

**INFLUENCE OF RELATIONSHIP MARKETING ON PERFORMANCE OF
COMMERCIAL BANKS IN KENYA**

BY

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DECLARATION

Declaration by the candidate

This research report is my original work and has not been presented for a degree or diploma in any other university for examination.

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Declaration by supervisor:

This research report has been submitted for examinations with our approval as university supervisors.

Signature.....

Date

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DEDICATION

I dedicate this thesis to my family and friends who in one way or the other helped me.

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First I would like to thank the Almighty God for enabling me reach this far, to Him be all the Glory and honor.

Secondly I wish to thank my supervisors, for their assistance and tireless efforts for guiding me in writing this thesis.

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ABSTRACT

The general objective of this study was to investigate the influence of relationship marketing on performance of commercial banks in Kenya. The study used a descriptive survey design which involves identifying the characteristics of an observed phenomenon or exploring possible correlations among two or more phenomena. The target population of this study was all the 43 banks in Kenya. The respondents (unit of analysis) were all the 43 heads of customer relationship management. Through purposive sampling the study reached 43 respondents in the commercial bank headquarters in Nairobi. The method of data collection was through questionnaires as the main data collection instrument. These were administered through drop and pick method to the respondents. The collected data was sorted according to different categories. Before processing the responses, the completed questionnaires were edited for completeness and consistency. The raw data from questionnaires was checked for completeness, errors, and coded for analysis using Statistical Package for Social Sciences (SPSS). Qualitative data was analyzed by use of content analysis. This study concludes that relationship managers and other staff in related departments understand that marketing as a form of marketing developed from direct response marketing campaigns which emphasizes customer retention and satisfaction, rather than a dominant focus on sales transactions. The study also concludes that relationship marketing is about winning the customer at every sales encounter and that there are various marketing practices adopted by the commercial banks sampled some of which are; that the management conducts regular polls and surveys of customer database to ensure they understand the current challenges and needs of our market, that the bank strives to integrate customer feedback as much as possible in order to improve products and services. To a great extent, RM has enhanced customer satisfaction, repeat purchase, more customer referrals, shareholder value, and customer retention, an indication that retention marketing practices adopted had a positive impact towards brand trust, customer satisfaction, repeat purchase, more customer referrals, shareholder value, customer retention and customer loyalty, hence their overall performance. This study recommends that the management should come up with RM programs to ensure that employees are well trained on the extent of importance of RM practices adoption towards the performance of a commercial bank. Commercial banks should also continue adopting more and more modern RM practices or related activities for these have a great impact on customer satisfaction, brand trust, customer loyalty, customer interaction and customer retention.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Stiff competition in the global market and dynamic changing external business environment has necessitated companies to adopt relationship marketing in order to establish, maintain and enhance relationships with customers and other parties at a profit so that the objectives of the parties involved are met (Sheth and Kellstadt, 2002). When the relationship is established between the customer and the company, brand loyalty is created from the customer's repeat purchase and this translates to more profits to the company hence the firms overall performance. Sternquist & Jin (2003) asserts that firms have been forced to engage in international expansion for a variety of reasons. The interest of any financial firm key among them are; the desire to reach beyond a mature home market with low growth potential, a need to diversify the investment, intense competition locally and the economic down turn. As a result, companies are changing in a number of ways including; reengineering, outsourcing-commerce, benchmarking, alliances, partner suppliers, and market centered, from being local to both local and global and decentralized. The application of relationship marketing in the financial industry requires banks and other related firms to adopt effective related practices towards performance.

Doyle and Stern (2006) defines relationship marketing as a long term continuous series of transactions between parties which occurs when each trusts the other to deal fairly, reliably and helpfully. Relationship marketing has therefore emerged as a popular new paradigm due to shift in focus from customer acquisition to customer retention. Due to increased competition today's companies are beginning to understand the value that customers, rather than the value the products generate for them.

To retain these customers banks strive to develop meaningful relationships with key customers and more so to manage those customer relationships more proactively Reinartz, Thomas & Kumar 2005). Relationship marketing therefore attempts to create a more holistic, personalized brand experience to create stronger customer ties. Kottler,

Keller, Koshhy (2009) found out that a number of companies are today shaping separate officers, services and messages to individual customers based on information about past transactions, demographics, psychographics and media and distribution preferences.

1.1.1 Concept of Relationship Marketing

The book by Kotler (1999) defines relationship marketing as the practice of building long-term satisfying relations with key parties; customers, suppliers, distributors in order to retain their long-term preference and business. Relationship marketing was first defined as a form of marketing developed from direct response marketing campaigns which emphasizes customer retention and satisfaction, rather than a dominant focus on sales transactions. Gordon, Ian (1999) asserts that relationship marketing includes techniques such as marketing, sales, customer care and communication. The relationship is not only enhanced by these strategies, but its life period can be increased significantly. As the customer realizes the value of relationship, they are drawn closer to the marketer. The said marketing strategy not only focus on building relationship and attracting customers to the products and services offered, but also ensures that they stay and continue buying over and over (Kottler, Keller, Koshhy, 2009).

Relationship marketing is particularly applicable, where the customers have many other options in the market-place, for the same product or service and the customer is then entitled to make a selection decision (Kottler, Keller, Koshhy, 2009). There is no loyalty and the customer is not obliged to buy from you. To remain competitive and to retain customers, businesses have to try to maintain their clients by providing comparatively better products and excellent service and hence, achieving customer loyalty, which means repeat business and good reviews. Relationship marketing is designed to develop strong connections with customers by providing them with information directly suited to their needs and interests and by promoting open communication.

Relationship marketing often results in increased word-of-mouth activity, repeat business and a willingness on the customer's part to provide information to the

organization (Doyle and Stern 2006). Relationship marketing has also migrated back into direct mail, allowing marketers to take advantage of the technological capabilities of digital, toner-based printing presses to produce unique, personalized pieces for each recipient (Galvin & Evans, 2005). Benefits of relationship marketing to competitive companies' include; customer retention and attraction, understanding customer characteristics, delivery and meeting expectations, repeat business, prevents negative transition, word-of-mouth marketing, increasing customer base, reduced marketing costs, minimization of customer price sensitivity and customer identification with the company (Doyle and Stern, 2006).

1.1.2 Concept of Firm Performance

Firm performance comprises the actual output or results of an organization as measured against its intended outputs (or goals and objectives). Performance involves the ability of an organization to fulfill its mission through sound management, strong governance and a persistent rededication to achieving results. Effective organizations are mission-driven, adaptable, customer-focused, entrepreneurial, outcomes oriented and sustainable. Creating flexible, high-performing, learning organizations is the secret to gaining competitive advantage in a world that won't stand still. Performance measures can be financial or nonfinancial. Both measures are used for competitive firms in the dynamic business environment (Doyle & Stern, 2006).

Financial measures of firm performance include; return on assets, return on sales, return on equity, return on investment, return on capital employed and sales growth. Accounting measures have several strengths. They are widely available because governments require firms to publish accounting data and the fact that they are subject to internal controls within firms enhances their reliability. Non-financial firm performance measures include; opportunities to maximizing returns on investment at minimal costs, promote stakeholder relations between customers, suppliers, investors, and competitors, increase profits, volume of sales, market share, development of new products, and communication within and outside the organization. But the foundation of long-term performance is lifetime customer value; the revenue customers generate

over their lives, less the cost of acquiring, converting, and retaining them (Galvin, Evans, 2005).

1.1.3 Overview of the Commercial Banking Industry in Kenya

The banking industry in Kenya has emerged as one of the fast growing sector in the economy. The growth has been mainly underpinned by; firstly an industry wide branch network expansion strategy both in Kenya and in the East African community region. And secondly, automation of a large number of services and a move towards emphasis on the complex customer needs rather than traditional 'off-the-shelf banking products.

According to the Price Waterhouse Coopers [PWC] (2010), the banking industry is governed by the Companies Act, the Banking Act, and the Central Bank of Kenya Act. Central Bank of Kenya (CBK) is mandated to formulate and implement monetary policies and to foster liquidity and solvency and foresee the proper functioning of the financial systems in the country (PWC, 2010). Over five years (2001-2006) there have been tremendous growth in the Kenyan banking industry. Changes in the Kenyan economy and commercial banks have not been spared from the impact of these changes. The banking sector in Kenya comprises 43 registered commercial banks that are governed and controlled by laws. The laws are divided and partitioned to cover the different aspects in the banking industry. It also enables the government to keep an eye in the way the banks operate and are managed (www.cbk.co.ke).

Even though the overall picture indicates that Kenya's banking sector is well capitalized, especially the large and medium banks, the small banks which account for almost half the number of existing banks risked being undercapitalized. Due to increasing competition, major players have introduced various products in bid of attracting customers. For example, the Mpesa-Mkesho Banking Services, by Equity bank limited the Pesapoint by family bank limited, the M-shwari by the Safaricom and the CBA bank limited (www.cbk.co.ke).

Das (2009) on customer satisfaction reported that quality service delivery to customers by Commercial Banks in Kenya still has remained a challenge due to inappropriate strategies adopted. Adoption of effective strategies by Commercial Banks in Kenya in

managing service quality will enhance organizational performance and market competitiveness based on quality. Regardless the benefits achieved from relationship marketing by commercial banks, the extent of adoption of the strategy has remained a major challenge in attracting and retaining customers. Therefore, due to challenges including loss of market share, decreased volume of sales, decreased profits and lack of customer loyalty becomes the motive behind this study.

Due to new technologies in the business environment, customers are changing their needs and wants. Companies should identify new ways of serving customers in order to remain competitive in the market. Relationship marketing has become of the strategies competitive companies attract and retain customers using modern technologies which are internet enabled to serve customers in a better and satisfactory manner. Due to stiff competition, companies have penetrated global markets using e-commerce marketing strategies, social media networks and mobile phone technologies.

Commercial banks in Kenya are now aiming at increasing the size of their customer's wallet. The banks are now training their employees in cross selling and up selling their products. They have realized the benefits from lowered costs and increased profitability from the long term relationships. On the other hand customers will enjoy the services of an organization that understands them and their requirements and they will also have a reliable financial service provider.

1.2 Problem Statement

The role of relationship marketing in the changing marketing trends cannot be overlooked. Kottler (2003) in his book asserts that one of the things of most value to a company is its relationships—with customers, employees, suppliers, distributors, dealers, and retailers. The company's relationship capital is the sum of the knowledge, experience, and trust a company has with its customers, employees, suppliers, and distribution partners. These relationships are often worth more than the physical assets of a company.

Various authors have presented that relationship marketing activities influence financial and non financial performance directly and also help build and/or maintain customer–

seller relationships, which then influence customer behaviors, which in turn generate improvements in the seller's financial outcomes (Zineldin and Philipson, 2007; Das, 2009; Adamson, Chan & Handford, 2003; Gronroos, 2004; Kotler and Armstrong, 1999; Berry, 1995). Relationship marketing enable companies to increase market share, penetrate foreign markets, increase profits, increase sales, and reduce production and marketing costs. Large and small organizations need to use relationship marketing strategy in order to survive in the dynamic marketing environment. Despite the benefits of relationship marketing, competitive companies are facing challenges in the market which include; stiff competition, change of technology, changing customer needs and wants, inadequate information by companies on relationship marketing (Sheth and Kellstadt, 2002).

Commercial banks in Kenya are operating in a dynamic business environment which is characterized by stiff competitions in the industry leading to a decreased volume of sales, profits, markets share and lack of customer loyalty. It is evident from research that competitive companies that have applied relationship marketing have gained competitive edge in the market. It is therefore emerging that the strength of a banks today lies in the quality of service they offer to their customers through relationship marketing. Increased competition among the commercial banks, increased pressure to increase profits, high cost of acquiring new customers and improving corporate image remains key challenges to commercial banks in Kenya (Kimani, 2010).

Various studies have been carried out in Kenya. For example, a study carried out by Kimani (2010) on customer relationship and performance of manufacturing firms in Kenya found out that various businesses did not understand the concept of customer relationship in the dynamic business environment. A study by Moyi (2010) on the influence of Customer relationship strategies on performance of supermarkets in Kenya found out that most organizations have little knowledge on customer relationship management. Wanjohi (2008) also conducted a study on the relationship between customer relations and SMEs performance in Kenya found out that, there was a positive relationship between customer relationship and SMEs performance in terms of profits generated. Kuria's (1999) study established that though awareness of the relationship

marketing strategy by bank market marketers was high, its implementation was rather low and unilateral. While the study laid its focus on establishing the extent of adoption of relationship marketing strategy in the banking sector, this study sought to answer the question; what is the influence of relationship marketing on performance of Commercial Banks in Kenya?

1.3 Research Objective

The general objective of this study was to investigate the influence of relationship marketing on performance of commercial banks in Kenya.

1.4 Value of the Study

The study would be of importance to relationship managers and officers in the sampled commercial banks in that they may use the findings while initiating the process of customer acquisition as well as when offering financial services and advice the concerned staff on the issues of relationship marketing practices geared towards performance. From this they would be able to make informed decisions to evaluate the value of the customers they are managing or recruiting, this would ultimately lead to good customers service and low level customers switching to other service providers.

This study would also be important to the policy makers and the government. In this case, the policy makers in the banking industry may use the findings of the study to craft viable strategies to assist in attaining and retaining key customers in the bank as well as remain competitive in the industry. The Government as a key policy maker in the policies regulating commercial banks would be able to make informed decisions and advising management on the best practices. Other players like investors in the banking industry would use the findings of the study to improve their services for the benefit of consumers and their survival.

The academicians will find the study useful as it will highlight areas for further research and also will contribute to new knowledge. The academicians being charged with dissemination of knowledge to various stakeholders will hence find this study useful when doing so. Other researchers will use the study to further their study in this area by reviewing the empirical literature and establishing study gaps to fill.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter presented the literature reviewed on relationship marketing. The reviewed literature was discussed in line with the reports from various presentations by various authors and academicians. The areas presented in this chapter were; concept of relationship marketing, theoretical foundations on relationship marketing, organization performance and the effect of relationship marketing on organizational performance.

2.2 Theoretical Foundations

2.2.1 The Six-Markets Model

The diagram below shows the Six-Markets Model as presented by Christopher, Payne & Ballantyne (2002).



Source : Christopher, M., Payne , A. and Ballantyne, D. (2002) *Relationship marketing: creating stakeholder value*. Oxford: Butterworth- Heinemann

The customer market domain is central to the model, as customers are important in all marketing activities. Christopher, Payne & Ballantyne (2002) suggested that companies marketing activities should concentrate on creating, keeping and retaining profitable customers. Firms should focus on individual sales processes, building long-term relationships with customers and generating repeat purchases. This will create stronger

links between the internal processes and the needs of customers, resulting in higher levels of customer satisfaction. Christopher, Payne & Ballantyne (2002) stated that, in the domain of the customer market, RM has unquestionably replaced the transaction approach and can be applied to the dynamics of a range of businesses, including to the interactions of securities brokerage firms' marketing staff and their customers.

There are two key players in this market – customers and non-customers. In this type of market the companies' best marketers are their customers, as satisfied clients create a strong positive impact by word-of-mouth referrals. In addition, but to a lesser extent, non-customers can also have a positive impact by recommending a firm to prospective customers. Examples of “non-customer” participation in this type of market include networks, suppliers, agencies and third party introducers (Christopher, Payne and Ballantyne, 2002).

Both suppliers and alliance members need to be considered as partners. The suppliers or vendors provide physical resources to the business, such as raw materials, components and products. Alliance members in this type of market should also be treated as partners. The difference between the two is that alliance members supply competencies, capabilities and other knowledge-based services rather than being product-based like their supplier cousins (Christopher, Payne and Ballantyne, 2002).

Christopher, Payne and Ballantyne (2002) stated that the domain of the influence market usually has the most diverse range of component groups. There are, for example, shareholders, financial analysts, stockbrokers, the business press and media, user and consumer groups, professional associations and unions. Each of these groups has a significant influence on firms, their products and services. This view was supported by Saren (2007) who noted that the essential aim of RM strategies was value creation for both parties through relationships and even partnerships in the marketplace. Although, the most important actors are the customers, the marketer should not forget stakeholders and partners who can influence and support a firm's marketing operations.

Christopher, Payne and Ballantyne (2002) pointed out that it is widely accepted that people are the most important asset of any organisation. Firms have to make themselves

attractive to potential employees and do everything possible to retain the highest quality people. Each organisation's human assets contribute significantly to its continued operation and their sharing the organisation's values lead to both the firm's and the employees' future success. Marketing in a recruitment market is particularly important for a company whose employees provide the key element in maintaining competitive advantage, as is the case for the subjects of this research - securities brokerage firms and their marketing and sales officers.

2.2.2 Social Exchange Theory

The social exchange theory (SET) was based on the works of Homans (1974) and is widely viewed as one of the most influential conceptual paradigms in organizational behavior (Cropanzano and Mitchell, 2005). As exchange ideology is also said to influence individuals' sensitivity to organizational politics, job satisfaction and commitment, SET is used to evaluate buyer-seller relationships (Witzel, 2006). SET suggests that there are as many as six different resources influencing interpersonal attachments: love, status, information, money, goods and services. Although most of these are not fully appreciated by organizational scientists, SET is said to have "the potential to provide a unitary framework for much of organizational behavior" (Cropezano and Mitchell 2005). The theory suggests that to be an effective competitor (in the global economy) requires one to be a trusted cooperator (in some networks)". In the social exchange model, commitment and trust are the key mediating variables because they encourage exchange partners to preserve relationship investments, resist attractive short-term alternatives, and maintain the belief that partners will not act opportunistically.

As business partners interact with one another on a regular basis, trust may develop. Trust is defined as one party's confidence in its partner's reliability and integrity (Morgan and Hunt, 1994). According to the literature, the construct of trust is an important element of long-term buyer-seller relationships in a business environment (Griffith, Jacques & Bettina, 2006). Trust, the willingness to rely on an exchange partner in whom one has confidence, is viewed as an important feeling: because of its ability to moderate risk in the buying process (Morgan & Hunt, 1994). Trust captures

the company's belief that another company will perform actions that result in positive outcomes for the company, as well as not take unexpected actions that could result in negative outcomes. A trusted supplier reduces behavioural uncertainty of the buyer by reducing risk, search costs (such as opportunity or disincentive costs) and expenses (Windsperger, 1994). In the same vein, the information provided by a trusted party is used more and provides greater value to the recipient.

Commitment is defined as a desire to maintain a relationship or resistance to change the supplier. Commitment in the B-to-B context is closely related to loyalty. Organizational commitment is specified as the relative strength of an individual's identification with and involvement in a particular organization. Managers and researchers have paid considerable attention to organizational commitment, which has been shown to be a predictor of important organizational outcomes such as turnover, absenteeism, and tardiness. Thus, relationship marketing literature has recognized that customer commitment is a complex multidimensional construct that includes at least an affective, continuance and normative component (Gilliand and Bello, 2002).

2.3 Relationship Marketing Concept

The American Marketing Association's definition of marketing indicates that marketing is an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders. Thus, the overall definition of marketing identifies the process of managing relationships as one of its key charters, parallel to more traditional marketing-mix factors. The domain that deals with "relationships," termed relationship marketing and often attributed to Berry (1983), has been defined in many different ways by scholars from various research perspectives (Harker, 1999).

Relationship marketing is concerned with how a firm relates to its customers and stakeholders and how this, in turn, impacts on business development and the management of customers' needs (Gronroos, 2000). RM is referred to as a process of attracting, maintaining and enhancing relationships with customers and stakeholders (and, when necessary, terminating them) at a profit, so that the objectives of the parties

involved are achieved through mutual exchange and the fulfillment of promises (Zineldin and Philipson, 2007; Das, 2009; Adamson et al., 2003; Gronroos, 2004; Kotler and Armstrong, 1999; Berry, 1995).

RM strategy, its successful implementation requires three important processes to be incorporated into RM planning: As the interaction process is core, a dialogue between a service provider and its customers will only emerge from value enhanced interactions. A dialogue is required for the sharing and creation of knowledge among parties. A planned communication process is a distinct aspect of RM communication. Marketing communication is predominantly mass marketing together with the expanding area of direct marketing. Sales are a direct product of a communication process. Value creation should be an outcome of RM. The creation of value should be supported by marketing communication before and during the interactions within the relationship.

Relationship marketing involves interactions, relationships and networks as the three central pillars of this marketing perspective (Gummesson, 2003). It also includes the use of databases in which information is compiled, analyzed and reformulated to meet the individual needs of customers, thus increasing their life-time value to a financial institution (Nowesnick, 1993). The ongoing, interactive use of customer databases (Nowesnick, 1993) leads to mutually beneficial relationships (Gilbert and Choi, 2003). Adamson et al. (2003) focused on the fulfillment of promises between customers and service providers. RM creates mutual value (Bruhn, 2003) which impacts on how a business develops and how customers' needs are managed (Gronroos, 2000; Bennett and Barkensjo, 2005; Tapp, 2005). Eiriz and Wilson (2006) noted that database/interactive marketing's major contribution to RM strategy is to help manage restricted utilitarian exchanges which primarily focus on sales within consumer markets. In addition, database/interactive marketing can be accommodated within the traditional marketing mix paradigm rather forming a new RM paradigm.

Gilbert and Choi (2003) and Morris, Brunyee & Page, (1998) explored these characteristics as RM practices in a business context, for example, invitations to cocktail parties, receptions/meals, seminars, introductions to new products/services, information exchange, provision of research/newsletters, updating client databases and

providing regular information updates. Moreover, Vargo and Lusch (2004) stated that interactivity, integration, customization and co-production with customers are the hallmarks of a service-oriented view which focuses on the customer and relationship building.

2.4 Organization Performance

Measuring and analyzing organizational performance plays an important role in turning organizational goals to reality. The performance is usually evaluated by estimating the values of qualitative and quantitative performance indicators (e.g., profit, number of clients, costs) (Nowesnick, 1993). It is essential for a company to determine the relevant indicators, how they relate to the formulated company goals and how they depend on the performed activities. Nowadays many managers recognize this and put conscious effort in defining company-specific goals, performance indicators and evaluate them. However in practice such analysis is usually done in an informal, ad-hoc way and will benefit from a more systematic approach (Chan, 2003).

The first step towards an improvement in this area is to make explicit the available knowledge on performance indicators and how they are related. In order to use this knowledge in a modern framework for organization modelling it is necessary to formalize the concept of a performance indicator together with its characteristics, relationships to other performance indicators and relations to other formalized concepts such as goals, processes and roles. This will not only contribute to the design and analysis of organizations and the evaluation of their performance but will also enable reuse, exchange and alignment of knowledge and activities between organizations (for example supply chains). Every task in an organization contributes to the satisfaction of one or more organizational goals through performing its process instances. Each goal is formed based on a certain performance indicator(s) which can be measured (directly or indirectly) during or after the process execution depending on the goal evaluation type in the end or during a certain period of time (evaluation period defined as goal horizon) (Nowesnick, 1993).

2.5 Effect of relationship marketing on firm performance

Marketing practitioners and theorists routinely cite the power of the personal referral on customer behaviour which is always achieved through relationship marketing. Royal & Payne (2002) developed taxonomy of referral types, broadly split into two groups: customer referrals and non-customer referrals. Customer referrals may be either customer initiated or company initiated. Customer-initiated referrals originate from current or former customers who have been satisfied or delighted with their experiences (Bennett and Barkensjo, 2005).

Kotler's (2003) explains that the the most effective ways to market your services and brand is through the strong relationships you already have with existing clients. Relationship marketing leads to a greater client experience with your firm. A greater client experience translates into a stellar reputation for your firm, which in turn leads more of the right clients to your door. Creating Stakeholder/shareholders value extends the analysis of the change in the marketing rationale from a crude concern for increased market share to a strategy aimed at creating long-term profitable relationships with targeted customers.

For most service organizations, economic success depends on an ability to maintain long-term relationships with customers who purchase their offerings repeatedly (Reinartz, et.al., 2005). Understanding the reasons customers repeatedly purchase from a service firm therefore represents an issue of essential importance. Service research has identified a multitude of potential repeat purchase drivers which among them present relationship marketing initiatives put in place by an organization which later creates on loyal consumers.

These customers have earned most advantages from the company suggests. Nonetheless, every company should aim goal setting to create loyal customer, but loyalty has never be so strong that customers do not accept those competitor suggestion that have more value (Kotler, 2003). A number of studies have identified that relationship marketing strategies (i.e., financial bonds, social bonds and structural bonds) enhance customer loyalty. Financial bonds enhance customer relationships

through special price offers or other financial incentives to loyal customers (Hsieh, Chiu, & Chiang, 2005).

Das (2009) added that RM has been defined in many ways, for example, as customer satisfaction, share of customers, customer retention and loyalty. All of these can be characterised according to the related underlying constructs of trust, commitment, cooperation, closeness and relationship quality. Das (2009) notes that RM is relatively more strategic in nature while CRM is more tactical. CRM is also about implementing RM using information technology (Ryals and Payne, 2001). Secondly, RM goes beyond the customer and supplier tradition and encompasses building relationships with all stakeholders (Gummesson, 1994). Finally, RM concentrates more on the emotional and behavioural, using concepts such as bonding, empathy, reciprocity and trust. The return on relationship model (Gummesson, 1999) suggests that a good relationship leads to good quality and good customer satisfaction. Good quality arises as internal relationships / employee relationships are fostered. Good customer satisfaction arises as specific customer needs and wants are understood better and served better. Good quality and customer satisfaction leads to customer retention and consequent improved profitability.

Relationship marketing enhances interpersonal communication. Communication is defined as the formal and informal exchanging and sharing of meaningful and timely information. Communication in RM means providing information that is trustworthy, deals with quality and fulfils promises. It is the marketer's task to build awareness and customer preference by promoting quality, value, performance and other features, and to encourage interested buyers to make purchase decisions (Bennett and Barkensjo, 2005). Bennett and Barkensjo (2005) suggested that two-way communication helps customers to interact with the organisation, for example, by receiving newsletters, brochures, information on upcoming events, email or accessing a web site. Customers are then able to respond to the organisation by seeking more information or advice.

It is only through relational marketing that interactivity that customer retention is enhanced. Customer retention is very important because of business competitive environment. Thus, a marketing expert to give heed to RM and its tactics. Nowadays,

salesman strives not only to provide high-quality goods and services but also to retain loyal customer due to long-time profitable (Day, 2000). To perform and exert RM principles in real world, a manager ought to know better of factors such as market situation, equipment of informing, database, customer's ability to make use of informational systems, and other effective environmental factors to beget an amicable and warm relation with customer because the importance of any tactic is changed at time and place.

Personal selling plays a key role in the partnering especially in buyer-seller relationships (Weitz and Bradford, 1999). The focus of personal selling shifts from influencing buyer behavior to a management of conflict inherent in the buyer-seller relationships. Conflict management approaches include that of avoidance, accommodation, confrontation, compromise and collaboration. The approaches indicate commitment (high or low) through signaling and have low to high levels of exchanging information. The approaches vary in their levels of assertiveness and cooperation (Weitz and Bradford, 1999).

2.6 Conceptual Framework

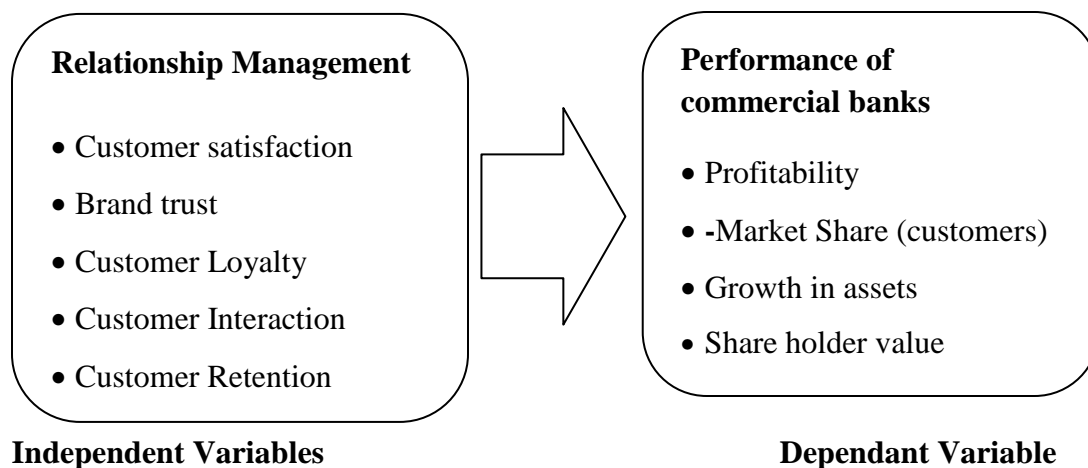


Figure 2.1: Conceptual Framework

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

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

3.2 Research Design

The study used a descriptive survey design which involves identifying the characteristics of an observed phenomenon or exploring possible correlations among two or more phenomena. Descriptive research involves gathering data that describe events and then organizes, tabulates, depicts, and describes the data collection (Bryman and Bell, 2003). All closed ended questions helped gather quantitative data while the open ended questions gathered qualitative data. Thus, this approach was appropriate for this study, since the researcher intended to collect detailed information through gathering both qualitative and quantitative data. This descriptive survey design approach provided descriptions of the variables in order to answer the research questions in the study.

3.3 Target Population

According to Ngechu (2004) a population is a well defined set of people, services, elements, events, group of things or households that are being investigated. The target population of this study was all the 43 banks in Kenya. The study targeted one (1) respondent from each of the commercial banks from which to get valid information on the objectives of the study. The respondents (unit of analysis) were all the 43 heads of customer relationship management (or an equivalent staff from the very department) in the commercial banks headquarters in Nairobi since they were knowledgeable of the relationship marketing practices they had put in place with the aim of retaining customers and performance of their respective banks (see appendix, 1).

3.4 Sample

Sampling refers to the process of obtaining information about an entire population by examining only a part of it. A sample is the segment of the population that is selected for investigation (Bryman & Bell, 2003). Through purposive sampling the study reached 43 respondents in the commercial bank headquarters in Nairobi. The study purely considered the heads of customer relationship management (or an equivalent staff from the very department).

3.5 Data Collection methods and Procedures

The method of data collection was through questionnaires as the main data collection instrument. Secondary data on performance of a given bank over the last 5 years was also be obtained by the researcher so as to make views relative to the study objective. The data was gathered from relevant company annual journals. The questionnaire was designed in a structured manner which captures all the variables under study. In this case, there were both closed and open-ended questions which allowed for various responses by the respondents. These were administered through drop and pick method to the respondents. The questionnaire was ideal because the researcher gave the respondents an opportunity to respond at their convenience. The questions were organized in a way which was easy to the customer relations managers to give their views on the influence of relationship marketing on performance of commercial banks in Kenya.

3.6 Data Analysis

The collected data was sorted according to different categories. Before processing the responses, the completed questionnaires were edited for completeness and consistency. The raw data from questionnaires was checked for completeness, errors, and coded for analysis using Statistical Package for Social Sciences (SPSS). Quantitative data was presented using tables, graphs, pie charts and figures appropriately while the open-ended questions were analyzed by use of content analysis.

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter presents the data analysis, interpretation and presentation. The aim of this study was to investigate the influence of relationship marketing on performance of commercial banks in Kenya. The data presented was collected by use of a questionnaire in which the respondents were required to answer on the various aspects on relation marketing. Both quantitative and qualitative analysis was used to analyze the data.

4.1.1 Response Rate

	Frequency	Percentage
Responded	41	95
Not Responded	2	5
Total	43	100

The study purely sampled all the heads of customer relationship management who were 43 in total. A total of 43 questionnaires were distributed to the respondents out of which only 41 got responses while the rest did not. The study therefore established that the response rate of the study was 95% which is ample according to Mugenda and Mugenda, 2003).

4.2 General Information of the Respondent

4.2.1 Gender of the Respondents

Table 4.1: Gender of the Respondents

Gender	Frequency	Percentage
Male	21	51
Female	20	49
Total	41	100

The study sought to determine the gender of the respondent and therefore requested the respondents to indicate their gender, from the findings the study found that majority of the respondents as shown by 51% indicated that they were males whereas 49% of the respondent indicated that they were females, this is an indication that both genders were

involved in this study and thus the finding of the study would not suffer from gender biasness. Besides, all the 41 respondents who participated in the study were either customer relationship managers or a staff from the same department.

4.2.2 Age of the Respondents

Table 4.2: Age bracket which best describes the respondents

	Frequency	Percentage
18-30 Years	10	24
31-43 Years	13	32
44-56 Years	11	27
57 & above Years	7	17
Total	41	100

The study sought to establish on the age of the respondents. On the age of the respondents the study found that 32% of the respondents indicated that they were aged between 31-43 Years, 27% of the respondents indicated that they were aged between 44-56 years, 24% of the respondent indicated that they were aged between 18-30 years whereas 17% of the respondent indicated that they were aged 57 & above Years, this clearly show that the respondents mostly managers were well distributed in terms of their age.

4.2.3 Level of Education

Table 4.3: Level of Education

	Frequency	Percentage
University	25	61
Middle Level College	16	39
Total	41	100

The study required the respondents to indicate their level of education. According to the results displayed in the table above, majority of the respondents as shown by 61% they had university level education while the rest as shown by 39% said that they middle level colleges' education certificates respectively.

4.2.4 Duration respondent have served in the bank

Table 4.4: Duration respondent have served in the bank

	frequency	percentage
Less than 1 year	2	5
1 to 2 years	3	7
3 to 4 years	15	37
5years and more	21	51
total	41	100

Respondents were required by the study to indicate the duration they served in the bank. According to the study findings as displayed in the table above, majority of the respondents (51% had served in their respective banks for duration of 5 years and above, 37% said 3-4 years, 7% said 1-2 years while 5% said they had served in their respective commercial banks for a period of less than 1 year. This is an implication that being relationship managers or equivalent staff, majority of the respondents had served in a duration that depicts their understanding on relationship marketing.

4.3 Respondents understanding of relationship marketing

In an open ended question, the study sought the respondents understanding of the relationship marketing as applied in their organization. According to the responses analyzed, the study established that most of the respondents explained relationship marketing as a form of marketing developed from direct response marketing campaigns which emphasizes customer retention and satisfaction, rather than a dominant focus on sales transactions, or as all related marketing activities that are aimed at establishing a close relationship between the bank and its clients, or marketing that aims at attracting and retaining customers in a banking institution. Other respondent's defined relationship marketing as a type of marketing where an organization has to handle customers with care geared towards their satisfaction and happiness of association with the bank.

4.4 Respondents experience in doing relationship marketing activities

The study required the respondents to state their experience in doing relationship marketing activities. On this question, the study established that most of the

respondents experience in marketing ranged from a realization that the goal of marketing is to own the market, not just to sell the products; and that having a single-sales focus involves dealing with pre-mature information about the customer and winning the customer at every sales encounter, a less efficient and effective use of investment compared to one time acquisition and maintaining sustainable relationships with them. Other respondents explain their experience as having known that “Marketing is everything and everything is marketing” and that relationship marketing is actually a marketing in modern times which is not simply a function; but it is a way of doing business. Marketing has to be all- pervasive, a part of everyone’s job description in order to integrate the customer into design of the product and a process for interaction. Respondents added that relationship marketing emphasizes on retaining profitable customers, emphasizes on a cross functional approach to marketing and emphasizing on multiple stakeholders.

Table 4.5: The department that oversees the planning, implementation and evaluation of relationship marketing activities in the organization

	Frequency	Percentage
Corporate Affairs	21	51
Branch Manager	11	27
Head of banking	9	22
Total	41	100

Respondents were required to state the department that oversees the planning, implementation and evaluation of relationship marketing activities in the organization. According to the results displayed in the table above, majority of the respondents shown by 51% said it’s the role of corporate affairs department to oversee the planning, implementation and evaluation of relationship marketing activities in the organization. Other respondents as shown by 27% said the branch manager while 22% of them said it’s the role of the head of banking operations who oversees the planning, implementation and evaluation of relationship marketing activities in the organization.

4.5 Various relationships marketing practices adopted by the bank

The study sought from the respondents the various marketing practices adopted by the commercial banks sampled. On this question, most of the respondents said that they

knew of relationship marketing activities which ranged from: that the management conducts regular polls and surveys of customer database to ensure they understand the current challenges and needs of our market, that the bank strives to integrate customer feedback as much as possible in order to improve our products and services. Also respondents indicated that their respective banks understand the power of social media and has active profiles set up on all the popular social sites such as Facebook, Twitter, LinkedIn, and Google+ and hence uses the platforms to explain well on the operations as well as quick responses to consumers. Most of the respondents also said that the bank had effective listening and monitoring systems in place and that the banks have adopted corporate social media policy that lets staff know what can and cannot be said, what actions can and cannot be taken, and how to handle any negative situation. Respondents also indicated that their bank utilizes a reliable customer relationship management strategy and conducts regular training sessions for all members of staff on proper customer relations and social media best practices. In addition, other practices also mentioned by the respondents were evolving, adapting and integrating new technologies, involvement in CSR activities based on health, education, entertainment, sports and talent world while embracing high-tech, high-touch by reaching out to customers, prospects, vendors and partners. Respondents also indicated that other practices were related to consistently going out of their ways to let the customers know how much the banks value them.

4.6 Influence of Relationship Marketing on Performance of Commercial Banks

Table 4.6: Level of customer satisfaction in bank

	Frequency	Percentage (%)
Very high	17	41
High	20	49
Average	3	7
Low	1	2
Very low	0	0
Total	41	100

Respondents were required by the study to indicate the level of customer satisfaction in bank. The results displayed in the table above showed that majority of the respondents

represented by 49% said that the level of customer satisfaction in bank was high, 41% said very high, 7% said was average while only 2% who indicated that the level of customer satisfaction in the bank was very low.

Table 4.7: Extent the respondent is satisfied on the way customers are treated in the bank

	Frequency	Percentage
Very large extent	13	32
Moderate extent	2	5
No extent	0	0
Large extent	25	61
Less extent	1	2
Total	41	100

The sought to find out the extent the respondent was satisfied on the way customers are treated in the bank. On this question, majority of the respondents as shown by 61% indicated that they were satisfied to a large extent on the way customers were treated in the bank, 32% said very large extent, 5% said moderate extent, while 2% of the respondents said less extent. An implication that respondents were satisfied on the way customers are treated in the bank. The same results are as shown in the figure below;

Table 4.8: Extent listed relationship marketing activities were practiced in the organization

Relationship marketing activities	Very great extent	Great extent	Moderate extent	Little extent	No extent
	(F)%	(F)%	(F)%	(F)%	(F)%
Analyzing of customer data to uncover previously unknown relationships that can be used to develop relational exchanges	(18)43	(3)7	(11)26	(9)23	(0)1
Undertaking customer data-mining to identify important customers who warrant special attention	(16)38	(9)22	(9)23	(4)10	(3)7
Designing and implementing programs to efficiently and effectively allocate the appropriate resources to each customer	(16)38	(9)22	(9)23	(4)10	(3)7
Use of informational technology to provide a mechanism by which customer needs can be uncovered.	(26)64	(10)24	(3)7	(1)2	(1)3
Adopting the use of dedicated software to analyze customer information in real time	(27)66	(10)24	(2)5	(2)4	(0)1
Ensuring adherence to laws and regulations governing the conduct of business and maintaining high ethical standards	(21)52	(10)24	(6)15	(2)6	(1)3
Gathering and integrating information on customers	(5)11	(16)38	(20)49	(0)1	(0)1
Embracing a customer-oriented culture aimed at the long-term retention of selected customers.	(8)20	(25)60	(6)14	(2)4	(1)2
Developing mechanisms of understanding customer drivers and customer profitability.	(9)23	(27)66	(4)10	(0)1	(0)0
Entering into one-to-one communication with a customer	(7)16	(28)69	(6)15	(0)0	(0)0
Being innovative in market offerings in order to entrench attributes into the offerings that match consumers' ideal combination of attributes	(7)17	(29)71	(5)12	(0)0	(0)0
Developing inter-organizational information systems to efficiently and effectively manage the bank's customer relationships.	(4)10	(30)74	(5)12	(1)2	(1)2
Making a shift in emphasis from managing product portfolios to managing portfolios of customers	(7)16	(30)74	(4)10	(0)0	(0)0
Enhancing internal marketing to have employees view themselves as part of the overall marketing process	(4)10	(31)76	(4)10	(1)2	(1)2
Developing distinctive competences and capabilities that are in line with customer needs and preferences	(8)20	(32)79	(0)0	(0)1	(0)0
Exhibiting high level of trustworthiness and reliability Being continuously committed to meeting customer needs and preferences.	(6)15	(34)84	(0)1	(0)0	(0)0
Ensuring that all promises to the customer are fulfilled to the letter. Developing unique resources to address unique customer requirements	(4)10	(34)84	(1)2	(1)2	(1)2
Managing customers as important assets	(2)6	(36)88	(1)2	(1)2	(1)2
Developing and integrating information and communication infrastructures to efficiently and effectively manage bank's customer relationships.	(5)11	(36)89	(0)0	(0)0	(0)0

The research study required the respondents to indicate the extent to which some listed relationship marketing activities were practiced in their organization. On this question, majority of the respondents agreed to a great extent on; the use of informational technology to provide a mechanism by which customer needs can be uncovered as shown by 64%, adopting the use of dedicated software to analyze customer information in real time as shown by 66% and ensuring adherence to laws and regulations governing the conduct of business and maintaining high ethical standards as shown by 52%. Majority of the respondents also agreed to a very great extent that; there was analyzing of customer data to uncover previously unknown relationships that can be used to develop relational exchanges shown by 43%, there was undertaking customer data-mining to identify important customers who warrant special attention shown by 38% and that there was the designing and implementing programs to efficiently and effectively allocate the appropriate resources to each customer as shown by 38% respectively.

On the same question, majority of the respondents agreed to a great extent that embracing a customer-oriented culture aimed at the long-term retention of selected customers, their bank had developing mechanisms of understanding customer drivers and customer profitability and that their bank preferred entering into one-to-one communication with a customer. Majority of the respondents were also in agreement that their bank was being innovative in market offerings in order to entrench attributes into the offerings that match consumers' ideal combination of attributes, was keen in developing inter-organizational information systems to efficiently and effectively manage the bank's customer relationships and was making a shift in emphasis from managing product portfolios to managing portfolios of customers. Respondents also agreed that their bank was involved in; enhancing internal marketing to have employees view themselves as part of the overall marketing process, developing distinctive competences and capabilities that are in line with customer needs and preferences, exhibiting high level of trustworthiness and reliability Being continuously committed to meeting customer needs and preferences, ensuring that all promises to the customer are fulfilled to the letter, developing unique resources to address unique customer requirements, managing customers as important assets and in developing and integrating information and communication infrastructures to efficiently and effectively manage

bank's customer relationships as shown by 60%, 66%, 69%, 71%, 74%, 74%, 76%, 79%, 84%, 84%, 88% and 89% respectively. On the same question, majority of the respondents moderately agreed that the bank was engaged in gathering and integrating information on customers as a customer relationship practice.

Table 4.9: Extent relationship marketing initiatives have enabled each of the listed outcomes of RM in the organization

Due to relationship marketing	Very great extent	Great extent	Moderate extent	Little extent	No extent
	(F)%	(F)%	(F)%	(F)%	(F)%
Brand trust	(2)6	(36)88	(1)2	(1)2	(1)2
Customer satisfaction	(5)11	(36)89	(0)0	(0)0	(0)0
Repeat purchase	(7)16	(30)74	(4)10	(0)0	(0)0
More customer referrals	(8)20	(25)60	(6)14	(2)4	(1)2
Shareholder value	(9)23	(27)66	(4)10	(0)1	(0)0
Customer retention	(14)33	(22)54	(3)8	(2)4	(0)1
Customer loyalty	(21)52	(10)24	(6)15	(2)6	(1)3

The study was to establish the extent to which relationship marketing initiatives have enabled each of the listed outcomes of RM in the organization. According to the results displayed in the table above, majority of the respondents agreed to a very great extent that relationship marketing initiatives has enhanced customer loyalty in their organizations as shown by 52%. Majority of the respondents also agreed that to a great extent have enhanced customer satisfaction, repeat purchase, more customer referrals, shareholder value, and customer retention and customer loyalty as shown by 88%, 89%, 74%, 60%, 66% and 54% respectively. This is an implication that retention marketing practices adopted by majority of the commercial banks sampled by the study had a positive impact towards brand trust, customer satisfaction, repeat purchase, more customer referrals, shareholder value, customer retention and customer loyalty, hence their overall performance.

Table 4.10: Respondents extent of agreement on statements related to influence of RM on customer satisfaction, customer loyalty, in the bank

Due to relationship marketing	Very great extent	Great extent	Moderate extent	Little extent	No extent
	(F)%	(F)%	(F)%	(F)%	(F)%
Proper marketing is always be conducted to enhance customer satisfaction at all costs	(23) 55	(9) 22	5)12	(4)10	(0)1
This bank has been efficient in its operations and customers are satisfied with operations	(22) 54	(14)34	(2)6	(2)5	(0)1
The shareholder value and hence the dividends of this bank has been increasing over the years	(22) 54	(10)25	(6)15	(2)6	(0)0
the bank have managed to increase its asset base over the last 5 years	(22) 54	(13)31	(3)8	(2)5	(1)2
The interest rates of this bank are pleasing to customers therefore increasing their will and commitment to stay	(17)41	(9)23	(12)29	(3)7	(0)0
I am satisfied with the profitability levels of my bank over the last 5 years	(17)41	(12)30	(8)20	(2)5	(2)4
The bank has managed to increase its products in the recent years hence making it grow	(16)40	(18)43	(2)6	(5)11	(0)0
Customers tend to stay with this service provider for a long period of time	(16)40	(21)52	(2)4	(1)2	(1)2
The market share of the company have been increasing tremendously recently	(15)37	(11)27	(11)28	(3)8	(0)0
Customers tend to pay more than competitors prices for the benefits am receiving from the company	(14)34	(15)36	(6)15	(3)7	(3)8
There are enough staff who ensure customer satisfaction is achieved and ultimately improving the bank's reputation	(10)25	(14)35	(9)23	(4)10	(3)7
I would recommend this banks activity to others	(10)24	(15)36	(12)30	(4)10	(0)0
I really care about the fate of this banks existing and new customers	(10)24	15)36	(12)30	(3)8	(1)2
I really care about the fate of this banks existing and new customers	(7)16	(15)36	(19)47	(0)0	(0)1
I am willing to put in extra effort to create customer loyalty	(7)16	(15)36	9)19)47	(0)1	(0)0
I believe this bank has done all that is required to retain customers	(6)14	(11)27	(15)36	(9)22	(0)1
Customers are proud to tell others that they are using services from my bank	(6)14	(11)27	(15)36	(9)23	(0)0
The bank has provided all types of products to enhance customer satisfaction	(4)10	(16)38	(21)50	(0)1	(0)1
The bank management always make every effort to satisfy customer needs first	(3)8	(17)42	(11)26	(9)23	(0)1

The study finally sought the respondents extent of agreement on statements related to influence of RM on customer satisfaction, customer loyalty, in the bank. According to the study findings, majority of the respondents agreed to a very great extent that; Proper marketing is always be conducted to enhance customer satisfaction at all costs as shown by 55%, their bank has been efficient in its operations and customers are satisfied with operations as shown by 54%, the shareholder value and hence the

dividends of this bank has been increasing over the years as shown by 54% and that the bank have managed to increase its asset base over the last 5 years as shown by 54% respectively. On the same level of agreement, majority of the respondents that the interest rates of this bank were pleasing to customers therefore increasing their will and commitment to stay as shown by 41%, that they were satisfied with the profitability levels of their bank over the last 5 years as shown by 41% respectively.

Majority of the respondents were also in agreement that their respective bank has managed to increase its products in the recent years hence making it grow, customers tend to stay with this service provider for a long period of time, the market share of the company have been increasing tremendously recently, customers tend to pay more than competitors prices for the benefits am receiving from the company, there are enough staff who ensure customer satisfaction is achieved and ultimately improving the bank's reputation and would therefore recommend their banks activity to others. On the same level of agreement, the respondents were of the view that they really care about the fate of their bank existing and new customers, really care about the fate of the bank, the existing and new customers, and were willing to put in extra effort to create customer loyalty. At the same time, majority of the respondents said that they believe this bank has done all that is required to retain customers, customers are proud to tell others that they are using services from the bank; the bank has provided all types of products to enhance customer satisfaction and the bank management always make every effort to satisfy customer needs first as shown by 43%, 52%, 37%, 36%, 35%, 36%, 36%, 36%, 36%, 27%, 27%, 38% and 42% respectively.

CHAPTER FIVE: SUMMARY, DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the discussion of major findings, conclusion and recommendation of the study on the influence of relationship marketing on performance of commercial banks in Kenya. The discussion have been presented based on the various aspects the study sought form the respondents in order to address the general objective of the study.

5.2 Summary

This study summarizes that relationship marketing is practiced by majority of commercial banks in Kenya and that it's actually the role of corporate affairs department to oversee the planning, implementation and evaluation of relationship marketing activities in the organization.

The study also summarizes that there are various marketing are; the management conducts regular polls and surveys of customer database to ensure they understand the currents challenges and needs of our market, that the bank strives to integrate customer feedback as much as possible in order to improve our products and services. The use of social media or internet interaction like facebook, twitter and other platforms has also been adopted by commercial banks as a practice in relationship marketing.

This study summarizes that in order to enhance their performance commercial banks embrace a customer-oriented culture aimed at the long-term retention of selected customers, banks had developed mechanisms of understanding customer drivers and customer profitability and that their bank preferred entering into one-to-one communication with a customer. It was also established from the study that most banks were being innovative in market offerings in order to entrench attributes into the offerings that match consumers' ideal combination of attributes, were keen in developing inter-organizational information systems to efficiently and effectively manage the bank's customer relationships.

The study summarizes that there is evidence of a positive impact towards brand trust, customer satisfaction, repeat purchase, more customer referrals, shareholder value, customer retention and customer loyalty, hence their overall performance.

On the effect of relationship marketing, this study summarizes that commercial banks had managed to increase their products in the recent years hence making it grow, customers tend to stay with this service provider for a long period of time, the market share of the company have been increasing tremendously recently, customers tend to pay more than competitors prices for the benefits am receiving from the company, there are enough staff who ensure customer satisfaction is achieved and ultimately improving the most of the banks reputation.

5.3 Discussion of Main Findings

The study found out that most of the respondents defined and explained relationship marketing as a form of marketing developed from direct response marketing campaigns which emphasizes customer retention and satisfaction, rather than a dominant focus on sales transactions, or as all related marketing activities that are aimed at establishing a close relationship between the bank and its clients, or marketing that aims at attracting and retaining customers in a banking institution. It was also revealed from the findings that relationship marketing is a type of marketing where an organization has to handle customers with care geared towards their satisfaction and happiness of association with the bank. Their understanding was therefore closer to and in line with Kotler (1999) who defined relationship marketing as the practice of building long-term satisfying relations with key parties; customers, suppliers, distributors in order to retain their long-term preference and business.

The study also established that most of the experience in marketing ranged from the realization that the goal of marketing is to own the market, not just to sell the products; and that having a single-sales focus involves dealing with pre-mature information about the customer and winning the customer at every sales encounter, a less efficient and effective use of investment compared to one time acquisition and maintaining sustainable relationships with them. The study revealed that many of the respondents

explain their experience in RM as having known that “Marketing is everything and everything is marketing” and that relationship marketing is actually a marketing in modern times which is not simply a function; but it is a way of doing business. Marketing has to be all- pervasive, a part of everyone’s job description in order to integrate the customer into design of the product and a process for interaction. The study found out that respondents had the experience that relationship marketing emphasizes on retaining profitable customers, emphasizes on a cross functional approach to marketing and emphasizing on multiple stakeholders. Vargo and Lusch (2004) stated that interactivity, integration, customization and co-production with customers are the hallmarks of a service-oriented view which focuses on the customer and relationship building. The definition is also close to the book by Kotler (1999) defines relationship marketing as the practice of building long-term satisfying relations with key parties; customers, suppliers, distributors in order to retain their long-term preference and business.

5.3.1 Relationship marketing practices adopted by commercial banks

The study also revealed that majority of the respondents presented by 51% said it’s the role of corporate affairs department to oversee the planning, implementation and evaluation of relationship marketing activities in the organization. It was established from the findings that the various marketing practices adopted by the commercial banks sampled were; that the management conducts regular polls and surveys of customer database to ensure they understand the currents challenges and needs of our market, that the bank strives to integrate customer feedback as much as possible in order to improve our products and services. The study revealed that many banks understands the power of social media and has active profiles set up on all the popular social sites such as Facebook, Twitter, LinkedIn, and Google+ and hence uses the platforms to explain well on the operations as well as quick responses to consumers. Most of the respondents also said that the bank had effective listening and monitoring systems in place and that the banks have adopted corporate social media policy that lets staff know what can and cannot be said, what actions can and cannot be taken, and how to handle any negative situation and that utilizes a reliable customer relationship management strategy and conducts regular training sessions for all members of staff on proper

customer relations and social media best practices. In addition, the study established that other practices were evolving, adapting and integrating new technologies, involvement in CSR activities based on health, education, entertainment, sports and talent world while embracing high-tech, high-touch by reaching out to customers, prospects, vendors and partners. The study found out that going out of their ways to let the customers know how much the banks value them was also an additional RM practice. The findings concur with Gordon, Ian (1999) who asserted that relationship marketing includes techniques such as marketing, sales, customer care and communication.

5.3.2 Influence of relationship marketing on performance of commercial banks

The study established that 49% of the respondents said that the level of customer satisfaction in bank was high and that majority of the respondents as shown by 61% indicated that they were satisfied to a large extent on the way customers were treated in the bank.

The literature reviewed reported that relationship marketing has migrated back into direct mail, allowing marketers to take advantage of the technological capabilities of digital, toner-based printing presses to produce unique, personalized pieces for each recipient (Galvin & Evans, 2005). In this case, it was revealed from the findings that majority of the respondents agreed to a great extent on; the use of informational technology to provide a mechanism by which customer needs can be uncovered as shown by 64%, adopting the use of dedicated software to analyze customer information in real time as shown by 66% and ensuring adherence to laws and regulations governing the conduct of business and maintaining high ethical standards as shown by 52%. The study established that to a very great extent; there was analyzing of customer data to uncover previously unknown relationships that can be used to develop relational exchanges shown by 43%, there was undertaking customer data-mining to identify important customers who warrant special attention shown by 38% and that there was the designing and implementing programs to efficiently and effectively allocate the appropriate resources to each customer as shown by 38% respectively.

The results analyzed indicated that to a great extent; the embracing a customer-oriented culture aimed at the long-term retention of selected customers, banks had a developed mechanisms of understanding customer drivers and customer profitability and that their bank preferred entering into one-to-one communication with a customer. It was also established from the study that most banks were being innovative in market offerings in order to entrench attributes into the offerings that match consumers' ideal combination of attributes, were keen in developing inter-organizational information systems to efficiently and effectively manage the bank's customer relationships and was making a shift in emphasis from managing product portfolios to managing portfolios of customers. The study established that most of the commercial banks were involved in; enhancing internal marketing to have employees view themselves as part of the overall marketing process, developing distinctive competences and capabilities that are in line with customer needs and preferences, exhibiting high level of trustworthiness and reliability, being continuously committed to meeting customer needs and preferences, ensuring that all promises to the customer are fulfilled to the letter, developing unique resources to address unique customer requirements, managing customers as important assets and in developing and integrating information and communication infrastructures to efficiently and effectively manage bank's customer relationships as shown by 60%, 66%, 69%, 71%, 74%, 74%, 76%, 79%, 84%, 84%, 88% and 89% respectively. The literature reviewed by Bennett and Barkensjo (2005) suggested that two-way communication helps customers to interact with the organisation, for example, by receiving newsletters, brochures, information on upcoming events, email or accessing a web site so as to interact at the same time enhancing a customer-oriented culture.

Performance measures can be financial or nonfinancial. Both measures are used for competitive firms in the dynamic business environment (Doyle & Stern, 2006). In this case, the results from the study showed that majority of the respondents agreed to a very great extent that relationship marketing initiatives has enhanced customer loyalty in their organizations as shown by 52%. The study showed that to a great extent RM have enhanced customer satisfaction, repeat purchase, more customer referrals, shareholder value, and customer retention and customer loyalty as shown by 88%, 89%, 74%, 60%, 66% and 54% respectively an indication that retention marketing practices

adopted by majority of the commercial banks sampled by the study had a positive impact towards brand trust, customer satisfaction, repeat purchase, more customer referrals, shareholder value, customer retention and customer loyalty, hence their overall performance. The results agree with the literature findings by (Reinartz, et.al., 2005) who reported that multitude of potential repeat purchase is experienced when effective relationship marketing initiatives are put in place by an organization which later creates on loyal consumers.

The study established that to a very great extent proper marketing is always conducted to enhance customer satisfaction at all costs presented by 55%, most banks has been efficient in their operations and customers are satisfied with operations as presented by 54%, the shareholder value and the dividends of majority of the commercial banks had been increasing over the years as presented by 54% and that most of the banks have managed to increase its asset base over the last 5 years as shown by 54% respectively.

According to Day (2000), salesman strives not only to provide high-quality goods and services but also to retain loyal customer due to long-time profitable. With regard to this, the study established that interest rates of most commercial banks were pleasing to customers therefore increasing their will and commitment to stay as presented by 41%, that they were satisfied with the profitability levels of their bank over the last 5 years as shown by 41% respectively.

Effective measures of measuring and analyzing organizational performance plays an important role in turning organizational goals to reality. The performance is usually evaluated by estimating the values of qualitative and quantitative performance indicators (e.g., profit, number of clients, costs) (Nowesnick, 1993). In the case of this study, it was revealed from the study that most of the commercial banks had managed to increase their products in the recent years hence making it grow, customers tend to stay with this service provider for a long period of time, the market share of the company have been increasing tremendously recently, customers tend to pay more than competitors prices for the benefits am receiving from the company, there are enough staff who ensure customer satisfaction is achieved and ultimately improving the most of

the banks reputation and would therefore recommend their bank's activity to others. The study established that majority of the respondents (relationship managers/staff) really care about the fate of their bank existing and new customers, really care about the fate of the bank, the existing and new customers, and were willing to put in extra effort to create customer loyalty. On the same, the study revealed that respondents believe most banks has done all that is required to retain customers, customers are proud to tell others that they are using services from the bank; the bank has provided all types of products to enhance customer satisfaction and the bank management always make every effort to satisfy customer needs first as presented by 43%, 52%, 37%, 36%, 35%,36%, 36%, 36%, 36%, 27%, 27%, 38% and 42% respectively. The results therefore agree with the literature findings by (Chan, 2003) who asserted that managers and other staff need to recognize relationship marketing importance and put conscious effort in defining company-specific goals, performance indicators and evaluate them.

5.4 Conclusions

5.4.1 Understanding of RM in commercial banks

This study concludes that relationship managers and other staff in related departments understand marketing as a form of marketing developed from direct response marketing campaigns which emphasizes customer retention and satisfaction, rather than a dominant focus on sales transactions.

The study also concludes that most of the experience in marketing range from the realization that the goal of marketing is to own the market, not just to sell the products; and that having a single-sales focus involves dealing with pre-mature information about the customer and winning the customer at every sales encounter, a less efficient and effective use of investment compared to one time acquisition and maintaining sustainable relationships with them. In can also be concluded from the study that marketing is everything and everything is marketing and that relationship marketing is actually a marketing in modern times which is not simply a function; but it is a way of doing business. Marketing has to be all- pervasive, a part of everyone's job description in order to integrate the customer into design of the product and a process for interaction. From the results, the study concludes that relationship marketing

emphasizes on retaining profitable customers, emphasizes on a cross functional approach to marketing and emphasizing on multiple stakeholders.

5.4.2 Relationship marketing practices adopted by commercial banks

The study concludes that it's the role of corporate affairs department to oversee the planning, implementation and evaluation of relationship marketing activities in the organization in most of the commercial banks sampled. The study concludes that there are various marketing practices adopted by the commercial banks sampled some of which are; that the management conducts regular polls and surveys of customer database to ensure they understand the current challenges and needs of our market, that the bank strives to integrate customer feedback as much as possible in order to improve our products and services. It can be concluded that many banks understand the power of social media and has active profiles set up on all the popular social sites such as Facebook, Twitter, LinkedIn, and Google+ and hence uses the platforms to explain well on the operations as well as quick responses to consumers. Most of the banks have effective listening and monitoring systems in place and that the banks have adopted corporate social media policy that lets staff know what can and cannot be said, what actions can and cannot be taken, and how to handle any negative situation and that utilizes a reliable customer relationship management strategy and conducts regular training sessions for all members of staff on proper customer relations and social media best practices. In addition, the study established that other practices were evolving, adapting and integrating new technologies, involvement in CSR activities based on health, education, entertainment, sports and talent world while embracing high-tech, high-touch by reaching out to customers, prospects, vendors and partners. Also, the study concludes that most banks go out of their ways to let the customers know how much the banks value them as a means to enhance their performance.

5.4.3 Influence of relationship marketing on performance of commercial banks

The study concludes that the respondents who constituted RM managers or staff in the same departments are normally satisfied to a large extent on the way customers are treated in their bank. The study concludes that to a great extent on; the banks use of informational technology to provide a mechanism by which customer needs can be

uncovered, most banks adopt the use of dedicated software to analyze customer information in real time and ensuring adherence to laws and regulations governing the conduct of business and maintaining high ethical standards. The study concludes that there was analyzing of customer data to uncover previously unknown relationships that can be used to develop relational exchanges, there was undertaking customer data-mining to identify important customers who warrant special attention and that there was the designing and implementing programs to efficiently and effectively allocate the appropriate resources to each customer.

The study concludes that the embracing a customer-oriented culture is aimed at the long-term retention of selected customers, banks had a developed mechanisms of understanding customer drivers and customer profitability and that their bank preferred entering into one-to-one communication with a customer. It can also be concluded that most banks were being innovative in market offerings in order to entrench attributes into the offerings that match consumers' ideal combination of attributes, were keen in developing inter-organizational information systems to efficiently and effectively manage the bank's customer relationships and was making a shift in emphasis from managing product portfolios to managing portfolios of customers. The study established that most of the commercial banks were involved in; enhancing internal marketing to have employees view themselves as part of the overall marketing process, developing distinctive competences and capabilities that are in line with customer needs and preferences, exhibiting high level of trustworthiness and reliability, being continuously committed to meeting customer needs and preferences, ensuring that all promises to the customer are fulfilled to the letter, developing unique resources to address unique customer requirements, managing customers as important assets and in developing and integrating information and communication infrastructures to efficiently and effectively manage bank's customer relationships.

The study concludes that to a very great extent, relationship marketing initiatives has enhanced customer loyalty in their organizations. The study concludes that to a great extent, RM have enhanced customer satisfaction, repeat purchase, more customer referrals, shareholder value, and customer retention and customer an indication that

retention marketing practices adopted by majority of the commercial banks sampled by the study had a positive impact towards brand trust, customer satisfaction, repeat purchase, more customer referrals, shareholder value, customer retention and customer loyalty, hence their overall performance. Proper marketing is always conducted to enhance customer satisfaction at all costs, most banks has been efficient in their operations and customers are satisfied with operations, the shareholder value and the dividends of majority of the commercial banks have been increasing over the years and that most of the banks have managed to increase its asset base over the last 5 years.

The study concludes that interest rates of most commercial banks were pleasing to customers therefore increasing their will and commitment to stay, that they (RM managers) are satisfied with the profitability levels of their bank over the last 5 years. Most of the commercial banks have managed to increase their products in the recent years hence making it grow, customers tend to stay with this service provider for a long period of time, the market share of the company have been increasing tremendously recently, customers tend to pay more than competitors prices for the benefits am receiving from the company, there are enough staff who ensure customer satisfaction is achieved and ultimately improving the most of the banks reputation and would therefore recommend their bank's activity to others.

The study finally concludes that (relationship managers/staff) really care about the fate of their bank existing and new customers, really care about the fate of the bank, the existing and new customers, and were willing to put in extra effort to create customer loyalty. RM managers believe most banks has done all that is required to retain customers, customers are proud to tell others that they are using services from the bank; the bank has provided all types of products to enhance customer satisfaction and the bank management always make every effort to satisfy customer needs first.

5.5 Recommendations

1. This study recommends the relation managers and other managers, the staffs in the related departments and other stakeholder involved in matters of the bank's operations continue with the spirit of understanding the requirements of RM, as

well as other issues that govern it. The management should come up with RM programs to ensure that employees are well trained on the extent of importance of RM practices adoption towards the performance of a commercial bank. This will mean that every other staff in the bank organization understands well on RM best practices that can be used to enhance the performance both in terms of financial and non financial measures.

2. This study recommends that commercial banks continue adopting more and more modern RM practices or related activities for these have a great impact on customer satisfaction, brand trust, customer loyalty, customer Interaction and customer retention. Managers in commercial banks need to come up with strategies that range from customer satisfaction, brand trust management, customer loyalty management, customer Interaction and customer retention. There is therefore a need to continue in Research and Development activities that are geared towards the realization of the role of RM in commercial institutions.
3. This study recommends that since there is a positive influence on the use of RM practices, evaluation and monitoring of the said activities need to be optimized so as to avoid unnecessary costs or losses trying to fit them in retaining or satisfying customers. The right RM practices should be adopted, in the right manner, at the right time and with the application of the right approaches. This will enhance banks in improving their approaches to customer management, profitability increase and customer trust and loyalty creation.

5.6 Recommendations for further studies

Future studies should be done where more institutions/ organizations are used and by the use of the same objectives to find out whether similar results would be obtained, or if otherwise the explanations to that. Further studies should also be undertaken to establish the specific effect of each of the variables studied in this study.

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APPENDICES

APPENDIX 1: LIST OF COMMERCIAL BANKS IN KENYA

1. Bank of Africa
2. Bank of Baroda
3. Bank of India
4. Barclays Bank
5. Brighton Kalekye Bank
6. CFC Stanbic Bank
7. Chase Bank (Kenya)
8. Citibank
9. Commercial Bank of Africa
10. Consolidated Bank of Kenya
11. Cooperative Bank of Kenya
12. Credit Bank
13. Development Bank of Kenya
14. Diamond Trust Bank
15. Dubai Bank Kenya
16. Ecobank
17. Equatorial Commercial Bank
18. Equity Bank
19. Family Bank
20. Fidelity Commercial Bank Limited
21. Fina Bank
22. First Community Bank
23. Giro Commercial Bank
24. Guardian Bank
25. Gulf African Bank
26. Habib Bank
27. Habib Bank AG Zurich
28. I&M Bank
29. Imperial Bank Kenya
30. Jamii Bora Bank
31. Kenya Commercial Bank
32. K-Rep Bank
33. Middle East Bank Kenya
34. National Bank of Kenya
35. NIC Bank
36. Oriental Commercial Bank
37. Paramount Universal Bank
38. Prime Bank (Kenya)
39. Standard Chartered Bank
40. Trans National Bank Kenya
41. United Bank for Africa^[2]
42. Victoria Commercial Bank
43. ABC Bank (Kenya)

APPENDIX 2: RESEARCH QUESTIONNAIRE

SECTION A: DEMOGRAPHIC INFORMATION

1. What is your gender? Male [] Female []

2. In which department are you?.....

3. Tick the appropriate age bracket you fall under:

 18-30 [] 31-43 [] 44-56 [] 57 & above []

4. What is your level of education?
 - Secondary []
 - Middle Level College []
 - University []
 - Other []

5. How long have you been working in this bank?
 - Less than 1 year []
 - 1 to 2 years []
 - 3 to 4 years []
 - 5years and more []

SECTION B: RELATIONSHIP MARKETING

6. Please state a brief statement describing what you understand by relationship marketing?.....

.....

7. What has been your experience in doing relationship marketing activities?

.....

.....

8. What department oversees the planning, implementation and evaluation of relationship marketing activities in your organization?

- The Corporate Affairs []
- The branch manager []
- Head of banking []

Others (please specify) _____

9. Please indicate the various relationships marketing practices adopted by your bank?

.....

SECTION C: INFUENCE OF RELATIONSHIP MARKETING ON PERFORMANCE OF COMMERCIAL BANKS

1. Rate the level of customer satisfaction in your bank?

Very high [] High [] Average [] Low [] Very Low []

2. To what extent are you satisfied on the way customers are treated in this bank?

Very large extent [] Large extent []

Moderate extent [] Less extent []

No extent []

3. To what extent has the following relationship marketing activities practiced in your organization. Rate where 1= very great extent, 2 = great extent, 3= Moderately extent, 4= little extent, 5= no extent

Relationship marketing activities	1	2	3	4	5
Use of informational technology to provide a mechanism by which customer needs can be uncovered.					
Analyzing of customer data to uncover previously unknown relationships that can be used to develop relational exchanges					
Undertaking customer data-mining to identify important customers who warrant special attention					
Developing inter-organizational information systems to efficiently and effectively manage the bank's customer relationships.					
Entering into one-to-one communication with a customer					

Gathering and integrating information on customers					
Adopting the use of dedicated software to analyze customer information in real time					
Designing and implementing programs to efficiently and effectively allocate the appropriate resources to each customer					
Exhibiting high level of trustworthiness and reliability Being continuously committed to meeting customer needs and preferences.					
Ensuring that all promises to the customer are fulfilled to the letter. Developing unique resources to address unique customer requirements					
Developing distinctive competences and capabilities that are in line with customer needs and preferences					
Enhancing internal marketing to have employees view themselves as part of the overall marketing process					
Being innovative in market offerings in order to entrench attributes into the offerings that match consumers □ ideal combination of attributes					
Ensuring adherence to laws and regulations governing the conduct of business and maintaining high ethical standards					
Developing and integrating information and communication infrastructures to efficiently and effectively manage bank's customer relationships.					
Managing customers as important assets					
Making a shift in emphasis from managing product portfolios to managing portfolios of customers					
Developing mechanisms of understanding customer drivers and customer profitability.					
Embracing a customer-oriented culture aimed at the long-term retention of selected customers.					

4. To what extent has relationship marketing initiatives enabled each of the following in your organization. Rate where 1= very great extent, 2 = great extent, 3= Moderately extent, 4= little extent, 5= no extent

Due to relationship marketing.....	1	2	3	4	5
Customer loyalty					
Customer satisfaction					
Brand trust					
Repeat purchase					
Shareholder value					
More customer referrals					
Customer retention					
Any other					

5. What is your level of agreement on the following statements related to customer satisfaction in the bank? Rate where 1= very great extent, 2 = great extent, 3= Moderately extent, 4= little extent, 5= no extent

Due to relationship marketing.....	1	2	3	4	5
The bank has provided all types of products to enhance customer satisfaction					
There are enough staff who ensure customer satisfaction is achieved and ultimately improving the bank's reputation					
The bank management always make every effort to satisfy customer needs first					
Proper marketing is always be conducted to enhance customer satisfaction at all costs					
I really care about the fate of this banks existing and new customers					
I am willing to put in extra effort to create customer loyalty					
Customers are proud to tell others that they are using services from my bank					
Customers tend to pay more than competitors prices for the benefits am receiving from the company					
Customers tend to stay with this service provider for a long period of time					
I would recommend this banks activity to others					
I really care about the fate of this banks existing and new customers					
I believe this bank has done all that is required to retain customers					
The shareholder value and hence the dividends of this bank has been increasing over the years					
The bank has managed to increase its products in the recent years hence making it grow					
The interest rates of this bank are pleasing to customers					

therefore increasing their will and commitment to stay					
The market share of the company have been increasing tremendously recently					
This bank has been efficient in its operations and customers are satisfied with operations					
the bank have managed to increase its asset base over the last 5 years					
I am satisfied with the profitability levels of my bank over the last 5 years					

THANKS FOR YOUR PARTICIPATION