Research Journal of Finance and Accounting
ISSN 2222-1697 (Paper) ISSN 2222-2847 (Online)
Vol.4, No.10, 2013 www.iiste.org

Organizational Customers' Retention Strategies on Customer Satisfaction: Case of Equity Bank Thika Branch, Kenya

Barrack Otieno Ouma, Antony Wahome Ndirangu, Felix Gad Munyaka, Gongera Enock George, Evans N. Mandere, Andrew K. Maringa, Javan M. Nguthuri, Susan N. Nyokabi, Mercy Njenga, Annie M. Kagumba, Julius M. Bichanga, Electrin Maswari

ABSTRACT

The study set to examine evaluate customers' retention strategies on customer satisfaction in the banking sector in Kenya case of Equity bank Thika branch, Kenya. Despite their central role in the economy, banks are faced with intense competition as a result of many similar products offered in the market, fast changing technological advancements and demanding customers. These challenges have rendered most traditional forms of competitive advantage like cost management, technology, product features and robust marketing strategies ineffective. Due to this, most banks have resorted to customers' retention. Specifically the study investigated how customers' demographic factors (age, gender, income and level of formal education), service quality and corporate image affect customers' retention in the banking industry in Kenya.

Data for this study was collected from 100 customers of Equity bank, Thika branch who were selected through multistage sampling technique using a questionnaire. The quantitative data was analyzed using SPSS. Data was analyzed using both the descriptive and analytical techniques.

The study result found that the quality of services offered by the bank has a great effect on customers' retention. However, customers' demographic factors like age, gender, level of formal education and marital status had no influence on customers' retention. Further, the study found that the bank stability, reliability and involvement in community work will influence customers' retention.
This study therefore recommended that banks should strive to ensure good quality service so that they ensure high customer retention. This can be achieved by improving their opening hours and closing hours, speed of service, and degree of responsiveness to enquires, time taken to get service and good communication with the bank staff. Further, banks should market themselves but in their marketing they should emphasize their uniqueness especially on their services and products offered.
Key words: Customer retention, Quality Service and Corporate image

1.0 INTRODUCTION

1.1 Background of the Study

Banking retailers recognize that customer satisfaction (CS) plays a key role in a successful business strategy (Aosa, 1999). What is unclear is the exact nature of that role, how precisely satisfaction should be managed, and whether managerial efforts aimed at increasing satisfaction lead to higher score in sales. Today, managers in the banking sector undertake substantial efforts to conduct CS surveys. Yet it appears that in most cases the data are used to simply monitor specific attributes, and especially overall satisfaction, over time. Unless the impact of customer satisfaction on revenues is assessed, managers have little basis for allocation of resources.

The concept of customer care is concern with customer satisfaction putting the customer first, anticipating needs and problems, tailoring the product and services to meet needs and being nice to customers it also includes service to the customer, delivery operation, employee relationship with customer and internal relationship between employee and management. In developing customer care strategies and programs, financial services organizations are managing products and services, delivery systems, environment and people so as to provide an efficient and caring service, getting things right the first time and maintaining standards.

Organizations are increasingly interested in retaining existing customers while targeting non-customers; measuring customer satisfaction provides an indication of how successful the organization is at providing products and/or services to the marketplace.

Customer satisfaction is an ambiguous and abstract concept and the actual manifestation of the state of satisfaction will vary from person to person and product/service to product/service. The state of satisfaction depends on a number of both psychological and physical variables which correlate with satisfaction behaviors such as return and recommend rate. The level of satisfaction can also vary depending on other options the customer may have and other products against which the customer can compare the organization's products.

Because satisfaction is basically a psychological state, care should be taken in the effort of quantitative measurement, although a large quantity of research in this area has recently been developed. Work done by Berry, Brodeur between 1990 and 1998.definedNational University of Modern Languages Islamabad ten 'Quality Values' which influence satisfaction behavior, further expanded by Berry in 2002 and known as the ten domains of satisfaction. These ten domains of satisfaction include: Quality, Value, Timeliness, Efficiency, Ease of Access, Environment, Inter- departmental Teamwork, Front line Service Behaviors, Commitment to the Customer and Innovation. These factors are emphasized for continuous improvement and organizational change measurement and are most often utilized to develop the architecture for satisfaction measurement as an integrated model.

Work done by Parasuraman, Zeithaml and Berry between 1985 and 1988 provides the basis for the measurement of customer satisfaction with a service by using the gap between the customer's expectation of performance and their perceived experience of performance. This provides the measurer with a satisfaction "gap" which is objective and quantitative in nature. Work done by Cronin and Taylor propose the "confirmation/disconfirmation" theory of combining the "gap" described by Parasuraman, Zeithaml and Berry as two different measures (perception and expectation of performance) into a single measurement of performance according to expectation. According to Garbrand, customer satisfaction equals perception of performance divided by expectation of performance. Berry, Brodeur 1998.

A wide range of critical business challenges characterizes the dynamic and rapidly changing environment in which organizations operate today (Higgins, 1989). With the forces of globalization, information technology and intellectual capital, the levels of competition, efficiency and productivity of many companies have been affected drastically (Maleche, 2004).

As a result of these drastic changes many companies have resorted to survival strategies that lead to profitability through growth in sales and revenues. However, such strategies are affected by changing customer values and orientations; economic stagnation, environmental decline, increased global competition and a host of other economic, political and social problems (Kotler and Armstrong, 1997).

In order to survive in the midst of all this intensive competition, companies have been forced to develop strategies that will help them maintain profitability and retain their share of the market. In the banking sector Aosa (1999) notes that, competition as a result of liberalization has led many banks merging, making strategic alliances, forming partnerships, making acquisitions and even taking to the drastic measures such as downsizing. Other strategies resorted to are introduction of new banking services products into the market and engaging in intensive and extensive promotional strategies (Malechi, 2004; Ngahu, 2001).

These strategies have been noted however, to be costly and do not give an organization a competitive edge over her competitors. This is because these strategies are easily imitated. Due to this, most organizations like banks have started focusing more on customer retention as an effective tool to gain a strategic advantage and survive in today’s ever-increasing banking competitive environment.

The argument advanced for customer retention is relatively straightforward. It is more economical to keep customers than to acquire new ones. The costs of acquiring customers to “replace” those who have been lost are high. This is because the expense of acquiring customers is incurred only in the beginning stages of the commercial relationship (Reichheld and Kenny, 1990). In addition, longer-term customers buy more and, if satisfied, may generate positive word-of-mouth promotion for the company. Additionally, long-term customers also take less of the company’s time and are less sensitive to price changes (Healy, 1999).

The key variables influencing customers’ selection of a bank include the range of services offered, interest rates, fees and prices charged (Abratt and Russell, 1999). It is apparent that superior service, alone, is not sufficient to satisfy customers. Prices are essential, if not more important than service and relationship quality. Furthermore, service excellence, meeting client needs, and providing innovative products are essential to success in the banking industry. Most private banks claim that creating and maintaining customer relationships are important to them and they are aware of the positive values that relationships provide (Colgate et al., 1996). Given the significance of customers’ retention in the banking industry, this study will examine the factors that could lead to customer retention using the case of Equity bank in Thika.

1.2 Statement of the Problem

The Banking industry occupies a key position in the Kenyan economy. It creates deposits which effects money supply for business activities, carrying numerous financial services like deposits safety and creation of employment (Kamanu, 2004). Despite their central role in the economy, banks are faced with intense competition as a result of many similar products offered in the market, fast changing technological advancements and demanding customers. These challenges have rendered most traditional forms of competitive advantage like cost management, technology, product features and robust marketing strategies ineffective. Due to this, most banks have resorted to customers' retention.

As noted by Wei and Chiu (2002,) customer retention is a common concern for many industries and a crucial issue for sustainability or bottom-lines in today's compressed market place as it increases sales and a significant saving in market. This is due to the fact that acquiring a new customer is more costly than retaining an existing one, long-time customers tend to be less price sensitive, permitting higher prices to be charged and loyal customers are more likely to provide free, word of mouth advertising referrals. This way the impact of competition is minimized.

Despite all resources invested in promotion of loyalty among customers, it is increasingly elusive in almost every industry. A better appreciation of the underlying forces that influence the loyalty of customers is important before they defect. Such appreciations will also help companies improve their current efforts to encourage other customers to spend more and stay with them. This study will be important as it will appreciate such strategies especially in the banking sector where there is a problem of customer retention.

2.0 LITERATURE REVIEW

2.1 The Banking Industry and Competition.

Banks have the prime responsibility of providing financing requirements for businesses and carry the overriding responsibility of deposit safety. However due to a number of players in the industry and CBK policy of encouraging the non-banking financial institutions to convert into commercial banks, competition in the sector has become very stiff (Maleche, 2004; Aosa, 1999).

Further, the economic trends in the world have had an impact on the Banking industry in Kenya. Companies have increased their use of Information Technology (IT) in their operations and creative use of computers in business has led to the impressive reduction in costs as well as injecting increased flexibility, speed and convenience in conducting business. This has led to the decline of market share (Aosa, 1999).

With these diverse challenges in the banking sector, most banks have shifted away from the traditional strategies of product development and diversification, aggressive marketing campaigns, promotional strategies and re-branding which are all focused on the external customer (Maleche, 2004). In this case, use of customer service to provide a competitive edge is fast becoming everyone's strategy and thus ineffective (Zeithaml and Bitner, 1996). Due to this customer retention has become the most cost effective way of gaining a competitive edge.

2.2 Customer Retention.

The concepts of relationship marketing and interactive marketing are receiving increasing attention as marketers focus on how to maintain and enhance customer relationships with existing customers rather than attract new customers. According to Gronroos, (1983) 'the traditional view of marketing as a function for specialists planning and executing a marketing mix may not be altogether true where services are concerned.' The marketing mix approach is frequently too limited and does not cover all the activities that appear in customer relationships at various stages of the customer relationship lifecycle.

Instead of this narrow transactional view of marketing, marketing is now increasingly seen as being concerned with relationships. Whilst some relationships do not involve any social relationship or interaction, other relationships may involve many interactions between customers and employees and evolve over long periods of time.

2.3 Customer Relationship

According to Gumersson, (1987) long-term relationships with customers are especially important in services, where relationships with customers can be more expensive to establish. The emphasis on relationships is also important in industrial markets. This does not mean that short-term sales are not desirable. In fact, they may be very profitable. However, if close and long-term relationships can be achieved, this will lead to increased profitability for the company and reduced costs and make market entry or share gain difficult for competitors.

Customer service is a key ingredient in relationship marketing and therefore in customer retention. However, Lewis, (1989) points out that emphasizing service is one thing; delivering it is another. In fact, he considers that emphasizing service is not the most appropriate approach to adopt. His basic idea is that emphasis should be placed on the customer and that focusing on the customer renders marketing and service inseparable.

Thus management policies that enhance customer-based service often prove to be a firm's best marketing strategy. Roberts-Phelps, (2001) goes further than this to describe a new synthesis between quality, customer service and marketing. He argues further, that quality is also a key linkage in the exchange relationship between the organization and its customer. He maintains that unless management can bring these activities together with new forms of collaboration and cross-functional coordination, there can be no sustainable competitive advantage. Relationship marketing can therefore be seen as a focal point for integrating customer service and quality with a marketing orientation.

Much of the literature on retention marketing draws on the philosophy of relationship marketing and focuses primarily on the impact of retention marketing on company profitability and various strategies and plans to improve customer retention rates. Dawkins and Reichheld, (1990), argue that service firms devote most of their resources to attracting new customers, but few take equal trouble to retain existing customers.

According to Gilliam (1994), one of the key elements of business success and profitability is customer satisfaction. That is the more satisfied the customer, the more durable the relationship. And the longer this lasts, the more money the company stands to make. The effect of longevity on profits can be explained by several factors: First, when acquiring a new customer the cost is incurred only at the beginning of the relationship. This means when a customer stays longer, this cost is minimized. Secondly, retaining customers means that account maintenance costs as a percentage of income tends to decline over the life of the relationship leading to increased revenues. Third, long-time customers tend to be less price sensitive, permitting higher prices to be charged. Fourth, long-time, satisfied customers are likely to provide free, word of mouth advertising referrals. Lastly, long-time customers are likely to purchase additional products/services retaining Customers' makes it difficult for competitors to enter a market or increase the share.

2.4 Customer Life cycle

In designing customer retention strategies it's important to understand customer life cycle. This is essential because it will enable the organization to know what is needed in each stage of customer life cycle. According to Roberts-Phelps, (2001) there are four stages of customer life cycle namely; contact, acquisition, retention and loyalty. Each stage has specific goals and strategies to achieve them.

The goal of the Contact Phase is to gain a new customer through marketing, advertising, telemarketing, personal selling, direct mail, promotions and publicity. Retention Phase aims to create long-term, committed and loyal customers by developing service philosophy, increasing the responsiveness to customers, identifying and closing service gaps, improving the service recovery process, measuring customer satisfaction, rewarding positive customer behavior and knowing the business retention-related costs. At Loyalty Phase, the goal is to extend your customer's loyalty by defining loyalty and customer lifetime, knowing their lifetime value and average net worth, counteracting defection rates and patterns, understanding loyalty calculations and knowing the business costs associated with defection rates.

Roberts-Phelps (2001) observes that many organizations lose a significant proportion of their customer base every year despite spending a lot of resources in attracting customers. To Robert-Phelps, there are various reasons behind any customer defection and retention. These are; first, while price may be important in attracting new customers, it is a minor issue in developing loyalty and retaining customers. Secondly, such physical factors as a 'more convenient location' are also ranked quite low, as are competitors' action and invention. Third, one of the most common and significant reason for customer switching and disloyalty is the indifference and inattention of the business and, from the customer's point of view, the lack of any real reason to stay. Fourth, most surveys highlight poor service as a more common reason for switching suppliers than price advantage. Fifth, sophisticated customers do not only expect and demand more, they are also more articulate in saying so. Sixth, buying even the simplest product or service customer wishes, is a very complex decision-making process. Seventh, competition has increased dramatically – globalization, advanced technology and many other factors have led to businesses to becoming faster, having a higher quality, being quicker to innovate and being more price-competitive.

2.5 Quality of Service

Quality service has been given a lot prominence as a major ingredient of customer retention. According to Feigenbaum, (1983) "quality is what the customer says it is". In striving for quality services, organizations must therefore know who their customers are and what they expect from the service. Quality consists of a number of dimensions Garvin (1984), Seawright and Young, (1996), which were categorized for services into five dimensions by Parasuraman et al (1988) within the SERVQUAL measurement instrument. These are; first, the gap between customer's expectation and management perception – management may fail to decipher correctly what customers want, Secondly, the gap between management and customer perception on service quality. In this case the management might correctly perceive the customers' needs and wants but fail to set specified performance standards as per the customer expectations. Third, the gap between service quality specifications and service delivery – employees may lack the requisite skills or be unwilling to meet performance standards. Fourth, the gap between service delivery and external communications – customers may be affected by the

company image and advertisements. Lastly, the gap between perceived and expected service – this occurs when customers have a different perception on the service being offered.
In customer retention therefore, definition of quality is not restricted to the end product or service, but include issues of employee fulfillment, continuous improvement and management directions Deming, (1986). Therefore companies in trading services can utilize a range of systems, including reward incentives and part company ownership, to generate an interest by those producing or delivering the product or service in achieving continuous improvement and meeting or exceeding customer expectations.

According to Kimonye, (1998), quality service is the degree of match (fit) between expectations (prior to) and the actual service provided by the service giver. The greater the fit, the higher are the levels of satisfaction to the customer. The primary purpose of quality service to customers is to achieve a broad customer base, loyalty and retention. This means that the banking sector must to strive to be efficient and be able to provide competitive services in order to meet customers' satisfaction and customers' perception of value.

2.6 Customer's satisfaction

Customer's satisfaction for many years has been perceived as key in determining why customers leave or stay with an organization. Organizations need to know how to keep their customers, even if they appear to be satisfied. Reichheld (1996) suggests that unsatisfied customers may choose not to defect, because they do not expect to receive better service elsewhere. Additionally, satisfied customers may look for other providers because they believe they might receive better service elsewhere.
However, keeping customers is also dependent on a number of other factors. These include a wider range of product choices, greater convenience, better prices, and enhanced income (Storbacka et al., 1994). Fornell (1992), in his study of Swedish consumers, notes that although customer satisfaction and quality appear to be important for all firms, satisfaction is more important for loyalty in industries such as banks, insurance, mail order, and automobiles.

Ioanna (2002) further proposed that product differentiation is impossible in a competitive environment like the banking industry. Banks everywhere are delivering the same products. For example, there is usually only minimal variation in interest rates charged or the range of products available to customers. Bank prices are fixed and driven by the marketplace. Thus, bank management tends to differentiate their firms from competitors through quality service. Quality service is an imperative element impacting customers' satisfaction level in the banking industry. In banking, quality is a multi-variable concept, which includes differing types of convenience, reliability, services portfolio, and critically, the staff delivering the service.
On the other hand, Reidenbach (1995) argued that customer value is a more viable element than customer satisfaction because it includes not only the usual benefits that most banks focus on but also a consideration of the price that the customer pays. Customer value is a dynamic that must be managed. Customer satisfaction is merely a response to the value proposition offered in specific products/markets (Reidenbach, 1995). By this view, banks must determine how customers define value in order to provide added-value services.

2.7 Corporate Image

Today's consumers have more choices for their financial needs than ever before. Technology, globalization, increased competition and increased consumer mobility have dramatically changed the way people bank (Harwood, 2002). Many financial institutions are looking at branding techniques to differentiate themselves.
Harwood (2002) argued that branding, as a tool to build image, is critical in the banking industry where all firms offer about the same kinds of products. Hence, it is critical that banks have a comprehensive knowledge of customers' values, attitudes, needs and perceptions of various services the bank offers and the image which customers have of the bank itself (Kaynak, 1986). Accordingly, bankers must be able to build and manage their bank's image in order to clearly define the differences between their bank and its competitors.
Bharadwaj et al. (1993) argue that services are highly intangible and are, therefore, high in experience and credence qualities. As a consequence, brand reputation is important as a potential competitive advantage. Alvarez (2001) proposed that logic is no longer enough to sell the benefits of an intangible product or service, especially with commodity products and skeptical consumers. This situation calls for emotion or image to change the perception of the audience in any real or profound way (Alvarez, 2001). Furthermore, both Marthur (1988) and Gronroos (1984) proposed image as an alternative to product differentiation.

3.0 RESEARCH METHODOLOGY

3.1 Research Design

This study adopted a descriptive research design. This was considered appropriate because it was more concerned with describing the characteristics of a particular phenomenon by seeking to answer questions like what, when and how (Zikmund, 2000). The target population of the study was 300 customers of Equity bank, Thika branch but sample size of 100 respondents was ideal since 0.002% of the total number of customers fits in the recommended minimum sample size of any survey research.

In selecting respondents, systematic random sampling was used in selecting respondents. In this case the total number of customers was divided by the predetermined sample size which gave the sampling interval. The sampling interval determined the customers who were considered for the study. Those who were selected, their contacts details were noted and used for sending the questionnaires. The systematic random sampling technique was chosen so that each customer in the study population had equal probability of being selected. Data analysis was done whereof questionnaires from the respondents were edited to ensure completeness and consistency. This was facilitated by a codebook that was developed before the data was analyzed. This study utilized the statistical package for social sciences (SPSS) in the organization and analysis of quantitative data from closed-ended questions.

4.0 Data Presentation and Interpretation

4.1 Customers' Demographic and Customer Retention Rate

This study investigated whether demographic differences impact the respondents' decision to remain with or leave Equity bank. Demographic variables included the respondents' age, gender, educational level, and income. In this objective it was assumed that customers' demographic factors are likely to influence customers' defection to other banks.

In this study, Chi-square analysis findings indicated that there was no association between customers demographic factors and customers retention in Equity bank. Further. Spearman bivariate correlation analysis did not indicate any association between bank retention and age, level of formal education, marital status and income as shown in **Table 1.**

Table 1 Relationship between Customers' Demographic Factors and Customer Retention **Independent Variable**

Gender Age M/status Level edu. Income

Dependent variable

Customers' retention

	Gender	Age	M/status	Level edu.	Income
r	.005	-.101	-.0604	-.228	- 147
$\chi 2$	.011	2.758	7.170	15.838	9.40
df	2	6	4	6	12
Sign.	.995	.838	.127	.115	.639

N=100 p*<0.05, p**<0.01 P***<0.000

4.2 Quality of Service and Customer Retention

The second objective of this study was to examine whether there is a significant association between quality of service and customer retention. In this study it was postulated that helpfulness of branch staff, accuracy of transaction in the bank, branch opening and closing hours, the bank efforts to inform customers about new products and services, good communication, fair price charge for banking transaction and reliability of bank electronic product had significant association with customers retention.

In this study the chi-square analysis findings indicated that there was a significant association between helpfulness of branch staff (Hstaff), accuracy of transaction in the bank (accuracy), branch opening and closing hours (o/c hr), the bank efforts to inform customers about new products and services (newpr), good communication (gcomm), fair price charge for banking transaction (fair pr) and reliability of bank electronic product like ATM (rel) and customers retention as shown in **Table 2**

Table 2 Relationship between Quality of Services and Customer Retention
Independent Variable

Hstaff. acco/chr. newpr. comm. fair pr rel.

Dependent Variable

Customers' retention

r	.442**	.407**	.595**	.546**	.570**	.548**	.570**
χ2	26.298	33.605	42.356	42.800	42.964	60.417	39.405
df	6	6	6	6	6	6	6
Sign..	000	000	.000	.000	.000	.000	.000
N=100		p*<0.05,		p**<0.01 P***<0.000			

The table 2 also shows that the Spearman bivariate correlation analysis indicated a strong association between the customers retention and helpfulness of branch staff (r=.442**; p< .01), accuracy of transaction in the bank(r=.407**; p< .01), branch opening and closing hours(r=.595**; p< .01), the bank efforts to inform customers about new products and services (r=.546**; p< .01), good communication(r=.570**;p<.01), fair price charge for banking transaction(r=.548**;p<.01) and reliability of bank electronic product(r=.570**; p< .01).

4.3 Corporate Image and Customer Retention

The third objective of this study was to investigate if there is a significant association between corporate image and customer retention. In this study the Chi-square analysis findings showed there is only a significant association between customer retention and when the bank is widely known (B-known) and bank's distinctiveness and uniqueness (B-unique/distinctiveness) as shown in Table 3. No significant association was found on customer retention and bank stability (B-stable), bank reliability (B-reliable) and the bank involvement in community work (B-community).

Table 3 Relationship between Corporate Image and Customer Retention

Independent Variable

	B-Known	B-stable	B-Reliable	B-community	distinctiveness

Dependent Variable

Customers' retention

R	.446**	-.050	-.096	-.030	.095**
χ2	23.685	2.792	5.493	4.957	21.482
df	4	4	4	4	4
Sign.	.000	.593	.240	.292	.000
N=100		p*<0.05, p**<0.01 P***<0.000			

The table also shows that the Spearman bivariate correlation analysis indicated a strong positive association between customer retention and bank widely known (r=.466**; p< .01) and bank uniqueness/ distinctiveness (r=.095**; p< .01).No significant association was also found` between customer retention and bank stability, bank reliability and bank involvement in community services.

5.0 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

In this chapter, the summary of the major research findings of the study are discussed. On the basis of these findings, conclusions are drawn and recommendations that would form the basis of the factors affecting customers retention in the banking industry.

5.2 Summary of the Major Findings

This study investigated the factors affecting customer retention in the banking industry, a case study of Equity bank Thika branch. Specifically the study attempted to investigate how quality service, customers' demographic factors and corporate image affect customer retention in Equity bank.

The study found that many customers of Equity bank had moved from other banks. The reasons for their defection were; poor quality of services, unfair charges, does not meet customer expectations and were not efficient. Further the study found that most respondents indicated to have a lot of loyalty to their present bank. This is because most respondents were not contemplating of moving to another bank. Some of the reasons influencing customers' loyalty were: good quality service which was characterized by personalized services, reliable service and competent staff and competitive price for banking transactions.

The study also found that customers' loyalty was very important in marketing the organization to non customers. This was because most respondents indicated to have encouraged non customers to join the bank and those who are already customers said they got information about the firm from their friends who were customers.

Lastly, the study found that quality of service like helpfulness of branch staff, accuracy of transaction in the bank, branch opening and closing hours, the bank efforts to inform customers about new products and services, good communication from the staff, fair price charge for banking transaction and the bank reliability of electronic products like ATM had a strong positive association on customers retention.

However in this study, it was found that customers' demographic factors like age, gender, level of formal education and marital status had no influence in customers' retention. Further, the study found that the bank's stability, reliability and involvement in community work did not influence customers' retention.

5.3 Conclusions

This study concludes that quality of services like helpfulness of branch staff, accuracy of transaction in the bank, branch opening and closing hours, the bank efforts to inform customers about new products and services, good communication from the staff, fair price charge for banking transaction and the bank's reliability of electronic products like ATM had a strong positive association on customers retention and the bank's unique services to her customers are important factors for customers retention.

5.4 Policy recommendations

First, the study recommends that banks should strive to ensure good quality service so that they ensure customer retention. This can be achieved by improving their opening hours and closing hours, speed of service, and degree of responsiveness to enquiries, time taken to get service and good communication between the bank staff and customers.

Second, banks should ensure that they strive to market themselves so that they can be widely known. However, in their marketing strategies, they should emphasize on their uniqueness especially on their services and products. Also adequate information should be given to customers especially on new products or services. This information should be accurate and adequate.

5.5 Area for Further Research

The study recommends that another study be carried out on the impact of employees' satisfaction on customer retention in the case of the banking industry.

REFERENCES

Abratt, Russell (1999), Relationship of Marketing in Private Banking South Africa. The International Journal of Bank Marketing, 17(1), p.5.

Alvarez, E. J. (2001). Your Bank's Image: Keeping it Consistent. Bank Marketing, 33(3), April, pp. 30-36.

Bharadwaj S., Varadarajan, P Fahy (1993). Sustainable Competitive Advantage in Service Industries: A Conceptual Model and Research Propositions. Journal of Marketing, 57(October), pp. 83-99.

Colgate, M Stewart, K Kinsella R (1996). Customer Defection: A Study of the Student Market in Ireland. The International Journal of Bank Marketing, 14(3), p. 23.

Dawkins, P. M Reichheld F. F. (1990).Customer Retention as a Competitive Weapon, Directors and Boards, 14(4)

Deming, W. E. (1986). Out of Crisis, Cambridge, Massachusetts Institute of Technology

Fornell, C. (1992). A National Customer Satisfaction Barometer: The Swedish Experience. Journal of Marketing, 56, January, pp. 6-21.

Gilliam, T. K. (1994. "Closing the Customer Retention Gap", Bank Marketing, December 1994, pp. 51-53

Gronroos, C. (1983). Strategic management and marketing in the service sector. Chartwell-m Bratt Ltd, UK

Gummerson, E. (1987), Using Internal- marketing to develop a new culture. A Journal of Business and Industrial Marketing pg 23-28

Harwood, M. (2002).Branding on a Budget: Building the Community Bank's Image. Community Banker, 11(4), April, pp. 24-28.

Healy, T. J. (1999). Why You Should Retain Your Customers. America's Community Banker, 8(9), September, p. 22-26.

Higgins, K.T. (1989). "Business Marketers make customer service job for all" Marketing News, Vol 23 No3 pp1-2

Ioanna, P. D. (2002). The Role of Employee Development in Customer Relations: The Case of UK Retail Banks. Corporate Communication, 7(1), pp. 62-77.

Kamanu, M.N. (2004). Extent to which commercial Banks in Kenya have adopted and implemented integrated marketing, Unpublished MBA research project.

Kaynak, E. (1986). Globalisation of Banks: An Integrative Statement. International Journal of Bank Marketing, 4(3), pp. 3-8.

Marthur, S. S. (1988). How Firms Compete: A New Classification of Generic Strategies Journal of General Management, 14(1, autumn), pp. 30-58

Kimonye, M. (1998) "Service Quality: Key to Customer Satisfaction", Marketing Review Vol. 10, University of Nairobi.

Kotler Philip, (2000). Marketing management, 9th Edition Prentice Hall