

RELATIONSHIP MARKETING STRATEGIES AND COMPETITIVE ADVANTAGE IN SELECTED COMMERCIAL BANKS IN UASIN-GISHU COUNTY

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ABSTRACT

After decades of vigorous expansion and prosperity, many firms lost sight of competitive advantage in their scramble for growth and pursuit of diversification. Firms throughout the world have faced slower growth as well as global competitors are no longer expanding their customer relationships. Relationship marketing is heralded by some marketing academics and practitioners as the new paradigm of marketing. However, despite the intense growth in the adoption of Relationship marketing practices by organizations all over the world and the widely accepted conceptual underpinnings of Relationship marketing strategy, conflicting opinions and increased pessimism about the effectiveness of relationship marketing strategy abound the marketing literature. Also studies done in literature did not focus on relationship marketing especially in developing countries like Kenya. To this effect, scholars have called for more rigorous studies to establish the usefulness of Relationship marketing as a strategic orientation. The general objective of this study was to determine the effects of relationship on competitive advantage in selected commercial banks in Uasin-Gishu County, Kenya. The specific objectives of the study included, to find out the effect of customer focus on competitive advantage among selected commercial banks in Uasin-Gishu County, to determine the extent to which customer communication affect competitive advantage among selected commercial banks in Uasin-Gishu County, to establish whether customer events affect competitive advantage among selected commercial banks in Uasin-Gishu County and to assess whether customer rewards affect competitive advantage among selected commercial banks in Uasin-Gishu County. The study adopted descriptive survey research design and targeted 162 sales and 104 marketing employees. The study employed convenience sampling technique to help sample the subjects to participate in the study. Data was collected using a questionnaire and was analyzed using both descriptive and inferential statistics. Data was presented in tables and figures. It emerged from the study that customer focus played a role in marketing of the banks products, all scores were above average on the statements which supported the competitive advantage of the organization. On the influence of customers communication on Competitive advantage, the study pointed out that it was to a very large extent influencing the banks to gain their competitive advantage. It was also established that the bank staff greatly influence this by frequently communicating to its customers hence gaining a competitive base with other banks. In conclusion, the relationship marketing strategies under the study have indeed proved to influence the competitive advantage of organizations and specifically in banks. Customer Focus has been highlighted in a very great extent to influence the customers towards having a good relationship and positive attitudes towards the banks. It is also noted that the banks try their best to be honest to its customers

and therefore winning their behaviors and be influenced to purchase their products. This increases the loyalty of customers to the bank and hence achieving their competitive advantage. The study recommended that for those organizations which immensely depend on competitive environments to maintain its stand, they should focus on relational strategies which are customer centered in order to achieve their goals.

Keywords: Marketing Strategies, Customer Focus, and Competitive Advantage.

INTRODUCTION

Relationship marketing has become a vital issue that has led to important interest to both academic and practitioners for more than two decades, (Frow & Payne, 2009). Relationship marketing describes a marketing strategy which stems from direct response marketing campaigns. It emphasizes on customer retention and satisfaction rather than concentrating on sales volumes. Firms that practice relationship marketing acknowledge the long term value of their customers (Frow & Payne, 2009). Christopher et al., (2002) asserted that the term “relationship marketing” stems from the industrial and services marketing literature of the 1980s. According to Matute-Vallejo, Bravo, & Pina, (2010), services success of firms is attached on their capability to uphold long-term interactions with customers that enables a repeat of purchases and communicate positive involvements with the service provider to others (Matute-Vallejo, Bravo, & Pina, 2010). The same way Ndubisi (2007) thinks that constructing relationships with customers enables a company to acquire quality bases of intelligence marketing which assists in good planning marketing strategy.

Relationship marketing has in so many years expanded to the banking sector (Gummesson, 2008). Comparisons have been drawn by Anderson (2005) and Gaurav (2008) said growing competitions and operating costs on one side, and relationship marketing on the other. In this view, the escalating operational costs and the ever stiffening competitive environment have obliged business firms which include financial institutions to grow and maintain long-term relationships with their customers. Kolter and Armstrong (2006) asserts that all the ways of relationship marketing reinforce the rationale for commercial banks to use it as a way of maintaining two-way relationships with customers and other stakeholders. Sin et al (2005) outlined the paradigm shift that has been elicited by relationship marketing by demonstrating the case of a cross-cultural study in Hong Kong, China. Sin et al. (2006) further showed six components of relationship marketing orientation which included trust, communication, shared values bonding; it also included reciprocity and empathy. The inferences of trust to productivity, market share, development, and customer maintenance require banks to employ it in their push to gain a strategic competitive advantage (Yudi, 2012).

In the global perspective, the issue of relationship marketing has much been studied. Brand, culture, commitment, service, satisfaction, trust, loyalty, value, strategy, customer relationship management, and marketing theory amongst others have been previously discussed (Lages et al., 2009; Yudi, 2012). It is true that that the theme of relationship marketing has been empirically studied in the USA and the UK. Continentally, Europe leads the pack of researchers in relationship marketing at thirty four per cent between 2007 and 2011, Asia being the second at twenty nine per cent, America (twenty five per cent), and lastly Africa and Oceania at 6 per cent (Yudi, 2012).

According to William Desbordes (2011), service delivery system emphasizes that it is the people that bring change. Even with the same product features service from one person to

another can change. There is therefore the need for an integrated service marketing method that provides an even service as well as generating the problem will be in the area of relationship marketing.

In today world of banking, financial institutions are undergoing through stiff competition both from within the banking sector and outside. The strong competition has brought about little or no distinction among the products being given due to product imitation hence no bank can assert a substantive competitive edge over another. Service quality is therefore very important to generate and sustain commendable relationships with customers and also to retain abreast with their varying needs and behaviour. Many commercial banks have adopted relationship marketing so that they remain competitive. The aim of this study is to establish the effects of relationship marketing on the commercial banks' competitive advantage in Uasin-Gishu County, Kenya.

RESEARCH DESIGN AND METHODOLOGY

Research Design

The study used descriptive survey design because it is descriptive in nature (Mugenda and Mugenda, 2003). The rationale for choosing this design was based on its ability to provide the researcher with appropriate techniques for systematic collection of extensive data from a large group of respondents through interviews and administration of questionnaires (Orodho, 2009).

Target Population

A target population is defined as a complete set of individuals, cases or objects with some common observable characteristics (Mugenda & Mugenda, 2003). The study was conducted in all banks in Uasin-Gishu County, targeting sales and marketing and team leaders. The aforementioned team leaders and sales marketers are presumed to be the savviest with issues touching on relationship marketing and customer retention in their respective banks. The total target population was 600 sales team and 300 marketing team.

Banks in Uasin-Gishu County which make the target of this study are Barclays bank Ltd, CFC Stanbic bank ltd, Prime Bank, Chase Bank, Diamond Trust bank Kenya ltd, Housing finance, Kenya Commercial Bank ltd, National bank of Kenya ltd, NIC bank ltd, standard chartered bank ltd, Equity bank ltd and cooperative bank ltd (Table 1).

Table 1: Target Population

Bank	Sales team	Bank marketing team
Kenya Commercial Bank	28	6
National bank	11	7
Equity bank	60	26
Cooperative bank	36	12
Standard chartered Bank	22	13
Barclays bank	26	17
NIC bank	6	10
Diamond Trust Bank	27	6
Prime bank	4	17
CFC Stanbic bank	22	11
Chase Bank	20	12
House Finance	12	5
Total population	274	142

Sample Size and Sampling Procedures

According to Mugenda and Mugenda (2003), in a larger population where time and resources allow, a big sample should be taken. This enables findings to be a true representative of the whole population. The small samples do not reproduce salient characteristics of the accessible population to an acceptable degree. Calculating the sample size the study employed Yamane's formula.

$$n = \frac{N}{1+N(e)^2} \text{ (Yamane, 1967).}$$

Where, n - Sample size, N – Population size, e- the level of precision.

Therefore the assumed sample size for Sales team is calculated as;

$$n = \frac{274}{1+274(0.05)^2} = 162 \text{ sales team}$$

The assumed sample size for marketing team was

$$n = \frac{142}{1+142(0.05)^2} = 104 \text{ participants from the marketing team}$$

The total sample size for the study was therefore be 266 participants

The study employed convenience sampling technique to help sample the subjects to participate in the study. This was adopted because of its convenient accessibility and proximity of the study subjects to the researcher. As such the researcher recruited the participants' until saturation or until the sample selected was reached.

Research Instruments

The study employed a structured questionnaire to collect primary data from the respondents. Mugenda and Mugenda (2009) asserted that questionnaires are suitable in collecting data in survey studies. The questionnaire was structured in such a way that it captured the respondents' demographic information, but more importantly facilitated collection of data pertinent to both independent and dependent variables. The instrument's sections aimed to capture data regarding the study variables which comprised of the various questions on a 5-point Likert scale.

Data Analysis Techniques

According to Mugenda and Mugenda (2003) data editing classification and tabulation are the processes of bringing out order, structure and meaning of mass information collected. Statistical Package of Social Sciences (SPSS) version 22 was used to aid the analysis. It adopted both descriptive and inferential statistics. Descriptive statistics involved frequencies, percentages, means and standard deviations while inferential statistics will included chi-square tests ($p > 0.05$) and the use multiple regression model to determine significant relationships between variables where the p- value was used to determine whether observed sample frequencies differ significantly from expected frequencies specified.

Multiple regression analysis was also be used to test hypothesis. In its simplest form multiple regression analysis involved finding the best straight-line relationship to explain how the variation in an outcome (or dependent) variable, Y, depends on the variation in a predictor (or independent or explanatory) variable, X. Once the relationship is estimated, it is possible to use the equation:

$$Y = b_0 + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + e$$

Where:

X = The independent variables -

X₁ – customer focus

X₂ – customer communications

X₃ – customer events

X₄ – customer rewards

Y = The dependent variable (competitive advantage)
b = Independent Variable Coefficients e = Error margin

RESULTS AND DISCUSSIONS

The study involved descriptive and inferential statistics

Relationship between Customer events and competitive advantage

The objective was to establish whether customer events are associated with competitive advantage among selected commercial banks. Descriptive statistics were analyzed and chi-square tests were done to establish the relationships between the variables. The findings are presented in figure 1 and table 2 below;

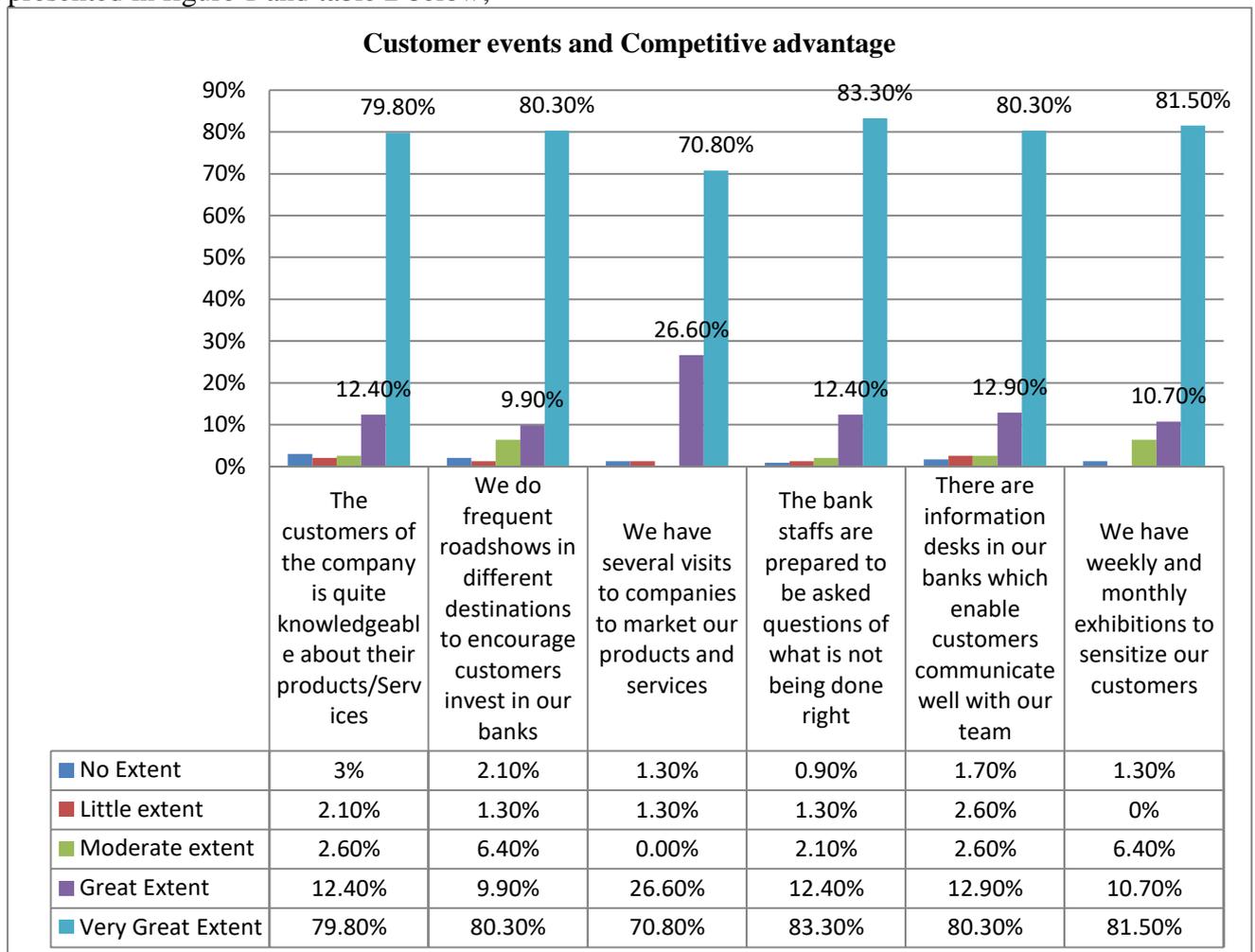


Figure 1: Customer events and competitive advantage

The findings in figure 1 indicated that majority 79.8% of the respondents to a very great extent agreed that the customers of the company is quite knowledgeable about their products/services, 12.4% agreed to this to a great extent, 2.6% agreed on this to a moderate extent, 2.10% agreed to a little extent while 3% were in disagreement on this.

Additionally, on the statement that they do frequent roadshows in different destinations to encourage customers invest in their banks, majority 80.3% of the respondents agreed on this to a very great extent, 9.9% agreed on this to a great extent, 6.4% agreed on a moderate extent, 1.3% agreed on a little extent, while 2.1% disagreed on this.

Similarly, 70.8% of the respondents agreed in a very great extent that they have several visits to companies to market their products and services, 26.6% agreed in a great extent, 1.3% agreed on this on a little extent and another 1.3% disagreed on this statement.

Further findings on that the bank staffs are prepared to be asked questions of what is not being done right, showed that 83.3% believed this to a very great extent, 12.4% agreed on this to a great extent, 2.1% agreed to a moderate extent, 1.3% agreed to a little extent, and 0.9% disagreed on this.

The findings also indicated that majority 80.3% of the respondents agreed to a very great extent that there is information desks in their banks which enable customers communicate well with their team, 12.9% agreed in a great extent, 2.6% moderately agreed on this, another 2.6% agreed this in a little extent and 1.7% of the respondents disagreed on this.

Finally, the results showed that majority 81.5% of the respondents agreed to this to a very great extent, 10.7% to a great extent, 6.4% moderately agreed on this and 1.3% disagreed on this.

These findings agree with those of Bolton (2008), the author studied, how the role of satisfaction effect through organizations events on the duration of customer's relationship in the organization. His results revealed that the level of satisfaction evolves with time so customers who have been longer time in a company, give value on the earlier experiences with the company. They weigh the prior service quality more heavily and places less weight on the new information. This means that they won't defect so easily as the first conflict arises. The findings indicated that organizations should give more attention to new customers through organizational events, whom have no good experiences yet, because they are more likely to defect if a conflict arises (Page, Pitt and Berthon 2006).

The Chi-square test at $p \leq 0.05$ significance level illustrating statistically significant relationship between variables are presented in Table 4.7 below;

Table 2: Chi-Square tests for customer events and competitive advantage

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1165.270 ^a	108	.000
Likelihood Ratio	444.963	108	.000
Linear-by-Linear Association	195.316	1	.000
N of Valid Cases	233		
a. 124 cells (95.4%) have expected count less than 5. The minimum expected count is .00.			

From the results in Table 2, the P-value for the Pearson Chi-Square test for relationship between customer events and competitive advantage is 0.000 at 5% level of significance, showing a significant relationship between customer events and competitive advantage. The strength of association was measured using Phi and Cramer's V as indicated below;

Table 3: Symmetric Measures customer events and competitive advantage

Symmetric Measures			
		Value	Approx. Sig.
Nominal by Nominal	Phi	2.236	.000
	Cramer's V	.745	.000
N of Valid Cases		233	
a. Not assuming the null hypothesis.			
b. Using the asymptotic standard error assuming the null hypothesis.			

From the table it is seen that the strength of association between the variables is very strong of value 2.236 and 0.745.

The regression results in indicated that customers events does have a direct effect on the competitive advantage of the organization with a beta coefficient of 0.707 and significance of ($p=0.000$). The study rejected the hypothesis. These results indicate customer really gives an organization a basis to enhance its competitive advantage. This could be attributed to the fact that customer events benefits to the company such as creating a bond between them, creating awareness of new products and enlightening them to invest in their banks.

SUMMARY AND CONCLUSIONS

On the relationship between customer events and competitive advantage, the findings also indicated that to a great extent customer events are being utilized to gain their competitiveness, customer information desks have been highlighted to enable customers communicate well with the bank team members hence gaining its competitiveness. Chi-square tests also indicated a significant relationship between customer events and competitive advantage with the strength of association being very strong.

Customer events were not an exception in influencing the banks competitive advantage of the banks, from the findings it was evident that through the customer events, they are able to know about the existing products and services. Through the frequent road shows in different destinations, awareness of existing and new products in the banks are made clear and therefore the competitive advantage of the banks are enhanced.

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