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Research Article

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Influence of relationship marketing on customer retention in the branches of commercial banks in Meru town, Kenya.

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Keywords

banking industry, commercial banks, customers, Descriptive statistics, ICT.

Abstract

The banking industry and other financial institutions are competing among each other hence need to strategize on how to retain as many customers as possible. The commercial banks studied were Equity, Kenya commercial and Barclay's banks operating in Meru Town. The study had the following objectives; To determine the extent to which quality service influences customer retention in commercial banks in Meru Town. To examine the extent to which communication influences customer retention in commercial banks operating in Meru Town. To establish the extent to which trust influences customer retention in commercial banks operating in Meru Town. The study would benefit the financial institutions, bank managers, bank employees, bank customers and future researchers. Literature review was discussed under theoretical framework: Commitment-trust theory, social exchange theory and relationship marketing theory. Empirical literature; customer retention in banking, quality service and customer retention in banking, Communication and customer retention in banking, trust and customer retention in banking was also discussed. The study used descriptive research design. Stratified, systematic and simple random sampling methods were used. The population for the bank customers was 18,500 while for the bank employees was 36. The sample size for the bank customers was 182 and 18 for bank employees. The closed-ended questionnaires were used as the research instruments. Piloting was done to determine the validity and reliability of the instruments. Descriptive statistics, T-test statistics and logistic regression model were used to analyze the data. The variable of quality service was found to be significant at .001 level of significance indicating that it positively influenced customer retention. The variable of communication was found to be significant at .001 level of significance indicating that communication was important in influencing customer retention. The variable of trust was found to be significant at .001 level of significance indicating that it was important in influencing customer retention. The study concluded quality service was a determinant of customer retention in banking. The level of quality service was high and customers were offered quality services. The study recommended that the bank managers to ensure that they have consistent in-service training of their bank employees so as to offer their customers quality services. The study concluded that customer retention in the banking sector was determined by communication effectiveness between the bank customers and bank employees. The bank utilized ICT in transmitting information to their customers. The study recommended that, the banks to upgrade their technology so as to serve their customers effectively and the banks to be responsive of customer's complaints, provide timely and prompt information to their customers. The study concluded trust was a determinant of customer retention banking. The study recommended the improvement of trust levels between the bank customers and bank employees. The study explored the influence of relationship marketing on customer retention in the branches of commercial banks operating in Meru Town. It is suggested that a study be carried out on employee service delivery on customer satisfaction strategies in the banking industry.

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Gilaninia et al (2011) defines relationship marketing as a kind of marketing that aims at developing and managing long-term and trustworthy relationships with customers, suppliers and all others acting in the market. It is a form of marketing that is client-based in terms of customer retention and satisfaction rather than individual transactions (Gledhill, 2008).

Relationship marketing is an alternative to transactional marketing. Banks have changed from transactional marketing to relationship marketing that is client-based unlike transactional which focuses on product selling only, takes customer for granted and does not mind whether customers needs are met or not, does not worry losing a customer for a firm believed that there would be enough customers to replace the defecting ones (Msoka et al, 2014). Abraham (2011) customers have opted for relationship marketing for the customers have become knowledgeable of what they require from the bank service providers, drastic technological changes, decline in product differentiation and competition from other banks, non-banks and other financial institutions which offer almost identical products and services, making customers switch from one bank to another (Msoka et al, 2014).

Bergeron et al (2008) relationship marketing leads to customer retention, customer satisfaction, increased loyalty, increased profits and competitive advantage**.** Banks need to employ marketing strategies that attracts new customers and retain existing ones. The cost of acquiring a new customer is far greater than the cost of maintaining the existing customer. The cost of acquiring a new customer is 5 times more than the cost involved in satisfying and retaining the current customers.

The banking industry in Kenya is government by the companies act, the banking act, the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK). In 1995 the banking sector was liberalized and exchange controls lifted. The CBK falls under the Minister of Finance who formulates and implements monetary policy and fosters the solvency, liquidity and proper functioning of the financial system. Central Bank of Kenya acts as the regulatory authority in the banking sector. There are 44 banking institutions (43 Commercial banks and 1 Mortgage finance company (MFC), 4 representative offices of foreign banks, 6 Deposit-Taking Microfinance Institutions (DTMs), 118 Forex Bureaus and 2 Credit References Bureaus (CRBs). Out of 44 banking institutions, 31 are locally owned banks comprising 3 public shareholding and 28 privately owned while 13 are foreign owned.

Kenyan banks are either foreign or locally owned. Kenya has 44 banks where locally owned are 31 and foreign owned 13. There were 43 commercial banks and 1 Mortgage finance company by 31st December 2013. There were 4 licensed deposit taking microfinance institution and 130 foreign exchange bureaus (CBK 2013). The banking industry in Kenya is governed by the companies act, the banking act, the central bank of Kenya. (CBK). The banking industry is the largest sector in the Kenyan financial sector that plays a pivotal role in intermediation process between savers and investors. The Commercial banks which were studied are private owned, foreign owned and foreign owned. These commercial banks are Equity bank, Kenya commercial bank and Barclays bank operating in Meru Town. Banks offers products such as visa branded ATMs, internet and mobile banking, agency outlets, current accounts, savings account and M-Pesa services.

1.2 Statement of the Problem

Banks that institutionalize relationship marketing on customer retention are doing better than those that do not focus on relationship marketing for customer retention. Relationship marketing enables firms to increase market share, penetrate foreign markets, increase profits, increase sales and reduce production and marketing cost (Brown, 2002). Due to increasing competition, banks have resorted to relationship marketing as a strategy to attract, maintain and enhance customer relationship and build customer loyalty and retention (Wood, 2008).

Commercial banks in Kenya are operating in a dynamic business environment which is characterized by stiff competition in the industry leading to decreased volume of sales, profits and markets share. Xu and Walton (2005) asserts that banks that practice relationship marketing are able to retain existing customers, improve customer satisfaction levels, achieve cost savings and enhance customer lifetime value. Banks need to employ the marketing strategies that enable them to attract new customers and also retain the existing ones. Customer retention is important because the cost of acquiring a new customer is far greater than the cost of maintaining the existing customer (Ro-king, 2005). Kotler (2006) asserts that the cost of acquiring new customers is five times more than the cost involved in satisfying and retaining the current customer.

Nalim and Kumaradeepan (2012) carried a study on customer relationship marketing as a strategy for better banking relationship in Sri Lanka Banking industry. The study established that private banks paid much important to relationship marketing strategy because of ownership. Catalina (2013) conducted a study on relationship marketing practices in India banking sector. The study revealed that a comprehensive approach not only of the clients but also of the employees was important in building long term profitable relationships. Muro et al (2013) conducted a study on the strategic benefits and challenges in the use of customer relationship management systems among commercial banks in Kenya. Ogongo (2014) study on customer retention strategies adopted by commercial banks in Kenya found that the customers would be retained in the bank if the customers were satisfied, if the bank had efficient services, listened and resolved customers' problems and met customers' needs.

In the studies related to relationship marketing, the researchers have studied the aspects of relationship marketing factors, challenges, strategies and practices in the banking sector. They have not studied the dimensions of relationship marketing and customer retention in the banking industry. The study filled the knowledge gap on relationship marketing on customer retention. The study addressed the following question. To what extent does relationship marketing influence customer retention in Commercial banks in Meru Town?

1.3 Purpose of the Study

The purpose of the study was to assess the extent to which relationship marketing influences customer retention in commercial banks operating in Meru Town.

1.4 Objectives of the Study

The study was guided by the following objectives.

(i) To determine the extent to which quality service influences customer retention in commercial banks operating in Meru Town.

(ii) To examine the extent to which communication influences customer retention in commercial banks in operating Meru Town.

(iii) To establish the extent to which trust influences customer retention in commercial banks in operating Meru Town.

1.5 Research Questions

The study had the following research questions.

(i) In what ways does quality service influence customer retention in commercial banks operating in Meru town?
(ii) In what ways does communication influence customer retention in commercial banks operating in Meru town?
(iii)In what ways does trust influence customer retention in commercial banks operating in Meru town?

1.6 Significance of the Study

The study would be important to financial institutions managers for it would sensitize them on how, where and when to apply marketing relationship strategies. It would shed light to the bank employees on the value of sustaining customer relationship. Finally, it would provide other researchers with knowledge on how to carry related studies on relationship marketing and customer retention in future.

1.7 Limitation of the Study

Customer retention was measured by asking the bank customers if they had plans of shifting to another bank. This is because the bank could not provide information on customer retention which was very sensitive to reveal.

1.8 Delimitation of the Study

The study dealt with selected commercial banks in Meru Town. Therefore, the research findings were not generalized to other similar banks. The study examined the influence of relationship marketing on customer retention in commercial banks in Meru Town.

1.9 Assumptions of the Study

The study assumed that the bank customers and bank employees answered the questions on quality service, communication and trust on customer retention in the banking honestly and correctly. The sample selected represented the population. The data collection instruments were valid.

1.10 Operationalization of the Key Terms

Communication: It is passing of information between bank customers and bank employees using various means such as phones, letters, emails, word of mouth. The bank employees informs the bank employees on the new products/ services, banks provides prompt information, bank resolves customers problems, bank utilizes ICT in transmitting information to the bank customers and bank offers their customers toll free helpline services.

Customer retention: Refers to a bank maintaining long term trustworthy and profitable relationships with the bank customers. The customers are retained by the bank after the bank offers them quality services, communicates to customers effectively and observes trust in the banking industry.

Relationship marketing: It is building, developing and managing the long term relationships between the banks and bank customers. A Successful relationship will be maintained after the bank offers their customer's quality services, communicates to customers effectively and observes trust in the banking industry.

Quality service: It is the way the bank employees deliver services to their customers and how the customers perceived the performed service. The bank employees offers their customers quality services which were reliable, prompt, bank resolved customers concerns and bank employees offer services to their in conducive environment with high standard banking layout and amenities, served by formally dressed and presentable bank employees.

Trust: Refers to the confidence a customer has on the bank and its employees. The bank observes trust on bank products/ services, trust on bank transactions, trust on bank handling customers concern. Trust on loan information and trust on bank information confidentiality. When the bank customer loses trust with the bank, they shift to another bank, buy less bank products and talk ill of the bank.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter comprised the literature review on what other researchers have discussed globally, regionally and locally on relationship marketing and customer retention in the banking industry. The literature review was discussed under the following sub-headings: Theoretical framework: Relationship marketing theory, Social exchange theory and Commitment-trust theory. Conceptual framework showing the independent and dependent variables. Empirical literature, customer retention in the banking industry, quality service and customer retention in banking industry, communication and customer retention in the banking industry and trust and customer retention in banking industry and customer retention in the banking industry.

2.2 Theoretical Framework

2.2.1 Relationship Marketing Theory

Relationship marketing theory Arnett & Badrinayanan (2005) states that successful relationship marketing is characterized by successful relational exchanges. The theory focus on trust, commitment and communication (Sivadas and Dwyer 2000). The theory is applicable in this study for communication and trust is the independent variables of this study. The bank will have long term and profitable relationships with the bank customers if bank shows high levels of trust on bank products/ services, trust on the bank handled transactions, trust on the way the bank handled customers concern. Trust on loan information and trust on bank information confidentiality. When the bank customer loses trust with the bank, they shift to another bank, buy less bank products and talk ill of the bank. On the other hand, if the bank shows high levels of trust, the bank customers purchase more bank products, customers are satisfied, defection to the other banks is minimal and they positively recommendation their friends and relatives about the bank.

The theory is also pegged on communication which is an independent variable for this study. Communication is between the bank and their customers. The bank communicates to the bank customers by informing them on new products, their usage and benefits. The bank is expected to provide timely and prompt information to their customers. The bank resolves customer's complaints. The bank utilizes ICT in transmitting information to the bank customers and the bank offering toll free helpline services to their customers. The bank communicates to their customers through SMS, letters, e- mails and a word of mouth. When the bank fails to communicate effectively to their bank customers, they shift to another bank, buy less bank products and talk ill of the bank. On the other hand, if the bank communicates effectively the bank customers they purchase more bank products, they are satisfied, customer defection rate to the other banks is minimal and customers raise a positive recommendation about the bank to the friends and relatives.

2.2.2 The Social Exchange Theory

The social exchange theory by Homan (1958) states that persons that give much to others try to get much from them. The theory is pegged on the social exchange relationship between the parties which develop through mutual exchanges and fulfillment of promises. The theory is applicable in this study for the bank will develop long-term and profitable relationships with their customers if they offer quality services, communicated effectively and observed trust in the banking industry.

Social exchange theory indicates that individuals are willing to maintain relationships because of the expectation that is rewarding. This is applicable in this study for the bank customers will maintain relationship with the bank after they are offered services qualities that are reliable, prompt and timely services. Social exchange theory attempts to account for the development, growth and even dissolution of social as well as business relationships. This means people or business firms evaluate their reward when deciding whether or not to maintain a relationship. This is applicable in this study for the bank customer evaluates how the bank quality service, its communication effectiveness and its trust levels rewards them before having a long term relationship with them.

2.2.3 Commitment-Trust Theory

Morgan and Hunt (1994) the Commitment-Trust theory states that successful relationship marketing requires commitment and trust relationship. This is applicable in this study because a bank that is committed to offering quality services which are reliable, timely and prompt will have successful long-term and profitable relationship with their bank customers.

The theory is pegged on three factors: trust, commitment and relational exchanges. The theory is applicable in this study for the bank trust, commitment and a relational exchange with their bank customers is crucial in the banking industry. The bank should be trustful to their customers. The bank observes trust on bank products/ services, trust on handling transactions, trust on handling customers concern. Trust on loan information and trust on bank information confidentiality. When the bank customer loses trust with the bank, they shift to another bank, buy less bank products and talk ill of the bank. On the other hand, if the bank maintains high levels of trust, the bank customers purchase more products /services, customers are satisfied, customer defection to the other banks is minimized and customers positively recommend their friends and relatives about the bank.

2.3 Conceptual Framework

Conceptual framework on influence of relationship marketing on customer retention. It also captures independent and dependent variables.

Relationship marketing

- Quality Service
  - Bank addressing customers' needs
  - Bank offering customers reliable services
  - Bank offering customers prompt services
  - Bank resolving customers concerns
  - Bank offering services to customers in Conducive environment
- Communication
  - bank informing customers on new products/services
  - Bank providing prompt information to the customers
  - Bank resolving customers complaints
  - Bank utilizing ICT in transmitting information to customers
  - Bank offering customers toll free help line services
- Trust
  - Trust on bank products /services
  - Trust on bank transaction handling
  - Trust on bank handling concerns
  - Trust on loan information
  - Trust on bank information confidentiality

→ **Customer Retention**

Independent variables **Dependent variable**

Figure 1: Conceptual framework showing independent and dependent variables

Source (2016)

The independent variable was the relationship marketing. Other independent variables were the quality services communication and trust in the banking industry. Quality service is an independent variable. The bank employees offered their customers quality services which were reliable and prompt, bank resolved customers concerns and services were offered in conducive environment with high standard banking layout and amenities, served by formally dressed and presentable bank employees.

Communication is an independent variable. Communication is between the bank and their customers. The bank communicates to the bank customers by informing them on new products, their usage and benefits. The bank is expected to provide timely and prompt information to their customers, resolve customer's complaints, utilize ICT in transmitting information to the bank customers offer toll free helpline services to their customers.

The bank communicates to their customers through SMS, letters, E- mails and a word of mouth. When the bank fails to communicate effectively to their bank customers, they shift to another bank, buy less bank products and talk ill of the bank. On the other hand, if the bank communicates effectively to their customers they purchase more bank products, they are satisfied, customer defection rate to the other banks is minimized and positively recommend their friends and relatives about the bank.

Trust is the independent variable. The bank should be trustful to their customers. The bank observes trust on bank products / services, trust on handling transactions, trust on handling customers concern, trust on loan information and trust on bank information confidentiality. When the bank customer loses trust with the bank, they shift to another bank, buy less bank products and talk ill of the bank. On the other hand, if the bank maintains high levels of trust, the bank customers purchase more bank products /services, customers are satisfied, customer defection to the other banks is minimized and customers positively recommend their friends and relatives about the bank. Customer retention is the dependent variable. The bank customer will purchase more bank products, will not shift to another bank and will be satisfied.

2.4 Empirical literature

2.4.1 Customer Retention in the banking industry

Bergeron et al (2008) relationship marketing leads to customer retention, customer satisfaction, increased loyalty, increased profits and competitive advantage**.** Banks need to employ marketing strategies that attracts new customers and retain existing ones. The cost of acquiring a new customer is far greater than the cost of maintaining the existing customer. The cost of acquiring a new customer is 5 times more than the cost involved in satisfying and retaining the current customers.

Ainsour (2013) conducted a study on how to retain a bank customer in Jordanian banks. The study established that internal marketing plays a big role in customer retention. Some drivers such as communication, transparency trust and satisfaction had a strong effect on customer retention.

Kate et al (2014) carried a study on customer retention strategies in Ghanaian banks. The study aimed at studying the importance of retention strategies that influence customers to make continual patronage of banking services in Ghanaian banking. The study revealed that bank service quality, loyalty rewards and customer relationship management had a positive significant on customer retention.

Msoka (2014) carried a study on determinants of customer retention in Commercial banks in Tanzania. The study revealed that quality of services and products and pricing of banks products had a strong positive relationship on customer retention.

Mbithi (2013) conducted a study on challenges of customer retention in the Kenyan banking. The study revealed that Kenya banks were required to pay serious attention to retain their customers and not only is to increase new customers and that retaining the existing customers more significant than increasing the new customers.

Njane (2013) carried a study on factors affecting customer retention in Barclays bank of Kenya. The study revealed that customer retention is influenced by accuracy of transactions, delivery of services, efficiency of customer services and physical appearance of the bank. The study recommended that management to put strategies so as to satisfy their customers and retain them.

Mbugua (2014) carried a study on the effect of brand loyalty on customer retention in Kenyan banking sector. The study revealed that the customers of Barclays bank were not sensitive about products and prices charged and fee paid for their accounts was reasonable so they were not likely to defect to another bank because of prices.

Ogongo (2014) conducted a study on customer retention strategies adopted by commercial banks in Kenya. The study found that the customers would be retained in the bank if the customers were satisfied, if the bank had efficient services, listened and resolved customers' problems and met customers' needs.

The previous studies with respect to customer retention, the researchers have discussed customer retention factors, challenges and practices and strategies. They have not studied the influence of relationship marketing on customer retention. This study will fill this knowledge gap.

2.5 Quality Service and Customer Retention in the Banking Industry

Quality service is the way the bank employees deliver services to their customers and how the customers perceive the performed service. (Eisingech and Bell 2008). The SERVQUAL for measuring quality of service in banking comprises five dimensions namely tangibility, reliability, responsiveness, empathy and assurance (Kumar et al, 2010). The reliability construct in the SERVQUAL model represents the service provider's ability to perform a service accurately and dependably. It is accomplished through keeping promises to do something, providing the right service at the right time, consistency of performance and dependability, service performed right at the first time, keeping promises in accuracy in billing and keeping records correctly, carrying error free transactions makes reliability an important factor in banking services (Yang et al, 2003).

Tangibility is a physical state of service which includes appearance of equipment and fixtures, physical facilities, communication materials and appearance of personnel. It also takes into account the convenience offered to the customer by the layout of the physical facilities (Anath et al, 2011). The higher customers appreciate the physical aspects, the higher evaluation of retail service quality. The professional appearance of the bank service providers is an important means of tangibilizing the intangible services and products. The tangibility of a service or service provider can be represented by the physical appearance of employees and other physical infrastructures. This has lead to an introduction of a dress code or uniform for banks employees (Anath et al, 2011).

Berry et al (2006) explored the relation between emotion and perception of service quality with specific reference to the service facility and concluded that the interior environment can create mixed or trigger feelings which in turn affect behavior, customer satisfaction, retention and perception of service quality. Sadek et al, (2010) in British Banks assurance means the polite and friendly staff, provision of financial advice, interior comfort, easy access to account information and knowledgeable and experienced management team. It also means employees having information and knowledge to answer questions, inspiring confidence, providing prompt service, willing to respond to customer's requests, giving customers individual attention and showing consistent courtesy with customers.

Responsiveness involves features such as service provider opening hours, employee's politeness as they serve customers. It also describes how quickly service providers respond to the customers need. Mengi (2009) found that responsiveness is politely related to service quality and customer satisfaction. In banking sector, prompt communication is crucial to a customer (Mohamed & Shirley, 2009).

A study carried out on customer retention strategies at Ghana banks Kate Agudze (2014) found that the customer retention strategies in the Ghanaian banks were bank service quality switching barriers, customer relationship management and loyalty rewards. Their study found out that the better the banks quality service, the higher the retention rate, hence a significant positive relationship between the bank service quality and customer retention.

Mubbsher, & Manam (2014) conducted a study on impact of service quality on customer satisfaction and customer loyalt in Pakistan. Banks Service quality was studied under different dimensions of service quality. A sample of 270 bank customers was used. Stratified random sampling was used. Data was collected by use of questionnaires which were analyzed by descriptive statistics, correlation and regression. The study found that all dimensions of service quality had a strong positive relationship with customer satisfaction and loyalty.

Dubey, Archi & Srivastava, (2016) conducted a study on impact of service quality on customer loyalty. The five antecedents of service quality namely empathy, tangibility, reliability, responsiveness and assurance were considered. A survey-based exploratory and casual design was used. A sample size of 262 respondents was used. Data was collected by use of questionnaires and data was analyzed by use of multiple regression analysis to determine the relationship between independent and dependent variables. The study found that service quality has a significant and positive impact on customer loyalty. The study recommends that the service providers should upgrade their technology so as to serve their customers by use of latest editions of technology.

Kiprotich et al (2014) conducted a study on relationship between service quality and customer retention in the selected commercial banks in Eldoret town. The study objective was to investigate the influence of service quality on customer retention in the selected Commercial Banks in Eldoret town, Kenya. The target population was 225 respondents.

The questionnaires were used to collect data from the respondents. Data was collected and analyzed using descriptive and inferential statistics. The study found out that there was strong relationship between service quality and customer retention. The study recommends that banks should be responsive to complaints, avoid service failure and inconveniencing customers.

Kimondo (2012) conducted a study on factors that affect quality of customer service in the banking industry in Kenya. The study was done to establish whether human resource factors such as training, staff motivation and job satisfaction and product range affect the service quality. The study found that these human resource factors had a strong positive relationship with the quality of service. The study recommends that Post bank to ensure that they have consistent in-service training with their bank service providers so as to offer their customers quality services.

Msoka and Msoka (2014) carried a study on determinants of customer retention in commercial banks in Tanzania. The independent variables were customer service, quality of the products provided by the banks, pricing of bank products and customer satisfaction. The study adopted convenience sampling to select a sample of 200 bank respondents. Questionnaires were used to collect the data. The Chi-square and multiple regression were used to analyze the data. The study discovered that academics need to incorporate quality of products provided by the banks products for customer retention. The study recommended improvement of service quality by employing more customer relationship managers to serve customers better for customer retention.

Onditi (2012) conducted a study on implications of service quality on customer loyalty in the banking sector. A sample of 400 respondents was used. Data was collected by use of questionnaires. Multiple regression analysis and descriptive statistics were used to analyze the data. The study established that service quality had a significance effect on customer loyalty. This meant that customer loyalty could be increased by about 4.6% through manipulating service quality.

Auka (2012) conducted a study on service quality, satisfaction, perceived value and loyalty in commercial banking in Nakuru municipality, Kenya. The objective of the study was to study the extent to which services quality, perceived value and satisfaction influence customer loyalty in commercial banks. A sample size of 381 respondents was used. Questionnaires were used to collect data. Data was analyzed through Pearson correlating and regressions. The study revealed that there was a strong positive relationship between service quality and customer loyalty.

Kiprotich et al (2014) conducted a study on relationship between service quality and customer retention in the selected commercial banks in Eldoret town. The sample size was 225 respondents and simple random sampling was used to select 20 customers and 5 employees. Data was collected from respondents using questionnaire. Data was analyzed using descriptive and inferential statistics. The study found that there was a strong positive relationship between service quality and customer retention. The study recommends that banks should avoid service failure.

Kimondo (2012) conducted a study on factors that affect quality of customer service in the banking industry in Kenya. The study was done to establish whether human resource factors such as training, staff motivation and job satisfaction and product range affect the service quality. The study found that these human resource factors had a strong positive relationship with the quality of service. The study recommends Post- bank to ensure that they have consistent in-service training with their bank service providers so as to offer their customers quality services.

2.6 Communication and Customer Retention in the Banking Industry

Communication has been defined differently by different authors. It is the formal and informal sharing of timely information between the supplier and the customer through various methods from one individual or group to another (Bosch, et al, 2006). Thuo (2008) through communication the customers are informed about the features, benefits, availability, and usage of a particular product or service for persuasion purpose.

Customer's complaints should be resolved forthwith else they may spread bad news to the other customers, other banks and friends (Kotler and Keller, 2007). They argue that to make it easy for customer to complain requires suggestions forms, a seven day and twenty four hour toll free hotline to receive the customer complaint, suggestion forms, websites, phone calls and e-mails and complaint lines. Communication in relationship marketing can be a word of mouth between the bank employees and customer (Kotler & Tait, 2010) and marketing communication to and from clients (Elliot, 2009).

Kuria (2010) study on relational marketing strategies among commercial in Kenya revealed that information communication technology (ICT) has improved customer retention and loyalty in banks and that it plays a crucial role in improving customer satisfaction.

Rootman et al (2011) conducted a study on relationship marketing and customer retention lessons for South African banks with the aim of understanding relationship marketing and customer retention. The study found that communication was one of the variables that had a strong positive relationship on customer retention. The study recommended that communication between the bank employees and customers would be improved by use of appropriate and preferred communication methods, trustfulness and honesty communication that is not misleading, informing clients about new products or services, and their usage and benefits. He cited that in Canada the major banks can provide client services in 150 languages.

Anabila et al (2012) conducted a study on relationship marketing practices and customer loyalty in Ghanian banking industry. A sample size of 247 was used and data was collected using questionnaires which were distributed to staff of universal banks in Ghana. Stratified random sampling was used. Multiple regression was used for data analysis. The study found that communication had a strong positive relationship with customer loyalty and retention. The study recommended that banks provide timely and prompt information for customer retention and loyalty.

AssefaGarbi Tufa and MegbarumisikirTeshu (2015) conducted a study on impact of customer relationship marketing on customer satisfaction in commercial banks in Ethiopia. The study discussed five independent variables: trust, commitment competence and conflict handling. The questionnaires were used to collect data. Data was by analyzed by descriptive, correlation and logit regression. The study found that communication had a strong positive relationship with customer satisfaction in commercial banks in Ethiopia.

Wanjiku (2013) conducted a study on relationship marketing and customer loyalty in the mobile telecommunication industry in Kenya. A sample size of 384 respondents and stratified sampling method was used. Data was collected using questionnaires which were analyzed using the descriptive statistics technique to analyze quantitative data. The study found that effective communication of pricing policies as well as flexible pricing for various services offered play a great role in customer retention.

2.7 Trust and Customer Retention in the Banking Industry.

The customer relationship management aims to satisfy the customer through trust that results to increased customer loyalty and retention. Trust play a big role in relationship marketing for it makes the customers build confidence on the bank and its products and services (Farootan, 2008). The bank service providers build trust to their customers by keeping to their promises. These promises should be honored and fulfilled consistently.

Alrubaiee& Al-Nazer, (2010) study on the impact of relationship marketing orientation on customer loyalty in the banking sector in Jordan revealed that customers trust in banking was a crucial aspect of relationship marketing.

Gilaninia et al (2012) investigated the influence of relationship marketing on the purchase intention in Iran banking industry. The study revealed trust had a strong positive relationship on purchase intensions.

The study recommended banks to increase mutual trust by showing hospitality, degree of honesty, transparency to be observed so as to build customer trust with the bank and bank service providers.

Teleghani (2011) conducted a study on the role of relationship marketing in customer orientation process in the banking industry with focus on loyalty with the objective of investigating the impact of relationship marketing on customer loyalty. A sample of 384 customers was used. Data was collected by use of questionnaires and data analyzed by multiple regression analysis. The study found out that there was a strong positive relationship between trust and customer retention. The study recommended that openness and honesty to be observed in order to retain customers.

Soimo et al (2015) conducted a study on influence of relationship marketing on customer retention in commercial banks in Nakuru town, Kenya. The study was conducted amongst commercial banks in Nakuru town. The study was limited to establishing the relationship between customer trust and customer retention. Structured questionnaire were used to collect data. Data was analyzed with the aid of SPSS. Descriptive data analysis used together with correlation analysis. The study established that trust is key in relationship marketing. It recommended that the information relayed to customers is not likely to be misconstructed by their customers as a way of winning their trust.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The chapter comprises the following: research design, study locale, sampling frame, target population, sampling procedures and sample size, research instruments, reliability of instruments, validity of instruments, piloting, data collection procedures, methods of data analysis.

3.2 Research Design

According to Kothari (2003) a research design is the arrangement of conditions and analysis of data in a manner aiming to combine relevance to the research. It is a conceptual structure within which research is conducted. According to Mugenda and Mugenda (2003) a survey attempts to collect data from members of a population in order to determine the current status of population with respect to one or more variables. The researcher used the descriptive research design because it obtained information that described how relationship marketing influences customer retention in commercial banks operating in Meru Town.

3.3 Study Locale

The study was carried at Meru County. The branches of commercial banks studied were Equity, Kenya Commercial and Barclays banks. The study explored the influence of relationship marketing on customer retention in the branches of commercial banks operating in Meru Town.

3.4 Population

According to Borg and Gall (1989) target population refers to all members or a set of people, events or objects to which a researcher wishes to generalize the results of the study. Target population is the population to which the researcher generalizes the results of a study (Mugenda and Mugenda, 1999). Target Population for this study was 18500 bank customers and 36 bank employees derived from three branches of commercial banks studied; Equity, Kenya commercial and Barclays bank operating in Meru Town.

3.5 Sampling Frame

According to Mugenda and Mugenda (2003) a sampling frame is a list, directory or an index of cases from which a sample is selected. The sampling frame comprised of a list of all the registered bank customers and bank employees in the branches of the three studied banks namely Equity, Kenya commercial and Barclays bank operating in Meru Town.

Table 3.1:

Bank Customers & Bank Employees Sampling Frame

		Population size	
Sector	Bank Branches	Bank Customers	Bank Employees
Private	Equity	9000	12
Public	Kenya commercial bank	5500	12
Foreign	Barclays	4000	12
Total		18500	36

Source (2016)

3.6 Sampling Methods and Sample Size

According to Mugenda and Mugenda, (2003), a sample is a smaller group obtained from the accessible population. Sampling is the process of selecting a number of individuals for a study in such a way that the individuals selected represent the large group from which the researcher gains information about a population. The purpose of sampling is to secure a representative group which enables the researcher to gain information about a population.

Simple random sampling method was used to select the sample of the bank employees of the three studied banks operating in Meru Town. The researcher used simple random sampling because each respondent has an equal probability of being picked up. The bank employees were given even and odd numbers which was placed in a container and picked any number at random. The population size for bank employees was 36. Therefore, sample size for each bank was18 bank employees derived from the three branches of commercial banks studied.

The study used systematic sampling method to select the sample of the bank customers of the three studied banks. According to Mugenda and Mugenda (2003) and Saunders (2009) systematic sampling method involves selecting K th subject for inclusion in the sample. In each studied bank, the researcher picked every 5^{th} bank customer on the queue in the banking hall as they waited to be served. This technique is acceptable and appropriate because it ensures reliable and representative coverage of all elements considered in the study (Zikmund, 2003).

The study used stratified sampling method to obtain the sample of the bank customers and bank employees. The population was stratified according to ownership (Public sector, private sector and foreign sector), and period of operation within the town. A sample size of each bank customers and each bank employees was determined in each stratum by Krejcie and Morgan (1970) formula;

S = (PS) / P

Where S = Sub-sample size for each bank, P= sub-population of customer in each bank, S = Total sample size for the study, P = Total population for all the banks

A sample size of 182 bank customers and 18 bank employees was determined

Table 3.2:

Determination of Sample size for bank customers and bank employees

		Population Size		Sample Size	
Sector	Bank Branches	Bank Customers	Bank Employees	Bank Customers	Bank Employees
Private	Equity	9000	12	88	6
Public	Kenya commercial bank	5500	12	54	6
Foreign	Barclays	4000	12	40	6
		18500	36	182	18

Source (2016)

3.7 Research Instruments

The study used questionnaires as the research instruments. Closed-ended questionnaires were administered to the Equity, Kenya commercial bank and Barclays bank customers and bank employees. Walter (1963) a questionnaire is an instrument used to obtain important information about the population. Closed-ended questionnaires covered knowledge areas quality services, communication and trust in the banking industry.

The researcher used the closed-ended questions because they were easier to analyze since questions were accompanied by alternative answers. The closed-ended items were measured by five point likert scale ranging from 1= strongly disagree to 5 = strongly agree and others a five point likert scale ranging from 1 = very poor to 5 = very good. The scale was useful in measuring the strength of respondents on service quality, communication and trust.

3.8 Piloting

Piloting was done to identify misunderstanding, ambiguities and inadequate items Mugenda and Mugenda (2003). During piloting vague and inadequate items were identified for improvement. The purpose of piloting was to help in identifying any weakness contained in the instruments and make necessary improvement. Piloting was carried out on a small sample of 20 bank customers and 5 bank employees of National bank in Meru Town with similar characteristics with population in the proposed study. The objective of piloting was to access the clarity of the instruments so that items found inadequate were discarded or modified to improve the quality of the instruments on quality service, communication and trust in banking.

3.9 Reliability of the Instruments

Reliability is the extent to which research instruments yield measures that are consistent each time it is administered to the same individuals (Ogula, 1998). According to Mugenda and Mugenda (2003) reliability of instrument is influenced by random error, as random error increases, reliability decreases. Error may arise from inaccurate coding, ambiguous instructions to respondents and biasness. The purpose of piloting was to find out if respondents understood items in the instruments. They assert that the advantage of piloting is that it enables the researcher to get feedback from respondents before the actual study which led to improvement of the main study. After the piloting the questionnaire was adjusted accordingly to meet the desired purpose. The Cronbach's alpha coefficient for the five questions on quality services, five questions on communication and five questions on trust on the dependent variable was found to be 0.795 which was above the recommended estimate at 0.70 (Hair et al, 2006) hence the internal consistency of the items on study was good.

3.10 Validity of the Instruments

According to Borg and Gall (1989) validity is the degree to which an instrument measures what it purports to measure. Validity is the accuracy and meaningfulness of inferences which are based on the research results (Mugenda and Mugenda, 2003). The validity of the instrument was tested by a preliminary piloting which was carried out on a small sample of 20 bank customers and 5 bank employees of National Bank, Meru, with similar characteristics with population in the proposed study. According to Paul (1998) the goal of piloting is to assist in determining the accuracy, clarity and stability of the instrument and the estimated time required to answer an item. The results of the study were discussed with respondents necessitating adjustments for flexibility. The items on quality service, communication and trust in banking were discussed with the supervisor who was an authority in research for necessary corrections. The items found incorrect or ambiguous were restructured or discarded.

3.11 Data Collection Procedures

The researcher sought authority from the University administration before carrying out a study on influence of relationship marketing on customer retention. The researcher with the assistance of customer care desk administered 182 questionnaires to the bank customers and 18 to the bank employees. The questionnaires were administered during working hours 8.00am to 4.00pm, on specific days of the week; Monday, Wednesday, Friday and Saturday and at the middle of the month to capture the customers who visited the bank during low peaks hence the bank service providers had time to fill in the questionnaires for long queues were not experienced and at end month to capture customers who visited the bank during high peaks hence easier to get customers to fill in the questionnaires. It was the time when banks experienced long queues and the respondents had time to give true and rational assessment of the quality service, communication and trust in banking. The questionnaires were administered in the banking hall as the customers waited to be served. The customers were required to complete the questionnaires on the spot.

3.12 Data Analysis Techniques

Descriptive statistics, T-test statistics and logistic regression model were used to analyze the data. Descriptive statistics was used to summarize the data and establish characteristics of the population. Logistic regression was utilized since the dependent variable had two categories i.e. whether a customer had plans of shifting to another bank or not. Frequency distributions and percentages were be used to present the result findings. The omnibus test of model coefficients, the classification table and the model summary were used to assess the goodness fit of the model. The Nagelkerke R Square was interpreted since it's more useful than the Cox & Snell Pseudo-R Squared. This is because Nagelkerke R Square is a modification of Cox & Snell Pseudo – R Squared. The computation of the two is explained below;

Computation of Cox & Snell Pseudo-R^2

$$R^2 = 1 - \left[\frac{-2LL_{null}}{-2LL_k} \right]^{2/n}$$

Where the null model is the logistic model with just the constant and the *k* model contains all the predictors in the model. Since this R-squared value cannot reach 1.0, Nagelkerke modifies the Cox and Snell version to make 1.0 a possible value for R-squared.

Computation of Nagelkerke Pseudo-R^2

$$R^2 = \frac{1 - \left[\frac{-2LL_{null}}{-2LL_k} \right]^{2/n}}{1 - \left(-2LL_{null}\right)^{2/n}}$$

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter presents results of data analysis from the respondents. The chapter describes the data collection process, analysis and profile of respondents. Descriptive and binary logistic regression analyses are presented. The influence of relationship marketing on customer retention in commercial banks operating in Meru Town was discussed. The primary aim of this study was to examine the extent to which relationship marketing influences customer retention in commercial banks operating in Meru Town.

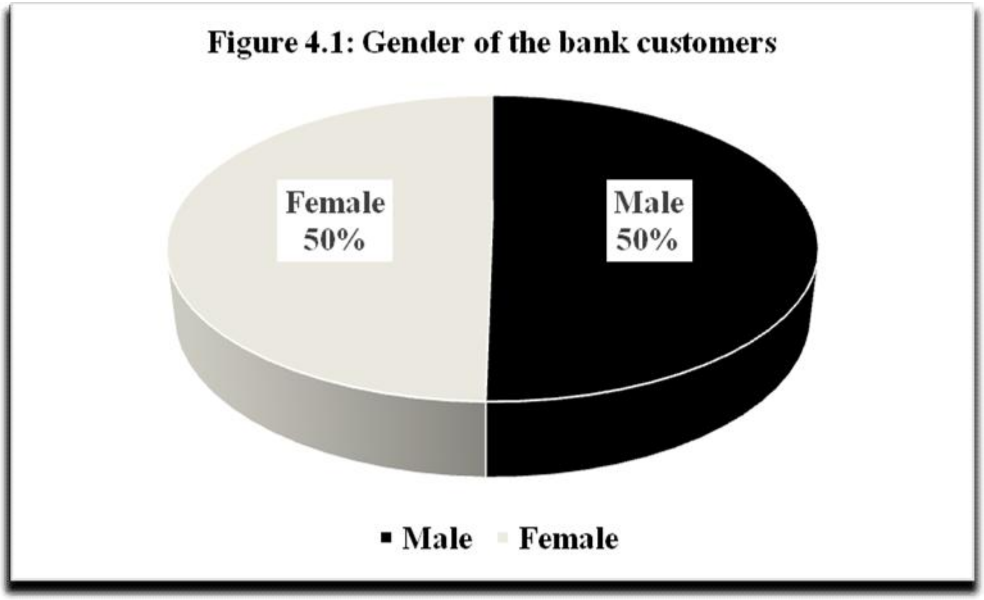
4.1.1 Respondents Response Rate

The data for the study was collected by use of questionnaires. 182 questionnaires were distributed to bank customers and 18 to bank employees. 181 questionnaires administered to bank customers were successfully completed and returned while 17 questionnaires distributed to bank employees were returned. Hence 99% of the questionnaires were returned and according to Mugenda and Mugenda (2003), a return of 50% is acceptable. The findings of the study from the data collected were analyzed using statistical package for social sciences (SPSS), organized and presented in charts and tables.

4.2 Socio- Economic Characteristics of Bank Customers

Gender of the bank customers

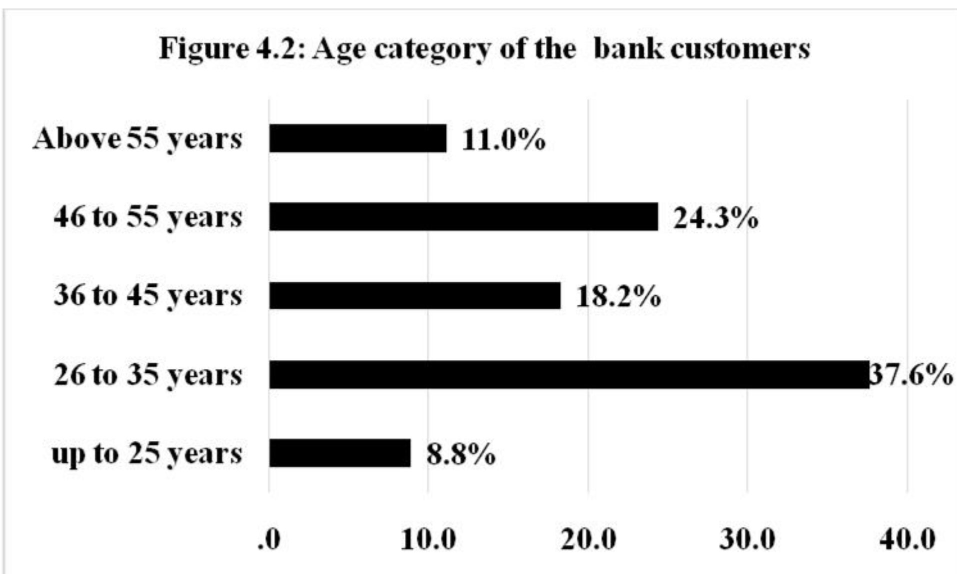
The study established that half of the customers interviewed (50%) were males while the rest were females. This indicates that there was gender parity in selection of the respondents that were included in the study.



Source (2016)

Age category of the bank customers

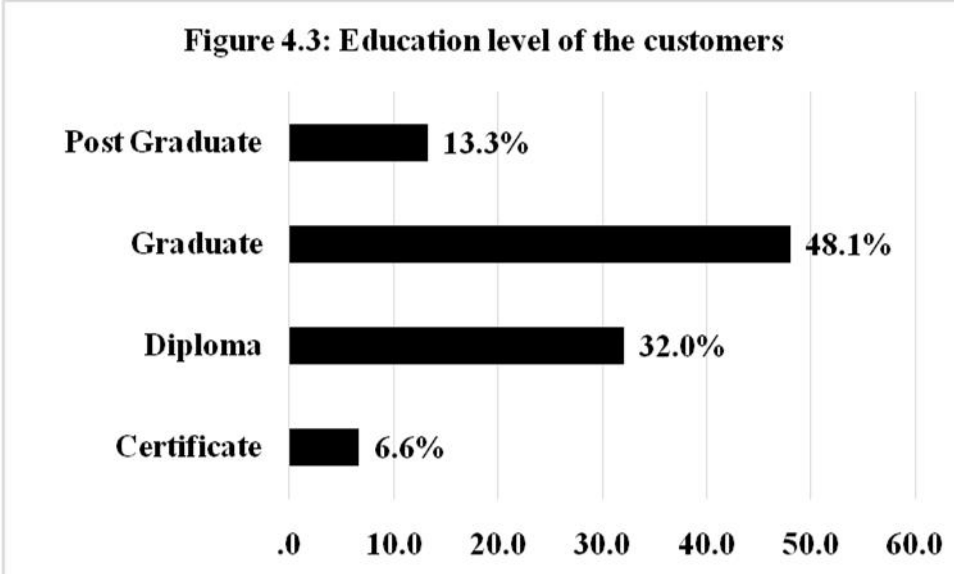
It was further established that majority of the customers (37.6%) were in 26 to 35 age bracket, 24.3% aged between 46 to 55 years, 18.2% aged between 36 to 45 years, 11.0% were in over 55 years age bracket while 8.8% aged below 26 years. This result indicates that majority of bank customers were in age bracket 26-35, while the bank customers who were below 26 years were the minority.



Source (2016)

Education Level of the Bank Customers

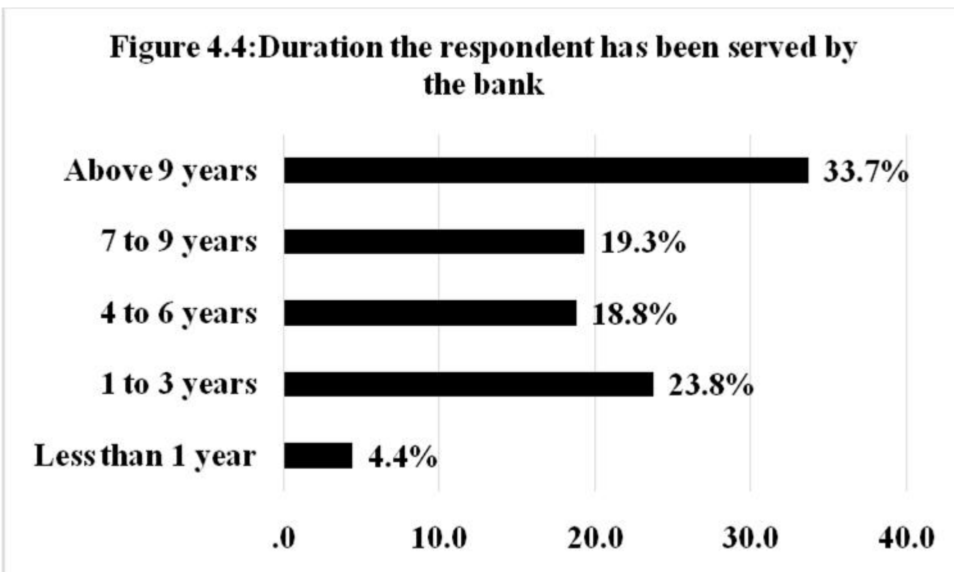
In regard to education level of the customers, majority of the respondents (48.1%) had a first university degree, 32.0% had diploma qualification, and 13.3% had post graduate qualifications while 6.6% had certificate qualifications. This result indicates that the bank customers interviewed had attained different levels of education.



Source (2016)

Duration the Bank Customers have been Served by the Three Studied Banks

The study established that majority of the respondents (33.7%) had been served by the bank for more than nine years, 23.8% reported they were in the same bank for 1 to 3 years, 19.3% stated that they had been served for 7 to 9 years, 18.8% indicated that they were served for 4 to 6 years while 4.4% reported that they had enjoyed the bank services for a period of less than a year. This result indicates that majority of the customers were loyal to their banks since more than half of the respondents reported to have been served by their bank for more than 7 years.

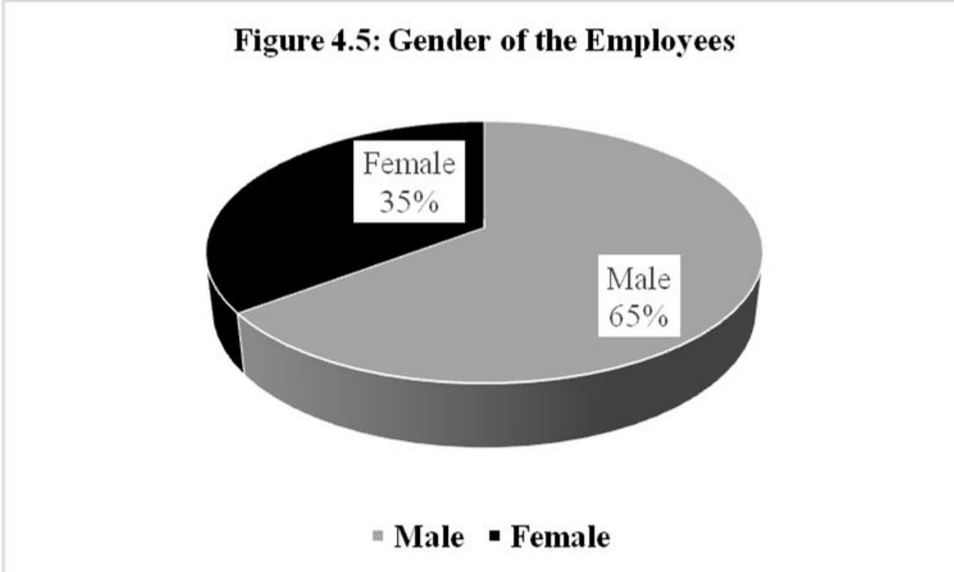


Source (2016)

4.2.1 Social - Economic Characteristics of Bank Employees

Gender of the Bank Employees

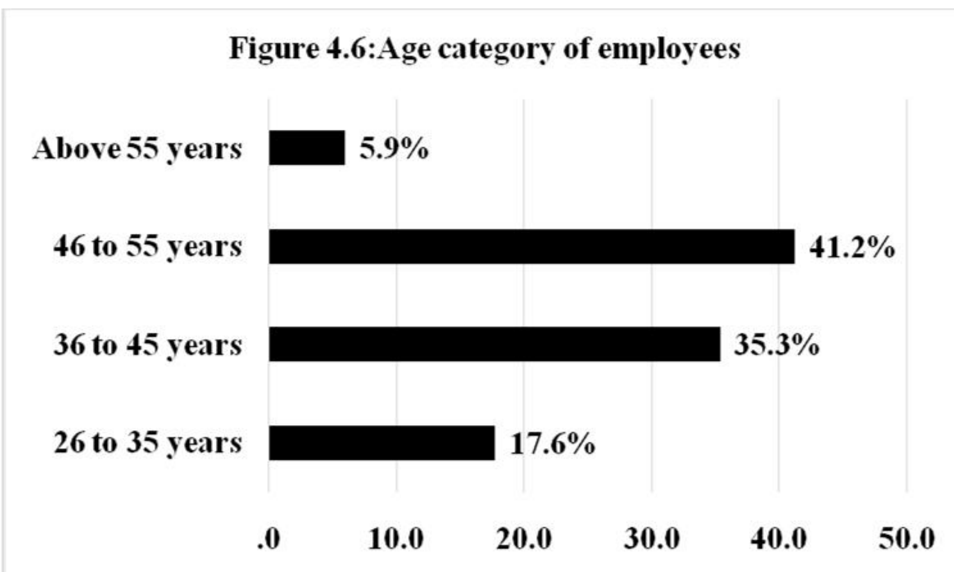
The study established that a high majority of the employees interviewed (65%) were males while the rest (35%) were females. This result indicates that for the selected banks, the one third gender rule was observed in hiring of the employees.



Source (2016)

Age of the bank employees

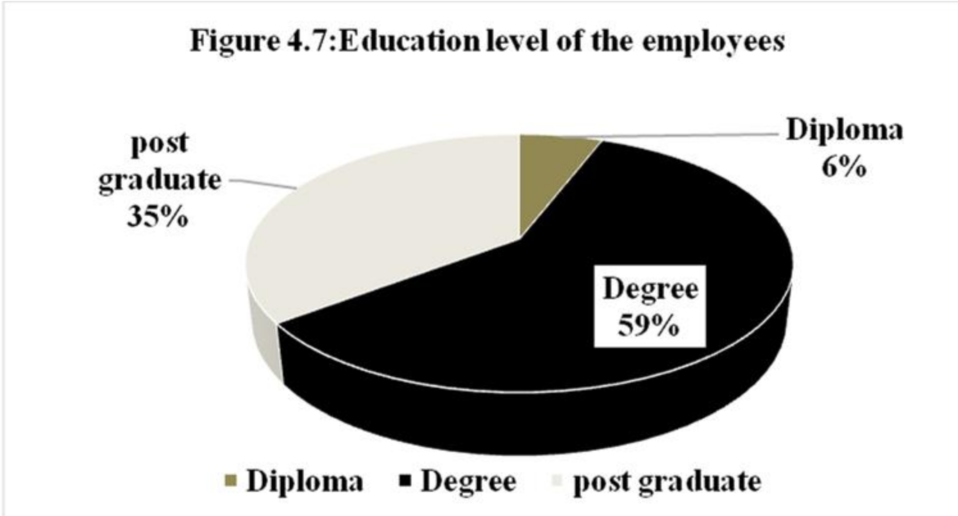
It was further established that majority of the employees (41.2%) were in 46 to 55 years age bracket, 35.3% were aged between 36 to 45 years, 17.6% were aged between 26 to 35 years, while 5.9% were in over 55 years age bracket. This result indicates that employees in all the age brackets were adequately represented in the study.



Source (2016)

Education Level of the bank employees

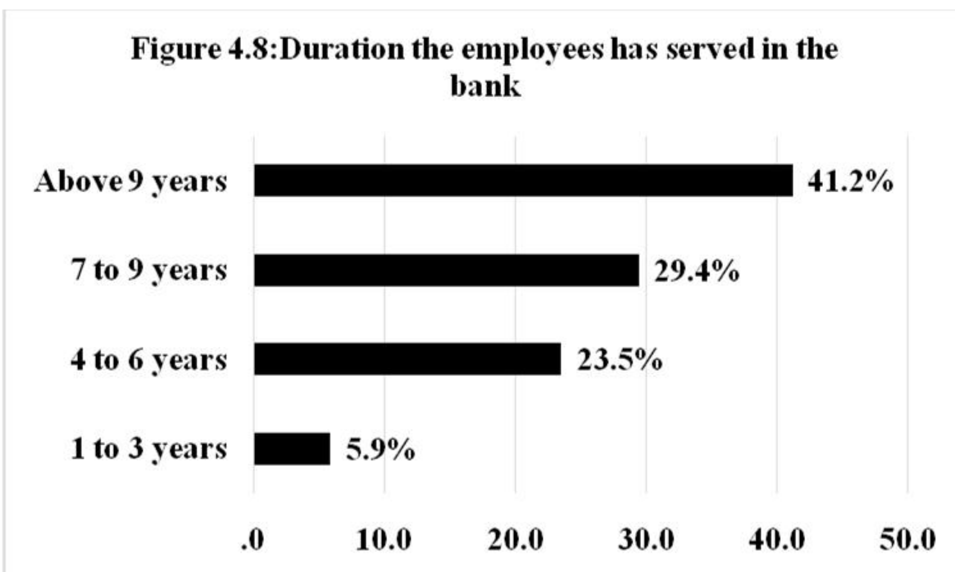
In regard to education level of the employees, a majority of the respondents (59%) had a first university degree, 35% had post graduate qualifications while 6% had diploma qualifications. This result indicates that almost all the employees interviewed had at least a first university degree since less than a tenth of the respondents stated otherwise. Having at least first university degree they were knowledgeable and skilled in offering quality services, were able to communicate effectively to their customers and were able to maintain observe degree of trust in their service delivery.



Source (2016)

Experience of the bank employees

The study established that majority of the bank employees (41.2%) had served the bank for more than 9 years, 29.4% had an experience of 7 to 9 years, and 23.5% had offered their services to the bank for 4 to 6 years while 5.9% had an experience of 1 to 3 years in the same bank. This result indicates that most of the bank employees interviewed had vast knowledge of the banking industry as only less than a tenth had an experience of less than 4 years. This implies that the bank customers are served by bank employees who have experience in delivering quality products and services, able to communicate effectively to their customers and observed trust in their service delivery.



Source (2016)

4.3 Bank customers' opinion on quality service

The study sought to establish the opinion of bank customers on quality of service offered to them by the commercial banks operating in Meru town. The opinion of the bank customers was sought. This is indicated in table 4.1.

Table 4.1:
Customers Response on Quality service

The bank meets my needs adequately	Frequency	Percent
Disagree	104	57.5
Neutral	0	0
Agree	77	42.5
Total	181	100
The bank offers reliable services	Frequency	Percent
Disagree	16	8.8
Neutral	0	0
Agree	165	91.2
Total	181	100.0
The bank offers prompt services	Frequency	Percent
Disagree	0	0
Neutral	0	0
Agree	181	100.0
Total	181	100.0
The bank effectively resolves my concerns	Frequency	Percent
Disagree	16	8.8
Neutral	0	0
Agree	165	91.2
Total	181	100.0
The bank operates in a conducive environment	Frequency	Percent
Disagree	0	0
Neutral	0	0
Agree	181	100.0
Total	181	100.0

Source (2016)

The study sought the opinion of the customers on whether the bank adequately addressed their needs. Majority of the respondents (57.5 %) disagreed to this opinion, (0%) were neutral, (42.5%) believed that the bank adequately addressed their needs. This result indicates that in the opinion of the customers interviewed the banks did not adequately address their needs. These needs were overdraft and charged commissions. The study findings contradicts with Mengi (2009) study that revealed that offering quality services requires understanding needs and wants of the customers. Bank customers needs in quality of service vary from one customer to the other because their needs and expectations are not the same.

In regard to reliability of the services offered by the banks, (8.8%) disagreed that they were offered reliable services, (0%) were neutral while a majority of the customers (91.2%) concurred that the banks offered them quality services. This result indicates that the bank customers were offered reliable services by the bank. The study finding is in agreement with Kate Agudze (2014) study which found that the better the quality of service, the higher the retention rate, hence a significant positive relationship between the bank service quality and customer retention.

As pertains the promptness of the services offered by the banks, (0%) of the bank customers disagreed that they were offered prompt services, (0%) were neutral while (100%) concurred that the services offered were prompt. This result indicates that the services offered to the customers were swift and timely since all the respondents reported so. This finding is in agreement with Mohammed and Shirley (2009) study who posit that delivering prompt services to customers is crucial.

In respect to effectiveness of the banks' response towards the customers' concerns, (8.8%) disagreed that their concerns were addressed, (0%) were neutral while (91.2%) concurred that the banks' responded to their concerns effectively This result indicates that a majority of the bank customers were satisfied with the way the banks resolved their issues.

As pertains to whether the banks operated in a conducive environment, (0%) of the bank customers disagreed, (0%) were neutral while (100%) agreed that the banks operated in conducive environment. The result indicated that the customers were pleased with the environment the banks operated in as none of the respondents stated otherwise. This study finding is supported by Anath et al, (2011) who assert that physical state of bank facilities like appearance of equipment and fixtures, physical facilities, communication materials and appearance of personnel are crucial in the service delivery in the banking industry. This study finding also corresponds with Njane (2013) study which established that customer retention is influenced by physical appearance of the bank, accuracy of transactions, delivery of services and efficiency of customer services.

4.3.1 Benefits of Quality Services to the Customers

The customers were asked to give their opinion on the benefits they receive as a result of quality services offered by the bank. This is illustrated in table 4.2.

Table 4.2

Benefits of quality service to the customers

Area	Frequency	Percent
Timely loans	104	57.5
Improved financial status	46	25.4
Time saving	37	20.4
Reduction in transaction costs	8	4.4

Source (2016)

A majority of the respondents (57.5%) opined that they benefited from timely loans, 25.4% by improved financial status, 20.4% in saving time while 4.4% of the respondents stated that they benefited from reduction in transaction costs. This result indicates that the customers viewed timely loans as the greatest benefit when the banks offer quality services and the least benefit would be reduction in transaction costs.

4.4 Bank customers' opinion on effectiveness of Communication Utilized by banks

The study sought to establish the effectiveness of communication utilized by commercial banks operating in Meru town. The opinion of the bank customers was sought. This is indicated in table 4.3:

Table 4.3:

Customers' response on communication

The bank informed you on new products / services	Frequency	Percent
Disagree	0	0
Neutral	0	0
Agree	181	100.0
Total	181	100.0
The bank offers prompt information	Frequency	Percent
Disagree	0	0
Neutral	0	0
Agree	181	100.0
Total	181	100.0
The bank efficiently resolves customers complaints	Frequency	Percent
Disagree	24	13.3

Neutral	4	2.2
Agree	153	84.5
Total	181	100.0
The bank utilizes ICT in transmitting information	Frequency	Percent
Disagree	24	13.3
Neutral	4	2.2
Agree	177	97.8
Total	181	100
The bank offers toll free helpline services	Frequency	Percent
Disagree	154	85.1
Neutral	4	2.2
Agree	27	14.9
Total	181	100.0

Source (2016)

In respect to whether the bank informed customers on new products / services, (0%) of bank customers disagreed that the bank informed them on new products / services, (0%) were neutral while all the bank customers (100%) concurred that the banks informed them of new products and services. This result implies that the bank informed their customers on usage and benefits of new bank products/services in the market. The study finding is in agreement with Thuo (2008) study which revealed that through communication the customers are informed about the features, benefits, availability, and usage of a particular product or service for persuasion purpose.

In regard to whether the banks offered information promptly, (0%) of bank customers disagreed that the bank offered information promptly, (0%) were neutral while all the bank customers (100 %) concurred that the bank offered them information promptly. This result infers that information communicated to customers was timely. This finding is in agreement with Mohammed and Shirley (2009) study who posit that delivering prompt services to customers is crucial.

In respect to whether the banks efficiently resolved customer's complaints (13.3%) disagreed that the bank resolved their complaints (2.2%) were neutral while majority of the bank customers (84.5%) agreed that the bank resolved their complaints. This result implies that the customer's complaints were efficiently resolved by their bank. The study finding is in line with (Kotler and Keller, 2007) study who asserts that customer's complaints should be resolved forthwith else they may spread bad news to the other customers, other banks and friends.

As pertains to whether the bank utilized ICT in transmitting information to their customers, (0%) of the bank customer disagreed that the bank utilized ICT in transmitting information to their customers, (2.2%) were neutral about whether the bank used ICT in transmitting information to them while a majority of the respondents (97.8%) concurred. This result infers that the banks utilized ICT in transmitting information to their customers. The study finding is in agreement with Kuria (2010) study which revealed that information communication technology (ICT) has improved customer retention and loyalty in banks and that (ICT) plays a crucial role in customer satisfaction.

In respect to whether the banks offered toll free helpline services, (85.1%) of the bank customers disagreed that they were offered toll free helpline services, (0%) were neutral while (14.9%) agreed. This result indicates that in the opinion of customers, toll free helpline services were not offered by the banks. This study finding contradicts with (Kotler and Keller, 2007) study that asserts that to make it easy for customer to complain requires suggestions forms, a seven day and twenty four hour toll free hotline to receive the customer complaints.

4.4.1 Means of Relaying Information to Customers

The bank customers interviewed were asked to state the means of communication that the banks relayed information to them. This is illustrated in table 4.4.

Table 4.4:
Means of relaying information to customers

Medium	Frequency	Percent
SMS	181	100.0
Word of mouth	181	100.0
E-mails	176	97.2
Letters	50	27.6
Press release	0	0
Social media	0	.0

Source (2016)

Interestingly, all the bank customers (100%) reported that the banks conveyed information to them via SMS and word of mouth. Notably, 97.2% of the respondents stated that the banks communicated to them via E-mails while 27.6% reported that the banks communicated to them via letters. Press release and social media were not the means of relaying information to the customers. This result indicates that the main means of communication adopted by banks were SMS, word of mouth and emails. The study findings agree with Buttle (2004) who posits that the banks communicate with their customers through specific communication tools such as mails, E-mails, telephones, mobile phones, fax, chat-rooms, help-desks, contact centers, and complaints lines.

4.5 Customers' Response on Trust in the Banking Sector

The study sought to establish the trust that customers had on commercial banks operating in Meru Town. This is illustrated in table 4.5.

Table 4.5:
Customers response on trust and customer retention

Trust on bank products offered	Frequency	Percent
Disagree	9	5.0
Neutral	0	0
Agree	172	95.0
Total	181	100.0
Trust on bank in transaction handling	Frequency	Percent
Disagree	5	2.8
Neutral	5	2.8
Agree	171	94.4
Total	181	100
Trust on how bank resolves concerns	Frequency	Percent
Disagree	9	5.0
Neutral	5	2.8
Agree	167	92.3
Total	181	100
Trust on loan information	Frequency	Percent
Disagree	153	84.5

Neutral	0	0
Agree	28	15.5
Total	181	100

Trust on information confidentiality	Frequency	Percent
Disagree	0	0
Neutral	0	0
Agree	181	100.0
Total	181	100.0

Source (2016)

In respect to trust on bank products /services offered, (5.5%) of the bank customers disagreed that they trusted the bank product and services offered to them, (0%) were neutral while majority of the respondents (95.5%) asserted that they had trust on the bank products and services. This result indicates that the bank customers had great trust on the products/ services that they were offered by their banks. This study finding corresponds with Alrubaiee& Al-Nazer, (2010) study which revealed that customers trust in banking was a crucial aspect of relationship marketing.

In respect to trust on bank transaction handling, (2.8 %) bank customers disagreed that they had trust in the way the banks transacted business, (2.8%) were neutral while (94.4%) of the respondents reported that they had trust on the way the banks transacted. This result indicates that the bank customers had great trust in the way banks transacted business. This study finding concurs with Njane (2013) study which revealed that customer retention is influenced by bank accuracy in handling transactions.

As pertains the way the banks resolved their concerns (5.0%) disagreed that the bank resolved their concerns, (2.8 0%) were neutral while (92.3%) agreed. The result indicates that the customers had great trust in the way the banks resolved their concerns. This study finding is in agreement with Soimo et al (2015) study which established that trust is key in relationship marketing

In respect to trust on loan information availed by the banks, (84.5%) disagreed that they had trust on loan information availed by the bank, (0%) were neutral while (15.5%) affirmed their trust on the loan information availed by the bank. This result implies that the customers did not have trust on the loan information availed by the banks. This study finding contradicts with Teleghani (2011) study which established a strong positive relationship between trust and customer retention. The study recommended that openness and honesty to be observed in order to retain customers.

As pertains trust on bank information confidentiality, (0%) disagreed that they trusted the bank on information confidentiality, (0%) were neutral while all the bank customers' interviewed agreed. This result indicates that the bank customers had no issue with trust on bank information confidentiality. This study finding concurs with Gilaninia et al (2012) study which recommended banks to increase mutual trust by showing hospitality, degree of honesty, transparency so as to build customers trust with the bank and bank employees.

4.5.1 Customers response on action they would take if they lost trust in the bank

The customers were asked to state the action they would take in the event that they lost trust in the bank. This is illustrated in table 4.6.

Table 4.6.

Customers response on losing trust with the bank

Response	Frequency	Percent
Shift to another bank	64	35.4
Buy less bank products	60	33.1
Inform the bank of the disappointment	52	28.7
Talk ill of the bank	0	0

Source (2016)

In respect to customer's response on action they would take if they lost trust in the bank, (35.4 %) bank customers pointed that they would shift to another bank, (33.1%) stated that they would buy less bank products while (28.7%) reported that they would inform the bank of their disappointment. This result suggests that shifting to another bank would be the most preferred recourse to a customer in the event one lost trust in a bank. The study finding is in line with Soimo et al (2015) study which established that trust is key in relationship marketing

4.6 Customers response on Retention in the banking sector

The study sought to establish the rate of customer retention of the customers that were served by banks in Meru Town. This is illustrated in table 4.7.

Table 4.7:

Customers response on customer retention in the banking sector

Is this your first bank	Frequency	Percent
Yes	111	61.3
No	70	38.7
Total	181	100.0
Do you have an experience of shifting from one bank to another	Frequency	Percent
Yes	57	31.5
No	124	68.5
Total	181	100.0
Do you have any plans of shifting from this bank	Frequency	Percent
Yes	86	47.5
No	95	52.5
Total	181	100.0

Source (2016)

The bank customers were asked whether the bank they were found in at the time of study was their first one. 61% indicated that it was their first bank while the rest (38.7%) stated otherwise. Additionally, 69% of the customers indicated that they had no experience of shifting from one bank to another with the rest (31.5%) reporting the contrary. Asked whether they had any plans of shifting from the bank they were engaged in at the time of the study, 52.5% of the customers reported that they had no intentions of shifting with the rest (47.5%) declaring that they had intentions of shifting to another bank. This study finding is in line with David et al (2006) study which revealed that customer satisfaction, corporate image and switching barriers, customer's age as the major determinants in customers staying with or leaving their current banks.

4.6.2 Relationship between Customer Retention and Customers Age

The study sought to establish the relationship between customer retention and age group of the customers. A T - test was performed to examine this relationship. It was established that the age group score for the customers who had no plans of shifting to another bank was higher (M = 2.95, SD = 1.19) than their counterparts who had plans of shifting to another bank (M = 2.87, SD= 1.20). However, the difference in the age group score for the two sets was not found to be statistically significant as the p – value was greater than .05. Hence the relationship between customer retention and age was not found to be statistically significant. This is illustrated in table 4.9. and 4.10

Table 4.9:

Customer Retention and Age: Group Statistics

	Do you have any plans of shifting from this bank	N	Mean	Std. Deviation	Std. Error Mean
Age group	Yes	86	2.87	1.20	0.13
	No	95	2.95	1.19	0.12

Source (2016)

Table 4.10:
Customer Retention and Age: Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means				
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference
Age group	Equal variances assumed	0.291	0.590	-0.424	179.000	0.672	-0.075	0.177
	Equal variances not assumed			-0.424	176.989	0.672	-0.075	0.177

Source (2016)

4.6.3 Relationship between Customer Retention and Customers Education Level

An independent – samples T – test indicated that education level scores were significantly higher for bank customers who had no intention of shifting to another bank (*M* = 2.82, *SD* = .60) than for their counterparts who had plans of shifting to another bank (*M* = 2.52, *SD* = .93), *t* (179) = 2.583, *p* = .012. Hence the relationship between customer retention and education level was found to be statistically significant. This is illustrated in table 4.11. and 4.12:

Table 4.11
Customer Retention and Customers Education Level: Group Statistics

	Do you have any plans of shifting from this bank	N	Mean	Std. Deviation	Std. Error Mean
Education Level	Yes	86	2.52	0.93	0.10
	No	95	2.82	0.60	0.06

Source: 2016

Table 4.12:
Customer Retention and Education Level: Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means				
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference
Education Level	Equal variances assumed	29.023	0.000	-2.583	179.000	0.011	-0.298	0.115
	Equal variances not assumed			-2.530	176.989	0.012	-0.298	0.118

Source (2016)

4.7 Bank Employees' opinion on Quality of Services offered

The study sought to establish the opinion of bank employees on quality of services offered by the banks. This is illustrated in table 4.13.

Table 4.13:

Employees response on service quality

Quality of products/services offered	Frequency	Percent
Poor	0	0
Fair	0	0
Good	17	100
Total	17	100
Empathy to customers	Frequency	Percent
Poor	0	0
Fair	0	0
Good	17	100
Total	17	100
Service reliability to customers	Frequency	Percent
Poor	0	0
Fair	0	0
Good	17	100
Total	17	100
Service consistency in customers	Frequency	Percent
Poor	0	0
Fair	0	0
Good	17	100
Total	17	100
Service responsiveness to customers	Frequency	Percent
Poor	0	0
Fair	0	0
Good	17	100
Total	17	100

Source (2016)

In respect to quality of products/services offered, (0%) of the bank employees rated the quality of services as poor, (0%) rated them as fair while (100%) bank employees rated it good. This result indicates that the bank employees were very confident of the bank quality products and services they offered to their customers in their banks. The finding of this study corresponds with Auka (2012) study which revealed that all the dimensions of service quality had a significant influence on customer loyalty in retail banking and the study recommended that the bank managers to place an emphasis on the underlying dimensions of service quality in order to create and maintain customer loyalty.

The opinion of the bank employees on the bank's empathy towards the customers was sought. (0%) of the bank employees rated the bank empathy to their customers as poor, (0%) rated it as fair while (100%) bank employees rated it good. This result indicates that, in the opinion of the bank employees, the banks employees were very empathetic their customers.

In regard to service reliability, (0%) of the bank employees rated the service reliability as poor, (0%) rated it fair while (100%) bank employees rated it good. This result indicates that in the opinion of the bank employees, the services offered by the banks were reliable. The study finding are in agreement with Yang et al (2003) study that asserts that a reliable services is providing the right service at right time and doing the right service the first time.

In regard to service consistency, (0%) stated that the consistence of the service offered by the bank was poor, (0%) of the bank employees rated it fair while (100%) rated it as good. This result indicates that, in the opinion of the bank employees, the services offered by the banks were consistent.

In respect to service responsiveness, (0%) of the bank empolyees stated that the service responsiveness of the banks was poor, (0%) of the respondents rated it as fair while (100%) rated it as good. This result indicates that, the bank responded to the customers concerns forthwith. This finding is in agreement with Mohammed and Shirley (2009) study who posit that delivering prompt services to customers is crucial.

4.7.1 Strategies Employed by Banks in Improving Quality Service

The study sought to establish the opinion of bank employees on the strategies they employed in order to improve quality Service. This is illustrated in table 4.14**.**

Table 4.14:

Strategies on improving service quality

Strategy	Frequency	Percent
Automation of transactional processes	11	64.7
Staff training	6	35.3
Product diversification	0	0
Improving physical infrastructure	0	0

Source (2016)

Majority of the bank employees (64.7%) opined that automation of transactional processes was utilized as a strategy in improving quality of service while 35.3% viewed staff training as the strategy employed for the same. This result indicates that, in the opinion of the bank employees, automation of transactional processes and staffs training were the main strategy utilized in improving quality of service. The study finding is in line with Kimondo (2012) study which established that service quality would be improved through staff training of bank employees. The study recommended the bank to ensure that they have consistent in-service training with their bank service providers so as to offer their customers quality services**.**

4.8 Bank employees' opinion on effectiveness of Communication Utilized by banks

The study sought to examine the opinion of bank employees' on effectiveness of communication utilized by banks. This is illustrated in table 4.15.

Table 4.15:

Employees' response on effectiveness of communication

Means of communication used for customers complaint	Frequency	Percent
Poor	0	0
Fair	0	0
Good	17	100
Total	17	100.0
Bank's problem solving mechanism in relation to issues raised by customers		
Poor	0	0
Fair	0	0
Good	17	100
Total	17	100.0
Employees interpersonal relationship with customers		
Poor	0	0

Fair	0	0
Good	17	100
Total	17	100.0
Feedback between bank and customers		
Poor	0	0
Fair	0	0
Good	17	100
Total	17	100.0
Promptness of information relayed to customers		
Poor	0	0
Fair	0	0
Good	17	100
Total	17	100.0

Source (2016)

In respect to the effectiveness of the means of communication utilized by banks in addressing customer complaints, none of the respondents (0%) opined that it was poor. Moreover, (0%) reported that the means of communication utilized in addressing customer complaints was fair while (100%) rated it good. This result indicates that, in the opinion of employees, the means of communication utilized by the banks in addressing customer complaints was effective.

In regard to bank's problem solving mechanism in relation to issues raised by customers, (0%) reported that it was poor, 0% of the respondents reported that it was fair while (100%) rated it good. This result indicates that, in the opinion of bank employees, the bank’s problem solving mechanism was good.

In respect to the bank employees interpersonal relationship with their customers (0%) of the bank employees rated their interpersonal relationship with the customers as poor, (0%) rated it as fair while (100%) rated it as good. The results indicate that, in the opinion of the bank employees, there was a cordial interpersonal relationship between the bank employees and the bank customers,

In regard to feedback between bank and their customers, (0%) of the bank employees rated feedback between the bank and their customers as poor, (0%) rated it fair while (100%) rating it as good. This result indicates that, in the opinion of employees, the feedback between the bank and the customers was good.

In respect to promptness of information relayed to customers, (0%) of the respondents rated the promptness of information relayed to customers as poor, (0%) rated it fair while (100%) rated it good. This result indicates that, in the opinion of bank employees, information relayed to customers was prompt.

4.8.1 Employees' Response on Communication challenges

The study sought to establish the opinion of the employees on the challenges to effective communication. This is illustrated in table 4.16.

Table 4.16:
Employees' response on communication challenges

Challenges	Frequency	Percent
System breakdown	17	100.0
Language barrier	9	52.9
Illiteracy on the part of customers	8	47.1
Customer attitude	2	11.8
Delayed feedback	1	5.9

Source (2016)

Surprisingly, all the bank employees (100%) cited system breakdown as a barrier to effective communication, (52.9%) quoted language barrier while (47.1%) reported illiteracy on the part of customers as a barrier to effective communication. Additionally, (11.8%) cited customer attitude while (5.9%) stated that delayed feedback was a barrier to effective communication. The result indicates that system breakdown and language barrier were the main hurdles to effective communication.

4.9 Employees' Response on Trust in the Banking Sector

The study sought to establish the opinion of the employees on trust in the banking sector. This is illustrated in table 4.17

Table 4.17:

Employees' response on level of trust in the banking sector

Trust on the products offered	Frequency	Percent
Poor	0	0
Fair	1	5.9
Good	16	94.1
Total	17	100.0
Trust in handling customers transactions	Frequency	Percent
Poor	0	0
Fair	1	5.9
Good	16	94.1
Total	17	100.0
Trust in observing customers confidentiality in bank	Frequency	Percent
Poor	0	0
Fair	1	5.9
Good	16	94.1
Total	17	100.0
Trust in fulfillment of promises to customers	Frequency	Percent
Poor	0	0
Fair	2	11.8
Good	15	88.2
Total	17	100.0

(Source, 2016)

In respect to trust on the products offered, (0%) of the employees interviewed rated their trust on the products offered by the banks as poor, (5.9%) rated the products as fair while (94.1%) rated the products offered by the banks as good. This result indicates that the bank had great trust on the products / services that they offered to their customers. This study finding corresponds with Alrubaiee& Al-Nazer, (2010) study which revealed that customers trust in banking was a crucial aspect of relationship marketing.

In regard to trust in handling customers transactions, (0%) of the bank employees rated their trust in handling customers' transactions as poor, (5.9 %) rated it as fair while (94.1%) rated their trust in this regard as good. This result indicates that the bank employees had great trust in the way they transacted their business to their customers. This study finding concurs with Njane (2013) study which revealed that customer retention is influenced by bank accuracy in handling transactions.

In regard to trust the bank in observing customers confidentiality, (0%) rated their level of trust as poor, (5.9%) gave a rating of fair while (94.1%) gave a rating of good. This result indicates that the bank maintained high levels of information confidentiality. This study finding concurs with Gilaninia et al (2012) study which recommended banks to increase mutual trust by showing hospitality, degree of honesty, transparency so as to build customer trust with the bank and bank employees.

As pertains trust in fulfillment of promises to bank customers, (0%) of the bank customers rated their trust in fulfillment of promises to customers as poor, (11.8%) as fair while 88.2% as good. This result indicates that the bank employees fulfilled their promises to their bank customers. This study finding concurs with Teleghani (2011) study which established a positive relationship between trust and customer retention. The study recommended that openness and honesty to be observed in order to retain customers.

4.9.1 Strategies Employed by the Banks to improve the Level of Trust

The bank employees were asked the strategies they employ to improve the level of bank's trust. This is illustrated in table 4.18.

Table 4.18:

Bank Strategies in improving the level of trust in the banks

Strategy	Frequency	Percent
Confidentiality	12	71
Integrity	8	47.1
Publicity and outreach	7	41.2
Corporate social responsibility	3	17.6
Professionalism	2	11.8

Source (2016)

In regard to bank strategies in improving the levels of trust in the banks, 71% cited confidentiality, (47.1%) mentioned integrity and (41.2%) indicated publicity and outreach. Similarly (17.6%) cited corporate social responsibility while (11.8%) mentioned professionalism. This result indicates that the bank observed information confidentiality as the best strategy for improving levels of trust in the banks. This study finding concurs with Soimo et al (2015) study which established that trust is key in relationship marketing.

4.10 Employees Response on Customers Retention in banking

The study sought to establish the opinion of the bank employees' on customer retention. This is illustrated in table 4.19.

Table 4.19

Employees rating on customer retention

Rate of customer retention	Frequency	Percent
Low	0	0
Moderate	1	5.9
High	16	94.1
Total	17	100.0
Low	0	0
Moderate	1	5.9
High	16	94.1
Total	17	100.0

Source (2016)

The bank employees rated the bank customer retention rate as low at (0%), 5.9% rated it as moderate while majority of the bank employees (94.1%) rated the customer retention rate as high. This result indicates that in the opinion of bank employees, the customer retention rate was high. (0%) of the bank employees rated the customer acquisition rate as low, 5.9% rated it as moderate while (94.1) rated it as high. This implies that, in the opinion of the bank employees, the customer retention and acquisition rate was high. The study finding are in line with Mbithi (2013) study which established that banks were required to pay serious attention to retain their customers and not only to increase new customers and that retaining the existing customers is more significant than increasing the new customers.

4.11 Multivariate Analysis

To determine the influence of relationship marketing on customer retention, logistic regression was utilized since the dependent variable had two categories i.e. whether a customer had plans of shifting to another bank or not. The model summary, classification table and Omnibus test of model coefficient were used to test the goodness fit of the logistic model.

4.11.1 Model Summary

The Nagelkerke R Square shows that about 65% of the variation in the outcome variable is explained by this logistic model, hence this is a good model fit. Nagelkerke's measure gives us a higher value than does Cox and Snell's since Nagelkerke's measure is a modification of Cox and Snell's, allowing the measure to use the full 0-1 range. This is illustrated in table 4.20.

Table 4.20:
Model Summary

-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
129.512[a]	.487	.650

Source (2016)

4.11.2 Null Model

This part of the output describes a "null model", which is model with no predictors and just the intercept. The null model or the beginning block presents the results with only the constant included before any coefficients are entered into the equation. Logistic regression compares this model with a model including all the predictors to determine whether the latter model is more appropriate. The table 4.2.1: suggests that if we knew nothing about our variables and guessed about customers' retention, we would be correct 52.5% of the time. This is illustrated in table 4.21.

Table 4.21:
Null Model

		Predicted		
		Do you have any plans of shifting from this bank		Percentage
Observed		Yes	No	Correct
Do you have any plans of shifting from this bank	Yes	0	86	.0
	No	0	95	100.0
Overall Percentage				52.5

Source (2016)

4.11.3 Classification Table

The classification table shows how well our full model correctly classifies cases. This is a good model fit since the overall percentage of the null model is 52.5%. The overall percentage shows the model is 76.8% accurate. This is illustrated in table 4.22.

Table 4.22:
Classification Table

Observed		Predicted Do you have any plans of shifting from this bank Yes	No	Percentage Correct
Do you have any plans of shifting from this bank	Yes	77	9	89.5
	No	33	62	65.3
Overall Percentage				76.8

Source (2016)

4.11.4 Omnibus Tests of Model Coefficients

Model chi-square tests whether the model as a whole predicts occurrence better than chance. In binary logistic regression, it is interpreted as a test of the capability of all predictors (independent variables) in the model jointly to predict the response (dependent) variable. The value given in the sig. column is the probability of obtaining this chi-square statistic (120.960) if there is in fact no effect of the independent variables, taken together on the dependent variable. This is the p-value which is compared to a critical value (.05) to determine if the overall model is statistically significant. The model is statistically significant because the p - value is less than .05. The chi-square statistics for step, model and block are the same because we have not used stepwise logistic regression or blocking. Df: - This is the number of degrees of freedom for the model. There is one degree of freedom for each predictor in the model. We have three predictors; quality service, communication and trust in banking. This is illustrated in table 4.23.

Table 4.23:
Omnibus Tests of Model Coefficients

		Chi-square	df	Sig. (P – Value)
Step 1	Step	120.960	3	.000
	Block	120.960	3	.000
	Model	120.960	3	.000

Source (2016)

4.12 Influence of Relationship Marketing on Customer Retention in Banking

The variables for the study were quality service, communication and trust in banking. The output of the binary logistic regression indicating the significance of each of the predictor variable is shown in table 4.24 below;

Table 4.24:
Influence of relationship marketing on customer retention

	B	S.E.	Wald	df	P - value	Exp(B)
Service Quality	1.030	.183	31.578	1	.000	2.802
Communication	-.488	.128	14.544	1	.000	.614
Trust	1.339	.243	30.344	1	.000	3.817

Source (2016)

For a binary logistic regression, the "wald", "P-value" and "Exp (B)" columns are important for interpretation of the predictor variables. These are discussed below;

Wald and P value

These columns provide the wald chi-square and p-value. The p-value, is compared against a critical value of .05. A predictor would be statistically significant if its p-value is less than the critical value.

Logistic regression Coefficient B and Exp (B)

The logistic regression coefficient indicates the direction and strength of the relationship between the independent and dependent variable. It represents the influence of a one unit change in the independent variable on the log – odds of the dependent variable. Exp (B) is the exponentiation of the B coefficient which is an odds ratio. Odds ratio are easier to interpret than the coefficient. Odds describe the ratio of the number of occurrence to the number of non-occurrences. It has some relationship with probability since probability is the ratio of the number of occurrences to the total number of probabilities. Probability ranges from 0 to 1 whereas odds range from 0 to infinity. The relationship between probability and Odds can be summarized in the formulae below,

Probability = Odds/ 1 + Odds

It is hence possible to convert findings to probability when they are reported as odds. Odds of one indicate equal probability of occurrence and non-occurrence. An odds less than one indicates that occurrence is less likely than non-occurrence. Odds greater than one indicates that occurrence is more likely than non-occurrence. Hence Exp (B) indicates how many times higher the odds of occurrence are for each one unit increase in the independent variables.

4.12.1 Quality Service and Customer Retention in Banking

This study sought to establish the extent to which service quality influences customer retention in commercial banks in Meru Town. This variable service quality was found to be significant at .001 level of significance and [Exp (B) 2.802] indicating that service quality was important in influencing customer retention. This means that there was a positive relationship between service quality and customer retention since the Exp (B) is greater than one. This study finding is in line with Kiprotich et al (2014) study which established a strong relationship between service quality and customer retention. The study finding agrees with Onditi (2012) study which revealed that service quality had a significance effect on customer loyalty in the banking sector. The study finding also corresponds with Msoka and Msoka (2014) study which established that customer service, quality of the products provided by the banks, pricing of bank products and customer satisfaction positively influenced customer retention.

4.12.2. Communication and Customer Retention in Banking

This study sought to establish the extent to which communication influences customer retention in commercial banks in Meru Town**.** The variable of communication was found to be significant at .001 level of significance and [Exp (B) .614] indicating that communication positively influencing customer retention. This finding agrees with Wanjiku (2013) study which established that effective communication of pricing policies as well as flexible pricing for various services offered played a great role in customer retention. The study findings also agrees with Rootman et al (2011) study which revealed that communication was one of the key variables that had a strong positive relationship on customer retention in banking. The study finding is also in agreement with Kuria (2010) study which revealed that information communication technology (ICT) has improved customer retention and loyalty in banks and that (ICT) played a crucial role in customer satisfaction.

4.12.3 Trust and customer retention in Banking

This study sought to establish the extent to which trust influences customer retention in commercial banks in Meru Town. The variable of trust was found to be significant at .001 level of significance and [Exp (B) 3.817] indicating that it was important in influencing customer retention. This means that there is a positive relationship between trust and customer retention since the Exp (B) is greater than one. This study finding corresponds with Soimo et al (2015) study which established that there was a positive relationship between trust and customer retention. The study finding concurs with Wanjiku (2013) study which established that firms operating in an intensely price-based competitive environment should purpose to build trust among their customers.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The main objective of the study was to assess the extent to which relationship marketing influences customer retention in the branches of commercial banks operating in Meru Town.

This chapter discussed summary of the study, conclusions of the findings and recommendations of the study and recommendations for further research.

5.2 Summary of the Findings

The purpose of the study was to assess the extent to which relationship marketing influences customer retention in the branches of commercial banks operating in Meru Town. The objectives of the study were to: determine the extent to which quality service influences customer retention in the branches of commercial banks operating in Meru Town, examine the extent to which communication influences customer retention in the branches of commercial banks operating in Meru Town, establish the extent to which trust influences customer retention in the branches of commercial banks operating in Meru Town. Primary data was collected using 182 structured questionnaires for bank customer's and18 for bank employees.

This study sought to establish the extent to which quality service influences customer retention in the branches of commercial banks operating in Meru Town. The variable of quality service was found to be significant at .001 level of significance and [Exp (B) 2.802] indicating that it was important in influencing customer retention. This means that there is a positive relationship between service quality and customer retention since the Exp (B) is greater than one.

This study sought to establish the extent to which communication influences customer retention in the branches of commercial banks operating in Meru Town. The variable of communication was found to be significant at .001 level of significance and [Exp (B) .614] indicating that communication was important in influencing customer retention.

This study sought to establish the extent to which trust influences customer retention in the branches of commercial banks operating in Meru Town. The variable of trust was found to be significant at .001 level of significance and [Exp (B) 3.817] indicating that it was important in influencing customer retention. This means that there is a positive relationship between trust and customer retention since the Exp (B) is greater than one.

5.3 Conclusions of the Study

On quality service, the study had the following conclusions.

The study concluded that service quality was a determinant of customer retention. The level of quality of service was high. The bank customers were offered quality services which were reliable and prompt, bank resolved their concerns and were offered services in conducive environment with high standard banking layout and amenities, served by formally dressed and presentable bank employees. The bank customers were satisfied with the level of quality service they were offered hence customer retention.

On communication, the study had the following conclusions:

The study concluded that customer retention in the banking sector is determined by communication effectiveness between the bank customers and the bank employees. The bank employees informed the bank employees on the new products/ services, banks provided prompt information, bank resolved their problems and the bank utilized ICT in transmitting information to their bank customers. The bank customers were satisfied for the bank employees communicated to them effectively hence customer retention.

On trust, the study had the following conclusions:

The study concluded that trust was a determinant of customer retention in the banking industry. The level of trust between bank customers and bank employees was high. The bank customers trusted the bank products / services, transactions handling, bank resolving their concerns and information confidentiality. The bank customers were retained for the bank employees observed high degree of trust as they served them.

5.4 Recommendations of the study

On quality service, the study had the following recommendations:

1) The bank managers to ensure that they have consistent in-service training of their bank employees so as to offer their customers quality services.
2) Improvement of quality service by employing more customer relationship managers to serve customers better for customer retention.
3) Banks to offer the products / services that are relevant to their customers changing needs so as to retain them.

On Communication, the study had the following recommendations:

1) The banks should upgrade their technology so as to serve their customers by use of latest editions of technology.
2) The banks should be responsive to complaints, provide timely and prompt information to their customers.

On trust, the study had the following recommendations:

1) Improvement of trust levels between the bank customers and bank employees in order to retain their customers.
2) The banks to increase mutual trust by showing hospitality, degree of honesty, transparency so as to build customer trust with the bank and bank employees.
3) The openness and honesty between bank customers, bank employees and bank in order to retain their customers.

5.4.1 Recommendations for further Research

The study explored the influence of relationship marketing on customer retention in the branches of commercial banks operating in Meru town. It is suggested that a study be carried out on employee service delivery on customer satisfaction strategies in the banking industry.

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Appendix B: Questionnaire for the Bank Customers

Section A: Demographic Information of the Bank Customers

1. Gender : Male [ ] Female [ ]

2. Age:
a up to 25 [ ]
b.26 to 35 years [ ]
c. 36 to 45 years [ ]
d. 46 to 55 years [ ]
e. Above 55 years [ ]

3. Education Level:

a. Certificate [ ]
b. Diploma [ ]
c. Degree [ ]
d. Post graduate [ ]

4. For how long have you been a customer of this bank?
a. Less than one year [ ]
b. 1 to 3 years [ ]
c. 4 to 6 years [ ]
d. 7 to 9 years [ ]
e. Above 9 years [ ]

Section B: Quality Service and Customer Retention in Banking

5. Kindly indicate your level of agreement with the following statements in relation to the quality of the service offered by your bank. (Where 1 = Strongly disagree, 2 = Disagree, 3 = Undecided, 4 = Agree, 5 = Strongly agree).

Statement on Quality Service and Customer Retention in Banking		**1 SD**	**2 D**	**3 U**	**4 A**	**5 SA**
a	The bank meets my needs adequately					
b	The bank offers me reliable services					
c	I am offered prompt services.					
d	The bank efficiently resolves my concerns					
e	I am offered services in conducive environment					

6. How does quality service influence customer retention in commercial banks in Meru town (Tick appropriately)

a. Time saving [ ]
b. Reduction of transaction costs [ ]
c. Timely loans [ ]
d. Improved financial status [ ]
e. Other (Specify) ………………………….

Section C: Communication and Customer Retention in Banking

7. Kindly indicate your level of agreement with the following statements in relation to the quality of information communication by your bank (Where 1 = Strongly disagree, 2 = Disagree, 3 = Undecided, 4 = Agree, 5 = Strongly agree).

Statement on Communication and customer retention in Banking		1 SD	2 D	3 U	4 A	5 SA
a	The bank informs me on new products/ services					
b	The bank offers me prompt information.					
c	The bank effectively resolves your complaints					
d	The bank utilizes ICT in transmitting information to me					
e	The bank offers me toll free helpline services					

8. The following are some of the means of communication used by banks in relaying information to its customers. Tick the ones that apply in your case.

9.

a. SMS [ ]
b. Letters [ ]
c. Emails [ ]
d. Word of mouth [ ]
e. Press release [ ]
f. Social media [ ]

Section D: Trust and Customer Retention in Banking

10. Kindly indicate your level of agreement with the following statements in relation to the trust you have in your bank (Where 1 = Strongly disagree, 2 = Disagree, 3 = Undecided, 4 = Agree, 5 = Strongly agree)

Statement on Trust and Customer Retention in Banking		**1 SD**	**2 D**	**3 U**	**4 A**	**5 SA**
a	Trust on bank products/ services offered to you.					
b	Trust on bank in transaction handling.					
c	Trust on the way bank handles concerns.					
d	Trust bank on loan information					
e	Trust on the way the bank handles information confidentiality					

11. What would you do in an instance where you lose trust in your bank?

a. Shift to another bank [ ]
b. Buy less bank products [ ]
c. Talk ill of the bank [ ]
d. Inform the bank of the disappointment [ ]
e. Other (Specify) [ ]

Part E: Customer Retention in banking

12. Is this your first bank? Yes [ ] No [ ]

13. Do you have an experience of shifting from one bank to another?

a. Yes [ ] b. No [ ]

14. For how long have you been banking with this bank?

a. Less than one year [ ]
b. 1 to 3 years [ ]
c. 4 to 6 years [ ]
d. 7 to 9 years [ ]
e. Above 9 years [ ]

15. Do you have any plans of shifting from this bank?

a. Yes [ ] b. No [ ]

Appendix C: Questionnaire for the Bank Employees

Part A: Demographic Information of the bank employees

1. Gender : Male [ ] Female [ ]
2. Age:
a) Up to 25 years [ ]
b) 6 to 35 years [ ]
c) 36 to 45 years [ ]
d) 46 to 55 years [ ]
e) Above 55 years [ ]
3. Education Level
a. Certificate [ ]
b. Diploma [ ]
c. Degree [ ]
d. Post graduate [ ]
4. For how long have you served this bank?
a. Less than one year [ ]
b. 1 to 3 years [ ]
c. 4 to 6 years [ ]
d. 7 to 9 years [ ]
e. Above 9 years [ ]

Part B: Quality Service and Customer Retention in Banking

5. Kindly rate the quality of service offered by your bank by ticking in the appropriate boxes. (Where 1 = Very poor, 2 = poor, 3 = Fair, 4 = Good, 5 = Very good)

Statement on Quality Service and Customer Retention in Banking		**1 VP**	**2 P**	**3 F**	**4 G**	**5 VG**
a	How would you rate quality of products and services you offer to your customers?					
b	How would you rate empathy to your customers?					
c	How would you rate service reliability to your customers?					
d	How would you rate service consistency in your customers?					
e	How would you rate your service responsiveness to your customers?					

6. What mainly has the bank concentrated on to improve quality of service in order to Retain your customers? (Tick appropriately)
a. Automation of transactional processes [ ]
b. Staff training [ ]
c. Product diversification [ ]
d. Improving physical infrastructure [ ]
e. Other (Specify) …………………………….

Part C: Communication and Customer Retention in Banking

7. Kindly rate the effectiveness of communication offered by your bank by ticking in the appropriate boxes. (Where 1 = Very poor, 2 = poor, 3 = Fair, 4 = Good, 5 = Very good)

Statement on Communication and Customer Retention in Banking		**1 VP**	**2 P**	**3 F**	**4 G**	**5 VG**
a	How would you rate the means of communication you use for your customers complaint?					
b	How would you rate the bank's problem solving mechanism in relation to issued raised by customers?					
c	How would you rate interpersonal relationship with your customers?					
d	How would you rate the effectiveness of feedback between your bank and its customers?					
e	How would you rate the promptness of the information relayed to your customers?					

8. The following are some of the communication challenges likely to be faced by a bank. Kindly tick the ones that relate to your bank.

a. System breakdown [ ]
b. Delayed feedback [ ]
c. Language barrier [ ]
d. Illiteracy on the part of customers [ ]
e. Customer attitude [ ]

Part D: Trust and Customer Retention in Banking

9. Kindly rate the degree of your trust in your bank by ticking in the appropriate boxes. (Where 1 = Very poor, 2 = poor, 3 = Fair, 4 = Good, 5 = Very good).

Statement on Trust and Customer Retention in Banking		**1 VP**	**2 P**	**3 F**	**4 G**	**5 VG**
a	How would you rate your trust on the products/services you offer to your customers?					
b	How would you rate your trust in handling customers transactions?					
c	How would you rate your trust in observing customers confidentiality in your bank?					
d	How would you rate your trust in fulfillment of promises to your customers?					

10. What strategies have you put in place to improve the degree of trust in order to retain your customers? (Tick appropriately)

a. Corporate social responsibility [ ]
b. Publicity and outreach [ ]
c. Confidentiality [ ]
d. Integrity [ ]
e. Professionalism [ ]
f. Other (Specify) ……………………………………….

Part E: Customer Retention in Banking

11. Kindly describe the rate of the customer retention in your bank
a. Very high [ ]
b. High [ ]
c. Moderate [ ]
d. Low [ ]
e. Very low [ ]

12. Kindly rate the rate of customer acquisition in your bank
a. Very high [ ]
b. High [ ]
c. Moderate [ ]
d. Low [ ]
e. Very low [ ]

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