addition, creation of a balance of the first time buyers, repeat buyers, switched away and return buyers, last time buyers. Reorganizing the firm greatly influences customer retention (Rosenberg and Czepeil (1984). Reichheld (1996) advocated the pursuit of a three-pronged approach of keeping investors, employees, and customers and the adjustment of the firm's mission, which should be about creating value for its three above-mentioned constituencies. His idea rested on the notion that disloyal employees are not likely able to build an inventory of loyal customers, and disloyal investors do not support long-term relationship programmes.

2.3 Customer Retention

Berry and Parasuraman, (1988), identified strategies for retaining customers in three ways: conceptual strategies based on extant theories, best practices strategies as reported by specialists and pragmatic strategies as observed in companies. In terms of extant theories, they considered lessons from services marketing industrial marketing, and business-to-business marketing perspectives. From the service marketing perspective, customer retention has been conceptualized as a consequence of customer-perceived service quality and customer satisfaction (Zeithaml and Bitner, 1996). A provider of services, based on such a cause-and-effect model, could therefore focus on progressively closing the gaps between customer expectations and experiences of service quality. Based on a survey of service providers, Payne and Frow (1999) offered a four-step framework: the market structure, segment the customer base and determine segment value, identify segments' service needs and implement a segmented service strategy. They claimed that the framework enables firms to allocate appropriate budgets to various segments of customers according to their projected lifetime stability.

According to Turnbull and Wilson (1989), the industrial marketing perspective, core products are often of little significance to potential buyers. Augmented products such as technical advice and long-term costs of maintenance and operation tend to be more important than functional features and selling price. They argued that firms should protect their stable customer relationships through not only social but also structural bonds. Social bonds, according to Turnbull and Wilson (1989), refer to positive interpersonal relationships between employees in the buyer and seller organizations. Although they did not provide an explicit detonation of structural bonds, they implied through their illustrations that structural bonds are built upon joint investments which cannot be retrieved when the relationship ends. Structural bonds therefore help create value for customers by saving the costs of retraining or making a new investment with a new supplier. Potential strategies for managing customer retention have also emerged from observations of management practice. DeSouza (1992) offered strategies that measure retention in terms of both crude and weighted rates; this involves interviewing former customers, analyzing complaint and service data and identifying switching behavior.

2.3.1 Customer Retention strategies

Customer service is one of the organizational processes which companies perform it considering the growing competition and for attracting entrepreneurial opportunities for increasing profitability and better access to the market and increasing the customer satisfaction level. According to Gummesson (2002), customer service has importance because it ends in increasing product quality, gaining competitive advantage, gaining profitable opportunities, and as a result increasing sales and income. The domain of the activities related to customer service is vast. There are various customer retention strategies such as service recovery, service quality, customer satisfaction, product mix strategy and perceived price fairness.

The service recovery means the ability of the service provider to solve the problem such as the customer dissatisfaction and the service failure (Gronoss, 1988). This paper adopts the definition of the service recovery as described. The active effort of the company to solve the problem helps customer have credit on the service provider. And appropriate effort for the service recovery can protect customers from switching the service provider (Colgate and Lang, 2001). The service recovery at the service encounter is a foundation to develop the customer relationship into a long term friendship. Therefore the service recovery can be a component for the switching barrier.

Berry (1995) suggested that store loyalty resulted from a consumer committed to the store through an explicit and extensive decision-making process. Customer loyalty is frequently operated as a conscious evaluation of the price/quality ratio or the willingness to pay a premium price, or alternatively price indifference (Zeithaml, Berry, and Parasuraman, 1996). Cronin and Taylor (1992) examined the causal relationships among service quality, customer satisfaction, and purchase intention. Each variable was measured by one item. There were 660 usable questionnaires randomly collected from customers of four types of businesses in the southeastern United States: banking, pest control, dry cleaning, and fast food. The results of correlation analysis have suggested that service quality was an antecedent of consumer satisfaction, service quality had less effect on purchase intentions than did consumer satisfaction, and consumer satisfaction had a significant effect on purchase intentions.

The customer satisfaction is an important factor for the customer retention but not a sufficient (Jones et al., 2000). There are many studies on the relationship between the customer satisfaction and the customer retention. Precedent studies say that the customer satisfaction is the factor affecting the customer retention in some different level (Oliva et al., 1996). The customer satisfaction has positive effect on the customer retention. Customer satisfaction is a key and valued outcome of good marketing practice. According to Drucker (1954), the principle purpose of a business is to create satisfied customers. Increasing customer satisfaction has been found to lead to higher future profitability, lower costs related to defective goods and services (Anderson, Fornell, and Rust 1997), increased buyer willingness to pay price premiums, provide referrals, and use more of the product (Reichheld 1996; Anderson and Mittal, 2000), and higher levels of customer retention and loyalty (Fornell 1992; Bolton 1998). Increasing loyalty, in turn, has been found to lead to increases in future revenue and reductions in the cost of future transactions (Reichheld 1996). All of this empirical evidence suggests that customer satisfaction is valuable from both a customer goodwill perspective and an organization’s financial perspective.

Financial product marketers need to manage their product portfolio in response to the changing environment and consumer needs, in addition to managing customer relationships effectively for achieving long-term profitability (Bell et al., 2002). The concept of a product can be understood in terms of the following four terms – actual product, expected product, augmented product, and potential product. For a financial product, the product strategy is greatly influenced by customers, competitors, technology, and government and legislation. Depending on these factors, the product mix strategy could be product mix expansion, product mix contraction, and product modification (Cannon and Cannon, 2005). Branding in financial services is done more at the corporate level than at the product level. Branding should start with a clear strategy for targeting and positioning. The brand image should be consistent with the marketing strategy (Teach and Richard, 1990). Advertising can be successful in building the brand only if the financial product caters to the requirements of the consumer and the entire service experience is consistent with the brand image that is communicated.

From the consumer's perspective, the monetary cost of something is what is given up or sacrificed to obtain a product (Zeithaml, 1988). Thus, in studies on related topics, price has often been conceptualized and defined as a sacrifice (Anderson, Fornell and Lehmann, 1994; Sweeney, Soutar, and Johnson, 1999). There are three components to the concept of price: objective price, perceived non-monetary price, and sacrifice (Zeithaml, 1988). The objective monetary price is the amount of money paid for product not equivalent to the perceived price since consumers do not always know or remember the actual price paid for a product. Instead, they encode the price in a way that it is meaningful to them (Zeithaml, 1988).

As to the relationship between price and satisfaction, research has shown that price is one of the determinants of customer satisfaction (Anderson et al., 1994; Zeithaml and Bitner, 2000). When customers were asked about the value of services rendered, they consistently considered the price charged for the service (Anderson et al., 1994). In those cases in which consumers did not consider price in forming their judgments about the quality of service, it was generally because they lacked a reference price (Zeithaml and Bitner 2000). Still, though, this group ranked price as an important factor when it came to their overall satisfaction.

2.3.2 Customer retention strategies in International Business

It is common knowledge in business circles that it is significantly cheaper to retain existing customers than to acquire new ones. By providing employees with quick access to actionable customer data, organizations better identify the right customers, increase their loyalty, and maximize their profitability. Effective customer retention begins with knowledge. Companies assemble a complete customer profile that allows users to see all demographic data, interactions, communications, and purchases made. This information, combined with robust segmentation and analysis tools, enables organizations to better gauge the profitability of each customer.

Establishing customer loyalty is only half of the equation. Organizations maximize the profitability of their existing customers and better capitalize on revenue opportunities. Organizations use robust segmentation and data mining capabilities to identify trends and patterns that indicate key selling scenarios based on buying behavior, demographics, or other criteria. Taken to another level, organizations leverage leading indicators such as lifetime value (LTV) to predict future profitability and use that information as the basis for more accurate lead scoring and effective sales engagement. In today’s economy, it is imperative that organizations not only maximize the value of existing customers but also win new business in order to establish a foundation for sustainable growth. One of the most effective ways to maximize revenue opportunities is by optimizing the marketing mix. But in order to do that, marketing departments need end-to-end visibility into marketing data through a unified CRM application. This visibility enables organizations to determine lead-to-revenue metrics and understand their true ROMI (return on marketing investment). That in turn allows them to more tightly link demand generation activities to sale execution, with the ability to adjust tactics as conditions change. Targeting the right prospects from the start is one of the fastest ways to reduce waste and improve campaign effectiveness.

A recent study indicates differences in data quality can amount to a 66 percent shift in revenue from customers (Lager 2009). More accurate customer segmentation, lead qualification, and lead scoring based on insightful customer data helps companies focus on prospects most likely to buy. Better targeting alone is not enough. And when marketing capabilities are part of a holistic CRM solution, organizations easily track their effectiveness and quickly adjust the channel or messaging to improve results. But these capabilities shouldn’t be limited to traditional channels.

With fewer resources, organizations are placing a premium on optimizing sales channels and resources. The first step to successfully re-prioritizing sales investments is to know where the organization stands today. Identify strengths and weaknesses of the current sales strategy by scrutinizing key metrics including lead evolution, sales pipeline, quota attainment, and revenue forecasts. Use dashboards and key performance indicators (KPIs) to provide real-time visualizations of sales performance. That data is then leveraged by powerful sales automation capabilities to help ensure sales resources are optimized.

While every company wants to provide superior customer service, this goal must be balanced with the need to keep costs down. One of the fastest ways to minimize costs is through automation. By automatically generating customer service cases from incoming e-mail messages, with the relevant details already populated, organizations save significant data entry time. Customer support cases are automatically assigned to the most qualified resource based on pre-defined criteria or triggers. And escalations made seamless with automatic transfer of customer details so that the supervisor can seamlessly engage with the customer where the agent left off.

2.4 Chapter Summary

Chapter two dealt with the literature review which mainly comprised of studies that have been undertaken in relation to customer retention strategies used by businesses in their international operations. Additionally, three emergent theoretical positions (service approach, industrial marketing and general management approach) to customer retention management have been reviewed. The next chapter is on the research methodology.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents in detail the methodology to be adopted in carrying out the study. It covers the following aspects: research design, population of the study, sample and sampling method, instruments for collecting data, procedure for collecting, analyzing and presenting data.

3.2 Research Design

This study was conducted through a case research design. Case studies place more emphasis on a full contextual analysis of fewer events or condition, and their inter relations (Cooper and Schindler 2006). According to Mugenda and Mugenda (1999), human behavior is best explained by using qualitative research.

Case studies provide focused and valuable insights to phenomena that may otherwise be vaguely known or understood. Other research studies that have used this design include Ochanda (2005) Mwangi, Odero, and Rinje (2006). The researcher feels that case study approach is most applicable as connection between texts and information collected can be easily obtained. It focused on understanding in depth the research question and at the same end it conceptualised the various links present inside a particular frame work. An intense and comprehensive study was conducted on customer retention strategies in the organization (Barclays bank). The chief benefit of a case study is that an entire organization can be investigated in depth and with careful attention to facts. This focus enables the researcher to cautiously study the order of events as they occur or to concentrate on identifying the relationships among functions, individuals or entities (Robinson, 2003).

3.3 Data collection

Primary data sources were used in this study where data was obtained through interactive interviews. According to Mugenda and Mugenda (2008), primary data refers to data that the researcher collects from respondents while secondary data refers to data from other sources like records and documents, thus primary data is considered more reliable and up to date. The main instrument of data collection in this study was an interview schedule. Structured interview and in-depth interviews were the two types of interviews used in research evaluation by the researcher. In structured interviews, emphasis was to obtain answers to carefully phrased questions whereas under in-depth interviews, the interviewers sought to encourage free and open responses, and this allowed a trade-off between comprehensive coverage of topics and in-depth exploration of a more limited set of questions.

Patton (2002) asserts that, the quality of the information obtained through these methods is largely dependent on the interviewer's skills and personality. In-depth interviews also encouraged capturing of respondents' perceptions in their own words, a very desirable strategy in qualitative data collection. In this study data was collected from senior staffs in customer service, marketing, products department and operations (branch network).

3.4 Data analysis

Data analysis is the whole process, which starts immediately after data collection and ends at the point of interpretation and processing data (Kothari, 2004). The nature of data collected was qualitative and was therefore analyzed using content analysis technique. Through content analysis, responses from different respondents were compared and summarized according to the objectives of the study.

Content analysis is a research tool for measuring the content of communication. Its objective is to obtain a qualitative description of the manifest content of communication (Robinson, 2003). It is suitable because of its flexibility and allows for objectivity (Cooper & Schindler, 2006).

3.5 Chapter Summary

This chapter outlined the research design and methodology used in this study. The research method used was case research design. The chapter also outlined the population from whom data was collected, senior staffs in customer service, marketing, products department and operations (branch network). The instruments to used to collect data was an interview guide and the data analysis methods are also outlined as content analysis. Results from the questionnaires served as informative evidence in explaining customer retention strategies used by Barclays Bank of Kenya in its international operations. The next chapter presents the results and findings of the study.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.0 Introduction

The objective of this study was to determine the customer retention strategies used by Barclays Bank of Kenya in its international operations. The data was collected using interview schedule.

4.1 Background Information

4.1.1 Respondents Department

The respondents were asked to indicate their area/ department where they work. They stated that they worked in the finance, marketing, IT, customer service,

4.2 Quality of service and Retention

4.2.1 Level of Service Quality in Respondents Bank

The study requested the respondents to rate the level of service quality in their bank. Majority of the respondents rated service quality at Barclays bank as high, because the bank consistently delivers higher quality service than its competitors. The key to managing customer satisfaction in Barclays is the measurement systems and the effective interpretation on the feedback that the customers give to the bank. The respondents added that the measurement of service is most commonly done through customer satisfaction surveys, focus groups, customer complaint data, call centre statistics and many other service dipsticks; however, the corrective actions that are taken after the findings are critical to improving service and differentiating the company from its competitors.

4.2.2 Areas in which the Bank Enhances the Level of Satisfaction

The respondents were asked to describe the areas in which the bank enhances the level of satisfaction. Accordingly, the respondents stated that the bank enhances the level of satisfaction by; making customer service a key business focus area, developing a sustainable service culture, deciding on customer service measurements, using technology to improve customer service, building customer relationships.

Additionally, the respondents stated that banking customers are increasingly becoming aware of the options that are open to them when managing their finances. They expect swift and easy access to funds and services as well as high levels of customer support and advice, whether in a branch, in a business centre or even at one on one relationship banking. Regardless of the delivery channels, private, personal or corporate customers demand seamless, secure and efficient banking experience twenty-four hours. The bank is striving to meet these ever-increasing demands and win new business using a combination of knowledge and technology, while retaining a human touch.

4.2.3 Enhancement of Quality of Service within the Local and International Market

The study sought to establish the respondent's opinion on how Barclays Bank can enhance quality of service within the local and international market. The respondents said that formulating and implementing measures to ensure that the bank meets the needs and expectations of customers and evoke a feeling of satisfaction on the part of the user can enhance quality of service within the local and international market. This measures should encompass; Tangibles which is the appearance of physical facilities, equipment, personnel, and communication materials. Reliability referring to the ability of the bank to perform the promised service dependably and accurately. The other measure should entail responsiveness or willingness to help customers and to provide prompt service. The respondents further added that through assurance service quality can be enhanced because the knowledge and courtesy of employees and their ability to convey trust and confidence to customers is key for customer satisfaction. Finally, the provision of caring, individualized attention to customers (empathy) may enhance service quality.

4.3 Service Recovery

The study investigated service recovery at Barclays bank. Respondents were asked a series of questions in relation to the ability of the service provider to solve the problem such as the customer dissatisfaction and the service failure**.**

4.3.1 Customer complaints and service failures handled by the bank

The study sought to determine some of the customer complaints and the service failures that the bank handle. The respondents were therefore asked to point out the complaints and service failure issues by customers. Excessive fees were the most common complaints the bank handles. This was followed by Unfavourable bank policies (e.g. granting loans), High bank charges, Long queues at the banking hall, bad employee attitude to customer concerns, slow service delivery, failure of computer systems and equipment, cumbersome procedure at the bank and uncomfortable banking hall.

4.3.2 Service Recovery Strategies by Banks

The study sought to find out if the bank has service recovery strategies. All the respondents agreed that the bank has service recovery strategies such as, not arguing with complaining customers received the best score, acting fast in resolving customer problems, showing concern for customer problem, apologizing for customer inconvenience, keeping customers informed of the recovery process, giving some form of compensation, and finding out if customers are satisfied with the recovery. The respondents also stated that the bank has also invested in an electronic customer feedback system that tests the service levels in friendliness and helpfulness, waiting time, query resolution, advocacy and overall satisfaction.

4.3.3 Efficiency of Barclays Bank's Service Recovery strategy to enhance customer satisfaction

The respondents were asked to describe the efficiency of Barclays Bank's Service Recovery strategy to enhance customer satisfaction. The respondents said that the efficiency of Barclays Bank's Service Recovery strategy to enhance customer satisfaction is very high. This is because of most of their customers who have complained and their issues resolved are loyal to the bank and even engage in positive word of mouth behaviour, thus spreading goodwill for Barclays bank. This concurs with Stauss and Schoeler (2004) findings that a very good service recovery has a strong impact on WOM (with a high significance value, at 73 per cent), and less impact on satisfaction (65 per cent) and repurchase intention or loyalty (55 per cent).

The respondents added that their employees have received training to improve on interpersonal relations in an aim to create an understanding between the customers and the bank. Bank managers have put a lot of emphasis on equipping bank staff with effective communication skills, to provide timely, adequate messages, and to improve on interpersonal skills in their relations with customers.

4.3.4 Measures to Improve the Service Recovery Strategy to Enhance Customer Satisfaction

Respondents were asked to suggest measures to improve the Service Recovery strategy to enhance customer satisfaction. Quick and timely service recovery is important for banks in order to create loyal customers and to handle possible conflicts between employees and customers. To achieve this and ensure customer satisfaction, banks should proactively put service recovery systems in place in their customer care centres. Top among the respondents suggestions was; the bank should encourage complaints, empower the employees, act quickly, apologize, build relationships to the customers, turn negative attitude to positive through service recovery, overcompensate/give extraordinary service recovery, establish service centres in store, ask for feedback by the customer service desk and display improvements made possible by feedback from customers. Similarly, Johnston and Michel (2008) found out that if failure occurs in a service setting, it is important that steps be taken to pacify the dissatisfied customers. If this is not done, it is highly likely that they will either exit or engage in negative WOM to the detriment of the service provider. The end-result could be lost sales and profits

4.4 Customer Satisfaction and Retention

This section discusses the following Customer Satisfaction and Retention; level of customer satisfaction in respondents organization; importance of customer satisfaction in respondents organization; Factors that affect customer satisfaction in Barclays bank; How Barclays Bank achieves customer satisfaction and finally on strategic imperatives for building a loyal customer base in Barclays Bank.

4.4.1 Level of Customer Satisfaction in Respondents Organization

The study sought to determine how respondents rank the level of customer satisfaction in their organization. Majority of the respondents ranked the level of customer satisfaction in their organization as high with a few ranking as very high.

4.4.2 Importance of Customer Satisfaction in Respondents Organization

The respondents were asked to indicate the importance of customer satisfaction in their organization. All respondents declared that customer satisfaction in their organization was very important.

4.4.3 Factors that affect customer satisfaction in Barclays bank

As customer satisfaction is important to organizations, the study requested the respondents to identify the factors that affect customer satisfaction in Barclays bank. The findings revealed that customers individual attention, the behavior of employees instilling confidence in customers, physical facilities with the bank should be appealing, no charges should be cut on outstation cheques, error free, online banking facilities, customers feeling safe in their transactions, employees are never too busy to respond to customers' requests , operating hours convenient to all their customers, core banking facilities, ATM should be available easily , providing the service at the time the service was promised, phone banking facilities, employees should always be neat and tidy in appearance, employees of bank must be always ready to help, ATM should always be in working condition, The employees understanding the specific needs of customers, employees telling customers exactly what services will be performed, employees giving prompt service to customers, employee having the knowledge to answer customers' questions and bank implement latest technology.

4.4.4 How Barclays Bank Achieves Customer Satisfaction

Asked how Barclays Bank achieves customer satisfaction, the respondents said that this was achieved through; accuracy of transactions, delivery of services, efficiency of customer services, physical appearance of the bank and the convenience of the branch locations influence the ability of a bank to retain her customers. The study too established that customers could be retained by the perception of the customers on the bank products and services. The image of the bank, familiarity and reliability of the bank to the customers, competitiveness of the bank and uniqueness were also found to influence customers to stay longer in one bank.

4.4.5 Strategic Imperatives for Building a Loyal Customer Base in Barclays Bank

The study sought to establish the strategic imperatives for building a loyal customer base in Barclays bank. The respondents stated that they included; focus on key customers, proactively generating high level of customer satisfaction with every interaction, anticipating customer needs and responding to them before the competition does, building closer ties with customers and creating a value perception.

4.5 Product Mix

This section discusses on achieving effective product strategy, factors that influence product strategy, product Mix Strategy and customer retention and measures to improve product mix strategy.

4.5.1 Achieving effective product strategy

The study examined how Barclays Bank achieves effective product strategy. Accordingly, most of the respondents said that, the bank identifies the target customers, differentiate them into groups, interacts with each customer group, and provide customized products and solutions in a cost-effective manner. The bank has a 360-degree view of customers, through its integrated cross-lob data, which helps to get a holistic picture of a customer's demographics, engagement, need and preferences. This knowledge enables the organization to precisely target products and services to current customers, acquire more customers that are profitable, reduce marketing costs, improve customer satisfaction and maximize lifetime value. The bank also has a sophisticated customer segmentation to cater to individualized needs. The segmentation is based on standard banking metrics such as; tenure with the bank, number of accounts, balances of accounts and loans, frequency of interaction with the bank, channel preferences along with psychographic (values, attitudes, lifestyles), behavioral (usage rate, price sensitivity, brand loyalty, and benefits sought) and demographic variables (occupation, income, and family-status).

4.5.2 Factors that influence product strategy

The study inquired from the respondents the factors that influence product strategy in Barclays Bank. Customers, competitors, technology, government, and legislation were the main factors that influence product strategy mentioned by the respondents.

4.5.3 Product Mix Strategy and Customer Retention

The study probed how Barclays Bank ensures that product mix strategy enhances customer retention. The respondents asserted that the formulation of product mix is based on the changing business environment conditions. The changing psychology, the increasing expectation, the rising income, the changing lifestyles, the increasing domination of foreign banks and the changing needs and requirements of the customers at large make it essential that the bank innovates its service mix. Therefore, the bank processes its product to market needs and the processing of market needs to product. In the first process, the needs to the target market are anticipated and visualized and therefore, the prices are expected to be productive. In the second process, the bank react to the expressed needs and therefore consider it reactive. It is essential that every product is measured up to the accepted technical standards. This is because no consumer would buy a product, which contains technical faults. Technical perfection in service is meant prompt delivery, quick disposal, and presentation of right data, right filing, proper documentation or so.

4.5.4 Measures to improve product mix strategy

Finally the respondents were asked to suggest measures to improve product mix strategy to enhance customer retention in Barclays bank. First they said that the banks should look at products and pricing based upon a total customer view and respond to the value that customers bring to the bank across the spectrum of rates, fees, features and services.

Secondly, while formulating the services mix, it is also pertinent that the bank professionals make possible affair synchronization of core and peripheral services. To be more specific, the peripheral services need an intensive care since the core services are found largely the same. This is because the formulation of product mix is found to be a difficult task that requires world-class professionalism.

4.6 Perceived Price Fairness

Pricing matters to companies for two key reasons: it affects customer satisfaction and profitability. The study investigated the perceived price fairness at Barclays Bank.

4.6.1 Fair Monetary Costs for Customers

The study sought the respondents opinion on whether the Bank ensures fair monetary costs for its customers. They stated that the bank to a great extent ensures fair monetary costs for its customers.

4.6.2 Determinants Influencing Price Strategy

The respondents were asked to indicate the determinants that influence price strategy in Barclays Banks. Accordingly, they stated that for successful pricing, price-setting decisions are only as good as the underlying information, for instance on market developments, competitors and customer preferences. The capacity to identify the relevant information, assess it and take quick decisions on this basis influences the banks pricing strategy. In addition, pricing must fit, both from the customer's point of view and in relation to the organizational and operating processes within the company. Greater transparency in particular requires not only greater efforts by the bank to better communicate their pricing decisions but also the value proposition of products and services.

4.6.3 Price Strategy and Customer Retention

The respondents were asked to explain how Barclays Bank ensures that price strategy enhances customer retention. To ensure that price strategy enhances customer retention the bank is sensitive with the way they price their products and services by lowering prices as to have a large pool of customers flowing their way.

4.6.4 Measures to Enhance Price Fairness and Customer Retention

The study looked at the measures that can enhance Price Fairness to enhance customer retention in Barclays bank according to the respondents. They said that pricing policy for financial products requires differentiation at the product level because ultimately this is where many parameters differ. The more homogeneous the product, the more intense the price competition usually. So for current accounts this should tend to be more pronounced than for individual asset management

Secondly, with new products there is often greater scope for structuring prices, since the benchmark is less clear and the focus is on the innovative aspect of the product. Accordingly, stiffer price competition is the outcome in areas where there is little (scope for) innovation and generally also for the "classics" such as current accounts or simple installment credit. Trend products can typically be sold at higher prices than standard items, since buyers are prepared to pay a corresponding premium. Although financial products are less seasonal than consumer products such as clothing, skis or ice cream, investment products in particular are nevertheless subject to trends, e.g. investments in certain sectors or regions that impact on demand. Finally, the urgency and substitution options: While urgency usually raises the willingness to pay and reduces price elasticity, the range of options for substituting providers and products is an important factor in the pricing of individual products. The more obvious alternatives there are, the less scope there is to enforce premia on individual products.

4.6.5 Other Strategies Employed to Achieve Good Customer Retention

The respondents were requested to state other strategies are employed by the respondents bank to achieve good customer retention. They mention; Promotion mix which includes advertising, publicity, sales promotion, word-of– mouth promotion, personal selling and telemarketing. These components are useful in the banking business in the following ways:

The bank uses use this component of the promotion mix with motto of informing, sensing and persuading the customers. Telemarketing plays an incremental role in marketing the banking services. The oral publicity plays an important role in eliminating the negative comments and improving the services. This also helps the banker to know the feedback, which may simplify the task of improving the quality of services. Other strategies used to retain customers in the bank are interest rates on loans, innovation and technological use, base rates and the age of the banks, minimizing attrition, reviewing, attrition numbers, unfunded accounts, and review of key processes / procedures to make them more effective and introduction of loyalty /reward program for existing customers.

4.6.6 Competitive advantages

The study assessed how the respondent's bank manages its competitive advantages. The respondents pointed out that the bank to maintain its competitive advantage through optimizing its processes, innovation of pricing & risk models and development or enhancement of market leading IT platform.

4.6.7 Overall Customer Satisfaction and Retention in the Bank

The study asked the respondents to comment on the overall customer satisfaction and retention in their bank. Accordingly, the respondents were of the opinion that customer satisfaction and retention was high but there was room for improvement. They said that, Barclays Bank should seek to attract and retain customers with a compelling multi-channel experience across all touch points (branches, online, mortgage and investment advisors, etc.) as technology continues to rapidly change the way consumers behave and interact. Virtual channels are becoming more relevant, with the increasing penetration of high-speed Internet connectivity and Web-enabled mobile devices allowing consumers to spend more time online. Bank customers will not only continue to use a mix of channels, but will use non-branch channels for increasingly complex banking transactions While retail branches remain a core banking channel, research shows that customer traffic is in some cases flat or declining, as customers come to rely more heavily on digital/phone channels.

4.7 Chapter Summary

The findings on customer retention strategies in international operations revealed that service quality at Barclays bank is high, because the bank consistently delivers higher quality service than its competitors. The key to managing customer satisfaction in Barclays is the measurement systems and the effective interpretation on the feedback that the customers give to the bank. In addition, the measurement of service is most commonly done through customer satisfaction surveys, focus groups, customer complaint data, call centre statistics and many other service dipsticks; however the corrective actions that are taken after the findings are critical to improving service and differentiating the company from its competitors.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter explains the study summary, discussions, conclusions, recommendations and suggestions for further study.

5.2 Summary of the findings

The study found out that service quality at Barclays bank is high, because the bank consistently delivers higher quality service than its competitors. The key to managing customer satisfaction in Barclays is the measurement systems and the effective interpretation on the feedback that the customers give to the bank. In addition, the measurement of service is most commonly done through customer satisfaction surveys, focus groups, customer complaint data, call centre statistics and many other service dipsticks; however the corrective actions that are taken after the findings are critical to improving service and differentiating the company from its competitors.

The study also revealed that the bank enhances the level of satisfaction by; making customer service a key business focus area, developing a sustainable service culture, deciding on customer service measurements, using technology to improve customer service, building customer relationships.

Furthermore, banking customers are increasingly becoming aware of the options that are open to them when managing their finances. They expect swift and easy access to funds and services as well as high levels of customer support and advice, whether in a branch, in a business centre or even at one on one relationship banking. Regardless of the delivery channels, private, personal or corporate customers demand seamless, secure and efficient banking experience twenty-four hours. The bank is striving to meet these ever increasing demands and win new business using a combination of knowledge and technology, while retaining a human touch.

The study established that Barclays Bank can enhance quality of service within the local and international market by formulating and implementing measures to ensure that the bank meets the needs and expectations of customers and evoke a feeling of satisfaction on the part of the user can enhance quality of service within the local and international market. This measures should encompass; Tangibles which is basically the appearance of physical facilities, equipment, personnel, and communication materials. Reliability referring to the ability of the bank to perform the promised service dependably and accurately. The other measure should entail responsiveness or willingness to help customers and to provide prompt service. The respondents further added that through assurance service quality can be enhanced because the knowledge and courtesy of employees and their ability to convey trust and confidence to customers is key for customer satisfaction. Finally, the provision of caring, individualized attention to customers (empathy) may enhance service quality.

The study determined that some of the customer complaints and the service failures that the bank handle were; excessive/hidden fees were the most common complain the bank handles. This was followed by Unfavourable bank policies (e.g. granting loans), High bank charges, Long queues at the banking hall, bad employee attitude to customer concerns, slow service delivery, failure of computer systems and equipment, cumbersome procedure at the bank and uncomfortable banking hall.

However the bank was found to have service recovery strategies such as not arguing with complaining customers received the best score, acting fast in resolving customer problems, showing concern for customer problem, apologizing for customer inconvenience, keeping customers informed of the recovery process, giving some form of compensation, and finding out if customers are satisfied with the recovery. The bank has also invested in an electronic customer feedback system that tests the service levels in friendliness and helpfulness, waiting time, query resolution, advocacy and overall satisfaction.

The efficiency of Barclays Bank’s Service Recovery strategy to enhance customer satisfaction was found to be very high. This is because of most of their customers who have complained and their issues resolved are loyal to the bank and even engage in positive word of mouth behaviour, thus spreading goodwill for Barclays bank.

In addition, their employees have received training to improve on interpersonal relations in an aim to create an understanding between the customers and the bank. Bank managers have put a lot of emphasis on equipping bank staff with effective communication skills, to provide timely, adequate messages, and to improve on interpersonal skills in their relations with customers.

Suggest measures to improve the Service Recovery strategy to enhance customer satisfaction were pointed out as; quick and timely service recovery is important for banks in order to create loyal customers and to handle possible conflicts between employees and customers. To achieve this and ensure customer satisfaction, banks should proactively put service recovery systems in place in their customer care centres. Top among the respondents suggestions was; the bank should encourage complaints, empower the employees, act quickly, apologize, build relationships to the customers, turn negative attitude to positive through service recovery, overcompensate/give extraordinary service recovery, establish service centres in store, ask for feedback by the customer service desk and display improvements made possible by feedback from customers.

The level of customer satisfaction in Barclays bank was found to be high and very important. The factors that affect customer satisfaction in Barclays bank were found to be; customers individual attention, the behavior of employees instilling confidence in customers, physical facilities with the bank should be appealing, no charges should be cut on outstation cheques, error free, Online banking facilities, Customers feeling safe in their transactions, Employees are never too busy to respond to customers' requests , Operating hours convenient to all their customers, Core Banking facilities, ATM should be available easily , Providing the service at the time the service was promised, Phone banking facilities, employees should always neat & Tidy in appearance, Employees of bank must be always ready to help, ATM should always be in working condition, The employees understanding the specific needs of customers, Employees telling customers exactly what services will be performed, Employees giving prompt service to customers, Employee having the knowledge to answer customers' questions and Bank implement latest technology.

Customer Satisfaction at Barclays Bank was found to be achieved through; accuracy of transactions, delivery of services, efficiency of customer services, physical appearance of the bank and the convenience of the branch locations influence the ability of a bank to retain her customers. The study too established that customers could be retained by the perception of the customers on the bank products and services. The image of the bank, familiarity and reliability of the bank to the customers, competitiveness of the bank and uniqueness were also found to influence customers to stay longer in one bank.

The study revealed that the strategic imperatives for building a loyal customer base in Barclays bank include; focus on key customers, proactively generating high level of customer satisfaction with every interaction, anticipating customer needs and responding to them before the competition does, building closer ties with customers and creating a value perception.

Barclays Bank achieves effective product strategy by identifying the target customers, differentiate them into groups, interacts with each customer group, and provide customized products and solutions in a cost-effective manner. The bank has a 360-degree view of customers, through its integrated cross-lob data, which helps to get a holistic picture of a customer's demographics, engagement, need and preferences. This knowledge enables the organization to precisely target products and services to current customers, acquire more profitable customers, reduce marketing costs, improve customer satisfaction and maximize lifetime value. The bank also has a sophisticated customer segmentation to cater to individualized needs. The segmentation is based on standard banking metrics such as; tenure with the bank, number of accounts, balances of accounts and loans, frequency of interaction with the bank, channel preferences along with psychographic (values, attitudes, lifestyles), behavioral (usage rate, price sensitivity, brand loyalty, and benefits sought) and demographic variables (occupation, income, and family-status).

The factors that influence product strategy in Barclays Bank were established as being customers, competitors, technology, government, and legislation.

The study also revealed that Barclays Bank ensures product mix strategy by formulation of product mix is based on the changing business environment conditions. The changing psychology, the increasing expectation, the rising income, the changing lifestyles, the increasing domination of foreign banks and the changing needs and requirements of the customers at large make it essential that the bank innovates its service mix.

Therefore, the bank processes its product to market needs and the processing of market needs to product. In the first process, the needs to the target market are anticipated and visualized and therefore, the prices are expected to be productive. In the second process, the bank react to the expressed needs and therefore consider it reactive. It is essential that every product is measured up to the accepted technical standards. This is because no consumer would buy a product, which contains technical faults. Technical perfection in service is meant prompt delivery, quick disposal, and presentation of right data, right filing, proper documentation or so.

Suggested measures to improve product mix strategy to enhance customer retention in Barclays bank were; the banks should look at products and pricing based upon a total customer view and respond to the value that customers bring to the bank across the spectrum of rates, fees, features and services. Secondly, while formulating the services mix, it is also pertinent that the bank professionals make possible affair synchronization of core and peripheral services. To be more specific, the peripheral services need an intensive care since the core services are found largely the same. This is because the formulation of product mix is found to be a difficult task that requires world-class professionalism.

The study established that the bank to a great extent ensures fair monetary costs for its customers. The determinants that influence price strategy in Barclays Banks were found to be for successful pricing, price-setting decisions are only as good as the underlying information, for instance on market developments, competitors and customer preferences. The capacity to identify the relevant information, assess it and take quick decisions on this basis influences the banks pricing strategy. In addition, pricing must fit, both from the customer's point of view and in relation to the organizational and operating processes within the company. Greater transparency in particular requires not only greater efforts by the bank to better communicate their pricing decisions but also the value proposition of products and services.

To ensure that price strategy enhances customer retention the bank was found to be sensitive with the way they price their products and services by lowering prices as to have a large pool of customers flowing their way.

The measures that can enhance Price Fairness to enhance customer retention in Barclays bank was determined as differentiation of financial products at the product level because ultimately this is where many parameters differ. The more homogeneous the product, the more intense the price competition usually. So for current accounts this should tend to be more pronounced than for individual asset management

Secondly, with new products there is often greater scope for structuring prices, since the benchmark is less clear and the focus is on the innovative aspect of the product. Accordingly, stiffer price competition is the outcome in areas where there is little (scope for) innovation and generally also for the "classics" such as current accounts or simple installment credit. Trend products can typically be sold at higher prices than standard items, since buyers are prepared to pay a corresponding premium. Although financial products are less seasonal than consumer products such as clothing, skis or ice cream, investment products in particular are nevertheless subject to trends, e.g. investments in certain sectors or regions that impact on demand. Finally, the urgency and substitution options: While urgency usually raises the willingness to pay and reduces price elasticity, the range of options for substituting providers and products is an important factor in the pricing of individual products. The more obvious alternatives there are, the less scope there is to enforce premia on individual products.

The study found out that other strategies employed by the bank to achieve good customer retention are Promotion mix which includes advertising, publicity, sales promotion, word-of–mouth promotion, personal selling and telemarketing. These components are useful in the banking business in the following ways: The bank uses use this component of the promotion mix with motto of informing, sensing and persuading the customers. Telemarketing plays an incremental role in marketing the banking services. The oral publicity plays an important role in eliminating the negative comments and improving the services. This also helps the banker to know the feedback, which may simplify the task of improving the quality of services. Other strategies used to retain customers in the bank are interest rates on loans, innovation and technological use, base rates and the age of the banks, minimizing attrition, reviewing, attrition numbers, unfunded accounts, and review of key processes / procedures to make them more effective and introduction of loyalty /reward program for existing customers.

Barclays bank was found to manage its competitive advantages through optimizing its processes, innovation of pricing & risk models and development or enhancement of market leading IT platform.

The overall customer satisfaction and retention in the bank was found to be high but there is room for improvement. Barclays Bank should seek to attract and retain customers with a compelling multi-channel experience across all touch points (branches, online, mortgage and investment advisors, etc.) as technology continues to rapidly change the way consumers behave and interact. Virtual channels are becoming more relevant, with the increasing penetration of high-speed Internet connectivity and Web-enabled mobile devices allowing consumers to spend more time online. Bank customers will not only continue to use a mix of channels, but will use non-branch channels for increasingly complex banking transactions While retail branches remain a core banking channel, research shows that customer traffic is in some cases flat or declining, as customers come to rely more heavily on digital/phone channels.

5.3 Conclusion

The study concludes that Barclays bank recognizes that quality service is key to retaining their customers. They have therefore put in place stringent measures to enhance quality of Service within the Local and International Market.

The study also concludes that Barclays bank handle different customer complaints and the service failures such as excessive/hidden fees were the most common complain the bank handles, Unfavourable bank policies (e.g. granting loans) among others. To counter this the bank has high service recovery strategies such as not arguing with complaining customers received the best score, acting fast in resolving customer problems. Their employees have received training to improve on interpersonal relations in an aim to create an understanding between the customers and the bank. The strategic imperatives for building a loyal customer base in Barclays bank include; focus on key customers, proactively generating high level of customer satisfaction with every interaction, anticipating customer needs and responding to them before the competition does, building closer ties with customers and creating a value perception.

Barclays Bank achieves effective product strategy by identifying the target customers, differentiate them into groups, interacts with each customer group, and provide customized products and solutions in a cost-effective manner. The factors that influence product strategy in Barclays Bank were established as being customers, competitors, technology, government, and legislation. The study also revealed that Barclays Bank ensures product mix strategy by formulation of product mix is based on the changing business environment conditions.

The bank to a great extent ensures fair monetary costs for its customers. To ensure that price strategy enhances customer retention the bank is sensitive with the way they price their products and services by lowering prices as to have a large pool of customers flowing their way.

Other strategies employed by the bank to achieve good customer retention are Promotion mix which includes advertising, publicity, sales promotion, word-of–mouth promotion, personal selling and telemarketing. Interest rates on loans, innovation and technological use, base rates and the age of the banks, minimizing attrition, reviewing, attrition numbers, unfunded accounts, and review of key processes / procedures to make them more effective and introduction of loyalty /reward program for existing customers.

5.4 Recommendations

The study recommends that to enhance quality of service within the local and international market the bank should formulate and implement measures to ensure that the bank meets the needs and expectations of customers.

The bank should implement policies that ensure tangibility, reliability, responsiveness assurance empathy of service quality.

To improve the Service Recovery strategy to enhance customer satisfaction, the study recommends that the bank should ensure quick and timely service recovery in order to create loyal customers and to handle possible conflicts between employees and customers.

The study also recommends that Barclays bank should look at products and pricing based upon a total customer view and respond to the value that customers bring to the bank across the spectrum of rates, fees, features and services to improve product mix strategy to enhance customer retention in.

5.5 Suggestions for Further Studies

This study was a case study on Barclays bank staff. The data was collected from the staff of Barclays Bank. The case could be different in other local banks in Kenya. The study therefore recommends that further studies be done on other banks to establish more on customer retention strategies used by Barclays Bank of Kenya in its international operations.

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Appendix i: Letter of introduction

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

Telephone: 020-2059162
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE 08-7-15

TO WHOM IT MAY CONCERN

The bearer of this letter MILDRED BITENGO OMWEBU

Registration No. D61/63771/11

Is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

UNIVERSITY OF NAIROBI
08 JUL 2015
P.O. Box 30197 - 00100, NAIROBI

PATRICK NYABUTO
MBA ADMINISTRATOR
SCHOOL OF BUSINESS

Appendix ii: Interview Guide

1. Indicate your area/ department where you work

Quality of service and Retention

2. How would you rate the level of service quality in your bank? Explain
3. Describe the areas in which the bank enhances the level of satisfaction?
4. How can Barclays Bank enhance quality of service within the local and international market

Service Recovery (ability of the service provider to solve the problem such as the customer dissatisfaction and the service failure**)**

5. What are some of the customer complaints and the service failures that the bank handles?
6. Does the Bank have Service Recovery strategies?
7. Describe the efficiency of Barclays Bank's Service Recovery strategy to enhance customer satisfaction
8. Suggest measures to improve the Service Recovery strategy to enhance customer satisfaction

Customer Satisfaction and Retention

9 How do you rank the level of customer satisfaction in your organization?

10 What is the importance of customer satisfaction in your organization?

11 What are the factors that affect customer satisfaction in Barclays bank

12 How does Barclays bank achieve customer satisfaction

13 What are the strategic imperatives for building a loyal customer base in Barclays bank

14 Suggest measures to improve customer satisfaction strategies to enhance customer retention in Barclays bank

Product Mix

15. How does Barclays Bank achieve effective product strategy?
16. What are the factors that influence product strategy in Barclays Bank
17. How does Barclays Bank ensure that product mix strategy enhances customer retention?
18. Suggest measures to improve product mix strategy to enhance customer retention in Barclays bank

Perceived Price Fairness

19. Does the Bank ensure fair monetary costs for its customers?
20. What determinants influence price strategy in Barclays Banks
21. Explain how Barclays Bank ensure that price strategy enhances customer retention?
22. What are the measures that can enhance Price Fairness to enhance customer retention in Barclays bank
23. What other strategies are employed by your bank to achieve good customer retention?
24. What strategies are employed by your bank to achieve good customer satisfaction?.
25. How does your bank manages its competitive advantages?
26. Comment on the overall customer satisfaction and retention in your bank?