The Influence of Relationship Marketing Strategy on Customer Loyalty: A Survey of Commercial Bank Customers in Nairobi County

Emily Mwikali Sila
Jomo Kenyatta University of Agriculture and Technology
P. O. Box 62000 – 00200
Nairobi, Kenya


ABSTRACT

Rapid changes in the concept and practice of business have been fundamentally reshaping many disciplines in the world including marketing. Relationship marketing cornerstones play a pivotal role in the acquisition and retention of potential customers. Inclusion of relationship marketing in a company’s working and continuity plan is beneficial to business and their consumers. Companies may benefit from more satisfied customers, stronger profitability, better communications and more effective firm planning. The aim of this research is to assess the influence of relationship marketing in enhancing customer loyalty that can lead to good working relations between the company and the organization. The objectives of this study included the establishment of the influence of customer bonding practices on customer loyalty, shared value on customer loyalty and provision of information to customers as a means of establishing loyalty by commercial banks in Kenya. The study targeted customers of five major commercial banks in Kenya who are categorized as second tier banks due to their large market share and strong customer base. The banks customers will therefore be drawn from Equity bank, Cooperative bank of Kenya, Kenya Commercial bank (KCB), Standard Chartered bank and Barclays Bank of Kenya. A sample of 213 out of a projected 384 respondents participated in the study. They were identified using convenience sampling which involved waiting for customers at selected bank branches and seeking their consent to participate in the study. A descriptive survey design was employed in this study as it included the selection of customers from a number of banks for the purposes of the study. Questionnaires were used to collect the data for the study. The data was organized and analyzed using SPSS version 17. Correlations were then run to establish the
relationships between multiple independent variables and customer loyalty. The study has established a strong positive relation between customer relationship management practices and customer loyalty. It therefore recommends that for companies to be successful and customer attraction and retention, they need to properly enhance the relationships and forge strategic alliances with customers.

**KEYWORDS:** Relationship, Marketing, Strategy, Customer, Loyalty and Banks

**INTRODUCTION**

Relationship Marketing (RM) has been recognised as a method for developing customer loyalty, resulting in positive outcomes for both consumers and marketers (Madhavaiah & Rao, 2007). The concept is largely assumed to have been first coined by Berry (1983) though there have been several arguments concerning its use and validity (e.g. Tadajewski and Saren, 2008) especially in relation to the difference between it and other traditional marketing practices. However, developing and maintaining customer relationships contributes to the success of the organisation and marketing practitioners have been using the concept in attracting and retaining customers.

Early authors have defined RM as a method that aims to identify and establish, maintain and enhance relationships with customers and other stakeholders, at a profit so that the objectives of all parties involved are met. This is done by mutual exchange and fulfilment of promises (Grönroos, 1994). Brown (1998) acknowledges that this idea of RM involves re-emphasizing certain neglected aspects of the marketing concept.

RM cannot be overemphasized. Tadajewski (2009:9) begins with a quote that sums up all that can be said about the concept: “There is no reason why cordial, friendly and genuinely social cooperation should not take the place of vicious, vindictive and unfriendly competition. There is no reason why a desire that all should prosper should not take the place of the present hope that all but self shall fail. There is no reason why industrial peace should not take the place of industrial war. The vital role played by a good trade-relations man is clear”. On his part, Tadajewski (2009) sees the RM concept as reciprocity, where there is an exchange between the organization and its stakeholders. As a means of developing this notion of exchange, and to bridge the distance between marketing activities and the end consumer, the discipline of marketing traditionally focused on individual transactions seen from the perspective of single actors (O'Malley, Patterson and Kelly-Holmes, 2009).

Peñaloza and Venkatesh (2006) emphasize the nature of value creation in enhancing customer behaviours. Their work builds upon the historical distinction between value in use and value in exchange that has been one of the hallmarks of the modern era. Value creation is recast to include meanings and values in exchange and use. Arguably, this move captures the most
pressing contribution of interpretive work to the field of marketing over the past 20 years, namely the production of meanings by consumers (Arnould & Thompson, 2005).

Relationship marketing focuses on individual buyer-seller relationships, that these relationships are longitudinal in nature, and that both parties in each individual buyer-seller relationship benefit. From a firm’s perspective, the relationship marketing concept can be viewed as a philosophy of doing business or as a distinct organizational culture/value that puts the buyer-seller relationship at the center of the firm’s strategic or operational thinking.

Customer focus in the banking Industry in Kenya
Banks were previously authorities unto themselves; their products were neither customer focused nor inclusive. Consequently, banks were a preserve of the well-to-do in the society. The banking sector in Kenya has metamorphosed into an innovative and responsive industry that is led by market needs (Banking Survey, 2013). Today, there is a bank around the corner in urban and peri-urban areas. To ensure financial inclusivity, players have partnered with other service providers to ensure that banking services are a text away on customer mobile phones.

Notably, the big banks, previously deemed as sleeping giants have reinvented themselves and are leading the onslaught on the retail and micro markets. Others have been forced to change, albeit reluctantly, owing to customer pressure. The big tier I and tier II banks have continued to thrive, and have anchored the sector firmly, amidst global social and economic upheavals. The biggest beneficiary of banks’ collective customer centrality has been the ordinary Kenyan. The gradual realization and acceptance of the fact that pooling more people into the banking net deepens the sector has occasioned a fundamental paradigm shift. According to the Central Bank of Kenya (2012), in 2012, the sector registered impressive performance compared to 2011 on the backdrop of increased efficiencies, new innovations, adoption of alternative banking channels and continued expansion of Kenyan banks through new branches and subsidiaries operating in the East African Community (EAC) region.

The banking framework as at 31st December 2012 comprised 52 financial institutions, 44 of these were banking institutions (43 banks and one mortgage finance institution-Housing finance) and eight are deposit taking micro finance institutions (DTM) with the CBK as the regulatory authority (Banking Survey, 2013).

Statement of the Problem
Sin et al (2006) have proposed that a company that adopts a relationship marketing orientation (RMO) will improve its business performance. Despite the importance of RMO to business success, systematic inquiries for a deeper understanding of the concept have only recently begun.
A study by Huang et al (2013) confirms that good core service and relationship benefits generate the satisfaction and commitment of customers. Their commitment can enhance the degree of customer loyalty. Although research on RMO is abundant (Berry, 1983; Blattberg & Deighton, 1991; Fuhrman, 1991; Gummesson, 1994; Morgan & Hunt, 1994), most of the past studies have been conducted in Western countries, especially in the United. There is need to have more studies on the same in Africa to determine the contributions of RM to firm success and how they influence customer behaviours, including customer loyalty.

The Banking Survey (2013) notes that two decades ago, banking services in Kenya were only for the privileged and high end individuals who could afford to run and maintain bank accounts. Perhaps, if you had an account back then, it could only imply you were wealthy or were running quite a healthy business. Kenyan banks have evolved over time and it is difficult to overstate the importance of the bank customer in Kenya and indeed, in any part of the world. This study aimed at assessing the relationship marketing strategies employed in the banking sector and their influences on customer loyalty.

OBJECTIVES/PURPOSE OF THE STUDY:

The overall objective of this study was to determine the influence of relationship marketing strategies on customer loyalty; a survey of commercial bank customers in Kenya.

Specific objectives

1. To establish the relationship between customer bonding and customer loyalty.
2. To assess the relationship between shared value and customer loyalty.
3. To establish the relationship between specific customer communication and customer loyalty.

METHODOLOGY

Research Design

A descriptive survey was employed in this study. The purpose of a descriptive study is to gain familiarity, increase understanding, and to help to formulate better program services, evaluation questions and approaches. Mugenda and Mugenda (2003) explain that descriptive studies help to generate hypothesis as opposed to testing them. In this case the researcher was interested in conducting further studies to explore whether there is a relationship between relationship marketing and customer loyalty.
Target Population

This is seen as a population with the desired characteristics or features for a study (Mugenda & Mugenda, 1999). The target population is the entire group a researcher is interested in; the group about which the researcher wishes to draw conclusions. This study targeted customers of all commercial banks in Kenya though this group was reduced only to the five major banks categorized as tier I. These banks included Kenya Commercial Bank, Equity Bank, Cooperative Bank of Kenya, Standard Chartered Bank and Barclays Bank of Kenya.

Sampling frame and sample Size

A sampling frame is a list of all those within a population who can be sampled, and may include individuals, households or institutions. The sampling frame for this study was all customers of the five commercial banks categorized as tier I banks in Kenya. The selection of the sample size representing the population to be used was based on Mugenda’s (2008) guidelines which state that where the units of interest are clustered in particular setting or geographical area, the researcher could purposively select a cluster from such a location, and then randomly sample a number of cases or subjects. The population of the five banks collectively amounts to more than six million customers. Krejcie and Morgan (1976) formed the basis on which 384 respondents were to be selected to form the sample size. Each of the five banks was apportioned 77 respondents. A total of 213 respondents participated in the study.

Sampling Technique

Due to the very large population that formed part of this study, the researcher used non-probability (a combination of purposive and accidental) sampling techniques to select the sample

Data Collection Procedures

Questionnaires containing both closed and open ended questions were used to ask specific questions for the study to address the topics which were linked to the research aims and questions. In this survey, several questionnaires were issued to bank customers at designated points. The questionnaires were self administered and were mainly distributed by research assistants and then collected once filled. Where respondent required guidance in filling the questionnaires, the researcher, together with her assistants, were available to assist them in understanding the questions.
Data Analysis and Presentation

The data collected was analyzed quantitatively using descriptive and inferential statistics. Correlations and regression analysis was done to determine the relationships. The study adopted the multiple regression model below:

\[ Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon \]

Where \( Y \) is the dependent variable (customer loyalty)
\( \beta_0 \) is a constant, and \( \beta_1, \beta_2 \) and \( \beta_3 \) are the independent variables.
\( \varepsilon \) is the sampling error term

Descriptive statistics were used to describe basic features of the data in the study particularly the demographic data. This included frequency distributions and measures of central tendencies. On the other hand, relational statistics such as regression and correlation analysis were used to examine the relationship between the variables of the study. The analyzed data are presented accordingly using frequency tables. The researcher has integrated literature into the findings and discussions to show the connection between previous studies and the current findings.

RESULT/FINDINGS:

Summary of findings

This study was an assessment of the influence of relationship marketing on customer loyalty. The study aimed to establish the role of customer bonding on customer loyalty, to assess the relationship between customer shared value and customer loyalty and to establish the relation between customer communication and customer loyalty. The summarized results illustrate varied relationships between each variable and customer loyalty as presented in the findings below.

Customer bonding and loyalty

This study has shown that customer bonding had a very weak correlation to customer loyalty. This meant that it explains a very negligible portion of loyalty. Bank employees did not seem to know most customers by name showing that their relationships with most customers was not personalised. 67.1% of respondents were not aware that anyone in the bank knew them. Some 5.7% respondents said they did not have relations and knowledge of bank staff.

Most respondents accepted that their needs were taken care of adequately by the bank staff. Customers confirmed that they did not know what to expect from their banks in terms of service quality whenever they visited the branches. 41.3% respondents agreed with the statement.
Regression coefficients and correlation values identified that bonding had a weak negative correlation with loyalty (.587 and $\alpha = 0.05$, where $N = 213$).

Shared value and loyalty

The study findings revealed a positive relationship between shared values and customer loyalty (0.095, where $\alpha = 0.05$ and $N = 213$). A correlation coefficient of .095 was deemed significant. Many customers (63.8%) believed that they shared the same opinions with the bank regarding their goals and aspirations. Respondents agreed that they shared a common belief with their companies and believed that the companies had shared needs and interests with their client. Respondents perceived that banks had good knowledge of their expectations regarding the services/products offered supported by 57.7% and 18.8% respondents who either agreed or strongly agreed with this.

Customer communications and loyalty

Customer communications played a significant role in the lives of the respondents. Bank customers agreed that their banks had made great efforts to provide individualized as well as collective forms of communication. Some had received thank you notes, birthday wishes, tokens and gifts from their banks in appreciation of their continued relations with their banks. This resulted in a 52.3% acceptance of banks by customers. 52.1% respondents had agreed that their banks addressed their issues and complaints speedily and this led to satisfaction with their banks. The banking sector needs to consider how they reach their clientele. This is because an overwhelming number of respondents since respondents disagreed or did not believe that the companies communicated about their products directly to customers in the banking halls. However, customer issues are addressed speedily by bank staff. This was confirmed by 52.1% respondents who agreed with the statement and 17.8% customers who were in total agreement with the statement. Correlation and regression analyses also showed that customer communication was significant in enhancing loyalty (.311 and $\alpha = 0.05$, and $N = 213$).

DISCUSSION

This study has confirmed that, though not very significant, customer loyalty is influenced by the study variables among other factors. These have been associated with loyalty ranging from customer shared values as presenting the largest portion of the relationships followed by customer communications and lastly by customer bonding. The study has showed that there may be other variables that would explain customer loyalty that need to be addressed and determined further. Many researchers have focused on building customer trust and confidence as a means of doing this and that could be pursued in the context of Kenya in particular and Africa in general. The study has shown the need to keep
customer contacts as a means of getting to understand customer experiences and to solve any problems they may be facing. This not only helps create awareness to companies about customers but also to gather market intelligence regarding competition and to effectively address these through the adoption of calculated policies, practices and procedures.

REFERENCES


Appendix

APPENDIX 1: QUESTIONNAIRE FOR BANK CUSTOMERS

A. Respondents’ background

1. Location________________________________________
2. Gender: Male ( ) Female ( ) Tick appropriately
3. Name of bank ________________________________
4. Length of time with the bank ________________________ Years
5. Do you hold more than one account? Yes ( ) No ( )

B. CUSTOMER BONDING
On a scale of 1-5 where 5 is strongly agree, 4 is agree, 3 is unsure, 2 is disagree and 1 is strongly disagree), indicate the extent to which you agree with the following statements by ticking the most appropriate response from the boxes below.

<table>
<thead>
<tr>
<th>Statement</th>
<th>1</th>
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<tbody>
<tr>
<td>I am recognized by certain employees in my bank.</td>
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<td>Employees put customer needs and interests first</td>
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<td>I have developed a friendship with the bank and its staff.</td>
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<td>The employees of my bank know my name.</td>
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<td>I know what to expect when I go into my bank.</td>
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<td>In my bank, employees are perfectly honest and truthful.</td>
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<td>The bank employees can be trusted completely.</td>
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<td>In my opinion, bank employees appear to have high integrity.</td>
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<td>I am usually placed higher on the priority list when there is a line.</td>
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<td>I get faster service than most customers.</td>
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<td>My bank does services for me that they don't do for most customers.</td>
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C. SHARED VALUE
On a scale of 1-5 (where 1 is strongly disagree, 2 is disagree, 3 is unsure, 4 is agree and 5 is strongly agree), tick the answer that most describes your feelings about the following statements.

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<th>statements</th>
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<tr>
<td>We share the same worldview with my bank.</td>
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<td>We share the same opinion about most things with my bank.</td>
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<td>I believe the bank shares the same values as me.</td>
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<td>My bank understands my needs and interests</td>
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<td>The bank knows what I expect and does everything to fulfill it</td>
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The bank shows through its services that it shares in my belief

D. PROVISION OF INFORMATION
Using the scale below where 5 is strongly agree and 1 strongly disagree, indicate your most appropriate response. Avoid answers that centre around 3 unless you really cannot identify with the statement.

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<th>statements</th>
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<td>The company provides consistent and timely information</td>
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<td>I receive thank you notes and birthday cards or text messages</td>
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<tr>
<td>Employees address customer enquiries speedily</td>
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<td>My bank makes extra efforts to handle customer requests and correspondences</td>
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<td>Bank prefers word of mouth communication when one visits the branch</td>
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<td>I learn about the bank through their advertisements</td>
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<td>I can show my discontent toward the bank through communication.</td>
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<td>My bank keeps in touch constantly through communication</td>
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D. CUSTOMER LOYALTY
Describe your experiences of the following statements on a scale of 1-5 (where 1 – strongly disagree, 2 – disagree, 3 – neither agree nor disagree, 4 – agree, 5 – strongly agree).

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<td>I will stick with this bank for as long as i can</td>
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<td>I am more likely to return to the same bank next time</td>
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<td>I have recommended this bank to friends and others</td>
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<td>Information is always readily available about my bank</td>
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<td>In general, my bank provides exactly what i need</td>
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<td>I readily take advantage of my banks’ offers.</td>
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<td>I have a total preference for this bank</td>
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<td>I would hardly get tired of using this bank</td>
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<td>My relationship with the bank is something I really care about</td>
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<td>I am not very likely to switch to another bank in the near future</td>
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