

Effects Of Competitive Strategies On Customer Retention In The Banking Industry In Kenya: A Case Of Barclays Bank Limited

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Abstract: Customer retention is essential for the success of service firms like bank. The quality of service has become an aspect of customer retention. Banks are facing a hyper-competitive market place, competitors are just a click away and consumers expect superior customer experience. Trust and satisfaction play different mediating roles in the relationships between service attributes, customer retention, and cross buying. The study was guided by a general objective of determining the effects of competitive strategies that the banking sector mainly Barclays bank-of Kenya, West End branch employ to retain their customers. The specific objective was to establish the effects of mobile banking technology on customer retention at Barclays bank of Kenya, to establish the effects of advertising that influence customer retention at Barclays Bank of Kenya, to establish the effects of turnaround time on customer service and to establish the effects of costing of products on customer retention at Barclays Bank of Kenya. The Relationship Marketing theory richly guided this study in understanding the long term value of customer relationships and satisfactions. Other theories such as the disruption theory of innovation helped understand the technology variable, the push pull strategy anchors the promotion mix strategy while customer service theory helped understand the customer service variable towards retaining customers in Barclays bank. This study was conducted through a census case study of Barclays Bank of Kenya West End branch whose population was 32 employees through the administration of questionnaires aimed at collecting quantitative data. Modes of advertising used were online, mainstream, social media, billboards, print media, offers and incentives. The most preferred was online at 84.6% followed by print media and mainstream at an equal measure of 42.3%. The model used to describe the relationship between the dependent and the independent variable was of good fit with a p-value of 0.002 and a Fisher's test value of 5.831. Results further found that 65.3% of the four independent variables affected the customer retention. Advertising strategy had the highest coefficient of relationship to the customer retention at 0.71 followed by mobile banking technology at 0.377. Costing of products came third and turnaround time on customer service fourth with coefficients of 0.329 and 0.278 respectively. The study recommended that Barclays Bank should enforce the banking agencies across the country as well as coming up with policies that are not multi-nationally founded but those that fit the Kenyan market.

Keyword: Customer retention, Customer service

I. INTRODUCTION

Customer retention refers to the exercise that companies and organizations take to reduce the number of customer desertions. The goal of customer retention programs is to help companies retain as many customers as possible, often through customer loyalty and brand loyalty initiatives. This chapter gave a background of the study in effects of competitive

strategies affecting customer retention in the banking industry. This chapter discussed the background of the study where it gave a global perspective, regional perspective and the Kenyan perspective of the competitive strategies in the banking sector as well as Barclays Bank in the banking industry in Kenya. Objectives and research questions also outlined in this chapter. This chapter finally justified the

reasons for its undertaking giving the scope and the limitations.

A. CASE OF BARCLAYS BANK

Barclays Bank PLC is a major global financial service provider engaged in retail banking, credit cards, corporate, investment banking and wealth management with an extensive international presence in Europe, America, Africa and Asia with over 300 years of history and employs over 147,000 people. Barclays moves, lends, invests and protects money for over 48 million customers and clients worldwide (Barclays PLC Investor Seminar, 2011).

Barclays Africa is the leading bank in Africa with business in ten countries in Africa namely; Botswana, Egypt, Ghana, Kenya, Nigeria, South Africa, Tanzania, Uganda, Zambia, Zimbabwe. Barclays has operated in Kenya for over 100 years. Financial strength coupled with extensive local and international resources have positioned Barclays Bank of Kenya as a foremost provider of financial services. Barclays Bank of Kenya has established an extensive network of 117 outlets with over 230 ATMs spread across the country. The bank's financial performance over the years has built confidence among the bank's shareholders, with a reputation as one of the leading blue chip companies on Nairobi Stock Exchange (www.investorrelations.barclays.co.ke).

B. STATEMENT OF THE PROBLEM

According to (Galetto, 2017), today's uncertain economic conditions combined with the lasting effects of the credit crisis and the newly empowered, tech-savvy consumers who expect convenience, personalized service, and competitive fees and rewards have left banking and financial institution executives scrambling to develop and implement customer retention strategies to drive revenue. The challenges facing the financial services sector seem daunting and insurmountable, but customers reward banks and institutions that add value to their lives with loyalty.

Statistics show that recruiting new customers leads to an annual loss of 20% on customer base costs while retaining as little as 5% of that base can lead to increased profits by double the existing figures, making the recruitment of new customers very costly to the banking industry (CBK, 2013). According to CBK 2013 report, banks spent a significant bulk of their marketing budget on an acquisition cost per customer. This average cost incurred in winning a customer into the business is higher as compared to the cost of non-financial services business would be subjected to for the same retention purpose.

C. OBJECTIVES OF THE STUDY

The general objective was to establish the effects of competitive strategies used to retain customers at Barclays Bank of Kenya.

The specific objective was to establish effects of mobile banking Technology, advertising, costing of product and turnaround time on customer retention in banking industry in Kenya.

II. LITERATURE REVIEW

A. HEORETICAL FRAMEWORK

Theoretical review gave theories that were relevant to competitive strategies especially in the banking sector. The theories discussed were the Customer service theory, which talked about retaining customers. Another theory used by this study was the Porter's five forces of competitive position theory that outlined the forces that determine the competitive intensity and attractiveness of a market. Include inbound marketing efforts, public relation, social media and application development.

A principle of relationship marketing is the retention of customers through varying means to ensure repeated trade from pre-existing customers by satisfying requirements above those of competing companies through a mutually beneficial relationship. It is highly believed that the cost of recruiting new customers is more expensive than retaining the existing ones. Therefore, reasonable companies redirect or allocate large amounts of resources or attention towards customer retention as in markets with increasing competition. Reichheld and Sasser (2010) claim that 5% improvement in customer retention can cause tremendous increase in profitability in net present value and depending on the nature of the industry.

B. CONCEPTUAL FRAMEWORK

Conceptual framework is used in research to outline the possible courses of action or the preferred approach to an idea (Mugenda, 2008). It highlights the independent variable and shows the dependent variable that is also the outcome. The dependent variable was the customer retention while independent variables were the mobile banking technology, advertising, low costing of products and turnaround time on customer service.

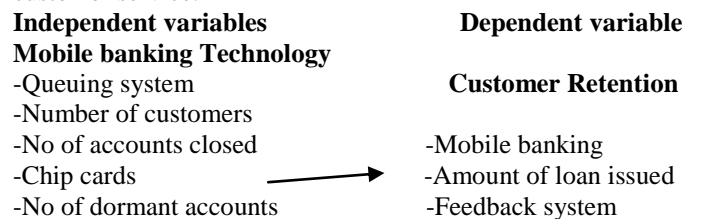


Figure 2.1: Conceptual framework

III. RESEARCH METHODOLOGY

A. RESEARCH DESIGN

Research design is a scheme, outline or plan used to generate answers to research problems (Orodho, 2003). It is a presentation of the structure or strategy of investigations which seeks to answer various research questions (Legase, 2009). The study was census and descriptive in nature where the researcher visited the employees in the Barclays Bank, West End branch to ask questions inform of closed ended questionnaires. The study employed quantitative method with questionnaires to provide predominantly quantitative and qualitative data to the study. The respondents were

interviewed in their natural setups to provide more information freely.

B. POPULATION OF THE STUDY

The target population of this study was the employees of Barclays bank of Kenya, West end Branch which were 32.

C. SAMPLING FRAME

The employees were distributed in the 5 departments of the West End Branch; Branch network, Customer service, Information Technology, Operations and Treasury departments as seen in the table 3.1 below.

Department	Population/ Sample size
Branch Network	5
Customer service	9
Information Technology	3
Operations	10
Treasury	5
Total	32

Table 3.1: sampling frame

IV. DATA ANALYSIS AND PRESENTATION

This chapter brings the findings from the collected data and the analysis. The first step was presenting the response rate then the demographics. The frequencies of the various measure variables were each analyzed with the measures of central tendency and dispersion also taken. Lastly the correlation and the regression done to test the relationship of the dependent with the independent variables.

A. RESPONSE RATE

The study targeted a sample size of 32 respondents across the various departments. Questionnaires were administered to the 32 respondents but the collected and the fully answered questionnaires were 26 representing 81.25% response rate. The four non-collected questionnaires were mainly from employees who were very engaged during the period of data collection while the other were on leave. Kothari (2011) asserted that 50% response rate is adequate while 70% and above is a good representation. Therefore, the response rate in the study well represented the population

Department	Sample size	Response	Response Rate
Branch Network	5	3	60%
Customer service	9	7	77.8%
Information Technology	3	3	100%
Operations	10	9	90%
Treasury	5	4	80%
Total	32	26	81.25%

Table 4.1: Response Rate

B. REGRESSION ANALYSIS

A multi linear regression model was used for the analysis to determine how the four independent variables; mobile

banking technology strategy, costing of products, advertising and turnaround time on customer service were related to the dependent variable customer retention in Barclays bank, West End branch.

C. MODEL SUMMARY

Model	R	R Square	Adjusted R Square	Std. Error of Estimate
1	.71 ^a	.504	.405	.558

a. Predictors: (Constant), mobile banking technology, costing of products, advertising, turnaround time on customer service

Table 4.2

D. ANALYSIS OF VARIANCE

Model	Sum of Squares	Df	Mean Square	F	Sig.	
1	Regression	6.331	4	1.583	5.081	.005 ^b
	Residual	6.229	21	.311		
	Total	12.560	25			

Table 4.3

The analysis of variance (ANOVA) test was used to determine whether the model was a good fit for the data. The findings shown in the table above shows that; the P-Value was 0.005 which is less than 0.05 indicating a statistical significance and hence the model is good in predicting how the four independent variables (mobile banking technology, costing of products, advertising, turnaround time on customer service) influence customer retention in West End branch of Barclays Bank. Further the F- calculated (5.081) was more than the F critical (2.46) which shows that the model was fit in predicting the influence of the independent variables on the dependent variable.

E. DATA COLLECTION INSTRUMENT

The instrument used for data collection from customers was a questionnaire. Questionnaires were designed in a structured manner in which it captured all the variables under study. There were closed ended questions, which allowed various responses by the respondents. The questionnaire contained quantitative data for wider explanations of the variables and good understanding of the relationship between the variables. The questionnaire targeted only the employees in West End Branch, Barclays Bank since the employees were assumed to be more knowledgeable on the customer retention strategies in the bank.

F. ESTIMATED MODEL COEFFICIENTS TO EXPLAIN THE EXACT RELATIONSHIP BETWEEN THE DEPENDENT AND THE DEPENDENT VARIABLES

The equation for the regression line analyzed was used to explain the exact relationship using the coefficients table as shown in the table 4.9 below

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	3.509	.593		5.922	.000

Mobile banking Technology	.377	.186	.253	2.022	.048
Advertising	.710	.153	.625	4.654	.000
Costing of products	.329	.117	.334	2.813	.057
Turnaround time on customer service	.278	.252	.105	1.103	.05

Table 4.9: Model Coefficients

G. DATA ANALYSIS AND PRESENTATION

The data collected was cleaned, coded and entered in SPSS Version 21 for analysis. Analysis was carried out to perform descriptive statistics such as frequencies, mean, standard deviation and inferential statistics. The relationship was determined using the below OLS model

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon$$

Where Y = Customer retention

β_0 = Constant factor

X_1 - Mobile banking Technology strategy

X_2 - Advertising strategy

X_3 - Low Cost Leadership Strategy

X_4 - Turnaround time on Customer service strategy

β_i = coefficient (to be calculated)

ϵ = error term (constant)

H. DEMOGRAPHIC CHARACTERISTICS

The female who participated in the study were 58% being the majority while the male were 42% which contradicted Munyiri (2014) and Juma (2012) who found that the male were more than the female in banking industry. This could be as a result of more women getting educated, Barclays bank improving the gender equality and women empowerment.

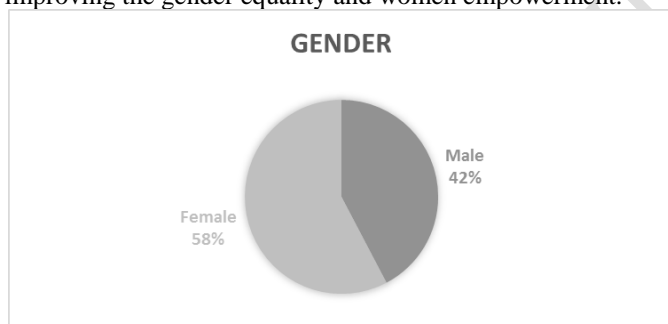


Figure 4.1: Gender of the respondents

Highest education level came into four categories but the respondents occupied only three with the Bachelor's holders being the majority at 65.4% and the master's holders being 34.6%. Education levels had a mean of 2.35 and a standard deviation of 0.485. In contrast, Munyiri (2014) had most of her bankers respondents having a master's degree while there were diploma and post graduate diploma holders.

VII. SUMMARY OF THE FINDINGS

The study showed a higher representation of female than male in the responses. Bachelor's degree and master's degree were the only highest education levels that the respondents had with the bachelor's holders being the majority. The respondents portrayed an acceptable working experience in the

bank that could be depended upon in the responses pertaining banking more so in Barclays Bank.

VII. AREAS FOR FURTHER RESEARCH

This study was a case study in Barclays Bank of Kenya, West End Branch. Therefore, the study recommends for an intensive research in the other branches of Barclays in Kenya to compound all the competitive strategies employed by the Barclays bank in Kenya. Further, the other local banking institutions need to be researched on what competitive strategies they employ that make them sustain the competitive environment in the banking industry.

The R^2 in the study showed that the four independent variables; mobile banking, costing of products, advertising and turnaround time were explaining 50.4% of the customer retention strategies. This was a clear indication that the four independent variables in the study were not exhaustive in identifying the factors that could competitively make Barclays Bank remain in the financial niche. It was therefore recommendable to carry out more research on the remaining percentage to know the other strategies. Some of the strategies could be relational strategies, integrity of product/service, diversity of services offered among others that the bank has employed to retain her customers.

VIII. RECOMMENDATIONS OF THE STUDY

From the findings of the study, several recommendations were made to improve on customer retention not only Barclays Bank, West End branch but also in the banking industry and the other financial industry at large.

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