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THE INFLUENCE OF CUSTOMER RETENTION STRATEGIES ON THE ORGANIZATION PERFORMANCE OF COMMERCIAL BANKS IN THIKA TOWN

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Abstract

Purpose: The concept of customer retention has gained popularity among numerous firms in the goods and services industry. Although extensive research exists on customer retention strategies, limited research is available on the link between customer retention strategies and the organization performance of firms. This study sought to determine the influence of customer retention strategies on the organization performance of commercial banks in Thika Town of Kiambu County.

Methodology: The study adopted descriptive research design. The population of interest for the study was the employees of the 22 commercial banks in Thika, which made a target population of 227. This study used purposive sampling where the branch managers, operations manager, credit managers, relationship officers and customer experience consultants of the commercial banks in Thika town, who are 121 in number, were included. The semi-structured questionnaire that comprised of closed-ended questions and open-ended questions were used as data collection instruments. Data was analysed using the Statistical Package for Social Sciences version 21. Regression analysis and correlation was used to determine the relationship and direction of variables respectively.

Findings**:** The findings were presented based on the specific objectives in the form of frequencies, tables, and charts. The study revealed that banks used various service distribution channels including Internet banking, Agency banking, Automatic Teller Machines and Mobile banking and POS Terminals. The study concluded that provision of quality service, employment of loyalty and rewards programs and a strong corporate image had a direct positive influence on the performance of Commercial Banks in Thika town.

Unique contribution to theory, practice, and policy**:** Banks should therefore ensure continuous innovation in distribution and invest in strategies that promote quality services. In addition, banks should invest in loyalty and rewards programs and invest in the enhancement of their corporate image in order to continue improving their performance.

Keywords: *Customer Retention Strategies, Organization performance*

1.0 INTRODUCTION

The concept of customer retention has gained popularity among numerous firms in the goods and services industry. Although extensive research exists on customer retention strategies, limited research is available on the link between customer retention strategies and the performance of firms. Customer retention is defined as the action that an organization undertakes to reduce customer loss. Customer retention begins with the initial engagement an organization has with a customer and remains for the entire period of a relationship. The capacity of an organization to appeal to and retain new clients is greatly linked to the manner in which it services its existing client and the reputation it creates within and across the marketplace, and not only to its product or services. (Reichheld Fredrick, 1996).

Organization performance comprises the actual output of an organization as measured against its goals and objectives. Organization performance is a comprehensive concept that captures what organizations do, produce, and accomplish for the various areas with which they interact. J. Baum Eds, 2002).

In today's economy, there is increased demand on businesses to retain their customers because of slower growth in customer base and reduced customer loyalty. This trend has mainly been created by the presence of companies offering nearly homogenous products and the relative seamless shift by customers from one product to the other. Therefore, the loss of a customer to the competition has a direct effect on the bottom-line of organizations. It is due to this fact that organizations have enhanced focus on retention rather than efforts to increase the acquisition of new customers. For every organization, focus on the customer remains primary since no organization will exist without them. In the financial industry, banks offer nearly identical products and therefore, the need to ensure that they retain existing profitable customer relationships (Abratt & Russell, 2014).

According to Gummerson (2012), organizations employ highly customized customer retention strategies to enhance customer retention. Gummerson argues that, for professional service providers to retain customers over time there is need to place more effort on the creation of personal relationships with the clients, since this creates a strong link between the customers and the organization. He further argues that customer retention strategies are an organization's ability to convey confidence, ability to get the customers involved, and the ability to deliver quality services. Gummerson's findings further indicate that the creation of customer satisfaction and the switching barriers are the main strategies firms employ to retain customers.

Gwinner (2010) argues that switching cost and the attractiveness of the alternatives together with the improvement of serviceand establishing the switching barrier have a significant effect on customer retention. As a result, customers' expectations about services offered are increased and therefore increased movement from one bank to the other. Empirically, it has been confirmed that, in the service industry, there exists a relationship between customer retention and customer satisfaction. Nonetheless, the contentment and commitment of a customer goes beyond customer satisfaction.

Customer Retention Strategies on Organization Performance

Customer retention strategies are the strategies used to ensure the customer remains in an organization. In the banking industry, competition is high amongst banks and other financial institutions (Dawkins, 2015). Effectively, retaining a customer is more cost-effective than acquiring new customers and replacing those who may have left. Reichfield (2016), argues that the expenses involved in obtaining new clients are usually incurred during the establishment of the commercial relationship.

On a global scale, Anwar and Amandu (2015) studied the components of customer retention strategy in the Malaysian mobile telephony industry. Their findings were that customer trust, customer satisfaction, customer solidarity, and relational investment were key constituents of customer retention strategy. They argue that the management of organizations require ensuring that these components are fully implemented to ensure customer retention. Therefore, this underscores the necessity to retain the already existing customers since recruiting new ones in the volatile and highly competitive industry is costly. Consequently, it is vital for the industry players to be aware of the critical and relevant fundamentals of successful retention of customers.

In South Africa, Motshedisi and Mukwada (2015) focused on customer retention strategies in the South African cellular industry, where the main players were Cell C, Vodacom, and MTN. They noted that in recent years, the South African cellular industry had registered a tremendous rise in subscriber numbers, with some networks experiencing over 30% increase in subscriptions. In their assessment, there had been a remarkable increase in subscriptions in the South African cellular industry between 2012 and 2014, with Cell C registering a 34% increase in subscriptions. The growth in Cell C was found to be twice that of MTN and Vodacom, who at the timer were regarded as the only giants in the cellular industry. Motshedisi and Mukwada postulated that the increase in subscriber base for Cell C was as a result of subscribers switching from Vodacom and MTN. They further argued that with the various customer retention strategies employed in the South African cellular industry, the most effective were those that related to affordability of service, provision of customer support services and quality of service.

In Kenya Kemunto, Ogutu and Momanyi (2015) undertook a study on the effectiveness of customer retention strategies. They established that commercial banks applied employee training, product innovativeness and customer relationship management as effective strategies for customer retention. They found that banks need to analyse their customers to formulate effective retention strategies. They further acknowledged that organizations would need to create value for their customers in addition to establishing some reward mechanisms for their employees who played a role in retaining customers seek. They argued that with the changing dynamics in the banking industry, Kenyan commercial banks have a difficult task in acquiring new customers, maintaining key value customers and building their confidence while continuing to post robust financial performance. While there have been several studies underscoring the significance of customer retention strategies in banks, there is limited empirical research investigating the influence of customer retention strategies on the performance of commercial banks.

The Kenyan Banking Industry

In Kenya, the banking Sector is governed by governed by the Central Bank of Kenya Act, the Banking Act, the Companies Act and Central Bank of Kenya prudential guidelines. All policies and guidelines governing the Kenyan banking industry centre on ensuring effective management of banking services (CBK, 2020).

The Central Bank of Kenya (CBK) policy encourages the non-bank financial institutions to transform into commercial banks. This has therefore made the banking sector to become very competitive (Maleche, 2014). Additionally, banks in Kenya have exceedingly employed the use of information technology (IT) in their operations, which has led to a substantial cost reduction, increased convenience, speed and flexibility in the way they conduct business.

The overall effect of these challenges in the banking industry is that most commercial banks have moved away from the conservative strategies of rebranding, promotional marketing campaigns, product development and diversification, which are mainly aimed at the potential customer (Keaveney, 2015). These strategies, which are primarily focussed on customer service, have become inadequate in providing a competitive edge. Customer retention has therefore quickly evolved as the most cost-effective strategy in use to gain a competitive advantage.

Thika Town Profile

Thika is an industrial town and one of the seven sub-counties in Kiambu County, lying north-east of the Kenyan capital city of Nairobi. Thika has a rapidly growing population due to its proximity to the capital city of Nairobi and the ever-mushrooming industries within the area. Thika Sub-county has six divisions namely Gatanga, Gatundu, Kamwangi (Gatundu North), Kakuzi, Municipality, and Ruiru. Thika town, which is the headquarters of the Thika Sub-county, has long been known for its concentration of industry, effectively functioning as an industrial satellite node of Nairobi and is sometimes considered as a peri-urban area to

Nairobi due to its proximity. The area immediately surrounding Thika town has seen a real estate boom due to the growing demand for residential houses for people working in Nairobi. Thika town has 22 commercial banks branches and several microfinance institutions.

1.1 Statement of the Problem

Customer retention has been found to be a challenge in the banking sector due to service failures. Service failures are created when service providers have lower service performance, which cannot meet customer's expectation (Hollensen, 2013). Banks face the challenge of fast-changing advancements in technology and the ever-demanding customers. The positive impact of customer retention on satisfaction, loyalty, and recommendation has been well documented empirically by several service providers in Kenya. However, evidence suggests that customer retention practice has not improved (Ioanna, 2012).

Commercial banks are aware of their overall goal of customer retention and have made some efforts to identify customers with issues. However, customer retention in commercial banks in Thika has not been sufficiently achieved. In 2014, the banks in Thika had a ratio of closed account to opened accounts of 1:5.2, while in 2016, the proportion of closed to opened accounts was 0.1: 1 showing that retention strategies are gradually paying off (Central Bank of Kenya, 2015). The low account retention is mainly in the salaried savings account product, which forms 26% of accounts closed. The percentage of the number of closed accounts over the number of accounts opened in any given month was about 19%, with a majority of those who closed their accounts being new clients and salaried account holders (Central Bank of Kenya, 2015).

There have been a number of studies that have focused on customer retention strategies; Anwar and Amandu (2015), who surveyed customer retention strategies in mobile telephone industry in Malaysia, established that relational investment, solidarity, customer trust, and satisfaction were critical components of customer retention strategy. Motshedisi and Mukwada (2015) established that although many customer retention strategies are employed in the South African mobile phone industry, the most effective are those related to the affordability of service, quality of service, and delivery of customer support services. Locally, Kemunto, Ogutu, and Momanyi (2015) found that commercial banks applied employee training and customer relationship management strategies to enhance customer retention. Few studies have focused on customer retention strategies on the performance of Commercial Banks, and therefore, this study seeks to fill the gap by concentrating on the influence of customer retention strategies on the organization performance of commercial banks in Thika town.

Objectives of the Study

The general objective of this study was to examine customer retention strategies and their effect on the organization performance of Commercial Banks in Thika town. However, for this paper, the author's specific objective was to examine the effects of service distribution channels on the performance of commercial banks.

2.0 LITERATURE REVIEW

2.1 Theoretical Framework

2.1.1 The Loyalty Effect Theory

Reichheld (1996) proposed The Loyalty Effect Theory, which advocates a three-pronged approach for managing a customer retention program. The author found that long-serving employees generate seven economic benefits: they are generally more efficient, they are sources of customer and employee referrals, they are much better at finding and recruiting the best customers, they reduce aggregate hiring costs, they lead to a reduction in the training expenditure, and they retain customers by producing better products and value (Parasuraman, 2008).

According to Reichheld, disloyal investors fail to support long-term relationship programs. These short-term investors are a hindrance to building long-term relationships with customers because of their insensitive attitudes towards short-term business volatility. Short-term investors demand a consistent high annual return on investment (DeSouza, 2012). The loyalty effect will be important in establishing the strategies that organizations may use to enhance customer loyalty and retention since it advocates that employees, customers and investors that share a vision of a long-term relationship tend to have good relations that in turn enhance organizational performance.

2.2.2 Social Exchange Theory

The theory of social exchange denotes the nature of ties between, loyalty, service quality, satisfaction and the value perceived. The theoretical models utilized in this research study were borrowed from the theory of social exchange (Homans, 1958). According to this theory, all ties that exist between human beings are developed through the utilization of cost-benefit analysis. This theory states that all human relationships are formed using comparison of alternatives and the use of cost-benefit analysis. According to Homans (1958), a person will choose to cut ties when he or she perceives that the cost of the relationship is more significant and outweighs the benefits the person accrues from such a relationship. Cook, Cheshire, Rice and Nakagawa (2013) argue that much of social life involves interactions between individuals

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or corporate actors in dyads, groups, organizations or networks that can be viewed as social exchanges.

For this study, the researcher found this theory to be appropriate since encounters that arise while offering services be social exchanges. They involve the interaction between the person providing the service and the client who is buying the service, who is an important reason to continue with the relationship and satisfaction (Kumar, Stern & Achrol, 2012).

2.2.3 Customer Bonding Theory

The third theoretical position is that of Turnbull and Wilson (1989), which emerged from their work on industrial marketing. They argue for a strategy of protecting existing profitable customer relationships through social and structural bonding. Social bonds are positive interpersonal relationships between representatives of the buyer and seller. Structural bonds are relationships built upon joint investments, which often cannot be retrieved when the relationship ends. Buyers and sellers also form structural bonds through interdependencies founded upon their relative resources. Bonding and interdependencies have also been the subject of other studies. These conceptualize relationships between and amongst firms regarding activity links, resource ties, and actor bonds and in maintaining multi-level bonding (Hakansson & Snehota, 2008).

The customer bonding theory highlights the importance of having good relations with the customer and thus it will help in establishing the relevant customer retention strategies that will in turn enhance the organization performance of firms.

2.3 Empirical Literature

2.3.1 Service Distribution Channels on Organization Performance

Within the banking industry, there are various modes of customer interaction other than the employee interaction; and their meeting the positive customer experience is an avid area of assessment in today’s business environment (Mburu, Van Zyl, & Cullen, 2013). The various channels stream from the traditional branch network to Automated Teller Machines, online banking channels and social media interactions. Therefore, banks must offer pervasive integration of their channels and services to ensure customer satisfaction. Organizational outcomes such as service delivery, efficiency, customer satisfaction, and experience have been underpinned by technological advancement (Blount, 2011). Service delivery has been a critical area of innovation and businesses focus on various resources, including investing in technology to meet higher levels of customer satisfaction. Satisfied customers become loyal customers, which is a vital lifeline for a business because the loyal customers give repeat business, which leads to long-term profitability (Axelsson, 2015).

Liao and Cheung (2010) examined how consumer attitudes were influenced by internet-based e-banking. The findings revealed the relevance of qualities such as convenience, accuracy, user involvement, user-friendliness, network speed, and security. An increase in internet-based banking systems usage reveals consumers' desire towards the channel hence customer retention and organization performance.

Gustaffsson, Johnson, and Roos (2015) examined the relationship between customer satisfaction and relationship commitment dimensions. Customers who experience satisfaction are more likely to retain the bank as their preferred provider. It was crucial for institutions to manage the satisfaction-retention relationship by using appropriate distribution channels.

Campbell and Frei (2010) utilized the context of online banking systems to examine the consequences of using modern channels. Self-service distribution channels could be used to change the interactions between consumers and the firm. The findings revealed that online banking was directly associated with customer retention and organization performance. Banks could experience a tremendous increase in transaction volume if they focused their efforts on online banking. Modern distribution channels were associated with higher retention of customers.

2.3.2 Effect of Quality Service on Organizational Performance

Authors Onditi, Oginda, Ochieng and Oso (2012), in their paper on the implications of service quality on customer loyalty in the banking sector, discussed the factors that contributed to customer loyalty and retention and organization performance. The study found that it was possible to enhance customer loyalty by increasing service quality. Kheng, Mahamad, Ramayah and Mosahab (2010) investigated the impact of service quality on customer retention in Malaysian banks. The study was conducted due to the emergence of mobile banking, ATMs, and Internet banking. Hence, it was essential to consider how bankers could respond to stiff competition by retaining clients. The study found that customer loyalty increased due to improvements in service quality. Some of the service quality dimensions include assurance, empathy, and reliability.

Nyangosi and Arora (2011) examined how financial institutions in Kenya were using electronic distribution channels to fulfil the demands of clients. The researchers focused on how information technology was used to attract and retain clients. In this regard, they found that customers used internet banking to purchase products and check account balances. Short Message Service (SMS) banking and ATM technology were also identified as additional ways to retain clients. Banks and other commercial institutions were obligated to adopt internet banking for the sake of ensuring customer loyalty. Therefore, banks should focus on service quality to retain their customers in every dimension of service quality.

2.3.3 Loyalty and Rewards Programs on Organization Performance

Studies carried out by Mascareigne (2009) showed that the number of customers from the different agencies was insignificant to have loyalty programs. The author however did not dismiss the argument by other scholars that suggest that loyalty programs have a positive influence on customer retention. Through loyalty programs, firms can potentially gain more repeat business, get the opportunity to cross-sell and obtain rich customer data for future customer relationship management efforts (Liu, 2017).

The loyalty programs, therefore, means that they are a type of incentive for customers to keep coming back for more. In a study conducted by Doyle (2010), it was believed that there are two aims of loyalty programs. The first aim is to increase sales and revenues and therefore increasing profitability. The other objective is to create a bond between customers and the service provider or firm and maintain the current customer base. This means that customer retention is achieved because if a company can keep its customer base, then that means their loyal customers will continue to use services. According to Verhoef (2013), loyalty programs that provide economic incentives positively affect customer retention. He, however, found that the effect was small.

Kumar and Reinartz (2012), argue that the purpose of loyalty programs is to create value alignment, build true loyalty leading to an effective and efficient gain in profits. They demonstrated that true loyalty is achieved by providing value for customers rather than by enticing customers with rewards and bonuses. Kumar and Reinartz found that loyalty programs that offer a sustainable competitive advantage and result in real value creation for customers are those that use the data obtained from consumers into more effective marketing decisions. This means that for organizations to increase retention, they should implement loyalty programs strategies.

2.3.4 Corporate Image and Organizational Performance

Consumers today have more alternatives for their financial needs than they ever had. Globalization, increased consumer mobility, technology, and increased competition have significantly changed the way people bank (Gilliam, 2014). Numerous financial institutions are looking at branding techniques to differentiate themselves. Dick and Basu (2014) suggested that brand image correlates with customer loyalty and performance. Brand image is recognized as a significant antecedent of customer satisfaction. Hence, a positive brand image will tend to generate high customer satisfaction. Kandampully and Suhartanto (2010) posit that corporate image is positively associated with customer loyalty and performance. In addition, they added that customer satisfaction and corporate image with the organizational performance significantly illustrate the variance of customer loyalty. Da Silva and Syed (2006) noted that if the customers are satisfied with the services or products offered by a brand, then they have more willingness to recommend the services or products to others; have less probability to switch to other brands, and more likely to repurchase from the same brand.

Brand image has a substantial impact on customer loyalty and performance, especially across the banking, communication and consumer industries such as supermarkets. Kapferer (2011) identified store infrastructure, convenience, store service and sales activities as the four components of the store image and they all affect customer loyalty and performance directly. Palacio, Meneses, & Perez, (2012) evaluated the role of brand image in predicting customer satisfaction. It was noted that brand image and customers 'self-image would enhance customer satisfaction and customer's preference for the brand. In a highly competitive marketplace where businesses compete for customers like in the service industry, customer satisfaction is a fundamental differentiator. Customer satisfaction has therefore increasingly become an essential element of business strategy. It is imperative for companies to maintain customer loyalty effectively.

Harwood (2012) found that brand image has an indirect impact on loyalty via customer satisfaction. Furthermore, a brand image could have both direct and indirect effects on loyalty. Nevertheless, a brand image can be viewed as a predictor of customer loyalty. Thus, in the service industry context, a positive brand image appears to stimulate customer loyalty. It is accepted that a positive brand image contributes to enhancing customer loyalty, which has a significant role in building a strong brand image of a company. Brand image, therefore, is essential for companies to gain lifetime customer loyalty, which leads to gearingup of organizational efficiency.

Kamanu (2014) considers that the reputation of a company is associated with organizational values, purpose, and visions, which can be expected as broader influences. The reputation connected with the name of the company may act as the umbrella brand for the range of services or products categories, whereas the brand image is specific to a type of product. Therefore, reputation can lead to customer loyalty because of trust that a customer can get through public relations and hence organization performance.

3.0 RESEARCH METHODOLOGY

The study assumed a descriptive research design (Orodho, 2014). This study was conducted in Thika, an industrial town and one of the seven sub-counties in Kiambu County, Kenya, lying north-east of the Kenyan capital city of Nairobi. The study focused on the 22 commercial banks within the Thika central business district. The unit of analysis in this study was the employees in the 22 commercial banks who are 227 in number. This study used purposive sampling technique where a sample of 121 employees of the 22 commercial banks in Thika, including the branch managers, operations managers, credit managers, relationship

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officers and customer service consultants were included. A self-structured questionnaire was used to gather information for this research. Primary data was used for this study by administering a semi-structured questionnaire. This type of questionnaire used both closed and open-ended questions.

The study used both quantitative and qualitative techniques to analyse data from the questionnaire using descriptive statistics. Data was analysed using the Statistical Package for Social Sciences. Regression analysis was used to determine the relationship of variables in study, while correlation analysis determined the strength and direction of the variables (The model is described below). The findings were presented based on the specific objectives namely: service distribution, quality service, loyalty and rewards and lastly corporate image as shown in the multiple regression model below:

$Y= \alpha + \beta_1x_1+\beta_2x_2+ \beta_3X_3+\mathcal{E}$

4.0 RESULTS AND FINDINGS

4.1 Descriptive characteristics

The quantitative data was analyzed using descriptive and inferential statistics, while qualitative data was analyzed using content analysis. Data was presented in frequency distributions, percentages, and frequency tables for ease of understanding and interpreting the findings. The study had a sample population of 121 respondents out of which 98 respondents completed the questionnaires making a response rate of 80.99%.

The study started by analyzing the respondent's background information. Specifically, the research sought information related to the respondent's gender category, age bracket, the highest level of education, and period of service. Majority of the respondent's (66.3%) were male, whereas 33.7% were female. This implies that both genders were reasonably involved in this study, thus suggesting that both the findings of this study did not suffer from gender bias.

Table 1: Distribution of Respondents by Gender category

Gender category	Frequency	Percentage
Male	65	66.3
Female	33	33.7
Total	**98**	**100.0**

Out of the 98 respondents, 36.7 % were aged between 31 to 40 years, 31.6% of the respondents were aged between 21 to 30 years, 22.4% of the respondents were aged between 41 to 50 years, and 9.2% of the respondents were aged above 51. The study findings show that responses were fairly drawn from all various age groups, therefore, implying that opinion was equitably sought across all the age groups.

Table 2: Distribution of Respondents by Age Bracket

Age category	Frequency	Percentage
21-30 yrs.	31	31.6
31-40 yrs.	36	36.7
41-50 yrs.	22	22.4
51 and above	9	9.2
Total	98	100.0

According to the results, most of the respondents, 44.9%, held a bachelor's degree, 40.8% held a College diploma, 10.2% had a Secondary school certificate while 4.1% of the respondents had a post-graduate degree. This implies that all the respondents were well educated, an indication that they were able to read, interpret, and respond to the research questions with ease.

Table 3: Level of Education

	Frequency	Percentage
Secondary level	10	10.2
College	40	40.8
University	44	44.9
Postgraduate	4	4.1
Total	98	100.0

The results indicated that most of the respondents (39.8%) had worked with the current organization for more than 12 years 34.7% of the respondents a period of 9 to 12 years while 25.5% of the respondents a period of 3 to 9 years. Drawing from the findings, it is evident that majority of the respondents had served their current organization for a considerable period thus implying that they were able to give credible information relating to this study.

Table 4: Period of Service

	Frequency	Percentage
3 to 9 years	25	25.5
9 to 12 years	34	34.7
Above 12 years	39	39.8
Total	98	100.0

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4.2 Inferential Statistics

Table 5: Model of Fitness

The model summary is presented in the table 1 below

Table 1: Model Summary

Model	R	R Square	Adjusted R Squared	Std. Error of the Estimate
1	.786[a]	.617	.601	4.53948

The study used the coefficient of determination to evaluate the model fit. The adjusted R^2, also called the coefficient of multiple determinations, is the percentage of the variance in the dependent variable explained uniquely or jointly by the independent variables. As shown in table 1 above, the model had an average coefficient of determination (R^2) of 0.617. This implied that 61.7% of the variations on the performance of commercial banks in Thika town were caused by the independent variables under study that is service distribution channels, quality of service, loyalty and rewards programs and corporate image. A further implication was that the other 39.3% of performance of commercial banks was influenced by other factors other than those analysed in the study. This high value of R^2 therefore indicated that the model fit the data.

4.2.3 2 ANOVA Analysis

The study further tested the significance of the model by use of ANOVA technique. The findings are tabulated in table 2 below.

Table 6: ANOVA Analysis

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3091.321	4	772.830	37.503	0.01[b]
	Residual	1916.441	93	20.607		
	Total	5007.762	97			

From the ANOVA statistics, the study established the regression model had a significance level of 0.01 which is an indication that the data was ideal for concluding that the population parameters as the value of significance (p-value) were less than 5%. The calculated F statistic was higher than the critical value ($F_{statistic}$ = 37.503> $F_{critical}$ =2.70) an indication that service distribution channels, quality of service, loyalty and rewards programs and corporate image, all had a significant influence on the performance of commercial banks in Thika town. The significance value was less than 0.05, indicating that the variables had significant influence on organization performance of commercial banks in Thika Town

Regression of Coefficients

Table 7: Coefficients[a]

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Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	14.323	4.162		3.441	.001
	Service Distribution Channels (X1)	.322	.115	.189	2.800	.006
	Quality of Service (X2)	.875	.127	.481	6.873	.000
	Loyalty and rewards (X3)	.454	.124	.265	3.644	.000
	Corporate Image (X4)	.391	.122	.217	3.195	.002

The established regression equation was

$$Y = 14.323 + 0.322 X_1 + 0.875 X_2 + 0.454 X_3 + 0.391 X_4$$

The study established that a unit increase in service distribution channels while holding other factors constant will positively enhance the performance of commercial banks in Thika town by a factor of 0.322. The study also established that a unit increase in quality of service would improve the performance of commercial banks in Thika town by a factor of 0.875. According to the study, a unit increase in loyalty and rewards would enhance the performance of commercial banks in Thika town by a factor of 0.454 and that a unit increase in the corporate image of banks would improve the performance of commercial banks in Thika town by a factor of 0.391.

The analysis was undertaken at a 5% significance level. The criteria for comparing whether the predictor variables were significant in the model was through comparing the obtained probability value and $\alpha=0.05$. If the probability value was less than α, then the predictor variable was significant. All the predictor variables were significant in the model as their probability values were less than $\alpha=0.05$.

5.0 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of the findings

In line with the first objective, the study revealed that mobile banking, internet banking, agency banking, and POS Terminals are the most preferred banking channels that banks can employ to enhance customer retention. The findings revealed that clients are influenced by the mode of service deployed by the firm. The study also showed that distribution channels enable organizations to satisfy the tastes and preferences of clients and that managing customers according to their channel preference is essential.

On the usage of service distribution channels, the study established that they had a positive effect on customer retention. According to the findings of the study, a unit increase in service distribution channels while holding other factors constant will positively enhance the performance of commercial banks in Thika town. Additionally, banks in Thika town use various services distribution channels, including internet banking, agency banking, Automatic Teller Machines, Mobile banking, and POS Terminals.

The findings on service quality showed that most of the financial institutions often addressed the issues raised by their customers regarding their service. The study revealed that turn-around-time and first call resolution were very effective in most of the banks in Thika. The results further revealed that excellent service quality had enhanced success in most of the commercial banks. The study revealed that customers evaluate service quality based on personal favouritism such that the higher the level of quality of service, the higher the level of customer retention in commercial banks

The study revealed that loyalty and rewards programs have a significant effect on customer retention in the banking industry. Banks use various reward programs, including recognition of customers with the oldest relationship, redeemable loyalty points, and cash and merchandize rewards. Loyalty programs create a bond between customers and the commercial banks, thus improving customer retention. Customers who value recognition and unique rewards are deemed loyal. Loyalty programs were also found to increase sales and revenues and therefore, to increase the profitability of commercial banks.

The study, on corporate image, established that the effectiveness of communication to organization's clients is essential in enhancing bank's competitive advantage. It further revealed that branding, as an image tool, is critical in the banking sector. Creation of high-quality products and services was found to be important in enhancing the bank's competitive advantage. In addition, the study revealed that corporate social responsibility is vital as a potential strategy to improve the competitive advantage of commercial banks. The results also show that the most powerful means of creating a strong corporate image relies on the effectiveness of communication to the organization's clients. The study established that there was an increase in the profitability of commercial banks in Thika, a growth of market share and an increase in the percentage of retained customers to total customers as a result of the employment of customer retention strategies. Customer retention is, therefore, a great indicator of performance in banks.

5.2 Conclusions

Based on the study findings, this study concludes that quality service distribution channels had a positive impact on the performance of Commercial Banks in Thika town. Further, the study also finds that clients are influenced by the mode of service deployed by banks and that distribution channels enable organizations to satisfy the tastes and preferences of clients. The study further concludes that loyalty and rewards programs and a strong corporate image have a direct positive influence on the performance of commercial banks.

5.3 Recommendations

Given that distribution channels were found to enhance banks performance, banks must ensure continuous innovation in this area. This will help banks to identify themselves uniquely in the industry. In addition, all the distribution channels must be flexible, reliable.

The management of commercial banks ought to invest in strategies that promote quality service. These may include periodic training and development and installation of quality hardware and software that guide online services. It is also essential to periodically research areas of weakness to make a prompt adjustment on areas where service could have degraded.

Banks must continually invest in loyalty and rewards as these programs were found to enhance a bank's performance. Loyalty and rewards must be tailored to meet current standards to appeal to the target group.

The banking sector must continually and immensely invest in corporate image. In addition, the development of brands must account for the target market, and each brand must consider customers' feedback before making any decisions concerning rebranding. Banks must also create a competitive advantage through differentiation before embarking on a brand building so that it can attract attention and stand out from competitors.

The study sought to determine the customer retention strategies and their effect on the performance of Commercial Banks in Thika town. The study's independent variables that are service distribution channels, quality of service, loyalty and rewards programs and corporate image, only accounted for 60.1% of the variations on the performance of commercial banks in Thika town. Other factors accounting for 39.9% need to be identified and their impact assessed.

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