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Relationship Marketing Practices on Performance of Commercial Banks in Kenya

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Abstract
Banking as a service industry has recently experienced a tremendous growth through profits, ongoing deposits and revenues. This trend has had a significant influence on competition in the industry. Even so, Bank have successfully tried to brave the stiff competition even to stand out as one of the most successful Kenyan businesses. At the wake of this competition, relationship marketing practices have helped organizations establish durable and unending associations with their customers. This study was conducted to analyze the extent to which relationship marketing practices employed by Banks influence performance in the growing banking industry. A descriptive cross sectional research design was adopted. The target population comprised of 88 employees who are based at the bank headquarters in the following departments; customer service, corporate affairs, finance department, business development, operations and credit and risk department. The study employed a structured questionnaire to collect data. The research instrument was pilot tested with the aim of assessing both its reliability and validity. The collected data was analyzed with the aid of the SPSS software. The findings revealed that 88% of the respondents ascribed to the view that communication, been an aspect of marketing translated to a relative influence on the outcome of the bank's performance. This means that performance of the bank is positively correlated to the marketing communication mix strategies employed by the bank.
Keywords: Commercial banks, Communication, Service Differentiation, Service Quality.

1. Introduction

Relationship marketing involves developing long term relationship with customers so that they provide you with business for a lifetime. An organization must exceed customer satisfaction expectations to retain and develop long term relationships with customers. Traditional transactional marketing used to focus on attracting customers for "one off sale" rather than repeat business. It takes a lot of work to persuade customers to make their first purchase with you, but if you can persuade customers to give you repeat business it will cost you less money and time. So it makes sense to keep existing customers satisfied (Zinkhan, 2008). Firms that practice relationship marketing acknowledge the long term value of their customers. Christopher, Payne and Ballantyne, (2002) asserted that the term "relationship marketing" stems from the industrial and services marketing literature of the 1980s. It is argued that, the success of services firms is pegged on their capacity to maintain long-term relationships with customers that repeat purchases and communicate their positive experiences with the service provider to others (Matute-Vallejo, Bravo, & Pina, 2010). In the same light, Ndubisi (2007) reasons that building relationships with customers enables a firm to gain quality sources of marketing intelligence which consequently enable it to have better planning and marketing strategy.

Relationship marketing has been suggested as a strategy to overcome service intangibility and is appropriate for services that are difficult for customers to evaluate even after purchase and use (Gilaninia, Almani, Pournaserani & Mousavian 2011).

The banking industry is very competitive in nature and therefore, the question that comes to mind is how to develop good customer relations in order to create confidence and a level of assurance that will promote sustainable growth and performance. The strategies may include developing a differential strategy to promote a consistent positive return on investment. These tactics can also help to gain customer attention, patronage and loyalty. The quality of any service must also be continuously scrutinized, and an effective system for customer service implemented. Communication is the official sharing of information that could cultivate the relationship between both the consumers and businesses. Communication fosters trust by assisting in solving disputes and aligning perceptions and expectations.

2. Customer Communication

In the chase to maintain a loyal pool of customers, yet still draw more, an effective communication strategy needs to be employed. According to Claycomb & Martin (2002) a buyers is inclined to reminisce a business that is in constant touch with them. To this argument, they propose that any business should be deliberate in its communication plan targeting their pool of customers. Appropriate communication can be pegged to after purchase service where the business is interested to give ear to their buyers' experiences of the service rendered. Communication is believed to directly affect the building of long term relationships with the stakeholders of an organization. It is therefore, necessary to acknowledge the role of communication in building relationships between the various activities in the organization and between the organization and its stakeholders (Rensburg &

Cant, 2003).

2.1 Customer Loyalty

Peng and Wang (2006) define relationship marketing as all marketing activities directed towards building customer loyalty: keeping and winning customers by providing value to all the parties involved in the relational exchanges". Loyal customers may not be always satisfied, but satisfied customers are likely to be loyal. At the end of the process, satisfaction has effects to perceived quality, which could cause loyalty and intention to certain behavior. In relationship marketing customers are viewed as equal partners in buyer-seller transactions. By motivating customers, to enter into a long-term relationship in which they repeat purchases or buy multiple brands from the firm, marketers obtain a clearer understanding of customer needs overtime. This process leads to improved goods or customer service, which pays off through increased sales and lower marketing costs. In addition, marketers have discovered it is less expensive to retain satisfied customers than it is to attract new ones or to repair damaged relationships.

2.2 CustomerRetention

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

2.3 Increased Market Share

Relationship marketing shifts the emphasis from concentrating on gaining share of the market and rewarding its employees for the new business they bring in, instead, it concentrates on keeping customers and attempting to gain a bigger share of their wallet by selling more of the same product or by cross-selling to them. This is a very important shift because traditional marketing puts the emphasis on market share and success is usually measured in a short timescale, thus growth in market share per annum. Day (2002), argued that share of market is a crucial tool for the evaluation of performance and for using as a guide for advertising, sales force and other budget allocations. Concentrating on customer share implies a long-term orientation and requires that success is measured and rewarded differently. Customers with high potential are treated as individuals whose needs are addressed and an attempt is made to persuade them to buy more of the company's products during the lifetime of the relationship.

3. Various relationships marketing practices adopted by the bank

The study sought from the respondents the various marketing practices adopted by the commercial banks sampled. On this question, most of the respondents said that they knew of relationship marketing activities which ranged from: that the management conducts regular surveys of customer database to ensure they understand the currents challenges and needs of our market, that the bank strives to integrate customer feedback as much as possible in order to improve their products and services. Also respondents indicated that their respective banks understands the power of social media and has active profiles set up on all the popular social sites such as Facebook, Twitter, LinkedIn, and Google+ and hence uses the platforms to explain well on the operations as well as quick responses to consumers. Most of the respondents also said that the bank had effective listening and monitoring systems in place and that the banks have adopted corporate social media policy that lets staff know what can and cannot be said, what actions can and cannot be taken, and how to handle any negative situation.

Respondents also indicated that their bank utilizes a reliable customer relationship management strategy and conducts regular training sessions for all members of staff on proper customer relations and social media best practices. In addition, other practices also mentioned by the respondents were evolving, adapting and integrating new technologies, involvement in CSR activities based on health, education, entertainment, sports and talent world while embracing high-tech, high-touch by reaching out to customers, prospects, vendors and partners. Respondents also indicated that other practices were related to consistently going out of their ways to let the customers know how much the banks value them.

Communication as a relationship marketing practice

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

According to table above 79.04% of the respondents agreed that the banks they work for embrace communication as a relationship marketing practice. This concurs with (Peng & Wang, 2006) who have pointed to the fact that if relationship marketing is to be successful, an integration of the marketing communication mix is needed to be aggressively employed to support the establishment, maintenance and enhancement of relationships with customers and other stakeholders who are central to the business. Subsequently, the integrated management of marketing communication activities, regardless of the source of the communication messages are required in relationship marketing. It is then of prime importance for service related firms to deliberately manage their marketing communication plans and strategies to deter customers from switching to competitors.

Communication and Performance

The table below presents the responses of the respondents with reference as to whether communication as a relationship marketing practice had an effect on bank performance.

Effect of communication on performance

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

The findings reveal that 88.71% of the respondents ascribed to the view that communication had a significant influence on the performance of the bank. This means that performance of the bank is positively correlated to communication strategies employed by the bank. This concurs with Patterson (2001) who suggests that communication between a firm and its clientele results in enhanced performance. This is attributed to the fact that it yields long lasting symbiotic relationships. Communication is meant to inform and persuade an audience with a view to influencing the behavior of the targeted audience. In addition, Adah (2012) measured banks' performance as proxied by repeated and open communication channels translating to deposits, liquidity, loans and advances to even ongoing profit. However, other performance measurements in banks may include: customers satisfaction, branch network, budget achievement and asset base and size.

5. Conclusion

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

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

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

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