# INFLUENCE OF RELATIONSHIP MARKETING PRACTICES ON THE PERFORMANCE OF COMMERCIAL BANKS IN KENYA: A CASE STUDY OF EQUITY BANK, KENYA

**By**

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**This Dissertation is submitted in partial fulfillment of the requirements for the award of a Master of Business Administration (MBA) from St. Paul's University**

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## DECLARATION

This dissertation is the product of my own work and is not the result of anything done in collaboration. It has never been presented to any other institution. I am in agreemeent that this dissertation may be available for reference and photocopying, at the discretion of the university.

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## ABSTRACT

Banking as a service industry recently has experienced a tremendous growth as it relates to profits, ongoing deposits and revenues. This trend has had a significant influence in competition in the industry. Even so, Equity Bank has successfully tried to brave the cut throat competition even to stand out as one of the most successful Kenyan businesses. At the wake of this competition, relationship marketing has come in handy helping organizations establish durable and unending associations with their customers. Anchored in its marketing and expansion tact, it has been well-known to employ relationship marketing as it ably pursues to gain but also preserve their customers segment by aiding top not customer services, and to this end making it one of one of the pillars to gaining a competitive advantage since it results to markets access, facilitates repeat purchase, establishes exit barriers hence locking in customers and the overarching effect in that it benefits all parties in the business relationship. This paper has analyzed the relationship marketing practices that are being employed by Equity Bank in a bid to gain a competitive advantage in this growing banking industry. To realize this, the author formulated a conceptual framework. The variables therein were used to formulate both objectives and the research questions. The study employed the use of structured questionnaires; the target respondents were boundary spanners and in this case, staffs in departments that deal with customers directly. The study used descriptive design for data analysis because it sought to do a statistical analysis of relationship between variables. The analysis of the data was done through the Statistical package of Social Sciences (SPSS) and findings penned thereafter. The findings revealed that 88% of the respondents ascribed to the view that communication, been an aspect of marketing translated to a relative influence on the outcome of the bank's performance. This means that financial performance of the bank is positively correlated to the marketing communication mix strategies employed by the bank. The findings also revealed that least 76% of the total respondents were held the view that they differentiated their offing of services to particularly suit the needs of their clientele for the long haul. It also emerged that the bank had a deliberate approach for service quality as a relationship marketing practice. This was illustrated by the fact that 70% of the respondents who agreed that the bank they worked for invested the resources of the bank in initiatives that would enhance service quality and deliver utmost quality to clientele. The study findings also went further to reveal that personalization as a relationship marketing practice was employed by the bank. Further 85% of the respondents were of the opinion that they personalize relationships with their clientele. Lastly, according to the findings, 80% of the respondents opined that the bank they worked for uses customer service to enhance service delivery.The respondents suggested that these practices have had a progressive impact in the bank's performance. Some indicators of performance that they indicated were: increased market share, retaining current customers, customer loyalty, improving image, increased profits and attracting customers.


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# CHAPTER ONE

# INTRODUCTION

## 1.0 Introduction and Background of the Study

The Companies' Act (CAP 486), the Banking Act, (Chapter 488), the Central Bank of Kenya Act and the various regulatory guidelines issued by the Central Bank of Kenya (CBK, 2015) govern the growing banking industry in Kenya. In the ended quarter (September 30, 2015), the banking sector comprised 43 commercial banks, 1 mortgage finance company, 2 deposit taking microfinance institutions, 2 representative offices of foreign banks and 126 foreign exchange bureaus in Kenya. Out of the forty three (43) institutions, thirty nine ( 39) of them are commercial banks and the mortgage finance institution are privately owned while the Kenya Government holds controlling stakes in the remaining three commercial banks. 25 of the 39 privately owned banks and the 1 mortgage finance institution are locally owned inferring that their controlling shareholders are locals while 14 are owned by foreigners.

Of late, the banking sector has recorded improved performance as indicated by the size of assets which stood at Ksh. 2.2 trillion, loans & advances worth Ksh. 989 billion, deposits of Ksh. 2.1 trillion and profit before tax of Ksh. 93.2 billion as at 30th September 2015. Similarly, the number of bank customer deposit accounts stood at Ksh.22.14 million with a branch network of 1, 030 (CBK, 2015). Even so banks haven't been competing blindly as profitable growth and efficiency have displaced the traditional emphasis on volumetric targeting and "size for size's sake" (Howcroft, 2005). Kenyan banks have had to develop strategies to respond to competition, to both safeguard their niches and to enlarge their market share.

The rising inflation is likely to negatively impact on the Kenyan banking industry. This is clearly witnessed by the overall 12-month inflation that increased from 21.9 percent in September 2015 to 25.1 percent in February 2016 due to increases in the prices of most of the seasonal food products. The 12-month underlying inflation was 8.7 percent in February 2016 (Central Bank of Kenya, 2015a). This inflation is likely to erode the public purchasing power, something that can force customers to withdraw or consume their bank deposits.

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The banking industry has responded to this changing business environment with several strategies. Most banks have reduced their loaning especially to consumers. As an auxiliary and in a bid to supplement their lost revenues banks have started to invest heavily in government securities. For that reason and because banks' performance and competitiveness is significantly dependent on their ability to satisfy customers efficiently and effectively, the aforementioned factors have also forced bankers to study their customers and also develop considerable and deliberate serious relationships with them, so that there can be an effective exchange of goods and services and also avoid customers form switching to other competitors (Tseng, 2007)

Relationship marketing involves developing long term relationship with customers so that they provide you with business for the long haul. An organization must exceed customer satisfaction expectations to retain and develop long term relationships with customers. Traditional transactional marketing used to focus on attracting customers for "one off sale" rather than repeat business. It takes a lot of work to persuade customers to make their first purchase with you, but if you can persuade customers to give you repeat business it will cost you less money and time. So it makes sense to keep existing customers satisfied. As a matter of fact, it is well known that managing these relationships is critical for achieving corporate success (Zinkhan, 2008).

The commitment-trust theory of relationship marketing suggests that two fundamental factors, trust and commitment, must exist for a relationship to be successful. Relationship marketing involves forming bonds with customers by meeting their needs and honoring commitments. Rather than chasing short-term profits, businesses following the principles of relationship marketing forge long-lasting bonds with their customers. As a result, customers trust these businesses, and the mutual loyalty helps both parties fulfill their needs. According to Brink and Berndt (2008) trust is the confidence both parties in the relationship have that the other party won't do something harmful or risky, while commitment involves a long-term desire to maintain a valued and profitable partnership.

### 1.1 The Banking Industry in Kenya

As the competitive business environment becomes increasingly turbulent, banks are forced to compete and look beyond the traditional 4Ps of marketing strategy, which

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are no longer enough to be implemented in achieving a competitive advantage and still be able to keep loyal customers who will contribute to the long-term profit of any organization (Tseng, 2007). Therefore relationship marketing has become an alternative means for organizations to build stout and unending associations with their customers. As a part of marketing strategy, relationship marketing seeks to acquire and retain customers by providing good quality customer services, and therefore has become one of the keys to success in acquiring strong competitiveness in the present markets, because of its implications for access to markets, generation of repeat purchase, creation of exit barriers and the view that it benefits all parties (Andaleeb, 1996)

The business platform in Kenya and world over has changed rapidly. This drastic change has also been experienced in the banking industry. Competition has become so unbending making it impossible to survive when a bank lacks appropriate competitive strategies. To address the reasonable weight of the prevailing cut-throat competition, a shift in marketing strategies has been noted to have taken place in many banks whereby there is a considerable swing from transactional marketing strategies to relationship marketing practices in order to acquire customers, keep customers, and maximize customer profitability, and finally build up customer loyalty for the long haul.

### 1.2 Relationship Marketing Practices

Some of the core relationship marketing practices practiced in the banks include;

#### 1.2.1 Service Quality

Any types of services mainly have two sides of the coin, i.e. "what" is delivered from a more nominal view, as the other focuses on a personalized point of view, that is, on "how" the delivery is conducted., (Claycomb & Martin, 2002). The quality of any service must be continuously scrutinized, and an effective system for customer service implemented. From various customer feedback surveys, any business can be appraised on whether its service meets the expected levels of satisfaction. Better still, enumerating the purchaser's reaction will also aid in deciphering more about developments, competence, and upcoming problem areas (Rosenberg& Czepiel, 1992)

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The promised quality of a service must endure meeting the customers' expectations as well as towering the services of other competitors in the industry. In the event that a given service is unable to meet customers' expectations, any other practice meant to develop relationships will not be of any benefit. (Claycomb & Martin, 2002).

### 1.2.2 Communication

This is the official as well as casual relaying and sharing of information that could cultivate the relationship between both the consumers and traders. Communication fosters trust by assisting in solving disputes and aligning perceptions and expectations. Research on relationship marketing also highlights the importance of information exchanges in business relationships. Communication is the glue that holds relationships together; communication plays a crucial role in the development of collaboration and confidence between two parties (Morgan & Hunt, 2000).

## 1.3 Performance Indicators

### 1.3.1 Increased Market Share

Relationship marketing is one of the most time-consuming, but most effective practices for marketing extension programs. Relationship marketing is a process, not a one-time event; clients must understand that you are committed to a long-term relationship and that they can depend on you to provide the services required. Once they find an organization dependable, they become ambassadors of good will who can pull their friends and contemporaries to switch to your brand through their favored word of mouth. This switch not only has an effect on the bottom line (profits) but also the increased fraction on the prevailing market share compared to other competitors in the market (Morgan and Hunt, 1994)

### 1.3.2 Increased Customer Loyalty

Hemp ell (2007) indicates that in relationship marketing customers are viewed as equal partners in buyer-seller transactions. By motivating customers, to enter into a long-term relationship in which they repeat purchases or buy multiple brands from the firm, marketers obtain a clearer understanding of customer needs overtime. This process leads to improved goods or customer service, which pays off through increased sales and lower marketing costs. In addition, marketers have discovered it is

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less expensive to retain satisfied customers than it is to attract new ones or to repair damaged relationships.

### 1.3.3 Retaining Current Customers

The ever competitive banking industry has presented a unique challenge for retail banks to offer exceptional. To overcome this challenge, banks, which can be classified as service firms, can benefit from superior relationship marketing, because clients focus on the service aspect and interaction with the service provider when evaluating a service firm. Firm-client relationships in service industries are important as they influence the satisfaction, support and retention of banking clients. Moreover, previous studies have shown that there is a significant positive relationship between the client relationships and level of service quality of banks (Rootman 2006). Both banks and their clients can thus benefit from relationship marketing. Proper relationship marketing may result in lower marketing costs, enhanced customer satisfaction, customer loyalty and possibly increased customer retention levels for banks (Bergeron, Roy & Fallu 2008; Bid 2007; Ackermann & Van Ravesteyn 2005; Baron and Harris 2003; Wilmshurst &Mackay 2002; Mudie&Cottam 1999).

### 1.3.4 Increasing Profit

Organizations seek benefits in order to develop a relationship with their customers, so that they will be able to create a competitive advantage. It is also the same for the customers, who seek a benefit to start relationship and respond with their loyalty (Rashid, 2003). So, the long-term relationship between a bank and its customers brings numerous financial benefits to both bank and customer which have a real economic value (Bae et al., 2002; Ashton and Pressey, 2004). Relationship marketing focuses on how to develop, maintain and enhance customer relationships over the customer life cycle rather than on attracting new customers (Zineldin & Philipson, 2007). Research has shown that the cost of serving one loyal customer is five to six times less than the cost of attracting and serving one new customer (Rosenberg and Czepiel, 1983; Ndubisi, 2003; Ndubisi and Wah, 2005: Gilaninia et al, 2011). Reichheld (1993)

reported that a 5 percent increase in customer retention typically grew the company's profit by 60 percent by the fifth year. Also long-term relationships between banks and their customers allow for the systematic monitoring of borrowers for credit assessment, enforcing contract compliance and as a conduit to gather information for profitability, distribution and pricing which leads to greater satisfaction, repurchase, and positive word of mouth (Ashton and Pressey, 2004).

### 1.4. Equity Bank

Equity bank is a limited company integrated in Kenya Companies Act Cap 486 and based and headquartered in Kenya. The bank operates under the license of the Kenya Banking Act (Chapter 488) and pride in offering trade banking, micro finance, banc assurance, agency banking and other such related services. Sinc3e its inception, the bank has grown its subsidiaries in Rwanda, South Sudan, Tanzania and Uganda. The Bank has subsidiaries in Kenya, Uganda, South Sudan, Rwanda and Tanzania.

Equity Bank was instituted as Equity Building Society (EBS) in the late eighties (to be precise,1984) and was initially a supplier of mortgage funding for the bigger part of the population that was considered to be of the lower cadre financially. Its logo speaks a lot about its target market and their unprecedented pursuit for bettering their livelihood. Over a long time, most Kenyans had been unbanked and the reason is because the banks in that day and age had no inclusion of the lower target market that Equity labored to impress when it came in the market.

It is worth noting that in 1993 the bank was declared insolvent and it is ever surprising to hear of the remarkable success that Equity has since become, even to be the leader in the industry in East Africa after turning into microfinance and later into a fully-fledged bank. As of this writing, Equity bank is priding of nine million plus customers and without any contention making it to be the largest bank in Africa (in terms of customer base). To be the champion of the socio-economic prosperity of the people of Africa", is the company's vision and there is no telling as to how the leadership and the staff have strived to live by this. This is made evident by their nature of business operations and their stout business reengineering processes through a commercial pattern pegged on adaptability, inclusion and flexibility.

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Six years ago (in 2010) the bank instituted the Equity Group Foundation which over the year has introduced a new tangent of philanthropy and corporate social responsibility. While Equity Group Foundation champions the socio-economic transformation of the people of Africa and seeks partnerships along six cluster thematic areas, Equity Bank provides the infrastructure of delivery, hence reducing the operational costs for the Foundation and increasing the rate of return on any social investment. The six social thematic areas of focus are: education and leadership development; financial literacy and access; entrepreneurship; agriculture; health; innovations and environment.

Despite the growing competition in the financial services sector the bank has continued to record impressive performance on several parameters. Bank has yet reported a 20% year on year profit growth for the period ended 31st March 2016. Profit before tax increased from Khss.6.1 billion to Kshs.7.3 billion while profit after tax rose from Kshs.4.3 billion to Kshs.5.1 billion for the same period last year.

The Group profit has been delivered by a 22% growth in loan book and a 28% growth in government securities. Net loans grew from Kshs.225 billion to Kshs.275 billion while government securities grew from Kshs.49 billion to Kshs.62 billion. The balance sheet and total funding grew by 16% from Kshs.373 billion to Kshs.430 billion.

### 1.5 Statement of the problem

In banks, relationship marketing brings stability and decreased uncertainty by acting as a barrier to competitor entry and maintaining a stable and solid base of profitable customers. The implementation of relationship marketing has many implications for a service organization both strategically and tactically. In strategic level, there will be implications on company's strategy, organizational, structural and cultural, and management. On tactical level, there is increase in performance.

A study conducted by Phillips, Chang, and Hill (2003) suggests that relationship marketing is used by most commercial banks as a way of achieving a position in the stiff neck competitive market. Relationship marketing is based on the notion of relationships with identifiable customers who should not be treated as unknown persons but as individuals representing households or organizations (Peppers and

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Rogers, 1993). This therefore means the expected outcomes in relationship marketing are people driven. The interactions of the customers and the banks are therefore premised on the boundary spanners, that is relationship officers and other staff that are on the forefront in dealing with customers.

Relationship marketing creates mutual value which impacts on how a business develops and how customers need are managed. The banking industry is not a one time of venture. It is an industry that rides under the crest of relationship building to have them (the customers) converted to ardent brand loyalists.

This study will keenly seek to assess the influence of relationship marketing practices employed in Equity bank and the underlying effect on performance of the bank compared to others.

### 1.6 Purpose of the study

The study sought to examine the effect of the current relationship marketing practices being practiced in Equity Bank. And also go a long way in finding out their effect on performance in the bank.

### 1.7 Research Objectives

1. To identify the role of service quality on performance of Equity bank.
2. To find out the effect of personalized service in boosting the performance of Equity bank.
3. To examine the effectiveness of communication the performance of Equity bank.
4. To establish the usefulness of service differentiation on performance.
5. To determine the effectiveness of customer service on Equity bank's performance.

### 1.8 Research Questions

1. What is the role of service quality on the performance of Equity Bank?
2. How does personalized service affect the performance of Equity Bank?

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3. Which communication practices would result in the enhanced performance of Equity Bank?
4. What is the function of service differentiation on Equity bank's performance?
5. How does customer service affect the Equity bank's performance?

### 1.9 Justification of Study

To the best knowledge of the researcher, there has been no study on the relationship marketing strategies that had been undertaken for the bank. Therefore, this study sought to discuss on the relationship marketing practices and whether they have an influence on performance

### 1.10 Significance of the Study

The researcher anticipated that the findings of this study would add value as:

1. The study sought to contribute to the inadequate literature and knowledge about relationship marketing practice in banks in Nairobi.
2. The relationship marketing practices would lead to increased performance in the banking industry.
3. The findings shall be of great importance to various interest groups including researchers and stakeholders.
4. The findings shall be beneficial to the bank and others

### 1.11 Assumptions of the Study

The study was based on the following assumptions:

1. Equity bank employs various relationship marketing practices
2. The use of relationship marketing practices had positively impacted the banks performance.

### 1.12 Scope of Study

The scope of the study was Equity Kenya in Nairobi at the head office. The target respondents were contact employees (relationship officers), some departmental heads

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and some members of the management at the headquarters. The reason of choosing the head office is because it has a higher representation of departments, in this case, the entire population, as opposed to the branch level where there were only an average of around two departments representing banking and operations.

### 1.13 Definition of Terms

**Relationship marketing:** this is a consumer centered approach seeking long term relationships with existing as well as with prospective partners to the marketing process i.e., suppliers, alliances, competitors, distributors, employees and consumers (Barnes, 2003).

**Relationship marketing practices:** these are the marketing practices in which a company seeks to build long term relationships with its customers by providing consistent satisfaction. (Battle & Chapman, 1996)

**Perfomance:** these refers to outcomes or process which, if successful, may be described in terms of excellence (Norton & Kaplan, 2000). Performance can also be defined as the accomplishment or outcomes of an entity or as the ability of an object to produce results in a dimension determined a priori, in relation to a target. Performance in a company is measured using financial or non-financial measures

### 1.14 Summary

This chapter has provided the background information about the topical issue. Relationship marketing involves the process of attracting and keeping customers, by converting satisfied first-time customers into repeat customers. Organizations that implement relationship marketing have significant potential benefits that could be of help to the business. Such benefits include positive word of mouth recommendations to future customers as a direct result of customer loyalty, greater cost savings for business, increasing occupancy rate during off-seasons and also customer retention-all of which translates into higher profits and improving the overall performance of banks.

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# CHAPTER TWO

# LITERATURE REVIEW

## 2.0 Introduction

This chapter has reviewed literature related to relationship marketing, relationship marketing practices and performance in the banks. This review is organized into three sections. The first section presents the theoretical of relationship marketing as a concept. The following section focused on review of findings done on relationship marketing practices in the banks. Lastly, the review concentrated on relationship marketing practices and performance in the banking industry.

## 2.1 Trust-Commitment Theory of Relationship Marketing (KMV)

Morgan and Hunt (1994) fronted the Trust –Commitment theory. This theory proposes that the practice of relationship marketing revolves around instituting and deliberately sustaining well established interactive connections. To this end, the theory is grounded in maintaining a shift from the usual marketing theory. As a matter of fact, the duo had a foresight on relationship marketing on the following forms. These are: dependability, sensitivity, concreteness, approachability, communication, admittance, courteousness, trustworthiness, aptitude, safekeeping and empathy to customers. They also went ahead to argue that for relationship marketing to be successful two things should come in as a prerequisite: trust and commitment. They sculpted commitment and trust as key variables for relationship marketing to be practiced. In addition, this model was tried and even made an evaluation against rivaling parties that do not allow commitment and trust and variables to measure developed business relationships

(Thorelli, 1986) further made the observation to the effect that the commitment-trust theory was founded on the pattern of political economy. It observed that it is the dominant model in analyzing systems because its being can determine the state of others. On the same length, it is contended that because about a third of premeditated coalitions are absolute letdowns (Sherman, 1992), what should remain chief to accepting relationship marketing is whatever that differentiates prolific, operative, interactive connections vis a vi those that are unproductive. Though there are no doubt

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many circumstantial aspects that underwrite the achievement or miscarriage of explicit relationship marketing determinations, the existence of relationship, commitment and trust is conceived to be vital to effectual relationship marketing, not influence and its capability to "condition others."

These two (commitment and trust) are distinguished to be strategic as they embolden sellers to labor at preserving association investments by collaborating with exchange partners, resist striking quick wins in indulgence of the projected long-term paybacks of remaining with current business associates, and view possibly high-risk engagements as being discreet because of the conviction that their associates will not act speculatively. Therefore, when both commitment and trust, not just one or the other, are present, they yield endings that stimulate competence, output, and usefulness. In other words, commitment and trust lead directly to supportive behaviors that are advantageous to relationship marketing attainment (Morgan & Hunt, 1994). Commitment-trust theory fails to address service quality as a component of relationship marketing. It has also fallen short of relating the various components of relationship marketing to customer retention. In other words, it has not explained how relationship marketing influences customer retention.

### 2.2 Relationship Marketing Theory

According to Arnett & Badrinayann, (2005) this theory stipulates that effective relationship marketing is elicited when particular facets of collaborative relationships that characterize successful relational exchanges are brought into play. Therefore, the effectiveness of relationship marketing is tied to three major features namely; trust, association, commitment, and communication (Sivadas &Dwyer, 2000). The model further proposes that fruitful relationship marketing efforts enrich the levels of consumer constancy and also goes a long way in affecting a company's achievement through stout interactive links. (Sirdeshmukh, Singh, & Sabol, 2002).

They have proposed the features to be pointers to worldwide business relationship quality, whch is just an overall measure of the effectiveness of a relationship and is therefore observed it as a multifaceted concept laying hold of the many diverse facets of an exchange relationship (De Wulf *et al.*,2001). Even so, this theory is limited in extrapolating the connection between the various features of relationship marketing especially communication and customer's trust.

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## 2.3 Relationship Marketing

In more than three decades, the concept of relationship marketing has been a topic that has elicited a lot of attention to the academia and business experts (Frow & Payne, 2009). The aforementioned authors view relationships and relationship marketing to have increased to a significant level during this period. This concept stems from intensified marketing campaigns and it places more emphasis on retaining customers and satisfying them rather than just been passionate about the volume of sales. Christopher *et al*., (2002) observes that the companies that espouse relationship marketing practices experience the long term value of their customers. He went further to observe that this term; 'relationship marketing' stemmed from the industrialized and services marketing works way down in the 1980s. From whence, it was observed that the accomplishment of a business in the service industry could be hinged on their ability to sustain long term relationships with their clientele (Matute-Vallejo, Bravo, & Pina, 2010). On the same breadth, Ndubisi (2007) maintains that establishing enduring relationships with most customers makes it possible for a firm to obtain unique fronts of marketing intelligence which translates to better planning coupled with an effective marketing strategy.

This concept of relationship marketing has in a number of years now taken a stretch and the banking industry has not been exempt in its effects, (Gummesson, 2008). Anderson (2005) and Gaurav (2008) draw contrasts amongst mounting rivalries and operational expenditures on one hand, and those relationship marketing on the other. In the equivalent match, it is perceived that the ever increasing operational costs and the thickening competitive environment has caused businesses (including banks) to advance extended mutual relationships with their clientele. Kolter and Armstrong (2006) are of the view that, the sum of the practices of relationship marketing demands the reasoning of commercial bank to clamp it as an avenue of maintaining dual collaborative partnerships with the customers and other stakeholders. In addition, Sin *et al* (2005) bordered the shift of the pattern that has been occasioned by relationship marketing by typifying the instance of a multicultural study in Hong Kong, China. In addition, Sin *et al*. (2006) illustrated six components of the relationship marketing orientation. These include trust, bonding, communication, shared value, empathy, and reciprocity. The repercussions of trust to profitability, the

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growth of the market share, retaining of current customers, has caused most banks to adopt it in their strategic drive to increase their competitive advantage. (Yudi, 2012).

Internationally, this thought on relationship marketing has been studied to a significant length. Numerous features in agreement with the above mentioned that have until now been emphasized include customer satisfaction, service quality, culture, brand loyalty, commitment, customer relationship management and perceived value (Lages *et al*., 2009; Yudi, 2012). It is debated that this theme (the theme of relationship marketing) has had lots of empirical studies chained to it in the USA and the UK.

An empirical study has been previously been steered on the outcome of relationship marketing on customer loyalty in Nigeria (Aminus, 2012). According to the scholar, irrespective of any business segment, most enterprises have budged from myopic focus on short-term business transactions and embraced more on long term and relational orientation. The study reached to the conclusion that there is a substantial connection stuck between the four dealings of relationship marketing. That is, the quality of service, the level of trust, handling of complaints, the satisfaction of customers and creation of loyalty amongst the existing pool of customers. In stroke with the research findings, it was concluded that truly relationship marketing as espoused by banks had a significant influence owing to the fact that it contributed to customer loyalty.

Another similar study conducted in that country (Nigeria) hypothesized that it is of prime importance to service the relationship with a pool of existing customers than drawing more to the business (Adeleke & Aminu, 2012). As such indispensable processes must be strategically employed to ascertain that customer retention is achieved. Olotu, Maclaton, and Opara (2010) empirically studied the relationship marketing alignment and Nigerian banks performance. The duo observed that banks had no option but to practice relationship marketing in a bid to retain their clientele.

Locally, Kuria (2010) gauged the relationship marketing practices among commercial banks in Kenya. The survey aimed to examine the extent to which relationship marketing is employed across banks. The survey observed that most banks have embraced a product offing that is not just transactional but relational. Even so, it emerged that most commercial banks in Kenya to a greater measure have not

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enhanced their relationship marketing practices and therefore it was advised that banks must strictly reconsider the various relationship marketing practices. His explanations emphasized the validation of indulging more on the concept of relationship marketing

### 2.3.1 Relationship Marketing and Firm Performance

Crockett (1997) indicates that the key performance measure in banks is obtained from their financial stability and this case can be ascertained by evaluating whether the key institutions in the financial system are stable, in that there is a high degree of confidence that they continue to meet their contractual obligations without interruption or outside assistance; and that the key markets are stable, in the sense that participants can confidently transact in them at prices that reflect the fundamental forces and do not vary substantially over short periods when there have been no changes in the fundamentals". The study increased performance exists if the financial system can continue to function normally without "outside assistance" because of valuable relationships built overtime with the wide clientele.

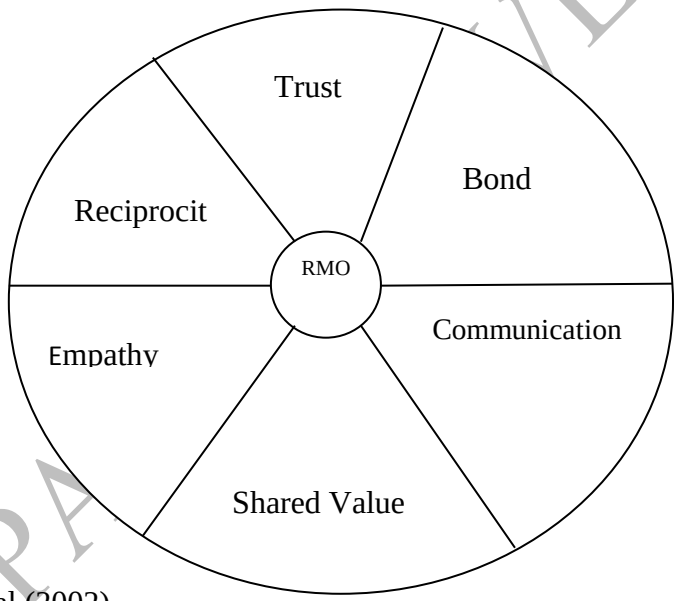
Well organized relationship marketing has the possibility of lowering the cost of marketing, increasing to significant levels the rate of consumer loyalty and satisfaction and even may possibly increase the customer retention levels for banks (Bergeron, Roy & Fallu 2008; Bid 2007:1021; Ackermann & Van Ravesteyn 2005; Baron and Harris 2003: 161; Wilmshurst &Mackay 2002: 346; Mudie & Cottam 1999: 257). In the event that most banks concentrate on relationship marketing, customers will be set to gain benefits, customized services and reduced charges as well as experiencing spirits of trust and satisfaction in the business (Info-Electronics Systems 2004; Swartz & Lacobucci 2000: 96, 328). Appropriate relationship marketing could eventually safeguard the existence of a bank; nevertheless they (the banks) may want to be cognizant of the variables behind their relationship marketing practices. In the long run, the activities will come in handy for the financial service institutions as they consider embracing the expected factors in ensuring adequate and advantageous relationship marketing.

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## 2.4 Relationship Marketing Orientation Model

Sin et al (2002) came up with the six fronts of the relationship marketing model into detailed a facet that has come to be known as relationship marketing orientation. While this model is usually referred to as a philosophy pointing to the distribution of funds and the devising of tactics for a firm, the model is observed to be the array of activities weaved together in the implementation of those strategies. RMO is well-thought-out to be the actions involved in the execution of the relationship marketing concept. With this definition, Sin *et al*. planned and empirically tried a mechanism for measuring RMO constituting of the following six dimensions: trust, bonding, communication, shared value, empathy, and reciprocity (see Figure 2.1). Each of these dimensions has been discussed below.

**Figure 2.1: Relationship Marketing Orientation Model**




Source: Sin et al (2002)

### 2.4.1 Trust

This is the inclination to be dependent on a transactional associate in whom one has confidence in (Morgan & Hunt, 1994). The insertion of trust as a dominant factor in a business exchange has extensively been examined by a number of marketing scholars. relational exchange has been widely examined in the marketing literature. For example, in the service marketing (Berry & Parasuraman, 2000) established that "customer-company relationships require trust". In addition, Morgan and Hunt also established trust to be a vital variable in their model of business relationships.

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### 2.4.2 Reciprocity

According to Houston and Gassenheimer (2000), this is the dimension of a business relationship that causes either party to provide favors or make allowances for the other in return for similar favors or allowances to be received on a later date. Relations of reciprocity to relationship marketing that have stood out as the foundation standing in between the marketing plans and business transactions.

### 2.4.3 Sympathy / Empathy

This is the face of a commercial relationship that aids the two parties to view the other parties' viewpoint from their own lenses. It is well-defined as pursuing to appreciate somebody else's wishes and aims. In the SERVQUAL model for service quality Berry, Zeithaml & Parasuraman's (1998) view it as an active dimension for measuring the quality of a service

### 2.4.4 Shared Value

It refers to the degree to which business associates espouse mutual views concerning what actions, aims and procedures are central or insignificant, suitable or inappropriate, and precise or mistaken. This feature has for a long while has been factored as a crucial element in constructing mutually beneficial relationships. When organizations and their customers espouse shared goals or principles, their level of commitment to their relationship will be higher (Callaghan, McPhail, & Yau, 2000)

### 2.4.5 Communication

This is the official as well as casual relaying and sharing of information that could cultivate the relationship between both the consumers and traders. Communication fosters trust by assisting in solving disputes and aligning perceptions and expectations. Research on relationship marketing also highlights the importance of information exchanges in business relationships. Communication is the glue that holds relationships together; communication plays a crucial role in the development of collaboration and confidence between two parties (Morgan & Hunt, 2000).

### 2.4.6 Bonding

This is defined as the aspect of a commercial association that outcomes in two parties (purchaser and vendor) acting in an amalgamated manner toward a sought after goal. The dimension of bonding as it applies to RMO includes developing and enhancing customer loyalty, which results directly in feelings of affection and a sense of belonging to the relationship, and indirectly in a sense of belonging to the organization. Likened with the trust, bonding has acknowledged a comparatively irresolute level of consideration from scholars and various researchers. Stronger personal bonds among buyers and sellers lead to a greater commitment to maintain the relationship (Callaghan, McPhail & Yau, 2000).

## 2.5 Relationship Marketing Practices

### 2.5.1 Service Quality

Any types of services mainly have two sides of the coin, i.e. "what" is delivered from a more nominal view, as the other focuses on a personalized point of view, that is, on "how" the delivery is conducted., (Claycomb & Martin, 2002). The quality of any service must be continuously scrutinized, and an effective system for customer service implemented. From various customer feedback surveys, any business can be appraised on whether its service meets the expected levels of satisfaction. Better still, enumerating the purchaser's reaction will also aid in deciphering more about developments, competence, and upcoming problem areas (Rosenberg& Czepiel, 1992)

The promised quality of a service must endure meeting the customers' expectations as well as towering the services of other competitors in the industry. In the event that a given service is unable to meet customers' expectations, any other practice meant to develop relationships will not be of any benefit. (Claycomb & Martin, 2002).

### 2.5.2 Personalization

This refers to the trait of treating each customer independently, on the backdrop of their distinctive requirements, and thereby creating special fits between the service and the customer (Claycomb & Martin, 2002). In this age of electronic data mines, the possibilities for personalization are at an all-time high. (Berry,2002). An effective monitoring system of detailing buyers procuring past can aid companies study the

behavior of the consumers and offer unique services. According to Brink and Berndt (2008: 126) and Peppard (2000: 322), personalization only takes place when a business puts up products offing geared to meet exclusive needs presented by the clients

This personalized outlook on existing customers permits companies to present more personalized services and also, accepting the practices, and requirements of their customers (Opperman, 1999).

### 2.5.3 Communication

In the chase to maintain a loyal pool of customers, yet still draw more, an effective communication strategy needs to be employed. According to Claycomb & Martin (2002) a buyers is inclined to reminisce a business that is in constant touch with them. To this argument, they propose that any business should be deliberate in its communication plan targeting their pool of customers.

Appropriate communication can be pegged to after purchase service where the business is interested to give ear to their buyers' experiences of the service rendered, (Rosenberg & Czepiel, 1992). In addition, calling to enquire whether the customers' needs have changed and even recognizing important calendar dates for the consumer. These practices not only leverage the quality of the service, but also go a long way in entrenching the relationship with the client.

### 2.5.4 Differentiation of Services

An organization that aims at building long range relationships it should not only bank on service quality and communication. Instead, there should be a quest to differentiate their product (s) offing from those of competitors. In addition, their services should be developed in such a way that from the buyers' standpoint, they are a cut above the best. Consequently, each customer experience should be remarkable, hence competitive. It is worth noting that a competitive service does not only secure a certain niche but also offer a unique service that would lock in the customers for the long haul (Claycomb & Martin, 2002)

### 2.5.5 Customer Service

This is the level to which any enterprise satisfies its clientele. It belabors in offering reasonable prices, flawless information and exclusive product offing. According to Gronoors (2004) any business enterprise usually hosts two customer types. That is internal and external customers. The internal ones help in supplying unique products to the external clientele. Whereas external customers are the purchasers of the goods and services for their consumption.

**2.6 Conceptual Framework**

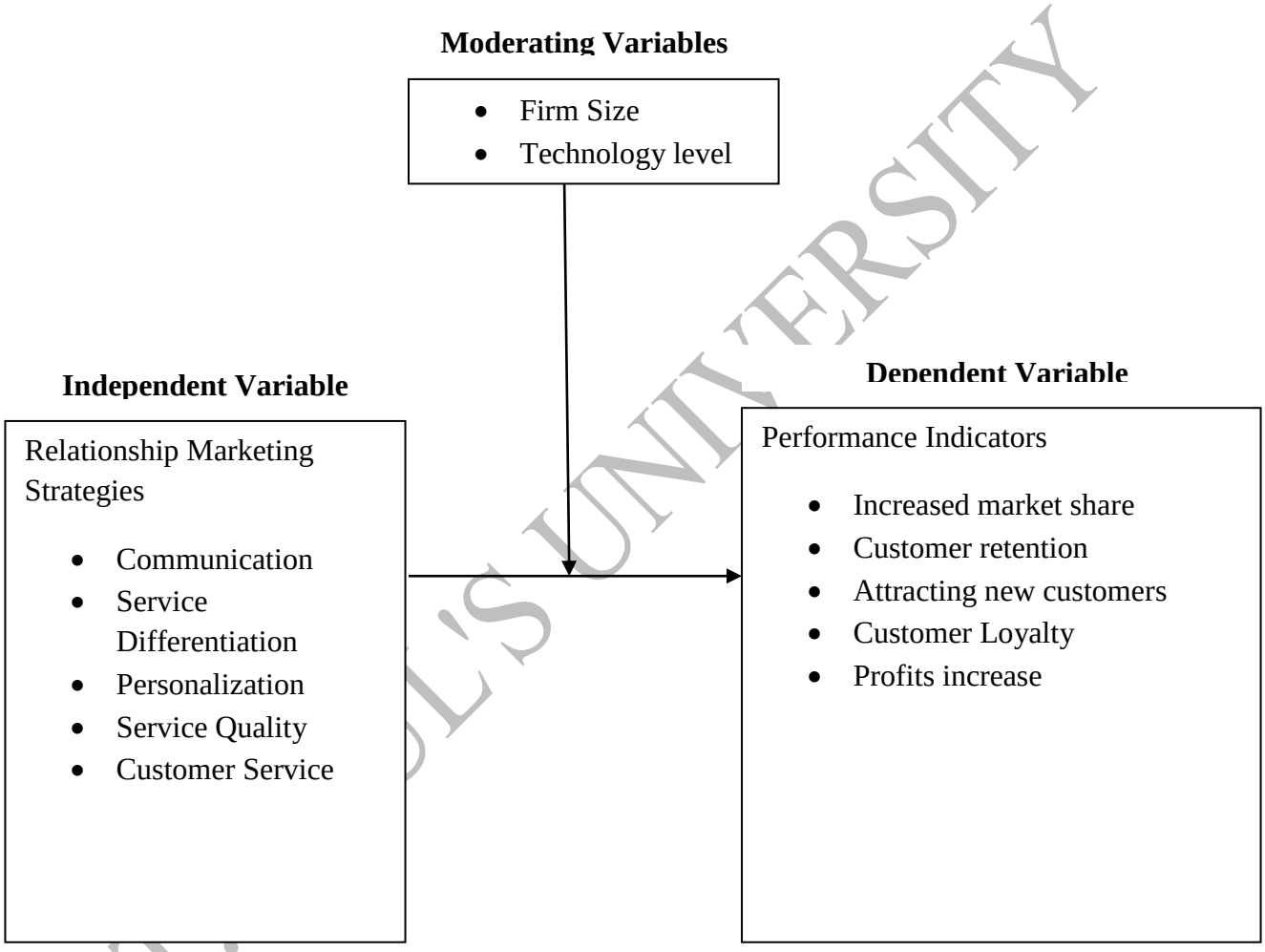
This is a depiction of a research problem in an illustration that points toward the flow and bearing of the relationships between variables, that is, it is a flow chart that indicates the various components and how they are related to each other (Chandran, 2004). Relationship marketing strategies are strategies in which a company seeks to build long-term relationships with its customers by providing consistent satisfaction. Relationship marketing strategies for this study are: Communication, service quality and customer service (Berry, 2000).

The Key Mediating Variable (KMV) model as first proposed by Morgan & Hunt (1994) has subsequently been used successfully in many relationship marketing studies across a variety of disciplines hence becoming popular. The proposed conceptual model for this study will be adapted from the KMV model first proposed by Morgan and Hunt (1994). Figure 2. 2. below represents a diagram of the proposed structural model for relationship marketing, including the determinants of trust and commitment, the influence of trust and commitment and customer loyalty, which is an expected outcome from the establishment of a relationship.

The relationship marketing strategies and performance in the banking industry is that banks concentrate on profitable customers who in turn become loyal to the bank, leading to increase in performance. Also, relationship marketing strategies ensure that the bank retains customers rather than acquiring new customers. Performance is the dependent variable, and is measured by: increasing market share, retaining customers, attracting new customers, creating loyal customers, increasing profits and positive image.

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**Figure 2.2: Conceptual Model**




Source: (Author, 2016)

**2.7 Research Gap**

Locally, studies that have been done include: Soimo (20015) who did a study on the effect of relationship marketing on retaining consumers in commercial banks in Nakuru town. Abishua, (2010) also did another study on strategies used by equity bank to compete in the kenyan banking industry. Therefore this study sought to fill the research gap by looking at the influence of relationship marketing practices on the performance of Equity Bank, Kenya. Equity has of late been a leader in the industry

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in terms of market share hence vital to give an eye on the relationship practices that they employ to perform well in the industry.

## 2.8 Summary

Relationship marketing is expected to drive performance through the improvements such as greater customer satisfaction, customer loyalty, profitability and new businesses. This, performance driven CRM emphasizes the use of customer measures such as the percentage of customer retention to indicate loyalty, ratings of surveys to indicate customers' satisfaction, customer accounting to measure profitability by customers, and new businesses by measures of number of new customers, total sales to new customers (Swift, 2001) given the importance of aligning the measures to support strategy, and its use to enhance performance.

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# CHAPTER THREE

# RESEARCH METHODOLOGY

## 3.0 Introduction

In this chapter the working research methodology was floated detailing the research design, the size of the population, sample size, sampling technique, data types, data gathering techniques and procedure, data analysis and presentation, and ethical considerations in this study.

## 3.1 Research Design

According to Chandran (2004), a research design is an organization of conditions for collection and analysis of data in a manner that brings together their relationship for the sole purpose of research. Chandran explains that the choice of a design is determined by a number of considerations such as research purpose, categories of data needed, data sources and cost factors. Descriptive research according to Kothari (2007) is studies which are concerned with describing the various features of a particular component. Descriptive research gives researchers an opportunity to use both qualitative and quantitative data in order to find data and characteristics about the population or phenomenon that is being studied. The researcher employed the use of descriptive research design which involves portraying accurately the characteristics of a particular situation and make it for easier generalizations to be made from the study findings by permitting the use of statistical rigor to determine the relationships between the independent and dependent variables.

## 3.2 Population

Collis and Hussey (2009) define population as a body of people or objects under consideration for statistical purposes. Babbie (2007) has defined population as that group whom we want to draw conclusions; it is not possible to study all the members of the population that interests us. Kothari (2004) also defines population as the entire group of individual events or objects having common observable characteristics which provide the required information. In this study the target population was 264 employees of Equity Bank Kenya Headquarters in Upper Hill.

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Mugenda and Mugenda (2003) define target population as that population which is under study by the researcher, and whose findings are used to generalize to the entire population. The sample size of the study translated to a total of 88 employees who are based at the headquarters in Upper Hill in the following departments; customer service, corporate affairs, finance department, business development, operations and credit and risk department.

### 3.3 Sample and Sampling Technique

Sampling is the systematic process of sourcing a select number of individuals for a particular study to represent the larger group from whence they were fetched; a sampling method is a way of selecting a portion of the population such that the selected portion represents the population adequately. Cooper (2006) emphasizes that the main catch for sampling is selecting some of the elements in the population so that conclusions are ably drawn concerning the entire population.

There stands two distinct types of sampling methods, that is, probability sampling techniques and non-probability sampling techniques. Probability sampling methodology allows for all components to stand an equal chance in being included in the sample. It also allows for statistical analysis of the collected data.According to Mugenda (2003), non-probability sampling is a sampling technique where the samples are gathered in a process that does not give all the individuals in the population equal chances of being selected.

The researcher used probability sampling methodology in this study because it allows for all elements to stand an equal chance in being included in the sample. It also allows for statistical analysis of the collected data. The study employed disproportionate stratified sampling to obtain the data which was later analyzed using the Statistical Package for Social Science Software for data analysis. Disproportionate stratified sampling was chosen as the referred sampling technique as it aids to avoid biasness in sampling since through this sampling method, all the population elements that would be issued with questionnaires stand an equal chance of being selected into the final study sample.

Chandran (2004) defines sample as subgroup or the population chosen for observation or study. In addition Collis and Hassey (2009) define a sample as subset of

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population. Sample size therefore is defined as the number of items to be selected from the universe or population to constitute sample (Kothari, 2004). The size of the sample should not be too large or too small thus it should be optimum. That is, one which is efficient, representative, reliable and flexible.

**Table 3.1: Target Population and Sample Size**

| Division | Population | Sample size |
|---|---|---|
| Customer Service | 18 | 6 |
| Corporate Affairs | 12 | 4 |
| Finance | 15 | 5 |
| Business Development | 114 | 38 |
| Operations | 87 | 29 |
| Credit & Risk | 18 | 6 |
| **Total Number** | **264** | **88** |

Source: Equity Bank, Kenya (2015)

### 3.4 Data Collection

The sources of data can be categorized as primary and secondary data (Varkevisser et al., 2003). Secondary data is material that has been gathered previously while primary data include new material collected by the researcher for the sole reason of analysing the data through interviews, questionnaires and participant observation (Cooper & Schindler 2005). Several forms of secondary information were used in the course of developing this study. These include books, On-line journals, articles, material from Central bank and Equity Kenya. Secondary data is cheaper and easy to access as compared to primary data however it may contain large amount of inappropriate data.

Primary data is needed because it assists in solving a research problem once the secondary data has been examined primary data can be selected by the use of questionnaire (Churchill, 1995). In this study, both secondary and primary data have been employed.

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### 3.5 Data Collection Tools

The research instrument describes the instrument or tool in which the researcher will utilize in data and information collection from the respondents. This study utilized both interviews and semi-structured questionnaires for collecting the expected data. The researcher administered the questionnaire to the respondents and also engaged an assistant to assist in the data collection process. The questionnaire that was utilized for the study was divided into four sections and contained open and closed ended questions and the Likert type questions. A sample questionnaire that was utilized for the research study can be viewed on Appendix 1. The researcher also carried out interviews and the target respondents for these interviews were several executives and selected relationship officers from the business development department

### 3.6 Data Analysis and Presentation

Data analysis is the process of editing and coding of qualitative and quantitative data, Mutai (2001). Editing is the process by which the questions and interview schedules are scrutinized with the intention of eliminating errors and omission. Mutai (2001) describes coding as an important process because it facilitates effective analysis through which several responses will be reduced to small number of classes. The data collected was analysed using both qualitative and quantitative analysis techniques. Qualitative data was analysed by arranging responses according to the research questions and objectives. Descriptive statistics including percentages and frequency counts were used to analyse quantitative data obtained from the respondents.

The study used descriptive statistics for data analysis because the study involves statistical analysis of relationship between variables. The Statistical Package for Social Sciences (SPSS) was used for statistical analysis. Martin and Acuna (2002), argue that SPSS is able to handle large amount of data and given its wide spectrum of statistical procedures purposefully designed for social sciences. The results of data analysis have been represented in frequency tables and charts. Thereafter, conclusions and recommendations have also been drawn.

### 3.7 Ethical Considerations

Nicholas (2006) defines ethics as the rules of conduct in research. According to Kombo and Tromp (2006), ethics must be put into considerations when carrying out



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research. The researcher was careful to ensure that authorization to carry out this study was obtained from Equity bank Kenya to avoid areas of conflict. Confidentiality was also maintained on the responses gathered. In addition, integrity was upheld throughout the research process.

Storing and transmitting data is another area that needs ethical considerations. Data collected in many cases is sensitive and contains confidential details about people and organizations hence the storage of such important information should be stored in safe and accessible to limited users. However, the data transmission should be secure and databases should be protected with passwords (Nicholas, 2006). In this study anonymity was highly sought and data collected was treated with utmost confidentiality and used for the sole purpose of this study only.

### 3.8 Summary

This chapter has discussed the methodology that was used in this study. Various research designs have been discussed; population and the target population have also been given. In addition, sampling design, sample size, pre-testing, methods and instruments of collecting the data, the procedure involved in data collection, data analysis, interpretation and presentation have been also been discussed. The next chapter presents the data collected, its analysis and interpretation.

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# CHAPTER FOUR

# RESEARCH FINDINGS AND DISCUSSION

## 4.1 Introduction

The chapter discussed the analysis, presentation and discussion of collected data from the field. Research findings constitute a very important phase of the research process. The collection and analysis of the data is crucial in order to understand the phenomena being studied. It is an integral part of the survey and it is affected by its overall quality. The findings of the influence of relationship marketing practices on the performance of commercial banks in Kenya; a case study of Equity Bank Kenya have been presented here in frequencies, percentages, graphs and tables to explain certain points where necessary. Sums of 88 questionnaires were supplied to the selected target population. Out of all the supplied questionnaires, 62 were filled and received back. This translated to a response rate of 77%. According to Mugenda and Mugenda (2003) a response rate of 50% is considered as satisfactory in analyzing the findings of the collected data. In addition, face-to-face interviews which targeted some sampled senior executives and a host of some relationship officers were also carried out to as a tool for data collection.

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## 4.2 Data analysis, presentation and discussion

### 4.2.1 Section one of the questionnaires

#### 4.2.1.1 Respondents Designation

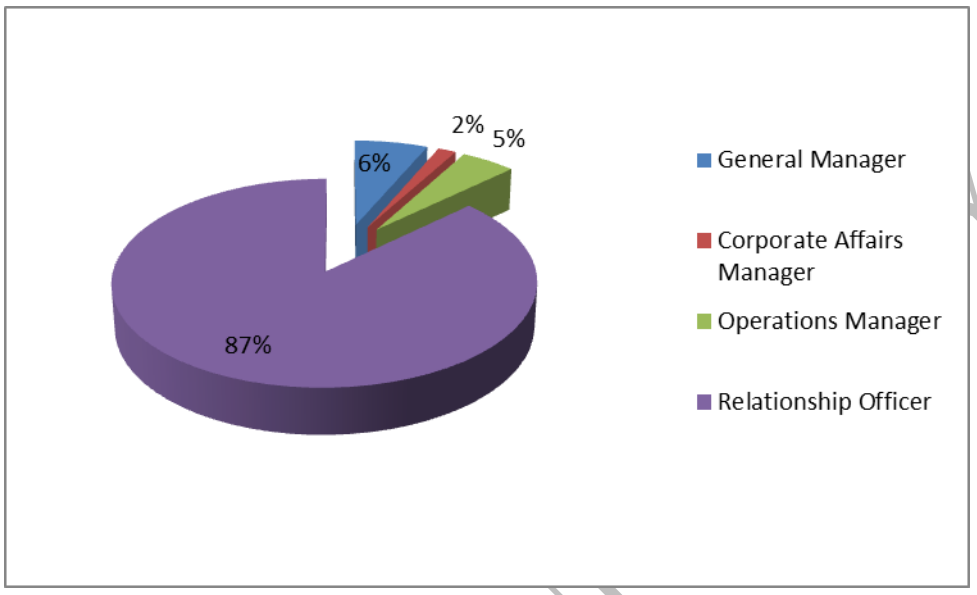



**Figure 4.1 Respondents Designation**

Figure 4.1 above presents responses with regards to the position the respondents occupy in the bank. It was imperative to understand the occupation of the respondents because not all employees of the institution have adequate knowledge on the strategies that an institution employs to compete in the market. According to the findings, 2% of the respondents were corporate affairs manager, 5% were operation managers, 6% were general managers and a whopping 87% were relationship officers. This implied that the respondents were in a credible position of providing the researcher with answers towards the research questions of the study.

#### 4.2.1.2 Period of Service in the Bank

The findings in table 4.2.1.2 below shows that 6.45% of the respondents had served the bank for less than one year, 82.25% of them have worked between one to five years, and another 9.68% have worked in the Equity Bank between six to eight years while 1.62% have worked for than 10 years. There is no telling that most respondents had worked long enough within the institution and therefore were in a position to

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respond to the researcher with credible information on the array of relationship marketing practices that are been employed

**Table 4.2.1.2: Period of Service in Equity Bank Kenya**

| | Frequency | Percent |
|---|---|---|
| Less than 1 year | 4 | 6.45 |
| 1-5 years | 51 | 82.25 |
| 6-10 years | 6 | 9.68 |
| 10 years and above | 1 | 1.62 |
| **Total** | **62** | **100.0** |

### 4.2.1.3 Period of Service in the Current Position

The findings in figure 4.3 below indicate responses of the respective respondents with reference to their length of service in their current positions. It is then evident that 2% of the respondents had held their current positions for more than ten years, 3% had held for between six to ten years, another 8% had held the position for less than a year while 87% had been at their position between one to five years. This shows that the respondents were in a position to provide the study with invaluable information that would be critical in meeting the objectives under study.

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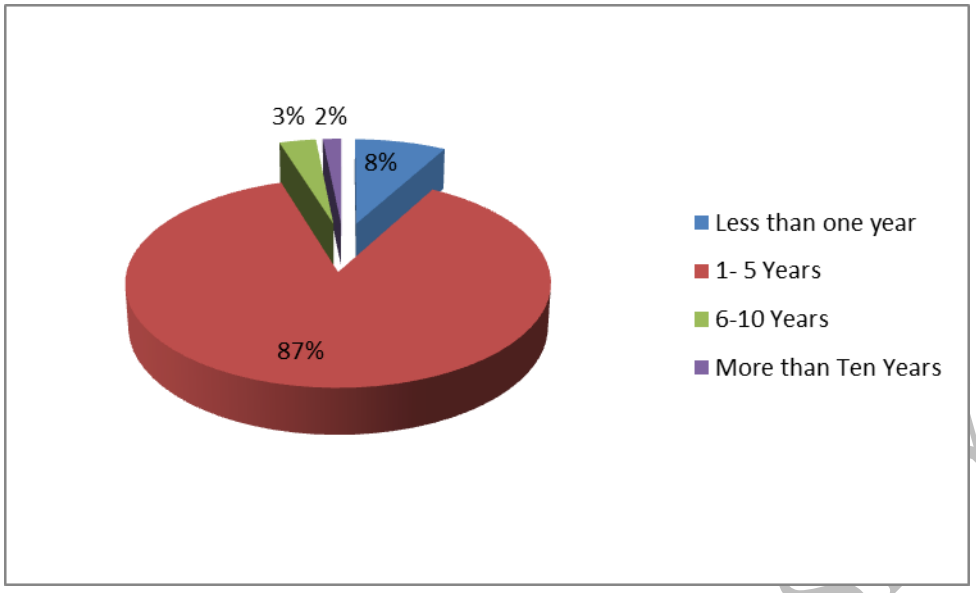



**Figure 4.2 Period of Service in the Current Position**

### 4.2.2 Section two of the questionnaire

#### 4.2.2.1 Relationship Marketing Practices

**Table 4.2.2.1 Relationship Marketing Practices**

| Relationship Marketing Practice | Strongly Agree | Agree | Neutral | Disagree | Strongly Disagree | Total |
|---|---|---|---|---|---|---|
| Service Differentiation | 32 | 16 | 9 | 5 | 0 | 62 |
| Service Quality | 24 | 20 | 13 | 5 | 0 | 62 |
| Personalization | 35 | 18 | 6 | 0 | 3 | 62 |
| Customer Service | 31 | 19 | 10 | 2 | 0 | 62 |
| Communication | 26 | 23 | 10 | 1 | 2 | 62 |

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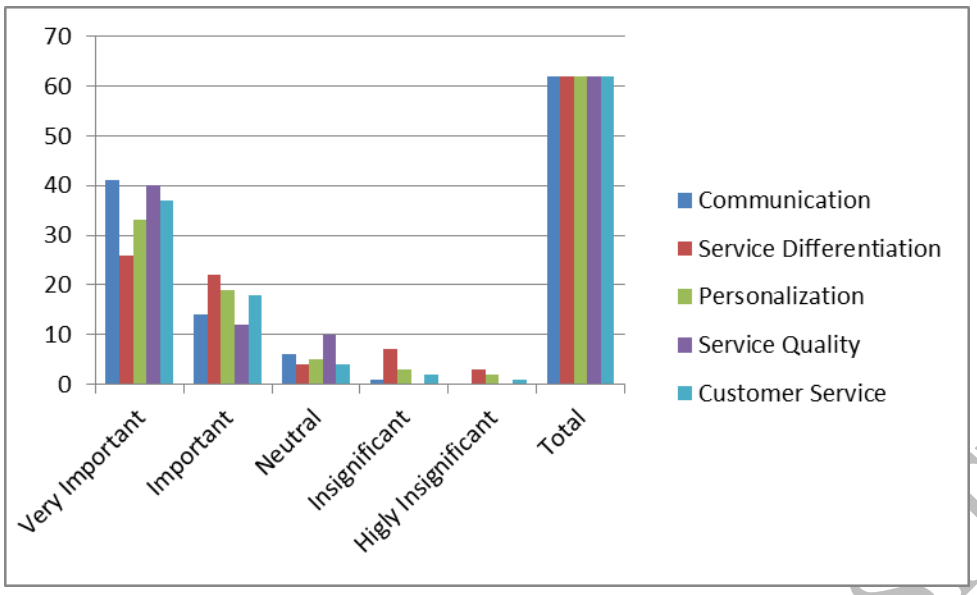



**Figure 4.3 Relationship Marketing Practices**

### 4.2.3 Section three of the questionnaire

#### 4.2.3.1 Service Differentiation as Relationship Marketing Practice

**Table 4. 2. 3. 1 : Service differentiation as a relationship marketing practice**

| | Frequency | Percentage |
|---|---|---|
| Strongly Agree | 32 | 51.61 |
| Agree | 16 | 25.80 |
| Neutral | 9 | 14.53 |
| Disagree | 5 | 8.06 |
| Strongly disagree | 0 | 0 |
| **Total** | **62** | **100.0** |

From the table 4.2.3.1 above, 77.41% of the respondents agreed to the affirmative that service differentiation was a relationship marketing practice that the bank employed to attain a competitive advantage. This is in tandem to the theory by (Claycomb & Martin, 2002) a competitive service does not only front a niche or offer a totally limited service, but it also aims at tying the customers to the company by offering attractive incentives. Such incentives include but are not limited to, points, bonuses, private sales and bonuses

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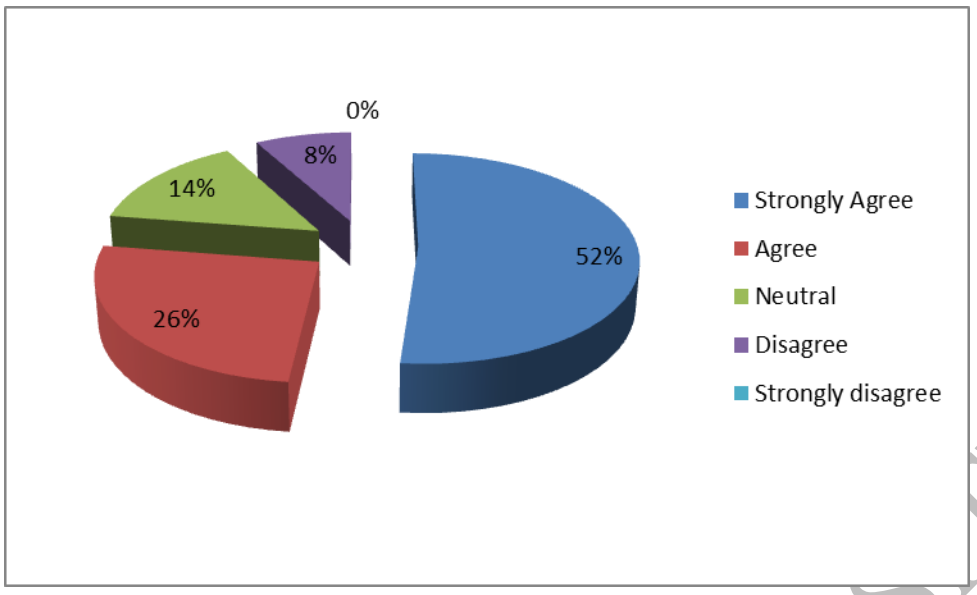



**Figure 4. 4 : Service differentiation as a relationship marketing practice**

**4.2.3.2 Service quality as a relationship marketing practice**

**Table 4.2.3.2: Service quality as a relationship marketing practice**

| | **Frequency** | **Percentage** |
|---|---|---|
| Strongly Agree | 24 | 38.71 |
| Agree | 20 | 32.23 |
| Neutral | 13 | 20.97 |
| Disagree | 5 | 8.09 |
| Strongly disagree | 0 | 0 |
| **Total** | **62** | **100.0** |

According to the table 4.2.3.2 above, 70.94% of the respondents were in agreement that service quality was a key relationship marketing practice that the bank employed as part of its overall business strategy.

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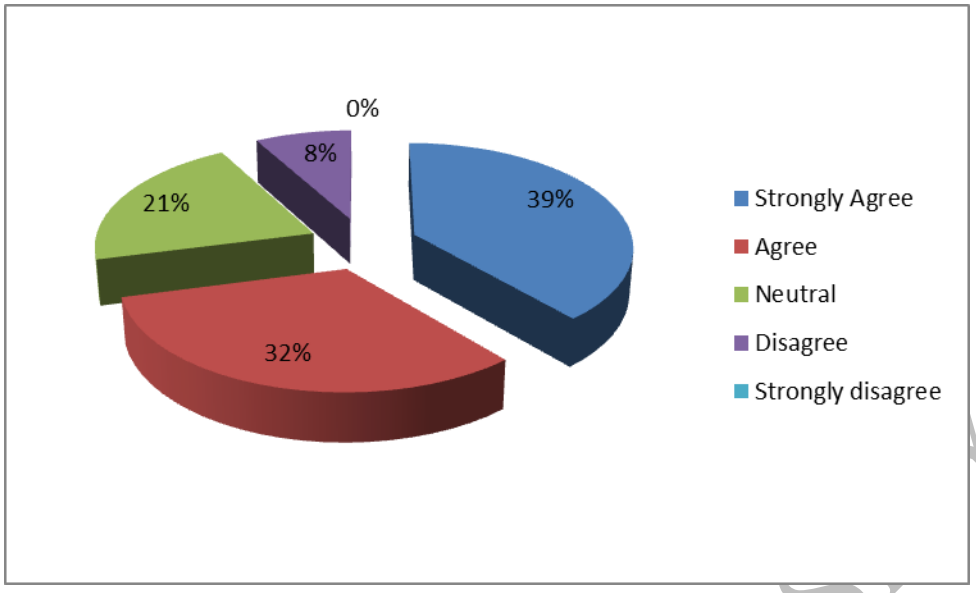



**Figure 4.5: Service quality as a relationship marketing practice**

### 4.2.3.3 Personalized relationships with customers

**Table 4.2.3.3: Personalized relationships with customers**

| | Frequency | Percentage |
|---|---|---|
| Strongly Agree | 35 | 56.45 |
| Agree | 18 | 29.03 |
| Neutral | 6 | 9.68 |
| Disagree | 0 | 0 |
| Strongly disagree | 3 | 4.84 |
| **Total** | **62** | **100** |

According to table 4.2.3.3 above, 85.48% of the respondents held the view that personalization was a key relationship marketing practice that the bank they work for incorporated as part of its relationship marketing practice. This finding is in agreement with (Rosenberg & Czepiel, 1992) who opine that a firm should personalize and retain information about the customer by meeting them face to face, and get to know the customer in more informal ways as a relationship marketing practice.

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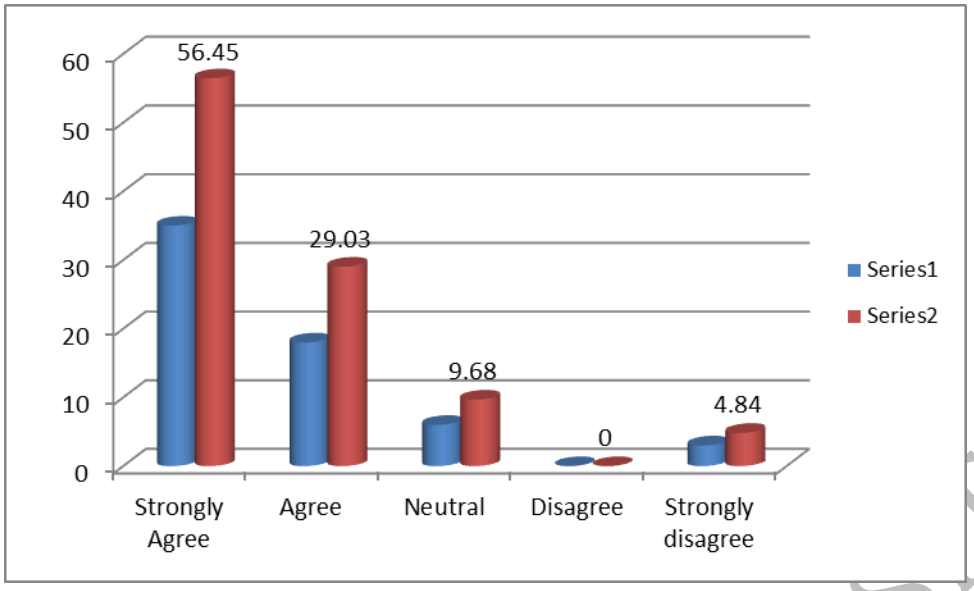



**Figure 4.6: Personalized Relationships with customers**

**4.2.3.4 Communication as a relationship marketing practice**

**Table 4.2.3.4: Communication as a relationship marketing practice**

| | Frequency | Percentage |
|---|---|---|
| Strongly Agree | 27 | 43.56 |
| Agree | 22 | 35.48 |
| Neutral | 8 | 12.9 |
| Disagree | 5 | 8.06 |
| Strongly Disagree | 0 | 4.84 |
| **Total** | **62** | **100** |

According to table 4.2.3.4 above 79.04% of the respondents agreed that another relationship marketing practice is pricing and that the bank they work for embraces communication as a relationship marketing practice. This concurs with (Peng & Wang, 2006) who have pointed to the fact that if relationship marketing is to be successful, an integration of the marketing communication mix is needed to be aggressively employed to support the establishment, maintenance and enhancement of relationships with customers and other stakeholders who are central to the business.

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Subsequently, the integrated management of marketing communication activities, regardless of the source of the communication messages are required in relationship marketing. It is then of prime importance for service related firms to deliberately manage their marketing communication plans and strategies to avoid customers from switching to competitors.

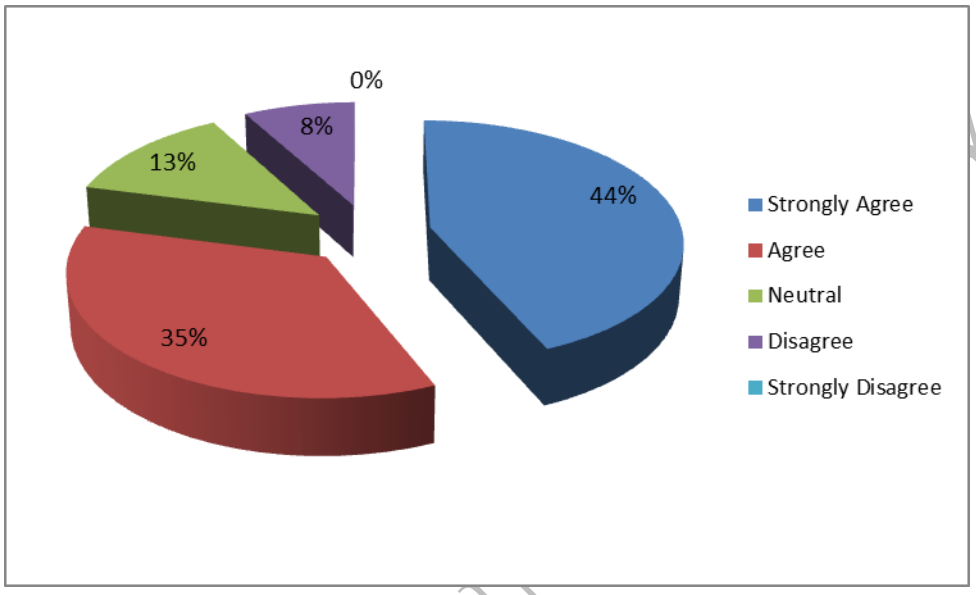



**Figure 4.7: Communication as a relationship marketing practice**

**4.2.3.5 Customer Service as a Relationship Marketing Practice**

**Table 4.2.3.5: Customer Service as a Relationship Marketing Practice**

| | Frequency | Percentage |
|---|---|---|
| Strongly Agree | 31 | 50 |
| Agree | 19 | 30.65 |
| Neutral | 10 | 16.13 |
| Disagree | 2 | 3.22 |
| Strongly Disagree | 0 | 0 |
| **Total** | **62** | **100** |

According to table 4.2.3.5 above, 80.65% of the respondents were of the opinion that customer service is a relationship marketing practice that Equity bank uses in gaining

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a competitive advantage. This is in tandem with (Hartley & Rudelius, 2001) who argue that in order to hold customers, any business establishment needs to provide something unique that another business does not and that there is no way to achieve this save through customer service. Customer service as a relationship marketing practice helps in attracting customers but also as a retention strategy. They also add that customer service emphasizes the tasks involved in servicing customers rather than customer needs.It also focuses primarily on the costs associated with customer requirements and more attention is given to procedures, management processes and hierarchies and on technical and administrative requirements.

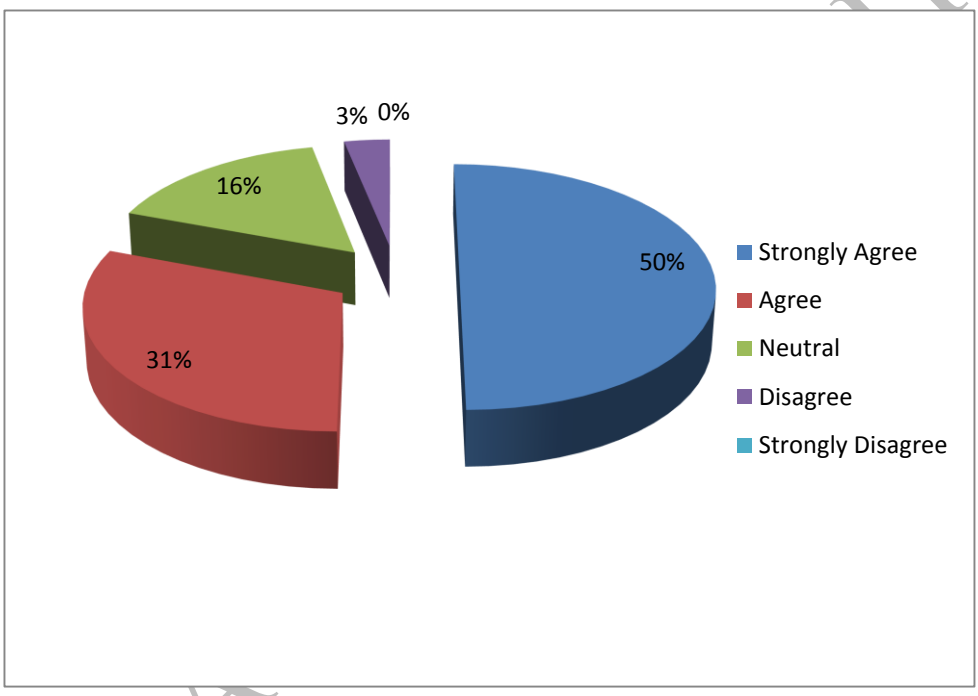



**Figure 4.8: Customer Service as a Relationship Marketing Practice**

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### 4.2.3 Section three of the questionnaire

#### 4.2.3.1 Relationship Marketing Practices and Performance

**Table 4.2.3.1: Relationship marketing practices effects on performance**

| RM Practice | Very Important | Important | Neutral | Insignificant | Higly Insignificant | Total |
|---|---|---|---|---|---|---|
| Communication | 41 | 14 | 6 | 1 | 0 | 62 |
| Service Differentiation | 26 | 22 | 4 | 7 | 3 | 62 |
| Personalization | 33 | 19 | 5 | 3 | 2 | 62 |
| Service Quality | 40 | 12 | 10 | 0 | 0 | 62 |
| Customer Service | 37 | 18 | 4 | 2 | 1 | 62 |

This section presents analyses and interprets responses of the respondents with reference to the relationship flanked by relationship marketing the performance of Equity bank. Herein, data was represented in acronyms: Very Important (VI), Important (I), Neutral (N), Insignificant (In), Highly Insigificant (HIn) as seen in table 4.2.3.1 above.

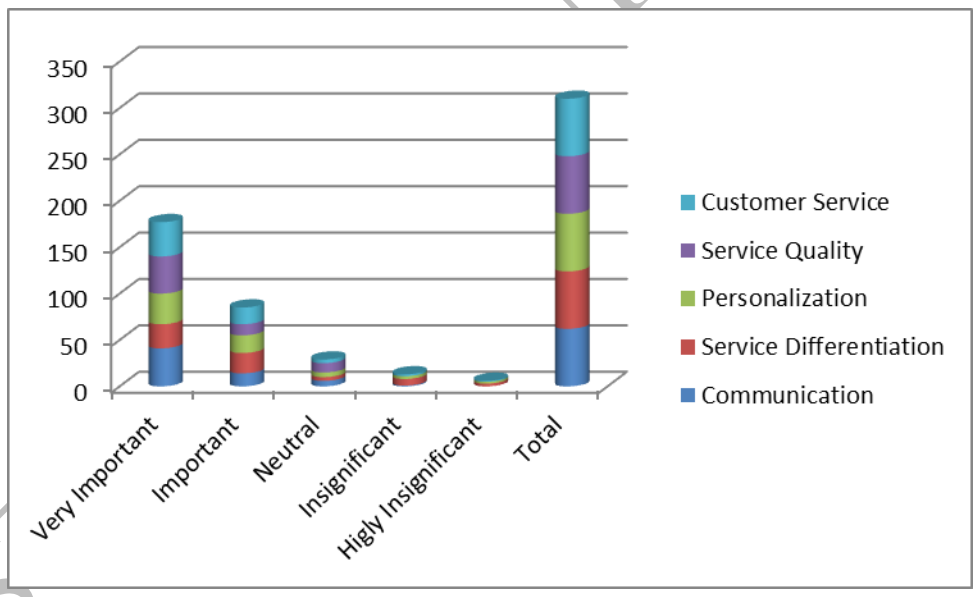



**Figure 4.9 Relationship marketing and performance**

#### 4.2.3.2 Communication and Performance

Table 4.2.3.2 below presents the responses of the respondents with reference as to whether communication as a relationship marketing practice had an effect on financial performance of the bank (Equity bank).

**Table 4.2.3.2: Effect of communication on performance**

| | Frequency | Percentage |
|---|---|---|
| Very Important | 41 | 66.13 |
| Important | 14 | 22.58 |
| Neutral | 10 | 9.68 |
| Insignificant | 2 | 1.61 |
| Highly Insignificant | 0 | 0 |
| **Total** | **62** | **100** |

The findings reveal that 88.71% of the respondents ascribed to the view that communication, as an acumen of relationship marketing had a significant influence on the performance of the bank. This means that financial performance of the bank is positively correlated to communication strategies employed by the bank.

This concurs with Patterson (2001) who suggests that communication between a firm and its clientele results in enhanced performance. This is attributed to the fact that it yields long lasting symbiotic relationships. Marketing communication is meant to inform and persuade an audience with a view to influencing the behavior of the targeted audience. In addition, Adah (2012) measured banks' financial performance as proxied by repeated & open communication channels translating to deposits, liquidity, loans and advances to even ongoing profit. However, other performance measurements in banks may include: customers satisfaction, branch network, budget achievement and asset base and size.

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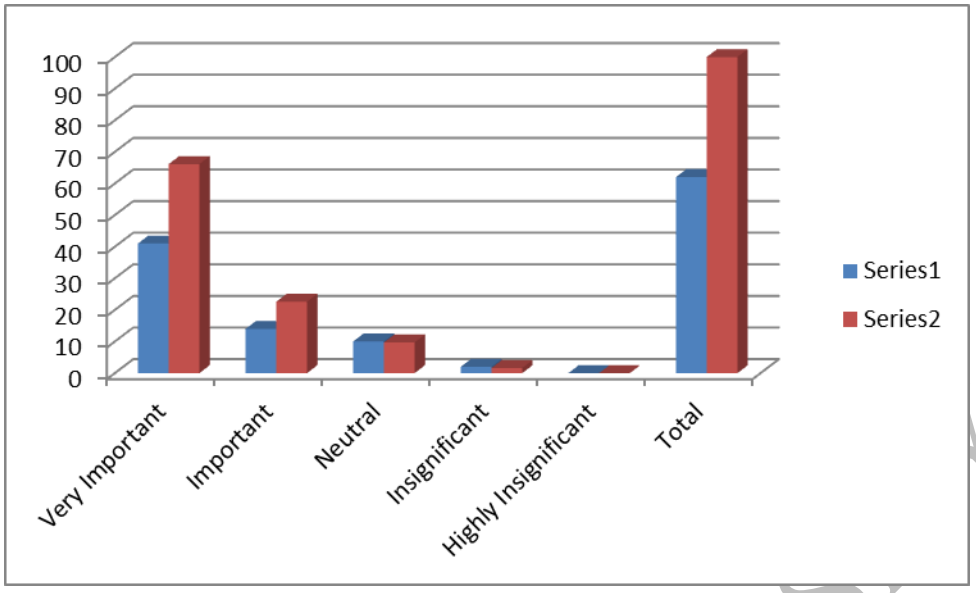



**Figure 4.10: Effect of communication on performance**

**4.2.3.3 Effect of service differentiation and performance**

**Table 4.2.3.3: Effect of service differentiation on performance**

| | Frequency | Percentage |
|---|---|---|
| Very Important | 30 | 48.38 |
| Important | 19 | 30.65 |
| Neutral | 8 | 12.9 |
| Insignificant | 5 | 8.07 |
| Highly Insignificant | 0 | 0 |
| **Total** | **62** | **100** |

According to table 4.2.3.3 above, 79.03% of the respondents were in agreement that service differentiation as a variable in relationship marketing was important to the performance of the bank that was surveyed in the study. The findings agrees with Barney & Hesterley (2006) assertion that the rarity of a differentiation strategy depends on the ability of individual firms to be creative in finding new ways to differentiate their products as such gives them a competitive on performance among rivals given creative firms will always manage to differentiate themselves from competitors. In addition (Hoopes et al.,2003) argue that a mix of service

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differentiation with factors such as innovativeness and customer centricity, versus service differentiation alone,can sustain above-industry average performance. Only the combination of service differentiation with other factors can translate into worthy resources that are neither pefectly imitable nor easily substitutable.

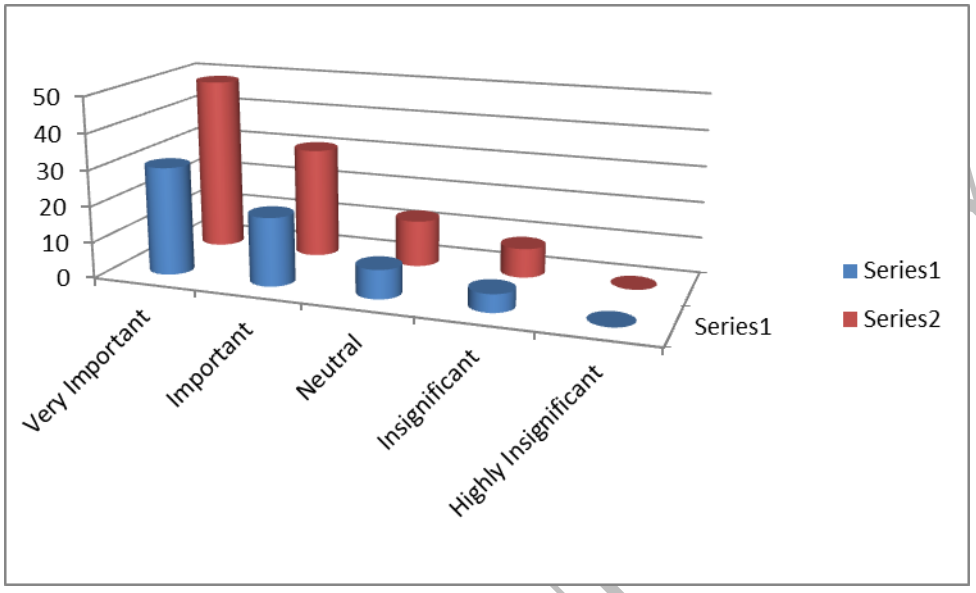



**Figure 4.11: Effect of service differentiation on performance**

This suggests that service differentiation can positively impact on the financial performance of an institution. These findings are also in tandem with other research studies that reveal that service differentiation results in institutional performance (Lin & Smyrnios, 2007; Chenet, Dagger & O' Sullivan, 2010)

### 4.2.3.4 Effect of personalization on performance

**Table 4.2.3.4: Effect of personalization on performance**

| | Frequency | Percentage |
|---|---|---|
| Very Important | 29 | 46.78 |
| Important | 25 | 40.32 |
| Neutral | 5 | 8.06 |
| Insignificant | 0 | 0 |
| Highly Insignificant | 3 | 4.84 |
| **Total** | **62** | **100** |

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According to table 4.2.3.4 above, 87.1% of the respondents were in agreement that personalization as a relationship marketing practice has enhanced the performance of the bank. This is in agreement with Houston (2000) who argues that personalization positively impacts the financial performance of a bank. In addition (Price and Ar nould, 1999) argue that some services, such as banking, are higly personalized in order to for a significant part of the customer's life satisfaction. They go at length to say that, any part of the marketing mix can be personalized. Not only the product or service be personalized, but so can be any form of distribution, the pricing or better still,the promotion. Amazon.com, for example like a number of websites (Ansari et al., 2000;Ansari and Mela 2003), more effectively promotes its merchandise through personalized recommendations for products based on collaborative filtering technology. Therefore, personalization is clearly a phenomenon worthy of attention for any organization that has attention for high returns and performance in the industry they are in. Hanson (2000) is also inclined to the thought that a bank which is capable of providing truly personalized service differentiates itself from other banks as each of its customers is provided with unique sets of banking services to meet their unique needs. With high service differentiation,the bank can then compete in the blue ocean instead of the red sea and earn higher profit compared to its competitors (Kim and Mauborgne, 2005).

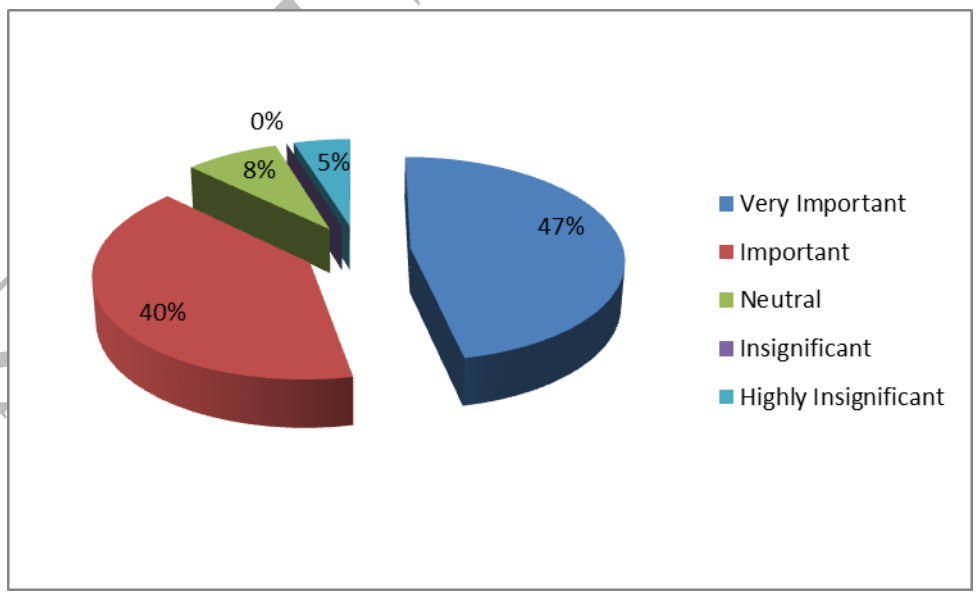



**Figure 4.12 Effect of personalization on performance**

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### 4.2.3.5 Effect of service quality on performance

**Table 4.2.3.5: Effect of service quality on performance**

| | Frequency | Percentage |
|---|---|---|
| Very Important | 37 | 59.68 |
| Important | 11 | 17.74 |
| Neutral | 10 | 16.13 |
| Insignificant | 1 | 1.61 |
| Highly Insignificant | 3 | 4.84 |
| **Total** | **62** | **100** |

According to the research finding, 77.42% of the respondents agreed to the fact that service quality had a positive correlation with the performance in the bank. This establishes that service quality as a relationship marketing practice positively impacts the financial performance of service industries. In addition, Norton and Kaplan (2000) echo the same when they observe that service quality in any service industry is positively related with institutional financial performance.

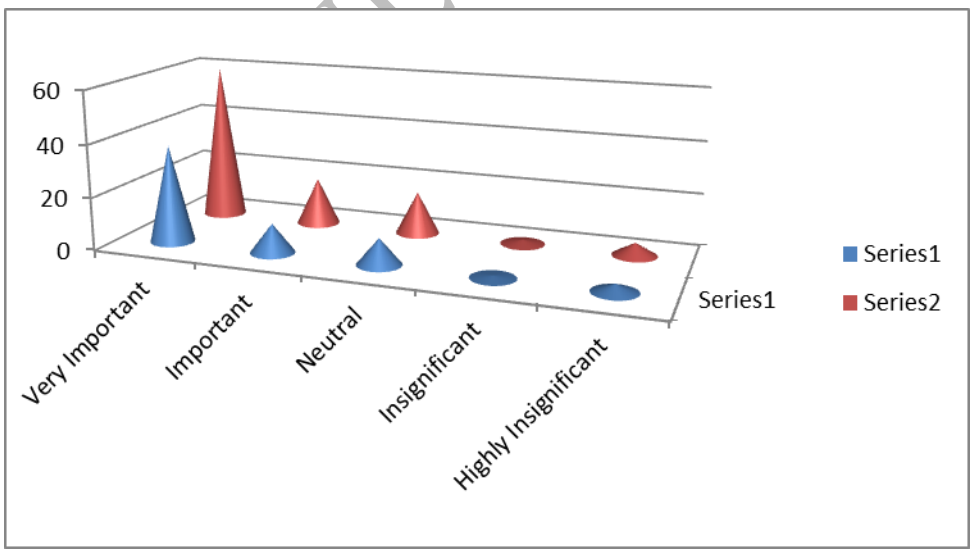



**Figure: 4.13 Effect of service quality on performance**

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#### 4.2.3.6 Effect of customer service on performance

**Table 4.2.3.6: Effect of customer service on performance**

| | Frequency | Percentage |
|---|---|---|
| Very Important | 39 | 62.9 |
| Important | 13 | 20.97 |
| Neutral | 4 | 6.45 |
| Insignificant | 4 | 6.45 |
| Highly Insignificant | 2 | 3.23 |
| **Total** | **62** | **100** |

Table 4.2.3.6 above presents that 83.87% of the respondents agreed to the fact that customer service as a relationship marketing practice is important in enhancing the performance of the bank. This concurs with Hu, Kandampully and Devi (2009) who posits that customer service is crucial in institutional performance. This is because it enhances the value which is been offered to the consumers. As a result, consumers become loyal and at the same time, an institution enhances its marketability. Further, Bakesm et al, (2005) argues that the current increased competition, a bunch of highly educated consumers and the significant increase in the standard of living are forcing many businesses to review their customer service strategy. Alot of these firms are placing more efforts to retaining exiting customers rather than acquiring new ones since the cost of acquiring new customers is significantly greater than that of retaining current customers. To this end, there is enough evidence that demonstrates the strateic benefits of quality in contributing to market share and return on investment.

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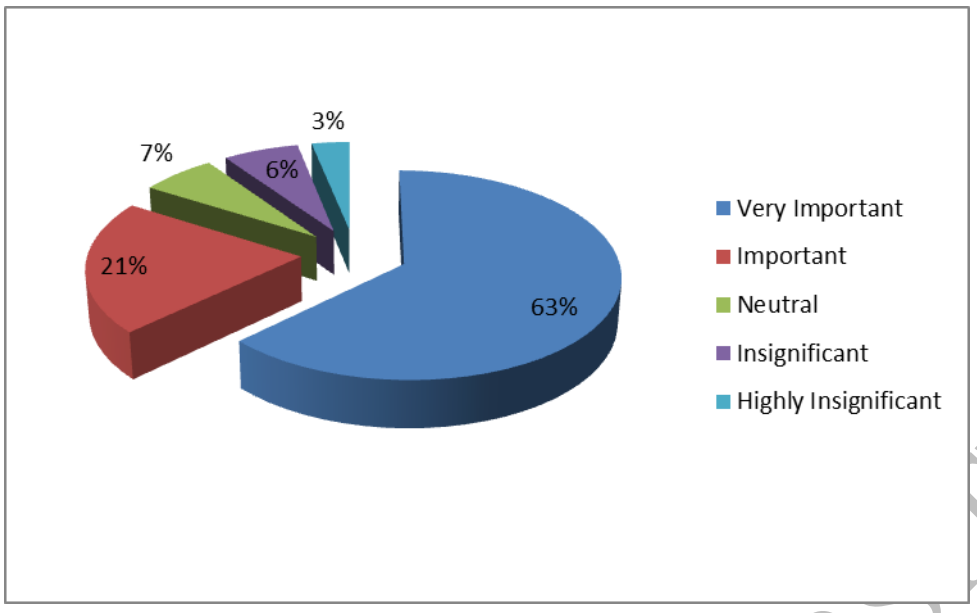



**Figure 4.14 The effect of customer service on performance**

### 4.2.3.7 Relationship marketing effect on performance of Equity Bank

From the research findings as evident in table 4.2.3.7 below, 85.48% of the respondents were of the opinion that relationship marketing is a critical and crucial factor that can be linked to the performance of the bank.

**Table 4.2.3.7 Relationship marketing effect on performance of Equity Bank**

| | Frequency | Percentage |
|---|---|---|
| Strongly Disagree | 2 | 3.23 |
| Disagree | 4 | 6.45 |
| Neutral | 3 | 4.84 |
| Agree | 10 | 16.13 |
| Strongly Agree | 43 | 69.35 |
| **Total** | **62** | **100** |

The findings herein are in tandem with empirical literature which ably suggests that relationship marketing positively affects institutional performance. Wang et al. (2004) argue that relationship marketing positively impacts in terms of present customer

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retention and attracting new customers to an institution. Consequently, relationship marketing can be linked to increase in performance.

#### 4.2.3.8 Advocating for Relationship Marketing Practices

According to the responses of the interviewees and the questionnaire, the bank employs other relationship marketing practices. Such include, emphasis on offering top notch quality services to their clientele, valuing all their clientele, ensuring efficiency during service delivery, and ironing out while still strengthening institutional weaknesses. Some of the interviewees stated that in order to ensure that staffs strive towards offering nothing short of quality in their institutional duties and obligations, the bank had organized customer relations trainings for staff. Through trainings, employees at the bank are able to enhance the service delivery process. In addition, employees were able to understand the need to be fast and reliable when offering services to the bank's clientele and customers.

Further findings from the interviews; revealed that benefits achieved from the practice of relationship marketing practices tend to be aiding customer retention. In addition, it was evident that the bank highly valued customer feedback. The respondents suggest that customer feedback was collected through various instruments including conducting surveys, and getting contact information of the clientele. They highlighted that from the findings of the customer survey, Equity bank is able to improve service delivery. In addition, the bank is able to understand clientele needs and preference from customer surveys. By implementing and adopting the findings of the survey then the bank will be able to build brand loyalty with their existing clients.

#### 4.2.3.9 Interview Results from Selected Officers

This section examines the responses from interviews conducted by the researcher with twelve individuals. Nine of them were relationship officers while three worked at executive positions in the bank. All the individuals that were interviewed had worked for the bank for a couple of years and thus their responses would be highly credible because they have vast experience of the operations and strategies used by the bank they work for.

Various respondents defined relationship marketing differently. One opined it to be the various practices that a firm engages in to deliberately form symbiotic and lasting



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relationships with their clients. Another responded to the same definition mentioning thus that relationship marketing is that facet of marketing that aims at developing and maintaining a life-long pool of clientele for continued business. In addition, another observed relationship marketing to be a branch of Customer Relationship Management (CRM) with a key bias to investing in customers (both time and money) in order to endear them to remain loyal to the business hence minimizing switching costs. Lastly, one identified relationship marketing to been that practice by businesses to be loyal to their customers, listening to their pleas and responding to them as and when they so arise in order to maintain an already established relationship.

From the responses of the interviewees, it was evident that the bank that was being surveyed by the study engaged in various relationship marketing initiatives. The following were the relationship marketing practices that the interviewees highlighted that Equity bank engaged in: conventional forms of marketing, online marketing and advertising, principal-agent relationship management for agent banking, supply chain relationship management with suppliers, business to business relationship management, customer relationship management and also social media marketing to both businesses and individuals. The responses of the interviewees revealed that the majority of the relationship marketing practices used were the following: communication, trust and commitment, service quality, customer service, and personalization. Those interviewed highlighted that through communication they establish trust and show immense commitment to their clientele. Through communication with clientele an effective customer service system is established. Customer service was highlighted as the functioning arm that enables the bank to show their commitment to their clients. The interviewees were in agreement that every service they offer had to display and be founded on utmost quality, even though some staff have breached that and that is noticeable by some genuine complains that are received in the customer service desk or feedback box. A big number of those interviewed were of the view that their services were differentiated from other competing banks in the industry. This implies that service differentiation is a strategy that businesses are employing as a competitive advantage.

The majority of the interviewees were of the view that relationship marketing was an important strategy for the bank. It is imperative for the bank to have affluent relationship marketing practices that would aid in the attraction of clientele both in the

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short and long run. In addition, developed relationship marketing practices must be based and aligned to the optimization of customer satisfaction and constant value addition to their services. One was of the view that the bank has since employed it as a practice since time in memorial. In addition, they were unanimously in agreement that relationship marketing is a strategy that has been resourceful attracting huge investment of resources and has been successful. Through relationship marketing, the interviewees were of the view that their bank had yielded the following benefits; they have in a sense locked in their customers from the host of other competing banks, through relationship marketing there was value addition through collaborative and partnering mind-sets and behaviors of suppliers and customers, they had established long-term relationships with their existing pool of clientele and they had experienced more deposit making and loans taking from a big number of their clientele This implies that relationship marketing practices go a long way in establishing customer loyalty and sustained business even at the wake of inflation.

The interviewees revealed that various variables had an effect on the bank's performance. One attributed it to the bank size mentioning that the banks size is used as an estimator of the economy of scale, which is meant to give a reflection on cost savings which in turn brings about profitability, assocated with the increase in size of the banking operations. Another attributed perfromance to strategic leadership owed to the fact that the bank had some of the best industry leaders in its top management team hence they are able to formulate and execute strategies not just for survival in the cut throat competion but also strategies meant to have Equity bank to be the indutry leader and compete without waning efforts. Another respondent attributed the performance to the constant employing of an asorted promotional mix that almost targets everyone-both those who are part of their customer base and potential ones. Another took pride to the bank's performance pegging it on capital adequacy. This is the level of capital required by any bank to enable it withstand the risks such as credit, market and operational risks they are exposed to in order to absorb the potential losse and protect the banks's debtors. Other two attributed the banks performance to their asset quality mentioning that the bank's assets is another specific variable that affects the profitability of the bank. , fixed asset and other investments. Often, a growing asset size related to the age of the bank and Equity has since become of age since its inception in the early eighties.

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The respondents unanimously agreed that relationship marketing had contributed to the banks performance in several ways. One respondent argued that there are customers, (both individual and businesses) who have remained committed to hold accounts with the bank because of the relationship established with relationship officers. He is heard to have said this in verbatim; "What do you do to a business that rolls in twenty million shillings in a month, save to throw a party for them and have them know that they are part of the life line of our business." Another respondent said that Equity bank has sustained its performance in the industry because of the immense work that they do in executing and implementing relationship strategies that keep their customers from switching to the competition. Another further mentioned that various relationship marketing practices have opened a channel for communication between the bank and its customer network hence improving its services. Lastly another one mentioned that through relationship marketing practices adopted by the bank, they had been able to develop competitive products that have performed well in the market. As such, he owed the development of Equitel - thin SIM technology-inspired platform ,been a customer driven development in a bid to increase affordability and financial "inclusion" for Kenyans and Africans. The respondent went ahead to mention that Equitel had transacted over Sh115 billion last year (2015) compared to Sh4.7 billion in 2014 when the service was introduced.

When asked about other relationship marketing practices impacting the performance of the bank, the interviewees further revealed that the bank engaged in an array of practices that sought to keep business afloat. According to the responses of the interviewees, the bank employs the following practices in order to ensure that they retain existing customers while at the same time attract new customers and clientele. These are: emphasis on offering quality services and products to their clientele, valuing all their clientele present and future input to the bank, ensuring high levels of efficiency during service delivery, and ironing out and strengthening institutional weaknesses. Some of the interviewees stated that in order to ensure that staffs strive towards offering nothing short of quality in their institutional duties and obligations; the bank has from time to time organized empowerment training for the boundary spanner staff. Through such trainings, employees in the bank are able to enhance the service delivery process. In addition, employees were able to understand the need to be fast and reliable when offering services to the bank's clientele and customers.

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By implementing and adopting the findings of the survey the bank is able to build brand loyalty with their existing clients.

#### 4.2.3.10 Summary of Key Findings

The following are the summary of key findings of this research study:

1. From the research findings, it is undeniable that the bank was and has indeed been practicing communication as a relationship marketing practice. This also had positive relationships with banks' relationship marketing.Aspects relating to each of these bank activities should therefore be changed to enhance relationship marketing. To improve communication to and from clients,banks should ensure the use of appropriate and preferred communication methods,and truthful, honest communication that is not misleading; inform clients about new and/or changed offerings; ensure the availability of bank managers for client appointments; and use clients' preferred languages.

2. It also emerged from the research that the practice of relationship marketing in the bank had led to increased performance over time. This is anchored on the fact that revenues and market share grow as the best customers are swept into the bank, building loyal customers, positive word of mouth and referrals. Because the institution's value proposition is strong, it can afford to be more selective in new customer acquisition and to concentrate its investment on the mostprofitable and potentially loyal prospects, further stimulating sustainable growth

3. Other relationship marketing practices that were suggested by the respondents were: valuing the customers efficiency in service delivery and strengthening institutional weakness.

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# CHAPTER FIVE

# SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

## 5.1 Introduction

This chapter sets to summarize the key findings that have emerged from this research. The chapter includes the summary of the findings, conclusions and recommendations for further research. It summarizes the results which were obtained from the analysis of the questionnaires and interviews.

The purpose of the study was to assess the the influence of relationship marketing practices on the performance of commercial banks in Kenya; A case study of Equity Bank Kenya. The expectation was to reveal the relationship marketing practices being used by the bank and whether they affect performance in the bank. In this chapter the researcher presents discussions, conclusions, recommendations and suggestions for further research.

## 5.2 Summary of findings

The findings revealed that the bank also employed service differentiation as a relationship marketing practice. Service differentiation is practice of ascertaining that a firm’s product offing have a unique acumen that competitor’s cannot match (Barnes, 2003). Service differentiation allows a company to develop products and services that are tailored to serve the needs of clientele; they produce differentiated products which enhance customer value. By so doing, institutional clients become loyal and trust an institution's services and product. At least 76% of the total respondents were of the view that they differentiated their services to particularly suit the needs of their clientele for the long haul.

It emerged also that the bank had a deliberate approach for service quality as a relationship marketing practice. This was illustrated by the fact that 70% of the respondents who agreed that the bank they worked for invested the resources of the bank in initiatives that would enhance service quality and deliver utmost quality to clientele.

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Quality is differentiable and stems from the expectations of customers. Hence, it is necessary to identify and prioritize expectations for service and incorporate these expectations into a process for improving service quality (Kassim and Bojei, 2001;Goodman et. al., 1986). Implementing and evaluating service quality is a very complex process. Two aspects need to be taken into consideration when evaluating service quality: content and delivery (Zeithaml and Bitner, 1996).There has to be an enduring strategy for monitoring the service. And this can be realized by conducting consumer satisfaction surveys and using the feedback therein to improve the quality of the service. The study findings also went further to reveal that personalization as a relationship marketing practice was employed by the bank. The findings revealed that 85% of the respondents were of the opinion that they personalize relationships with their clientele. This finding is in tandem with Hansen (2000) who observes that a bank which is capable of providing truly personalized service differentiates itself from other banks as each of its customers is provided with sets of banking services catering to their unique needs. With high personalization tacts, the bank can then compete in the blue ocean instead of the red sea and earn higher profit than its competitors (Kim and Mauborgne, 2005). This finding suggested that personalization aids in sustained business between the bank and their customers. Personalization is described as one of the key elements of relationship marketing (Jackson, 1996).

It also emerged from the research that the bank also employed customer service as a relationship marketing practice. Customer service is the amount to how a business satisfies its customer's needs. Customer service consists of offering fair prices, products etc. clear information, efficiency within the business, responding to enquiries and many more (Gronoors,2004). According to the findings, 80% of the respondents were of the view that the bank they worked for uses customer service to enhance service delivery. It has since been observed that increased competition, highly educated consumers, and increase in standard of living are forcing many banks to review their customer service strategy. Many business firms are channeling more efforts to retain existing customers rather than to acquire new ones since the cost of acquiring one new customer is greater than cost of retaining existing customers. There is enough evidence that demonstrates the strategic benefits of quality in contributing to market share and return on investment (Adiran, 1995; Bakesm, 1995; Reichhel and Sasser 1990). Maximizing customer satisfaction through quality customer service has

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been described as 'the ultimate weapon' by Davidow and Vital (1989). According to them in all industries, when competitors are roughly matched, those with stress

Finally, communication was also employed by the bank as a relationship marketing practice. In a bid to keep high levels of customers attraction, recurrent communication needs to be deliberately employed (Claycomb, 2001). The findings revealed that 85% of the respondents were of the notion the communication was critical relationship marketing practice for the bank they worked for. This is in agreement with Mande (2009) who states that the sole purpose of employing marketing communication is to meet the duo objective of informing and persuading, but to a greater length to also influence the purchase and attitude behavior of the audience in mind. It therefore occurs through advertising, sales promotion, personal selling and publicity and all these should be so ably matched in a pre-thought marketing plan. These marketing communication methods and plans also depend on the target market. If there is more than one target market then there will need to be more than one communications programme. Like all other elements of the marketing mix, it must be tuned to the characteristics and needs of the target market. Harris (1998) opine that the paramount goals of marketing communication are: to reach a defined audience so as it affects its behavior by informing, persuading and reminding; to acquire new customer for brands by building awareness and encouraging trials; to maintain a brand's current customer base by reinforcing their purchase behavior through the provision of additional information about brands benefits and lastly, building and reinforcing relationships with customers, prospects and other important stakeholders.

### 5.3 Effectiveness of relationship marketing practices on performance of Equity Bank

Another objective that the study sought to examine was the effect of relationship marketing practices on the performance of Equity Bank Kenya. The findings of the study revealed that the relationship marketing strategies that would have an effective on the five star hotels performance were: service differentiation (79%), service quality (77%), customer service (82%), personalization (87%) and communication (88%)

According to the findings, 92% of the respondents were satisfied that relationship marketing was effective in attracting and retaining clientele and thus resulted in enhancing the performance within the bank. This finding suggested that relationship



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marketing is perceived as an effective marketing tool. This can be attributed to the fact that most respondents who participated in the study perceived it to be an effective form of marketing strategy.

According to the research, service quality was one of the relationship marketing practices in the bank and it had a positive effect on performance of the bank. Most of the respondents were of the view that service quality as relationship marketing practice was important to the performance of the bank. This suggests that service quality as a relationship marketing practice positively impacts the financial performance of institutions. Similar sentiments are echoed by (Kandampully and Duddy, 1999) who opine that across all service industries, service quality remains a critical issue as businesses strive to maintain a competitive advantage in the marketplace. Because financial services, particularly banks, compete in the marketplace with generally undifferentiated products, service quality becomes the primary competitive weapon and a tool for sustained and increased performance (Stafford, 1996; Kim et al., 1998). In a view is held that a bank that has succeeded in its service quality has attains an unmatchable edge to the reason that as the quality of services improve, so does the volume of revenues which translates to increased profits but also plays a role in customer retention (Bennett and Higgins, 1988), and an escalating growth in market share (Bowen and Hedges, 1993).As discussed above, providing quality service and products to customers is essential for success and survival in today's competitive banking environment (Wang et al., 2003). Quality products and services enhance a bank's reputation, improve its customer retention, attract new customers, and increase its financial performance and Profitability (Julian and Ramaseshan, 1994; Zeithaml et al.,1996).For this reasons, many bank executives employed relationship marketing. This suggests that the findings of this research study are in line with empirical literature with regards to the perception towards relationship marketing. They all posit that service quality in the hospitality industry is positively related with institutional financial performance.

The responses from the respondents revealed that 79% were of the view that service differentiation as a variable in relationship marketing was important to the performance of the bank that was surveyed in the study. This suggested that service differentiation can positively impact on the financial performance of an institution.

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Service differentiation results in institutional performance (Lin & Smyrnios, 2007; Chenet, Dagger & O'Sullivan, 2010).

In addition to the research findings, personalization as a relationship marketing practice has a positive effect on performance in the bank for the study. The findings revealed that 87% of the respondents were of the view that personalization was important to performance. This finding suggests that personalization positively impacts on the financial performance of the bank. A bank which is capable of providing truly personalized service differentiates itself from other banks as each of its customers is provided with sets of banking services catering to their unique needs (Hanson, 2000). With personalization, the bank can earn higher profit than its competitors (Kim and Mauborgne, 2005).

The researcher also found out that according to the respondents customer service effect on performance in the bank, 88% of the respondents are of the view that customer service as a relationship marketing strategy is important in enhancing the financial performance of the bank. Customer service enhances the value which is being offered to the consumers. As a result, consumers become loyal and at the same time an institution enhances its marketability. Similar sentiments are echoed by Hu, Kandampully and Devi (2009).

### 5.4 Conclusion

The overall objective of this study was to assess the influence of relationship marketing practices on the performance of commercial banks in Kenya; a study of Equity bank Kenya. The specific objectives of this research study was to: identify the role of service quality on performance of Equity bank; to find out the effect of personalized service in boosting the performance of Equity bank; to examine the effectiveness of communication the performance of Equity bank;to establish the usefulness of service differentiation on performance and lastly,to determine the effectiveness of customer service on Equity bank’s performance.

According to data and information from the secondary sources, relationship marketing practices in the bank include; communication, service differentiation, personalization, service quality, customer service and value offers. The respondent's suggests that this strategy have a positive effect in the bank’s performance. Some of the indicators of

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performance indicators for this study were: increased market share, retaining current customers, customer loyalty, improving image, increased profits and attracting customers.

The study was based on the following assumptions: (1) Equity bank employs relationship marketing strategies; (2) the use of relationship marketing practices by Equity bank positively impacts on their performance. From the findings, the first assumption is validated because; the findings of the study reveal that the bank indeed employ relationship marketing practices. In addition, the second assumption of the study is validated because the findings of the revealed that the use of relationship marketing results in enhancing the performance of the bank.

### 5.5 Recommendations

Based on the research findings, the researcher makes the following recommendations. First, Relationship marketing practices can be employed in the banking industry. This is attributed to the fact that Equity bank use them as a relationship marketing practice and has positively affected their performance.

Secondly, relationship marketing practices enhance the performance of the bank and can thus be a viable marketing strategy when applied by other financial institutions and corporations.

Lastly, banks should also use the five discussed relationship marketing practices because they are effective in enhancing operational efficiency and performance.

### 5.6 Areas of further Research

There was need for further research to be carried out on whether banks have a significant investment of resources to implement the relationship marketing practices discussed in this study.

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# APPENDICES

## Appendix A: Questionnaire

My name is Alex Mutuku, a final year Masters of Business Adminstration (MBA)-Marketing student at St. Pauls' University. As part of my course requirements I am conducting a research: The effect of relationship marketing strategies on the performance of Equity Bank. I will really appreciate you responding to the following questions. The data collected from this survey will be used for education and research purposes only. Your participation is completely VOLUNTARY and SYNONYMOUS. It is my firm statement that the information will be kept strictly confidential.

### Section 1: Personal Information

Kindly tick one

1. What's your position in the bank

   a) General Manager [ ]

   b) Corporate Affairs Manager [ ]

   c) Operations Manager [ ]

   d) Relationship Officer [ ]

   e) Other (Please Specify) _____

2. Kindly tick one

   How long have you worked for this bank

a) Less than one year [ ]

b) 1-5 years [ ]

c) 6-10 years [ ]

d) 10 years and above [ ]

3. How long have you held your current position?

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a) Less than one year [ ]

b) 1-5 years [ ]

c) 6-10 years [ ]

d) 10 years and above [ ]

**Section 2: Relationship Marketing Practices**

The following questions are meant to identify the relationship marketing practice that the bank you work for utilizes. Please enter the appropriate number for each statement by using the following scales. Strongly disagree (SD), Disagree (D), Neither Disagree nor agree (N), Agree (A), Strongly Agree (SA)

| | SA | A | N | D | SD |
|---|---|---|---|---|---|
| 4. Enhancing quality of our services is a key institutional strategy. | | | | | |
| 5. Personalizing relationships with customers is highly valued in our bank | | | | | |
| 6. Pricing of our services is part of our relationship marketing strategy | | | | | |
| 7. It is important to implement customer service to suit our customers | | | | | |
| 8. Communication with customers as a relationship marketing strategy is key in our bank | | | | | |

**Section 3: Relationship Marketing Practices and Performance**

9. Rank in order of importance on how each of the relationship marketing practices has enhanced performance in the bank using the rank scale: Very

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important (5), Important (4), Neutral (3), Insignificant (2), Highly Insignificant (1)

| Relationship Marketing Practices | Ranking |
|---|---|
| Service Quality | |
| Personalization | |
| Communication | |
| Service Differentiation | |
| Customer Service | |

10. State if you strongly disagree (SD), Disagree (D) Neither Disagree nor Agree (N), Agree (A), Strongly Agree (SA) with the view that relationship marketing has the potential to provide significant performance benefits for the bank

……
……
……

11. Does the practice of relationship marketing practices lead to improved performance in the bank where you work for? Yes [ ] No [ ] Please explain your answer

……
……
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……
……
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**Section 4: Advocate Relationship Marketing Practices**

12. Which other relationship marketing practices do you think can enhance the performance of the bank you work for?

    ……

    ……

    ……

    ……....

    ……

    ……

    ……

Thank you for taking time to respond to this survey. To request a brief summary of survey results or any questions, please contact me on 0726-089-791 or at alexmutuku95@gmail.com

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**Appendix B: Interview Schedule**

1. Are you familiar with the term “relationship marketing”? Kindly extrapolate.
2. Does your bank practice relationship marketing?
3. Which relationship marketing practices does your bank practice? Kindly comment on each
4. Do you think relationship marketing is an important strategy for your bank?
5. What contributes to the performance of your bank? List the factors and explain.
6. To what extent do you think the practice of relationship marketing practices contribute to the banks performance? Kindly explain.
7. Which other relationship marketing practices do you think can positively impact on the performance of your bank, and even others? List and explain.

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**Appendix C: Research Budget**

| NO | ACTIVITY | SUB-ACTIVITY | AMOUNT (KSHS) |
|---|---|---|---|
| 1 | Proposal Writing | Materials | 6,000.00 |
| | | Photocopying | 3,000.00 |
| | | Printing | 3,000.00 |
| 2 | Data Collection Permit | | 6,300.00 |
| 3 | Questionnaire Preparation | Typing | 3,000.00 |
| | | Editing | 3,000.00 |
| | | Coding | 6,000.00 |
| | | Printing | 3,000.00 |
| 4 | Administration of questionnaires | Transport-Delivery | 7,000.00 |
| | | Transport-Collection | 7,000.00 |
| 5 | Data analysis | Data cleaning/Editing | 4,000.00 |
| | | Coding | 4,000.00 |
| | | Actual analysis | 6,000.00 |
| 6 | Report writing | Computer Time | 3,000.00 |
| | | Printing | 3,000.00 |
| | | Binding | 3,000.00 |
| | **TOTAL** | | **72,300.00** |

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