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The Moderating Effect of Firm-Specific Factors on the Relationship Marketing - Customer Retention Association: Evidence from Kenya's Microfinance Sector

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Abstract
Retaining customers is a considered a key determinant of the long term survival of a firm. Existing studies show a positive association between relationship marketing and customer retention. As such, firms employ relationship marketing strategies with the aim of retaining customers. In recent times though, many businesses seem to be facing customer retention challenges despite employing relationship marketing strategies. This implies there could be third forces affecting this direct association between relationship and customer retention. However, empirical evidence on the moderating effect of such third forces is very scarce. This research sought to investigate the moderating effect of firm-specific factors on the relationship marketing-customer retention association, by using a sample of 48 managers and 492 customers from Kenya's microfinance institutions. Data was analyzed by applying simple and multiple regression. Results showed firm-specific factors had a statistically significant but negative moderating effect. This study makes a theoretical contribution to relationship marketing knowledge base by proposing a model which explains the role of moderating factors in the relationship marketing–customer retention association. The study's empirical evidence thus supports a more complex structure of the relationship marketing-customer retention link. Practically, the findings suggest marketers should combine relationship marketing with firm specific factors for optimum customer retention results.
Keywords: Relationship marketing, Firm specific factors, Customer retention

1. Introduction

Firms that seek to remain competitive have to anticipate how to retain their customers. A key marketing strategy which focuses on customer retention is relationship marketing (Colgate, Stewart, & Kinsella, 1996). Customer retention has thus become a key performance indicator for businesses aiming at long term survival, however, while it is easier for firms to attract new customers, it is often harder to retain these customers (Ryals & Payne, 2001). To improve customer retention efforts, relationship marketing activities are believed to positively influence a firm's customer retention levels (Sin, Tse, Yau, Lee, & Chow, 2002). This view is shared by several other scholars who also assert that relationship marketing programs are the key underpinnings of customer retention (Morgan & Hunt, 1994; Oly-Ndubisi, 2007; Mazhari, Madahi, & Sukati, 2012; Abtin & Pouramiri, 2016; Magasi, 2016). In recent times though, many businesses seem to face customer retention challenges despite the deployment of relationship marketing programs implying there could be additional underlying factors influencing customer retention outcomes.

More than a decade ago authors like Zineldin (2000), Ryals and Payne (2001), Sin et al (2002) and Oly-Ndubisi (2007) have already argued that relationship marketing alone may not be an effective strategy. Zineldin (2000) in particular, posited that relationship marketing is not complete without the effective use of firm resources such as technology, a view further supported by Ryals and Payne (2001) who advanced that technology is an important element in customer data management because it enables a company to understand and respond to customers' needs based on the type and amount of information held about customers. These authors thus seem to reason that relationship marketing needs to be embraced with firm specific factors such as technology resources in order to boost customer retention levels. However, empirical evidence which tests the nature of interaction between these variables is scarce. Specifically, the moderating effect of firm-specific factors like information technology and customer relationship management systems on the relationship marketing- customer retention link is not clear since studies in this area have neglected to establish this issue. Such information would be significant in justifying the expenses a firm would incur in organizational infrastructural development for instance investing in customer relationship management systems and related resources aimed at boosting customer retention. The aim of this article therefore is to illustrate the contribution of indirect factors in affecting the relationship marketing-customer retention association by establishing the moderating role played by firm-specific factors - technology platforms and customer relationship management actions – on this association. This will help determine if organizational-driven differences strengthen (or weaken) a firm's ability to retain customers when relationship marketing activities are used.

The article is structured as follows; the next section presents a theoretical review of literature on the concepts relationship marketing, firm specific factors and customer retention, and outlines previous studies investigating the interrelationships between these variables. This leads to statement of the hypothesis and derivation of the conceptual model. The methodology part of the article describes the survey method used to collect data from employees and customers of microfinance institutions in Kenya. Results on the moderating effect of firm specific on the relationship marketing- customer retention link are presented thereafter and the article concludes with a discussion of these results, contribution of the research and recommendations for future research.

2. Literature Review

This section reviews existing theoretical and empirical literature on relationship marketing, firm-specific factors and customer retention, showing the nature of interactions so far established among these variables.

2.1 Relationship Marketing

Relationship marketing literature stresses the importance for businesses to build meaningful relationships with customers rather than just engaging in transactions with them (Colgate et al, 1996). Relationship marketing emerged in the 1980s as a business strategy with potential to improve customer retention because it became increasingly apparent that business exchanges, especially in the services sectors, required relational management approaches to keep customers from defecting to other firms (Leverin & Liljander, 2006). The relationship marketing practice has thus attracted the attention of researchers, academicians and practitioners alike for close to four decades following early works by Berry (1983), Groonroos (1994), Berry (1995) and Bitner (1995). The perspectives of these early authors centered on conceptualizing the term relationship marketing and investigating the shift in marketing orientation from a transactional one to a relationship management one. The theories advanced and empirical evidence collected since then has demonstrated to a large extent that adopting a relationship marketing orientation is a far superior strategy to using the transactional approach. As such, many businesses shifted their focus from attracting customers only (transactional marketing), to satisfying, maintaining and developing mutually rewarding relationships with them (relationship marketing).

Existing literature on relationship marketing reveals that the concept of relationship marketing has numerous definitions suggesting that there are different opinions on its meaning (Grönroos, 1994; Gummesson, 2008; Berry, 1995; Harker, 1999; Grönroos, 2004; Leverin & Liljander, 2006). Despite these differences in opinions by relationship marketing authors, the central idea that emerges is that relationship marketing is concerned with attracting customers and developing interactive mutually rewarding relationships with them over a long term period. Furthermore, extant literature on relationship marketing discloses that different researchers have conceptualized the relationship marketing concept in different ways implying there are still inconsistencies in how it should be measured. While Hunt, Arnett, and Madhavaram (2006) conceptualised relationship marketing as determined by relational factors - trust, commitment, cooperation, keeping promises, shared values and communication between the firm and customers, Sin et al (2002) theorized that effective relationship marketing is manifested in terms of trust, bonding, communication, shared values, empathy and reciprocity. Henning-Thurau, Gwinner and Gremler (2002) used word of mouth communication as an indicator of relationship marketing whereas Velnampy and Sivesan (2012) advanced that bonds, empathy and reciprocity were the indicators of successful relational exchanges. On their part Aka, Kehinde, and Ogunnaike (2016) conceptualized trust, commitment, communication, and service quality as the indicators of relationship marketing. Deducing from the above analysis, it appears that the common relationship marketing indicators are trust, commitment, communication, shared values, cooperation and keeping promises, the majority of which are indicators by Hunt et al., (2006). In view of this, the current study adopted these authors' conceptualization to measure relationship marketing.

2.2 Customer Retention

Retaining customers is considered a key strategy for achieving long term survival (Reichheld and Sasser, 1990). The aim of relationship marketing activities therefore is to achieve this objective. Customer retention is about the repeated patronage by customers to a specific business (Henning-Thurau & Klee, 1997). It can also be referred to as the long term period a customer remains with the business buying and accessing its goods and services (Menon & O'Connor, 2007; Ibok, George, & Acha, 2012). Developing customer loyalty assures a firm of long term financial performance because this results in better sales, higher market share, lower customer attraction costs , less customer care costs and ability to charge higher prices to these customers (Alrubaiee & Al-Nazer, 2010). Customer retention has for long been associated with superior organizational performance (Garland, 2002). In particular studies by Reichheld and Sasser (1990), Stum and Thiry (1991), Anderson, Fornell and Lehmann (1994), Strandvik and Liljander (1994) have demonstrated that it makes more sense to retain customers because this leads to increased profits due to the tendency for retained customers to purchase more, generate positive word of mouth communication and are immune to competitive pull. The rationale for retaining customers thus lies in its power to bring in more profits for an organization (Colgate, 1996).

2.3 Relationship marketing and Customer retention

Several studies have demonstrated that through relationship marketing, a firm's customer retention levels improve and consequently its profitability. Reichheld & Sasser (1990) pioneered work on the link between customer retention and profitability and demonstrated that retaining customers has a powerful impact on a firm's bottom line. Results showed that the longer a firm maintains a relationship with customers, the more its profits rise. It could be by almost 90% through retaining just 5% more of their customers. Another study by Ang and Buttle (2006) showed that when a firm retains customers, this leads to higher volumes of purchase, higher customer referrals, less operational costs, less price sensitive customers, hence lower relationship maintenance costs and better financial performance. Li (2015) sought to establish the direct and indirect influence of switching barriers on customer retention and found the interrelationships were supported while Hettiarachchy and Samarasinghe (2016) sought the influence of relationship marketing on customer retention and results showed a strong positive influence. Abtin and Pouramiri (2016) found relationship marketing dimensions – trust, satisfaction, management, communication and competence were significant and positive. Magasi (2016) investigated if trust, commitment, satisfaction, and relationship influence affect customer retention and results showed a positive and statistically significant influence, while Mazhari et al (2012) used relationship marketing dimensions – trust, commitment, communication, and conflict handling – to establish their effect on customer retention and found a statistically significant positive association. These studies seem to imply that there is a direct association between relationship marketing with customer retention. It is however unclear the nature of role played by third forces in this relationship marketing – customer retention association.

2.4 Firm Specific Factors

The business environment companies currently operate in is characterized by several complexities, uncertainty and discontinuity arising from changing market conditions, more sophisticated customers, rapid shifts in technology and shorter product life cycles (Kauser & Shaw, 2004). Such environmental dynamics imply that organizations have to re-think the strategies they have been employing to establish if they are relevant given such conditions. Key among these dynamics are the organizational factors which characterize their form, structure and operational capabilities. Existing literature on organizational behavior suggests that firm-specific characteristics have an influence on how an organization performs. The firm related characteristics may range from whether the firm is formal or informal, how centralized its decision making processes are, the complexity of its organizational structure, length of time in existence (age), its size in terms of number of employees, branch network or return of assets , the industry type in which the firm belongs, extent of technology adoption to its degree of innovativeness (Heffernan & Flood, 2000; Kauser & Shaw, 2004; van den Bosch, Elving, & de Jong, 2006; Hoang, Igel, and Laosirihongthong, 2010).

Within the context of marketing, a key firm-specific factor relationship marketers rely on to understand the needs of their customers and respond to them better is the support of a suitable data infrastructure (Ryals & Payne, 2001). This requires the deployment of information technology resources to facilitate prompt response to customers' requirements. In so doing, the belief is that the marketer will understand and respond to customers' needs better thereby leading to improved customer retention and lifetime profitability. Ryals and Payne (2001) advance that technology in particular is a key firm-specific factor important in customer data management because the use of information technology enables a firm to determine the economics of customer acquisition, customer retention and lifetime value. Zineldin (2000) also adds to this view by suggesting that relationship marketing is not complete without the effective use of firm resources like technology. The thinking here seems to be that investment in technology enhances ability of a firm to increase sales volumes, control costs better, become more innovative and customer oriented thereby improve customer retention. In a study by Menon and O'Connor (2007) on the role of customer relationship management systems in building customers' affective commitment, it was concluded that firms need to embrace a customer relationship management strategy which aims at developing the affective commitment of customers to a firm. In so doing, the authors argued, this would lead to better customer retention resulting from the increased purchases and word of mouth communication. By using information technology platforms and customer relationship management systems to mine their databases, firms will be in a position to identify customers in terms of their levels of profitability and longevity (Menon & O'Connor, 2007). Studies on the use of technology in relationship management thus seem to advocate for embracing technology as a strategic initiative for better relationship management.

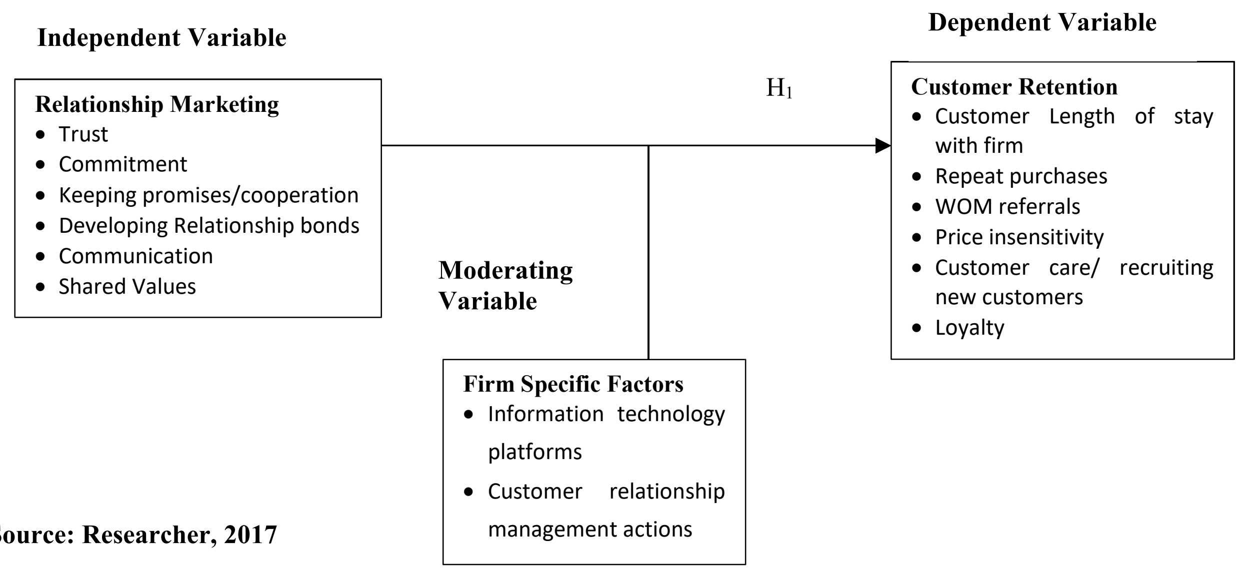
However, although some companies may invest heavily in information technology platforms for customer data management, others may not have the resources to do so. Despite this, all these companies are expected to attract and retain their customers for long term survival. While existing literature recommends that information technology is an important resource for organizations to adopt, not much is known about whether it should be viewed as a separate supportive element in developing relationships or whether it should be best used in combination with other relationship management programs. Authors like Zineldin (2000) argue that relationship marketing is not complete without effective use of technological resources (technology platforms and customer relationship management systems), however, empirical evidence which sheds light on the nature of the association between relationship marketing, technology adoption and customer retention is lacking.

Despite several studies on relationship marketing showing there is strong association with customer retention, many organizations continue to face customer retention challenges (Alrubaiee & Al-Nazer, 2010). Most previous studies investigating the relationship marketing- customer retention association are based on the implicit assumption that there is a direct association between these two variables. However, Zineldin (2000), Ryals and Payne (2001), Sin et al. (2002) and Oly-Ndubisi (2007) have argued that relationship marketing alone may not be an effective strategy. It is for this reason that this study hypothesizes there could be other forces such as firm specific factors (technological resources) which may affect this original relationship-marketing –customer retention association. The relationship marketing-customer retention association may be strengthened (or weakened) by the presence (absence) of these factors. In particular, there is a paucity of studies which have investigated the influence of firm specific factors on the relationship marketing-customer retention association. This study therefore sought to address this empirical gap by adopting firm-specific factors as a moderating variable to test for its moderating effect on the relationship marketing-customer retention association. This was done through the hypothesis that: **H1:** Firm-specific factors have a statistically significant moderating effect on the association between relationship marketing and customer retention.

2.5 The Conceptual Framework

Figure 1 shows the researchers' operationalization of the hypothesis that firm related factors have a statistically significant moderating effect on the relationship marketing and customer retention association. Relationship marketing was the independent variable, firm-specific factors was the moderating variable, while customer retention, the resultant outcome of the relationship marketing efforts, was the dependent variable.

Figure 1: The Conceptual Model



Source: Researcher, 2017

3. Methodology

The research philosophy that guided this study was the pragmatic research paradigm in view of the nature of the research question that this study sought answers to which did not restrict the approach to be either positivism or interpretivism. According to Saunders, Lewis and Thornhill, (2011) in pragmatic research, it is recognized that multiple realties exist in a given situation and hence a research can adopt mixed methods to make inquiry into complex social phenomena. In this study, the researchers sought to empirically establish the nature of relationships between the study variables due to the recognition that there are a variety of ways of interpreting such a real life phenomena. For this research, facts and views on the research question were collected from participants and the relationships between the variables (relationship marketing, firm specific characteristics and customer retention) were empirically investigated through hypothesis testing and specific predications were then made based on objective and subjective reasoning.

A descriptive cross-sectional survey design was employed in which the target population was all microfinance institutions in Kenya that were members of the Association of Microfinance Institutions (AMFI) as at January 30th 2016 and their customers. As at this date, this population stood at fifty five such institutions while customers stood at 41,007 (Association of Microfinance Institutions Annual Report, 2016). These were formal institutions classified into commercial banks offering microfinance services, wholesale microfinance lenders, deposit taking micro-finance (DTM) institutions and retail microfinance lenders. The study targeted two groups of respondents – employees and customers. The selection criteria for firm respondents were that the respondent must be the Chief Executive Officer or Relationship/Marketing Manager or Social Performance Program Manager. Their selection was based on the non-probability sampling approach, specifically, purposive sampling. Customer respondents were selected based on the criterion that they were existing customers of a micro-finance institution. The sampling method used was also non-probability sampling, however, the convenience sampling technique. The total targeted sample size of for employees was 55 and 554 for customers however responses were obtained from 48 managers and 492 customers representing 87.3 %, and 88.8 % response rate respectively.

Primary data was collected using two semi-structured questionnaires, one targeting employees and the other customers. Each of these questionnaires had items on relationship marketing, firm specific factors and customer retention, comprising of five point likert scales, ranging from not at all (1) to a very large extent (5); or strongly disagree (1) to strongly agree (5). These items were developed based on existing literature (Morgan & Hunt, 1994; Wetzels, de Ruyter, & van Birgelen, 1998; Oly Ndubisi 2007; Sin et al., 2002; Leverin & Lijander, 2006). The questionnaires were self-administered for both groups of respondents but the 'wait and fill' method was employed for customers, while the 'drop and pick up later' method was used for employees. The employees' questionnaire was divided into five sections- Section A (background information, 7 items), Section B (relationship marketing, 6 items), Section C (firm specific factors, 12 items), while Section D (social performance management, 6 items), and Section E (customer retention, 2 items). The customers' questionnaire on the other hand, was divided into four sections- Section A (background information, 7 items), Section B (relationship marketing, 6 items), Section C (social performance management, 2 items) and Section D (customer retention, 2 items).

Ethical clearance was obtained from the University' Ethics Committee. In addition, a research permit was obtained from the National Commission for Science, Technology and Innovation (NACOSTI), a Kenyan government body mandated to grant research authorization to researchers to collect information from the targeted respondents. Furthermore, participants' informed consent was sought by providing each of them with a letter explaining who the researcher was, purpose of the study, what the research would entail and why it was important for them to participate in it. In addition, participants were enlightened on what the researcher intended to do with the information. Respondents were additionally advised that their participation was voluntarily and assured that their responses would be held in confidentiality and their identity kept anonymous.

Data analysis was performed by descriptive and inferential statistical tests, using the Statistical Package for Social Sciences (SPSS) software. Descriptive tests were used to profile customer and employee respondents as well as to profile the institutions' which participated in the study. Further, descriptive tests were used to produce frequency distributions, mean scores, standard deviations and coefficients of variation. Inferential analyses were performed to test the hypothesized relationship between relationship marketing, firm characteristics and customer retention. Pearson's correlation (R) and co-efficient of determination (R^2) were used to establish the association between the variables and to determine the variation in the dependent variable (customer retention) which is explained by the independent variable (relationship marketing) and the moderating variable (firm specific characteristics). To test the study hypothesis, simple and multiple linear regressions were used, with P-value used to check for significance. The relationship was considered statistically significant if the p-value was ≤ 0.05.

3.1 Validity and Reliability

Reliability and validity tests were performed prior to data collection in a pilot test. The internal consistency Cronbach's Alpha (α) test was used to establish whether the data collection instruments yield consistent results after repeated trials. Different authors recommend different cut off points for reliability, however this study adopted a cut off Cronbach value of 0.7 as recommended by Gliem & Gliem, (2003). The alpha coefficients of the reliability test for all the variables were found to be above the 0.7 threshold, revealing a high degree of reliability of the instrument - relationship marketing (0.782), firm specific factors (0.727), social performance management practices (0.875) and customer retention (0.763). On the other hand, face-to-face validity and content validity were tested for to determine the extent to which the instruments were accurate and meaningful. The former was dealt with by discussing the questionnaire with professionals in this field while the latter was assessed using a factor analysis (Varimax rotation method) with principal component analysis method employed to extract the factors. All the variables were found to be uni-dimensional and valid indicators of the constructs they were to measure.

4. Descriptive Analysis Results

There were two sets of results on the demographic profile of respondents -for employees and customers. Results on employee respondents' profile (gender, age, education and years of service) are shown in Table 1.

Table 1: Employees/Management Profiles

Gender	**Frequency**	**Percentage (%)**
Female	21	43.8
Male	27	56.3
Total	48	100.0
Age Distribution		
up to 29	1	2.1
30 – 34	4	8.3
35 – 39	26	54.2
40 – 44	16	33.3
45 and above	1	2.1
Total	48	100.0
Highest education level		
Postgraduate degree	17	35.4
Undergraduate degree	29	60.4
Diploma	2	4.2
Total	48	100.0
Years of service in MF industry		
0-4 years	15	31.25
5-9 years	23	47.92
10-14 years	6	12.5
Over 15 years	4	8.33
Total	**48**	**100**

Source: Primary Data

Gender distribution between male and female shows that majority of employees sampled were male (56.3%) with female being (43.8%). This reveals a slight disparity in distribution which could be attributed to the fact that job positions in relationship management tend to attract more females than males. In regard to age, majority of employee respondents (54.2%) fell in the age bracket 35-39 years, closely followed by those in the 40-44 years bracket at 33.3%. The result seems to suggest that Kenyan microfinance institutions have a high number of managerial workforce within the most active age group and can thus be expected to perform their relationship marketing management roles with a focus on long term retention. Further, majority (95.4%) of management employees' education level was a bachelor's degree and above. It shows these institutions target well educated personnel to manage relational exchanges between the firm and customers. Results on how long the employees had worked in the sector revealed that majority (47.92%) had worked for 5-9 years thus pointing to an experienced group of employees with sufficient knowledge about the microfinance sector.

Data on customer respondents' profile (gender, age, education and length of time as a customer, knowledge about institution) were sought in order to gain understanding on the nature of customers' characteristics targeted for microfinance and extent of their loyalty to the institution. Results are shown in Table 2. There was relatively a gender balance though male customers were marginally (50.60%) more with female at 49.40%. The finding suggests microfinance services seem to be accessed by both male and female almost in equal measure. This is a somewhat surprising finding because it is contrary to the commonly held view that most customers of microfinance services are female. In regard to age, the majority (67.6%) of customer respondents fell in the age bracket of 35-39 years, closely followed by 25.1% at 30-34 years. This finding is expected since most customers of such financial services comprise of the most productive section of the population, with long term life-goals, ambitions and have many dependents which motivates borrowing from microfinance institutions to meet their financial needs and overall family responsibilities. The education level of sampled respondents shows that the majority (59.54%) were diploma holders, with only 26.49% holding a certificate as the highest level of education. This finding is consistent with the nature of characteristics of microfinance clients who often are low-income people with low education levels. Regarding the period of retention as customers, majority (74.27%) indicated between 1-3 years while only 4.49% had been with their institution for more than 7 years. This finding is a pointer that there could be a customer retention challenge within Kenya's microfinance sector. On being asked how they learnt about their institution the most cited source of information was through referrals from friends at 59.57%, with only few (18.25%) citing it was through the institutions' marketing programs. This finding supports existing literature on the power of word of mouth communication especially in service businesses (John & Kijboonchoo, 2017; Henning-Thurau et al., 2002; Hunt et al., 2006).

Table 2: Customers' Profiles

Gender	Frequency	Percentage (%)
Female	241	49.40
Male	247	50.60
Total	488	100.0
Age Distribution		
up to 29	4	.8
30 – 34	123	25.1
35 – 39	332	67.6
40 – 44	27	5.5
45 and above	5	1.0
Total	491	100.0
Highest education level		
Postgraduate degree	16	3.29
Undergraduate degree	64	13.14
Diploma	278	57.08
Certificate	129	26.49
Total	487	100.0
Years of stay with institution		
Less than 1 years	78	16.18
1-3 years	358	74.27
4-6 years	34	7.05
Over 7 years	12	2.49
Total	**482**	**100.0**
How did you join this institution		
Switched from another institution	184	38.49
My first microfinance institution	294	61.51
Total	**478**	**100.0**
How did you learn about this institution		
My own initiative	107	22.19
Friends referrals	287	59.54
Through the institution's marketing programs	88	18.25
Total	**482**	**100.0**

Source: Primary Data

5. Hypothesis Testing Results

Simple and multiple regression analyses were employed to test the research hypothesis. While simple regression tested for the direct relationship between firm specific factors and customer retention, multiple regression, in particular stepwise regression, tested for the indirect relationship - the moderation effect of firm specific factors on the relationship marketing-customer retention association. To achieve these objectives, a two stage analysis was performed by deriving two sub-hypotheses H_{1a} - firm specific factors have a statistically significant effect on customer retention, and H_{1b} - firm specific factors have a statistically significant moderating effect on the association between relationship marketing and customer retention. Table 3 and Table 4 present the results of the direct and indirect effects respectively.

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Table 3: Regression Results of Firm Specific Characteristics and Customer Retention

a) Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
Firm Characteristics	.209[a]	.044	-.022	.28703

b) ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
Firm Characteristics	Regression	.001	1	.001	.007	.936[a]
	Residual	3.790	490	.082		
	Total	3.790	491			

c) Combined coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	3.426	.238		14.379	.000
Firm Characteristics	-.005	.064	-.012	-.081	.936

a. Dependent Variable: Customer Retention
b. Predictors: (Constant), Firm Characteristics

Source: Primary Data

Results in Table 3 show a weak and inverse relationship between firm specific factors and customer retention (R=.209; R^2=.044; β = -.005). The co-efficient of determination (R^2 =.044) indicates that firm specific factors explain 4.4% of the variation in customer retention, with 95.6% being explained by factors not considered in this model. Results also show that the relationship between firm specific factors and customer retention is statistically insignificant (P=.936) at 95% confidence level. The beta co-efficient results (β = -.005) imply that 1 unit increase in firm specific factors will bring about a -.005 decrease in customer retention implying as a firm invests more in technology platforms and customer relationship management practices its ability to retain customers reduces. This finding seems to suggest firm specific factors on their own are not a good predictor of customer retention. Sub-hypothesis (H_{1a}) was thus not supported.

Table 4: Moderation Effect of Firm Specific Characteristics on Relationship Marketing and Customer Retention

a)Model Summary

Model		R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
						R Square Change	F Change	df1	df2	Sig. F Change
1	Relationship marketing	.585[a]	.342	.340	.38402	.083	4.181	3	486	.047
2	Relationship marketing, firm characteristics	.177[a]	.031	.010	.64747	.083	4.462	2	488	.040
3	Relationship, firm characteristics interaction	.447	.200	.149	.348308	.034	1.883	5	483	.177

b)ANOVA

Model			Sum of Squares	df	Mean Square	F	Sig.
1	Relationship marketing	Regression	.556	1	.556	4.181	.047
		Residual	6.118	490	.133		
		Total	6.675	491			
2	Relationship marketing, firm characteristics	Regression	1.108	2	.554	4.479	.017
		Residual	5.566	487	.124		
		Total	6.675	489			
3	Relationship, firm characteristics interaction	Regression	1.337	5	.446	3.672	.019
		Residual	5.338	485	.121		
		Total	6.675	490			

c) Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	2.120	.314		7.782	.013		
	Relationship marketing	.202	. 086	.289	2.045*	. 000	1.00	1.000
	Customer Retention	1.570	.106	.332	4.244*	.047	.977	1.023
2	(constant)	.233	.319		2.414*	.023		
	Relationship marketing	.157	.086	.291	2.112*	.000	.977	1.023
	Firm characteristics	.131	.108	.380	4.218*	.003	.977	1.090
3	Relationship marketing and firm characteristics interaction	-.078	.068	.199	1.372*	.040	.958	1.044

a. Predictors: (Constant), Firm characteristics, Relationship marketing
b. Predictors: (Constant), Firm characteristics, Relationship marketing, Interaction term between Firm characteristics, Relationship marketing
c. Dependent Variable: Customer Retention

Source: Primary Data

Table 4 shows results from the three steps of moderation – model 1, 2 and 3. Model 1 results show that association between relationship marketing and customer retention is strong and positive, with relationship marketing explaining 34.2% of variance in customer retention while 65.8% is explained by other factors not considered in this model (R=.585[a] R^2=.342, P<0.05). In regard to the beta coefficient result, it shows for every unit change in relationship marketing, there will be a 20.2% change in customer retention (β=0.202, t = 2.045, P<0.05).

The results in step one of the moderation process were significant (F=4.181, P<0.05).

Model 2 findings were obtained following the introduction of the moderator (firm characteristics). Results show a drastic drop in the R^2 to 0.031, implying that relationship marketing and firm specific characteristics explain only 3.1% of the variance in customer retention. The beta coefficient was significant (β=0.157, t=2.112, P<0.05), implying that a one-unit change in relationship marketing is associated with a 15.7% change in customer retention, while the variance in customer retention is 13.1% in respect of firm specific characteristics (β=0.131, t=4.218, P<0.05). The overall model was statistically significant (F=4.181, P<0.05). In the final stage of moderation, where the variables relationship marketing and firm specific characteristics, as well as the interaction term, were entered in the model, results show a drop in the co-efficient of determination by 14.2% from R^2=0.342 in model 1, yet in model three, after firm specific characteristics are considered by introducing the interaction term (RM *FC), R^2 reduces to 0.200 implying relationship marketing and firm specific characteristics explain 20% of the variation in the customer retention. Further with β= -.078, t=1.372, p-value=.040 at P<0.05, the result implies that though the relationship is statistically significant, firm specific characteristics have an inverse effect on the association between relationship marketing and customer retention.

Firm-specific factors/characteristics therefore may not necessarily strengthen the ability to retain customers as far as relationship marketing is concerned. This result could be attributed to the fact that as firms grow older, larger in size, more experienced and with expanded resources at their disposal to invest in technology platforms and engage in customer relationship management actions, the tendency to become less efficient and inflexible increases consequently affecting its ability to meet customers' needs despite employing relationship marketing. The hypothesis -firm specific factors moderate the effect of relationship marketing on customer retention was thus supported.

6. Discussion

This study hypothesized that firm-specific factors (information technology platforms and customer relationship management programs) modify the strength of the association between relationship marketing and customer retention. While the results showed a statistically insignificant and weak influence of firm-specific factors on customer retention, but as a moderator, firm-specific factors had a statistically significant though negative moderating effect on the association between relationship marketing and customer retention. This finding, though surprising because it denotes that on their own firm specific characteristics are not good predictors of customer retention, implies that firm related factors cannot still be ignored. This is supported by Pearce (1997), cited in Ryals & Payne (2001) who reasoned that customer retention strategies cannot be effective without the support of a suitable information technology platforms and related data infrastructure.

Therefore, firm related factors such as technology platforms and customer relationship management actions need to be combined with other initiatives in order to be effective. Prior research on firm characteristics and how they influence various firm performance variables presents mixed results. While the findings in this study are in agreement with those by Capon, Farley, and Hoenig (1990), Thuo (2011) and Njeru (2013), who found a negative association too, these researches used different firm specific variables - size and age of the firm. However, results from this study are contrary to those by Zahra, Ireland, and Hitt (2000) as well as Hendricks and Singhal (2000) who instead found a positive association in their variables. Furthermore, the findings of this study corroborate those by previous researchers who investigated the moderating effect of marketing related factors and in which the moderating effect was also found to be statistically significant. One unanticipated finding from this study though was the direction of the moderating effect which was negative/inverse yet in most prior studies, this moderating effect was instead positive (Balaji, 2015; Li, 2015; Alrubaiee & Al Nazer, 2010; Ranaweera & Prabhu, 2003; Homburg & Giering, 2001; Kinoti, 2012).

There are several possible explanations for the negative moderating effect we found in this study. First, as firms grow older and increase in size, despite the presence of technology systems, they become slow and less interested in resolving customers' complaints quickly, thereby causing more customer dissatisfaction than satisfaction (Majumdar, 1997). Secondly, investments in more technological platforms often leads to more automation of a firm's operations albeit at the expense of the human element which often is so vital in relationship management due to the potential product/service failure customers may experience leading to dissatisfaction with the institutions. Third, , as firms grow older they tend to become less flexible in handling individual customer needs, more bureaucratic and slow at decision making thus creating a sense of detachment with their customers (Njeru, 2013).

As pointed out Menon and O'Oconnor (2007), firms should not put more emphasis on using high-tech customer relationship management strategies at the expense of a high-touch relationship management strategy. This is because while the former strategy leads to generation of huge databases which allow for data mining to identify profitable customers, it will not necessary lead to building close interactions with these customers because of the lack of human element. Instead, a high-touch strategy (relationship marketing programs) should be developed alongside a high- tech strategy because this will give relationship managers the approaches they can use to interact with each individual customer.

In-spite of the inconsistencies in the results of the current research with some previous studies, overall it was established that firm specific factors have a statistically significant moderating effect on the association between relationship marketing and customer retention, and as such firms should not ignore investment in information technology platforms or customer relationship management systems because when combined with other organizational initiatives they play a significant role.

7. Summary and Conclusion

This study sought to determine the moderating effect of firm-specific factors on the relationship marketing–customer retention association. Data was collected from customers and employees of 55 Kenyan microfinance institutions. Simple and multiple regression were used to analyze the data. The results of the moderating effect were statistically significant, although this moderating effect was negative. This result implies that firm specific characteristics on their own may not influence customer retention, instead, they work better when combined with relationship marketing programs to boost customer retention.

In conclusion therefore, the study established that firm-specific factors moderate the relationship between relationship marketing and customer retention of MFIs in Kenya and thus hypothesis 1 was supported. There existed a paucity of studies testing such a moderating effect hence this study addressed this knowledge gap by providing such empirical evidence. The study therefore makes a significant contribution to the knowledge base of relationship marketing by adding substantially to our understanding of the role of third forces in affecting the relationship marketing – customer retention association. In particular, firm-specific factors were found to play a role in relationship management for customer retention. The study results thus reveal the presence of third forces which influence the relationship marketing-customer retention association. Existing literature has largely presented this association as a direct one. The empirical evidence from this study thus supports a more complex structure of the relationship marketing-customer retention link. In addition, the results of this study provide practical implications for practitioners of microfinance in Kenya by providing evidence that demonstrates firm-specific factors (technology platforms and customer relationship management actions) matter in the relationship marketing-customer retention association. Managers thus have the much needed justification for investing resources in technology platforms and customer relationship management systems to boost their customer retention efforts although emphasis must be put in combining this high-tech strategy with relationship marketing programs.

8. Limitations and Future Research

A number of limitations can be reported for this study, which provide a basis for future research. First, the current study only focused on firm-specific factors, however, other factors such as consumer characteristics, market characteristics (competition and marketing distribution channels), as well as the regulatory environment could be the focus of future studies to establish their power as moderating elements. Secondly, the current study was based in a business to customer setting (B2C), however future studies could investigate the same effect in a business to business setting (B2B) in order to determine if similar results would be obtained. Thirdly, this study used a relatively small population in comparison with the target population because many MFIs in Kenya are not registered with the umbrella body AMFI. This therefore restricted the number of institutions that participated in the survey. Future researchers could thus target the other institutions not registered under AMFI, or investigate this relationship in other contextual environments altogether. It is possible this could lead to different results.

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