MODERATING EFFECT OF CUSTOMER INVOLVEMENT ON THE RELATIONSHIP BETWEEN RELATIONAL MARKETING STRATEGIES AND CUSTOMER VALUE IN COMMERCIAL BANKS IN KENYA

By

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DECLARATION

Declaration by the Candidate

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DEDICATION

To

My late parents

Mr. and Mrs Simeon Mboya

Whose values on hard work endure.

ABSTRACT

Customer value has been recognized in marketing literature for the last three decades as vital to marketing organizations; however, factors that contribute to customer perceived value have not been adequately addressed. The purpose of this study was to investigate the moderating effect of customer involvement on the relationship between relational marketing strategies and customer's perceived value. The study was guided by four specific objectives: establish the relationship between financial bonds and customer value; establish the relationship between social bonds and customer value; establish the relationship between structural bonds and customer value and assess the moderating effect of customer involvement on the relationship between relational marketing strategies and customer value. Social exchange theory and social control theory grounded the study. Target population of the study comprised 43 commercial banks operating in Nairobi, Kenya. The respondents were commercial banks retail customers. Stratified random sampling was employed to determine the sample size. The study employed explanatory research design. A questionnaire was used to collect data from 300 respondents. Data was analyzed by use of descriptive and inferential statistics; specifically regression and moderated regressions were used to test the hypotheses. The results revealed that financial bonds significantly influence perceived customer value. Social bonds were also found to significantly influence perceived customer value. Structural bonds however, were found not to be significantly associated with perceived customer value. Customer involvement was found to be a positive moderator in the relationship between financial bonds and perceived customer value. Likewise customer involvement was also found to positively moderate the relationship between social bonds and perceived customer value. Furthermore customer involvement was found to positively moderate the relationship between structural bonds and perceived customer value. The study recommends that commercial banks should identify critical financial and social bonds which can help in creating sustainable perceived customer value. The study further recommends that commercial banks should involve customers in deciding relational marketing strategies beneficial to both parties. This study provides new theoretical insight into factors influencing customer perceived value by incorporating customer involvement as a moderator in the relationship between relational marketing strategies and customer perceived value. The study suggests that future researchers can investigate the phenomenon of customer value in a different industry.

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CHAPTER ONE
INTRODUCTION

1.0 Overview

This chapter presents the background of the study, commercial banks in Kenya, statement of the research problem, purpose of the study, objectives of the study, research hypotheses, assumptions of the study, significance of the study, justification of the study and the study variables as guided by the conceptual framework.

1.1 Background of the Study

The concept of customer value emerged as the defining business issue of the 1990s, and has continued to receive extensive research interest today. The Marketing Science Institute (2006–2008) has included the definition of 'customer value' in its list of research priorities for 2010–2015. These developments reflect the great interest that has been generated by the phenomenon of value creation among marketing researchers in both academia and industry.

Despite this wide interest, the concept of value has often not been clearly defined in studies of the subject; indeed, according to Khalifa (2004), the concept has become one of the most overused and misused concepts in the social sciences in general and in the management literature in particular. Given the complexity and lack of consensus in this area, the purpose of this study is to provide new insight to the area of customer value, in terms of how relational marketing strategies influence it and the moderating effect of customer involvement on the relationship. In pursuit of this objective, the study examines the various schools of thought that exist in the literature on the subject, and identify their major contributions.

The marketplace today is very dynamic, vibrant and competitive. The customers are smarter, more informed, and have an access to many channels and choices which they take little time to exercise. Customer can easily defect to competitors who promise better offerings at lower prices (Bhardwaj, 2007). Present day business environments are characterized by increasingly saturated markets, caused by changes in the nature of competition and an ever-growing need to attain a comprehensive appreciation of customer needs. Matching the growing complexity of the business environment has led to an ever-more diversified and demanding customer base. (Barnes et al., 2004)

Increased customer value is frequently argued to be the single most important driver of organizations' long-term financial performance. Eisingerich & Bell (2007) find empirical support that customer value emerges as the dominant, significant, direct determinant of repurchase intention. Globalization of banking service market and the appearance of new leading banks are both the result of technological developments and the loosening of administrative and monetary interventions, and have led to stronger competition and the risk of reducing market shares for each banking institution. Therefore, in this competitive and globalized banking era, the customers of each bank constitute one of the most important assets that a banking institution should preserve and continuously expand. As customers are of significant importance, it is essential for the banks to satisfy their needs and wants (Mylonakis, 2009).

Relational marketing theory suggests that successful relational marketing results from certain aspects of cooperative relationships that characterize successful relational exchanges. Although according to Arnett and Badrinarayanan (2005) studies suggest numerous factors that influence relational marketing success, three factors consistently identified as important are trust (Sivadas and Dwyer 2000; Smith and Barclay 1997), relationship commitment (Day 1995; Geysken, *et al*., 1999;), and communication (Mohr *et al*., 1996). Successful relational marketing efforts improve customer value and firm performance through stronger relational bonds (e.g., Sirdeshmukh, Singh, and Sabol, 2002), but as mentioned above, the literature offers varied perspectives on which relational constructs moderate the effects of relational marketing efforts on customer value. In addition to commitment, trust, and communications, satisfaction, bonding, shared value, empathy, dependence and reciprocity have been considered as important components of relational marketing orientation (Sin et al., 2005; Eisingerich and Bell, 2006).

There is little agreement among researchers as to which individual or composite relational moderator best captures the key aspects of a relationship that most affect customer value or performance (Palmatier et al., 2006). To address this issue empirically, the study framework compares the relative effect of the different perspectives by analyzing customer involvement as a moderator. Therefore basic assumption of this study is that relational marketing orientation can help banks achieve customer value. For this reason, and because relational marketing is considered strategically important in the contemporary financial sector (Dibb and Meadows, 2001; Winer, 2002), this study aims to empirically investigate the impact of relational marketing on customer value. At the same time, this study also aims to investigate the impact of customer involvement, in association with relational marketing variables, on customer value

1.1.1 Commercial Banks in Kenya

The banking system in Kenya is regulated by the Central Bank of Kenya (CBK) Act Cap 491 and the Banking Act Cap 488. These Acts are intended primarily to facilitate the development and maintenance of a sound monetary policy (GoK, 1989). The industry comprises of financial institutions, among them commercial banks. Others are either nonbank financial institutions or mortgage finance companies.

According to the Commercial Banks Directory (2007), Kenya has a well-developed financial sector, particularly for the region, but it is vulnerable to government influence and inadequate supervision. The central issue of interest by the Central Bank to the Kenyan commercial banks is how best to promote access to the financial system by a wider segment of the Kenyan populace. Commercial banks‟ expansionary strategy targets Small and Medium Enterprises (SME‟s). The banking sector in Kenya, by offering financial services to the low-income households and micro and small enterprises, has enormous potential to support the economic activities of the poor and thus contribute to poverty alleviation. Owing to the importance of savings and credit facilities, there is considerable emphasis on the sound development of banking institutions as vital ingredients for investment, employment and economic growth. But now the much-vaunted Kenyan financial system is looking tarnished. Precisely the attribute of the system that previously appeared to be a virtue, the willingness of banks to go on lending to firms in distress, now turns out to have led to serious problems. Borrowers who should have been cut off were not, with the result that further billions were lost. The public has had to pay twice. They pay once in the form of slower economic growth as the result of the prolonged overhang of bad loans (and other aspects of the burst bubble), and then again as taxpayers when the government ends up footing the bill (Commercial Banks Directory, 2007).

Over and above the above phenomena, competition for survival and growth within the industry is extremely intense. This poses a major challenge owing to the poor performance of the economy in the recent decades and the decline in the inflow of investments and shrinkage of profits. The banking industry in Kenya has been dogged by a lot of controversies in the past. The general public has accused the industry of exploitation. Banks have been accused of making immoral profits by charging exorbitant fees and charges (in an economy under recession). As such, corporate social responsibility has become part and parcel of strategy among industry players (Njagi, 2003).

Nevertheless, Kenya’s banking sector has been evolving quite fast and adapting to the challenges in its environment which include a poor and declining economy, cyclical interest rates, high incidence of non-performing loans, changes in the regulatory environment and a fluid and volatile political environment. The issues and challenges facing the corporate sector have never been as turbulent and unpredictable as they are today due to the globalization and liberalization of the economy, intensive competition, emerging multilateral trading order, hence the need for development of sustainable strategies.

The banks compete mainly on products and pricing. Though the banks compete on all fronts like the use of new technology, new products, and pricing; there exists differences in the levels of customer service provided in each of the banks and one can easily differentiate them from the levels of customer service delivered. Superior customer service coupled with product segmentation is deemed to have a competitive advantage in which a product whose attributes differs significantly from rivals‟ products. According to the Commercial Banks Directory of (2007) provided by Central Bank of Kenya, the peer grouping of this sector has been categorized into small, medium and large (see appendix iv). These banks compete for customers and as service providers, relational marketing and management is a critical issue in the banks‟ financial performance and market share growth through customer value.

1.2 Statement of the Research Problem

Despite large investments on relational marketing strategies to build and maintain relationships with customers (De Wulf, Odekerken-Schröder, & Van Kenhove, 2003), many firms’ loyalty programs remain unsuccessful in achieving their aims, including targeted returns (Dowling & Uncles, 1997) and improved customer perceived value of the relationship quality with the seller (Crosby, et al., 1990; Johnson, et al., 1993). The key question is, why? Are there some moderating constructs that might better explain what is happening? This may be because customers' perceptions of a firm’s relational marketing strategies are different from customers' perceptions of personal gains (De Wulf, et al., 2003). If a customer perceives a firm’s investment as an economic benefit or financial gain to the firm, rather than a relationship investment from the firm, he or she is not likely to experience affective responses such as customer value or affective commitment (Vesel & Zabkar, 2009). However, he or she might experience continuance commitment, which is sustainable as long as the cost-benefit analysis falls in favor of the customer. Consequently, many researchers highlight the need to investigate possible psychological mechanisms, beyond the traditional role of trust, satisfaction and commitment, such as customer involvement, that may better explain how customer perceived value may be achieved in relationship investments and the quality of the relationship (e.g. Palmatier, Dant, & Grewal, 2007; Russell-Bennett, McColl-Kennedy, & Coote, 2000). Are there other mechanisms that, in combination with relational marketing strategies, work to produce pro-firm customer behavioral intentions?

This research proposed that customer involvement is worthy of attention because it may provide insight into customers' perceptions of, and feelings towards, relational marketing strategies in the exchange process (Palmatier, et al., 2009). The research also proposed that customer involvement acts interdependently with relational marketing strategies (Evanschitzky, Iyer, Plassmann, Niessing, & Meffert, 2006). A large body of empirical research repeatedly demonstrates that emotional responses play a significant role in developing customers’ positive perception of sellers (Van Dolen, de Ruyter, & Lemmink, 2004). Based on this positive perception, customers decide whether they can develop psychological attachment to the seller. Algoe, Haidt and Gable (2008) find that customer involvement on benefits received improves a receiver’s perceptions of a giver, including an emotional attachment to the giver (e.g. liking, closeness, commitment to the giver). Thus, if customer involvement increases customers' positive emotional responses to a seller, it also should improve customer perceived value

This research contributes to marketing literature by examining how customer involvement moderates the relationship between relational marketing strategies and customer-perceived value of the relationship. Thus, this thesis answers the following sub-research question: Does financial bonding positively influence customer perceived value? Does social bonding contribute significantly to customer perceived value? Does structural bonding positively influence customer perceived value? Does customer involvement moderate the relationship between relational marketing strategies and customer perceived value?

1.3 Purpose of the Study

The study sought to establish the moderating effect of customer involvement on the relationship between relational marketing strategies and customer value in Kenya's commercial banks

1.4 Objectives of the study

i) Establish the effect of financial bonds on customer value

ii) Establish the effect of social bonds on customer value

iii) Establish the effect of structural bonds on customer value

iv) Assess the moderating effect of customer involvement on the relationship between relational marketing strategies and customer value

1.5 Research Hypotheses

i) There is no significant effect of financial bonds on customer value in commercial banks in Kenya

ii) There is no significant effect of social bonds on customer value in commercial banks in Kenya

iii) There is no significant effect of structural bonds on customer value in commercial banks in Kenya

iv) Customer involvement level does not significantly affect the relationship between relations marketing strategies and customer value in commercial banks in Kenya

1.6 Significance of the Study.

This study is of significance to various groups as discussed;

Marketing students benefits from this research as a source of literature in relationship marketing strategies and customer value. The students also gain new knowledge and insight on the importance of relationship marketing in general and creation of sustainable customer value in particular.

The study provides vital direction to commercial bank managers in making decision on relational marketing strategies to adopt so as to improve not only customer value but also the overall performance of their banks. Commercial banks also benefit from this research in the development of new relations strategies so as to remain relevant and competitive in a highly dynamic market. Such new strategies may help in addressing the ever changing customer needs.

The government, through the Ministry of finance benefit from this study in that the recommendations may help the ministry to develop a clear relational marketing and customer value policy framework, develops relevant regulatory frameworks to protect customer interests and ensure beneficial relations between the commercial banks and customers. This assist the government to achieve its development plans of industrialization and vision 2030.

The smooth and efficient running of any organization depends directly on how well its employees are equipped with relevant skills. New employees almost invariably need some form of training before they can take up their work, while the older employees will require training to keep them a breast of the dynamic nature of customers and technological developments. They must from time to time be assisted to perform better in their present position through some form of training. This study is important to commercial banks employees in terms of understanding the value of relations marketing, creating a well integrated and holistic organization where employees in all functional areas are committed to enhancing customer value, so as to better the overall performance their banks.

The study is vital to entrepreneurs in understanding and appreciating the importance of the role played by relations marketing in creating sustainable customer value. Such understanding enables entrepreneurs to decide which relational marketing strategies they can employ in their businesses so as to remain competitive in the face of ever increasing competition. The increasing demand for banking services in Kenya is not in doubt. The study also benefits entrepreneurs in identifying opportunities of starting and successfully operating commercial banks using relational marketing strategies.

Most non-governmental organizations working in Africa are interested in poverty reduction. One of the sure ways of reducing poverty is by encouraging individuals and communities to save, so as to have a financial base upon which they can launch development programs. NGO's benefits from this study by being able to sensitize various communities on the available beneficial saving opportunities in commercial banks and making decisions on which banks offer the best customer value, so as to channel their development funds through such banks.

Furthermore this study is justified when one considers the substantial costs involved in relational marketing and the increasing managerial focus on maximizing customer perceived value in more cooperative and long-lasting relationships (Kuria, 2007)**.** Customer value and customer retention are the most important challenges faced by most of the Chief Executive

Officers across the world (Ball, 2004). At the same time, it is also found that effective relational marketing strategy helps the organization to understand customers' needs, so that organizations can serve their customers better than their competitors, which finally leads to cost reduction and customer value (Gaurav, 2008). Cultivating loyal customers can lead to increased sales and customer share, lower costs, and higher prices (Zeithaml, Berry, and Parasuraman 1996). According to Reichheld (1996) a 5% improvement in company's customer attrition rate can push company's profits 75% higher. This study will certainly strengthen the existing body of knowledge by providing some empirically tested insight in the Kenyan banking context.

1.7 Scope of the Study

The study investigated the moderating effect of customer involvement on the relationship between relational marketing strategies and customer value. It covered 43 commercial banks in Nairobi, Kenya. The study employed explanatory survey research design which was cross-sectional in nature. The sample population was limited to commercial banks customers who are 18 years and above. The study was conducted for eleven months (see appendix vi). Commercial banks in Kenya occupy an important place in the nation's economy. It plays a pivotal role in the economic development of a country and forms the core of the money market in the country (Kuria, 2010). The banking industry like many other financial service industries is facing a rapidly changing market, new technologies, economic uncertainties, fierce competition and more demanding customers and the changing climate has presented an unprecedented set of challenges (Kuria, 2007). Banking is a customer oriented service industry, therefore, the customer is the focus while relational marketing strategies and customer involvement are the differentiating factors, hence the study.

1.8 Operational Definition of Key Terms

Customer value: is the customer's perception of benefits he/she received from service provider in relation to the competition

Relational marketing strategies: Techniques **e**mployed by marketing firms to attract, maintain and enlarge customer relationships. Relational marketing strategies are examined to be important to long-term marketing success as creating customer value and obtaining new customers. Cementing the relationship, transforming indifferent customers into loyal ones, creating customer value are key relational marketing strategies outcomes.

Relationship bonding strategies: Tactics used by marketing companies to form alliances between firms and customers. A large number of these ventures are unstable and perform poorly despite the contractual arrangements made by the firms to create stability. The main assumption of social exchange theory is that actors behave in ways that increase outcomes they value positively and decrease those they value negatively in relationships.

Financial bonds: is a bond that arises from the existence of financial incentives, among others, in the form of cost savings incurred by the customer, lower prices for customers who have long been the company's customers and other economic benefits.

Social bonds: Are social ties created through familiarity, friendship, and personal confidence built through interpersonal exchange. It can be easily imitated by competitors that would be difficult for consumers to differentiate service offerings, because all services are offered almost the same, forming social bonds or business entity for services improving relationships by studying the needs and readiness of the consumers. The maintenance of the relationship implies a great degree of self-disclosure, concern for the partner, and presence of liking for the other person

Structural bonds: Are ties built with customers through quality services. Through this bond business entity providing the best quality results for customers that consumer feels satisfied.

Structural bonds are the multiplicity of economic, strategic, and technical factors that develop during a relationship involving explicit business benefits through technology and markets.

Customer involvement: A subjective psychological state that reflects the importance and personal relevance of a product or service to a customer and explains consumer behavior. Past research suggested that customer involvement affects the level of brand loyalty, brand discrimination, product selection, and purchase decisions

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction
The chapter discusses the concept of customer value, evolution of relational marketing, the concept of relational marketing, the concept of bonding in relational marketing orientation, financial bonds, social bonds, structural bonds and moderating effect of customer involvement as contained in the conceptual framework. It also describes the social exchange theory which has been used to ground the study

2.2 The Concept of Customer Value
Organizations are increasingly recognizing that customer value is a key factor in strategic marketing management (Golfetto, F., & Gilbert, M., 2006, Spiteri and Dion, 2004). Indeed, Beverland, M., Farrelly, F., & Woodhatch, Z. (2004) has observed that the creation of customer value must be the reason for the firm's existence and certainly for its success. As these words indicate, the creation of customer value has become a strategic imperative in building and sustaining a competitive advantage (Wang et al., 2004). It has been established that loyalty and profits are strongly linked to the value that is created for customers (Khalifa, 2004), and the concept of 'consumer value' has become the fundamental issue to be addressed in every marketing activity (Day, G. S., & Schoemaker, P. J. H., 2004).

2.2.1 The Value Proposition
Many definitions of the value proposition concept have been made, and the concept is widely used. A value proposition is an explicit promise made by a company to its customers that it will deliver a particular bundle of value creating benefits (Buttle, 2009). In other words, "the value proposition is a written statement focusing all the organization's market activities onto customer critical elements that create a significant differential within the customer's decision process, to prefer and/or purchase the organization's offering over a competitor's" (Fifield, 2007). Lanning (1998) defines the value proposition as an entire set of experiences, including

value for money that an organization brings to customers. Customers may perceive this set or combination of experiences to be “superior, equal or inferior to alternatives”.

According to Anderson, Narus and Rossum (2006) there are three kinds of value proposition. These are; all benefits, favorable points of difference and resonating focus. All benefits are a complete list of positive features that a supplier believes its offerings might deliver to end customers as a result of good knowledge about the customers and the competitors. Favorable points of difference are the factors that distinguish the supplier’s offerings among the next alternatives. To achieve that, detailed knowledge about the next best competitor(s) is required in order to shape the company’s strategy. The resonating focus approach differs in two respects: more is not always better and it is better to focus on one or two key points to deliver to the target customer. Suppliers in this approach must identify the elements that make their offer superior in order to demonstrate, document and communicate them clearly to the targeted customers.

2.2.2 Customer Value Perspectives

According to Martinez, to gain the best combination of value, there should be a link between two perspectives of value. These perspectives are: Internal Value: i.e. shareholders perspectives, where value is profit. Good corporate value is expressed in the mission, vision statements and objectives. External Value: i.e. the customer perspective, where value is their satisfaction. Customers define value in different ways, according to product features. Therefore, a balanced relationship must be clear between the positive and the negative consequences. Positive consequences are the benefits that customers get following the negative ones, which are sacrifices that include monetary and non-monetary costs. A value proposition has measures that differ from the traditional measure of value (internally oriented view), seeing the business instead from a customer perspective (externally oriented view) (Bititci, Martinez, Albores and Parung, 2004).

According to Tuominen (2004), “competitive advantage and superior value flow from whatever unique ability a firm has to shape, reshape, configure and reconfigure those assets to serve customer needs”. A case in point is Wal-Mart, the biggest retail company in the world. Despite the economic recession suffered in the United States, and expectations of unprecedented economic contraction, Wal-Mart recorded the highest sales figures in history during the last quarter of 2008. This record is a result of customers’ perceptions that they do not believe that someone else can provide the same value that Wal-Mart offers, whether this value is about price, convenience (easy to find or free delivery), range of products or promotions. Lanning (1998) stated that a superior value proposition offers breadth of resulting experiences, which may make an improvement over other scenarios of experiences. Neither internally-driven nor customer-propelled methods work well in discovering these scenarios. Managers must think like customers and listen to them. Michael Porter’s original competitive advantage framework presented strategy decisions as a choice between whether to provide generic low-cost products and services or more differentiated and customized ones for specific market and customer segments to create and deliver customer value (Kaplan & Norton, 2008). Kaplan and Norton (2008) realized that customer synergies arise when companies consistently deliver the same value proposition across a geographically dispersed network of outlets.

When investigating the value proposition, there should be some visible signs on customers’ perceived value terms. According to Ravald and Gronroos (1996), customer perceived value is the trade-off between perceived benefits and perceived sacrifice (Kar, 2006). Perceived sacrifice involves all of the activities of purchasing, comparing prices, transportation and installations. Perceived benefits are the physical and technical features of the product. That means that adding more benefits and reducing sacrifices may increase customer perceived value. Fifield stated that “A successfully tested and proven value proposition is essential to a successfully differentiated business” (Fifield, 2007). As the value proposition can improve the efficiency and effectiveness of the internal process of a particular product or service, the results would be many more retained customers and cost reduction, which finally lead to satisfied shareholders, profit rise and increases in market share. Kar (2006), states that “the ability of a company to provide a superior value for its customers is regarded as one of the most successful competitive strategies”.

Steven (2009), states that the entire purpose of the value proposition is to focus on the sole benefit of the client. He explained why companies use the value proposition, namely to distinguish the product from competitors, to provide a better lead, to introduce the product or the service more quickly to the market and enable sales professionals to take the lead. Steven stresses that customers are the lifeblood of the organization; therefore, competitive differentiation stems from the perceived customer value, while customers desire to be with those they trust. However Fifield (2007), points out that “customers understand value intuitively, which makes it difficult for us to measure dispassionately”. In addition, he recognized two reasons that make it difficult to understand value. One is that value is usually linked with pricing issues, and that is an under-researched subject. The second reason is that the term value has different meanings for different people, and it is not easy to define and quantify.

Walker (2008) explained the primary means of creating value or being different from competitors. Companies used to focus on the actual product or service they provided. However, to create value, they should focus on the features and functionality of products or services. To identify them, they should identify the term value from the customer prospective. Several tools are used to collect information, for example, market research, customer satisfaction surveys and customer focus groups. Walker listed five questions that an organization should clarify when establishing its value proposition. These questions are concerning who the customers are, what they are being sold, how products are differentiated from competitors', success factors, and potential for improvement. A recent study of effective management practices concluded that innovation works effectively if a clear customer value proposition is at the base of strategy. It must be sharply defined, clearly communicated and well understood by employees, customers, owners and investors (Hardy, 2005).

Organizations are free to choose the best value proposition model(s) to suit their external and internal needs. Therefore, an organization must understand how customers behave compared to when they deal with other suppliers. Consequently, organizations must gain insights into customer behaviors' at particular times and locations. For an organization to be successful, its value proposition must be compelling, differentiated and clearly communicated to customers and stakeholders. However Tuominen (2004), states that value creation alone is insufficient to achieve competitive advantage and financial success, and therefore firms that do not have the ability to restrict competitive forces are unable to appropriate the value they have created. An important point is that value proposition should be based on customer insights and knowledge rather than guesses and imagination.

2.2.3 Customer Value from the Corporate Perspective

The mission and vision statements and the objectives help to provide value from the corporate perspective. According to Johnson, Scholes and Whittington (2008) "A mission statement aims to provide employees and stakeholders with clarity about the overall purpose of the organization. It is therefore to do with building understanding and confidence about how the strategy of the organization relates to the purpose. However, a vision statement is concerned with what the organization aspires to be. Its purpose is to set out a view of the future so as to enthuse, gain commitment and stretch performance". A study shows that the stakeholder groups that the company is more dependent on are addressed in mission statements more frequently. Mission statements also clarify the legal origin, provide a profile of the industry and describe the ownership concentration. Objectives consist of lists of tasks to be achieved, for example, a desired sales or profit level, market share, and customer service. Companies must identify buying motivation factors, so that they can be formulated as strategic priorities in areas such as marketing communication, differentiation and segmentation (Rintamäki, Kuusela and Mitronen, 2007).

2.2.4 Customer Value from the Customer Perspective

Customer value can be seen as a more personal and holistic view of quality. It is therefore an assessment of both the positive and negative consequences of using a product or a service (Rintamäki, Kuusela and Mitronen, 2007). Fifield (2007) listed six questions for organizations when they begin to create or deliver a value statement. These are: Who are the target customers? Researching the target customers will clearly identify market and customer groups, what are their needs and problems? What type of value do they seek (price, benefits, efforts, or risk) and what would be the best way to communicate the problem internally and externally? What is the target context or occasion? That refers to customer purchasing behaviors, the time they choose to buy, the place (from where they prefer to buy) the physical location, their feelings and emotions when making buying decisions, what will the product or service do for them? The value proposition should be used properly to interpret the offer exactly with no questions. Consequently, a customer who chooses to buy the product or the service will know exactly the features and benefits on offer, how is your offering unique? This is somewhat dependent on the customer. The only option for the manager is to ensure that employees at operational level are doing their job perfectly. They should also understand the value proposition that an organization has promised to deliver to its customers and why should they prefer your offer over the competition? This is a real test, as to how customers show their preferences towards the organization and purchase its offerings. The most important part is to deliver and communicate the offer very well to the customers, so that they clearly understand its advantages.

2.2.5 Customer Value Creation

Customer Value Creation (CVC) is a process introduced by Plaster and Alderman (2006) for building a profitable growth platform for an organization based on creating and delivering the expected value to customers. CVC is a "customer-centric framework for helping companies choose the best opportunities for growth by optimizing the value creation between the enterprise and its customers" (Plaster and Alderman, 2006). They formulated this equation:

CVC = Customer Value Analysis + Operational Excellence

Where; customer value analysis is the ability of a company to understand how value is created and captured. In other word, it defines value from customer perspectives. The operational excellence in contrast is the process(s) required by the organization in order to deliver the optimal value to its customers.

Following Osterwalder and Pigneur's (2003) study, Fifield (2009) adopted the findings to formulate the equation below which identifies how customers see value in terms of four elements:

Value = Benefits – Efforts – Risk – Price

Value is perceived by customers, but not just in terms of the product or the service itself. Benefits and efforts are the two elements that add more value to customers. Benefits are gained from the usage of the product and whether it provides solutions. Additional benefits increase the value. On the other hand, minimizing efforts, risk and price also have a positive impact on the value proposition. Efforts are the innovative ways that a company must introduce to make customers' life much easier, for example, e-business, lower search, cheaper maintenance and training. Reducing customers' risk should create value to them. This reduction can take many phases, for example price risk, such as buy-back guarantees and other financial options. Product risk, that can be reduced by representing a substantial problem to the customer, where risk is the perceived downside in time, image and peer recognition. Finally, price is the perception of a downside as regards price and opportunity cost (Walsh, G., Shiu, E. and Hassan, L.M., 2012)

2.2.6 The Value Cycle

Lam, S. Y., Shankar, V., Erramilli, M. K., & Murthy, B. (2004), state that the value proposition must be studied through its entire value life cycle. Value elements can be created in each of the five stages of the value life cycle. These stages are: value creation, value appropriation, value consumption, value renewal and value transfer. Value creation: The traditional view of the value creation process does not allow customers to take part in feeling the value. Marketing research and development are mainly responsible for adding value at this stage based on historic data and observations. However, these days, the customers of several companies are included in this stage. For example, Dell customers can make their own PC's according to their needs. Value appropriation: Value can be created in this stage by developing, improving and facilitating customers' buying experience. This can be done in two steps, firstly improving how transactions are conducted and secondly by making customers feel fulfilled. Value consumption: The core value proposition, at this stage customers see and feel the value through the actual use of the product or the service. At this stage value can be created through a bundle of benefits that are linked to the product or service. It can be improved through observation and resulting feedback. Value renewal: This stage is when value expires or finishes, for example, expiry products at a supermarket or expiry of subscription to a magazine. The value can be created at this stage by adding more benefits and features to the product or the service in the renewal process. New software upgrades is a good example of this stage, as the new software gives more features and options to the users. Value transfer: The final stage of the value life cycle is the stage when customers can no longer acquire value.

2.2.7 Customer Value Status

Fifield (2009) stated that perceived value and willingness to pay are correlated. Customers are willing to pay in several circumstances, for example, when they are faced with different offers, when they are in a partnership with the supplier, when the need to buy is urgent, when there are no substitutes and when there is a high positive relationship between the value perceived and the price. Companies must choose the best pricing strategy to deliver value from both the customer and corporate perception. Capon & Hulbert (2007) introduced some factors that a firm must consider before making pricing decisions. Some of these factors are important for delivering perceived value to end customers, namely: *Perceived substitutes:* differentiation on offers and prices compared to competitors, *Unique value:* customers weigh the benefits and features of the product and perceive these benefits as a unique value provided only by the organization. *Price/Quality:* firms must consider that customers always seek to have a positive price/quality relationship for a product or service to make a purchase decision.

Lanning (2000) stated five interrelated decisions that must be taken by an organization when choosing a complete value proposition, namely identifying the intended customers and what can be done for them, determining the proposition's time horizon, identifying the competitive alternatives for customers, and what results will be derived compared to alternatives. Ulrich, Zenger, and Smallwood (1999) argued for five potential value propositions, namely low cost, quality, speed, service, and innovation. Organizations must offer all of them and specialize in at least one. Zeithaml (1988) studied three consumer defined values: Low price, quality and value for money, and features. The study concluded that "perceived value is the consumer's overall assessment of the utility of a product based on perceptions of what is received and what is given". Some customers may see value in cheap price and others in terms of volume obtained.

2.2.8 Value Dimensions

Bititce, Martinez, Albores, and Mendible (2003) added hard and soft dimensions to value, thus creating six value propositions. The hard and soft dimensions can be both tangible and intangible. They include: *Innovators:* companies who continually develop and improve their technology, their value proposition being that customers are usually advanced in technology. *Brand Managers:* companies that develop a strong brand name based on certain characteristics, such as style or image. The value proposition to customers is a product that can make a customer look good or a product that sends a message about the customer's life style. *Price Minimisers:* The value proposition here is value for money. This dimension focuses on selling the product at the most competitive price. *Process Simplifiers:* companies provide simple and easy solutions to their customers. The value proposition is a perception that using a product or service will be more productive and less complicated for the customer. *Technological Integrators:* companies offer specialist technological solutions to clients. Their value proposition will be about knowing customer needs and designing a product to fit them exactly, effectively and efficiently. *Socialisors:* companies create and develop an interpersonal relationship with key customers. The value proposition is trust, interpersonal relationships and familiarity. Lanning (2003) created a strategy framework that delivers value to customers by restructuring the traditional concept of the value chain which was introduced by Porter (1980). The value chain framework treated business as a product supply system, reinforcing the business internally as a customer-compelled system, while the delivery value system seeks to clarify what value proposition the organization should deliver and how the resources, products and processes must be aligned towards profitably delivering this value. Aligning the value delivered with the business strategy is an integrated process that all functions in the organization are responsible to take part in, in order to achieve the value based on the organization's strategy.

Peat (2003) introduced the process of aligning business practices with value-based pillars. He emphasized that it is not a question of the strategy that an organization chooses (low price or innovation), but the main issue to make it work is that it is sharply defined, clearly understood and well communicated to employees, customers, investors and partners. At the operational level he stresses on never disappointing customers even, if it is very difficult to please all of them. Value at the end must be aligned with customer expectations and how the company delivers value. Marketing ensures that the company is delivering exactly what customers want to buy. The process includes digging deeply and investigating the market. The job is to define the exact needs and wants of customers. New distribution channels are based on the insights that marketing provides. Creating new promotions, reliable offers, competitive prices and social responsibility are means to adding value to customers.

Finally, a good value proposition must answer all questions. It needs to be clearly superior to alternatives. In addition, it should be deliverable in a relevant time frame. It must produce more revenue than cost (Lanning, 1998). The essential idea of marketing is to develop superior value to customers. According to Doyle (2004), customer value creates shareholder value. He emphasized that the marketing approach for creating customer value is based on three principles. First, customers usually choose the best offer that delivers value to them when comparing between competing companies providing the same product or service. Secondly, customers do not look only at actual product or service, they also evaluate whether or not it suits their needs. These needs may be emotional or price related. Therefore, value is the ability to estimate what the product or service will deliver, according to the customer's exact needs. The third principle is to create a relationship and build customer loyalty in order to have customers who buy and re-buy from the company.

2.2.9 The Role of Relational Marketing on Creating Customer Value

The relational marketing role in providing superior value to customers is firstly to understand their needs. Customers usually want the product that satisfies their needs. They do not buy a product for its own sake. For example, supermarket shoppers go to a shop every week to buy food to eat and survive. Marketing research is required to understand their exact needs and to satisfy them based on that. The second step is to understand and develop market-oriented production, where the production takes place according to the information gathered from customers. The process in market oriented companies starts with identifying actual and potential customer needs and wants, and based on that, looking for potential market opportunity. Then, businesses must look at the production and marketing capabilities required. The execution stage is followed by feedback from customers. According to Doyle (2004), value based marketing requires not just understanding the market, but also the competitive dimensions. This is not a role confined to the marketing department but it is integrated work that must be accomplished in conjunction with other departments to achieve competitive advantage and fulfill the value proposition. The overall business operating model must be based on value analysis and competitive analysis. Doyle (2004) listed the strategies that can offer more to customers, for example product leadership, service leadership, customer intimacy and brand leadership. A winning value proposition must meet the criteria of customer benefits, uniqueness, profitability and sustainability.

2.3 The Evolution of Relational Marketing

Contemporary Marketing Management identifies Relational Marketing (RM) as a paradigm shift from traditional marketing practices to a strategic function. It is not only concerned with Customer Relationship Management (CRM) but also plays a significant role in value creation process at all levels across the value delivery network.

The concept of Relational Marketing has evolved gradually. It was first evident in service marketing as customer was identified as an integral part of the marketing and delivery process which subsequently necessitates a close relationship between the customer and the service provider. The phenomenon Relational Marketing was first identified by some of the insightful writers like Berry (Berry *et al*, 1983 and Gronroos, 1990 and McKenna, 1991). Although McKenna has often been credited with the term "relationship marketing", but it was Berry who first defined and analyzed in scientific literature. However there was also a parallel development in industrial marketing which contributed to the development of relationship marketing (Gronroos, 1990).

According to Berry *et al* (1983) customer relationship can be best established around a core service, which ideally attracts new customers through its need-meeting character. However, creating customer loyalty among the old customers is one of the main goals of Relationship Marketing. Finally, Berry *et al* (1983) define internal marketing as a pivotal relationship marketing strategy, where employees are seen as customers inside the corporations. At the same time, Gronroos (1990) developed several new concepts in service marketing, which were later incorporated as part of the Nordic School of Services. He identified relationship marketing as a central theme of service marketing with no separation between production, delivery, and consumption, thus the buyer-seller interaction must be considered as part of marketing's task which can be fulfilled through relationship with the customer. Strangely enough, traditional marketing concepts omitted or ignored it.

Industrial marketing has traditionally been seen different from consumer or service marketing. As Gronroos (1990) points out that some of the tasks other than traditional marketing functions are important in industrial selling. These tasks may include repairs, servicing, maintenance, delivery, product development, installation, training, etc. Performing these tasks necessitates a close seller buyer connection and often involves partners other than the seller and the buyer. Consequently, even if the term "relationship marketing" was not used in industrial marketing, the nature of industrial marketing clearly demonstrates several of its core characteristics.

Thus it can be concluded that there have been in fact two routes to the present-day relational marketing. The first was a gradual realization of the importance of relationships, initially in service marketing and partly in industrial marketing. The second route was through a transformation of business in general, due to rapid and radical changes in the environment. These changes resulted in an emphasis on service, close customer contact, and a holistic view of the parties and processes involved in marketing and business. The emphasis is on a holistic view of the supplier-manufacturer-customer chain and process quickly became visible (Aijo, 1996). Cravens and Piercy (1994) suggested that the cornerstones of relationship marketing are 'customer retention' and 'process orientation', two issues that are likely to strike a chord with every organization at the present time. Relationship marketing is now considered to be a feasible strategy in mass consumer markets (Gronroos, 1996; Sheth and Parvatiyar, 1995).

2.4 The Concept of Relational Marketing

The earlier definition of marketing by American Marketing Association (1985), states that “Marketing is the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchange and satisfy individual and organizational objectives”. However, this view of marketing was considered outdated, and its’ relevance was found only to certain types of firms and markets (Gummesson, 1987; Gronroos, 1989). Further, argument was made that this perspective is overly clinical and based solely on short-term economic transactions (Moller, 1992). Such criticisms have led to the suggestion that a paradigm shift in marketing is needed if marketing is going to survive as a discipline (Gronroos, 1995) and companies must move from short-term transaction-oriented goal to long-term relationship-building goal (Kotler, 1992).

In relational marketing, ties exist between the customer and the marketer that engenders commitment and repeat purchase. The benefits of this relationship according to Holstius and Kaynak (1995) is mutual since, relationships are partnership and emphasis is on social bonding, cooperation, joint problem solving, sharing resources and activities. This is developed overtime as a result of interaction and plays an important role in customer retention, brand loyalty and customer value equity which may lead to a yield of profitability, increase in market share and other benefits to the organizations.

Ndubuisi (2004) argued that, more and more firms are capitalizing on strong firm-customer relationship through bonding to gain invaluable information on how best to serve customers and this new trend is technologically based. The application of this new paradigm by foreign marketers put them ahead of the developing markets like Kenya where relationships are rather loose. This has placed the developed economies at vantage position in terms of consumer behavior management. More so, the technologies required for the best practice of Relationship Marketing Orientation are not adequately available in the developing economies. The reliance of our marketers on transactional marketing will make them a failure in a competitive global market where relational marketing is holding sway (Adeleye, 2007). Thus, study intend to conduct a research on bonding as a relational marketing orientation dimension that impacts on customer value hence business performance in the Kenyan banking industry.

2.4.1 Why firms form Relationships with Customers

Firms want to form relationships with customers for many reasons. First, firms can build up knowledge repositories about their customers, which assist in a better understanding of their customer needs and wants and their changing values and interests. This can assist in a wide range of marketing activities, including the development of new products and services, more appropriate promotion, and more effective distribution strategies (Danaher *et. al*., 2008).

Second, in long-term relationships, the size and complexity of the transactions between the customer and the firm are likely to increase, resulting in greater returns for the firm. Third, a customer who is familiar with a firm's processes and systems is likely to have more realistic expectations of what the firm can achieve for the customer, and such customers have a better understanding of what information they need to provide the firm (Bell, Auh, & Smalley, 2005). Fourth, customer capital is built up over time, as some customers are more valuable to the firm than others, and therefore, firms seek to retain these customers because of their lifetime value (Rust, Lemon, & Narayandas, 2005). Fifth, if the relationship is a highly valued one by the customer, he is less likely to defect and more likely to spread positive word of mouth (Priluck, 2003).

2.4.2 Why Customers form Relationships with Firms

While the reasons for firms wishing to form relationships with their customers are very convincing, it is sometimes less clear why customers may want to reciprocate in relationship development (Danaher *et. al*., 2008). Gwinner, Gremler & Bitner (1998) mention that benefits customers may receive from a relationship: confidence benefits, which is knowing what to expect from the service provider, thereby reducing anxiety; social benefits, such as being personally recognized by employees of the firm and perhaps developing friendships between customers and employees; and special treatment benefits, which include customers receiving price discounts and faster or customized additional service.

2.5 The Concept of Bonding in Relational Marketing orientation

In a relationship, most especially the one between customer and business providers requires some kind of tie otherwise called bond that unite them together. Due to its importance, researchers have been attracted to the issue of bonding in relational marketing (Vierra and Ennew, 2004). Defining bonding Callanghan *et al*, (1995) said it is the dimension of a relationship that result in two parties (customer and supplier or buyer and seller) acting in a unified manner towards a desired goal. A bond has a number of dimensions which Chiao (1982) based on some cardinal relations that includes social interaction, closeness and friendship.

Sin *et al* (2002), claimed that bonding have served effectively in controlling social and business behavior. There are different kinds of bond, Ahmad and Buttle (2001) reiterated that in the context of service marketing there are three forms of bonding that exists between parties thus, creating different levels and these are financial, social and structural bonds. But, Vierra and Ennew, (2004); Sin, *et al* 2006)) agreed that, the two most widely discussed bond are social and structural bonds. While, social bond developed over a long period of time. It relates to the degree of mutual personal relationships premised on friendship and likeness between the parties. Social bond are positive interpersonal relationships between the buyer and the seller (Turnbull and Wilson, 1989). At this level of bond, the supplier regards the customer as a client with personal communication. Social bond helps to look at the similarities between two parties and remove doubts, create trust, as well as, form close relationships. This according to Hinde (1997) leads to greater commitment; Structural bond on the other hand, is one of the most important bonding while building a relationship. Vierra and Ennew (2004) argued that structural bonds are typically based on technical, knowledge, legal or economic elements which create a barrier to relationship termination.

In building a relationship, both parties consider the convenience of technology, the understanding of the legal implications or their actions as well as, the dyad benefits accrued. It was therefore not surprising when Berry and Parasuraman (1991) argued, that structural bonding is stronger than social bonding and is essential for keeping profitable industrial and services customers. It enables relationships to be viewed from and built on joint or partnership relationship in any transactions which as Varey (2002) claimed cannot be retrieved at the end of the transactions or when the relationships end. Thus, shared investments, product transaction and process adaptations are different forms of structural bonds; which Holmlund and Kock (1996) argued would become a bond only when contracts and agreements are signed with payments made. Finally, Financial bond that occurs when a customer is tied to the selling firm primarily through price incentives or other forms of financial bond including loans or credit sales. Ahmad and Buttle (2001) concluded that price is the primary marketing mix elements used in financial bonding

It is important to note that when different forms of bonds are brought to play in a relationship such as in service marketing, the customers are not only seen as clients, but also as partners. Turnbull and Wilson (1989) corroborated this assertion when they posit that, as partners, customized services are rendered through mutual understanding. Looking at bonding in relation to Relational Marketing Orientation (RMO) Sin *et al* (2005) stressed that it consists of developing and enhancing consumer loyalty, which results directly in feelings of affection, a sense of belonging to the relationship, and indirectly in a sense of belonging to the organization.

The banking industry is highly competitive considering the struggle among banks and other financial institutions (Fertguson and Hlavinka, 2007). It is therefore pertinent for customers to critically search and select the best banks to do business with, in order to be satisfied. The key factors influencing customer’s selection of a bank include the range of services, rates, fees and prices charged (Ahmad and Buttle, 2002). It is obvious that superior service alone is not sufficient to satisfy customers. It is therefore pertinent to espouse the relationship between the bonding variable and banks customer value.

2.5.1 Financial Bonding

Gathering consumer’s loyalty by using price decision such as high interest rate, price discounts and negotiation of debt repayment terms are appealing to the consumer’s consumption motivation; these kinds of tactics are called financial bonding tactics. Since people love having any kinds of discounts, variation in the pricing function of marketing components are easy to make stimulate relational marketing strategies in every company. Financial bonding tactics are not easy to sustain as a competitive advantage. Smith (1998) also has a similar theory concept with financial bonding tactic, but he called it as functional bond. Functional bond is a multiplicity of performance; economic that creates and maintains continuity in relationship. Moreover functional bond are also determined as the exchange rate that is created by strategic, economic, instrumental and technological.

2.5.2 Social Bonding

Relationship or personal and social interactions that occur when doing any kinds of activities are known as social bonding tactics. The study include the degree of personal friendship and liking shared by a buyer and seller, as well as liking of personal selves or identities through self disclosure closeness, providing support or advice; being empathetic and responsive; feelings of affiliation, attachment or connectedness; and shared experiences (Chiung-Ju Liang and Wen-Hang, 2008). Customer satisfaction, trust, understanding, learning and knowing customer’s needs and wants are part of social bonding tactics effect which cannot be created by the financial bonding tactic as the ‘price attraction. Gifts and souvenirs are parts of how the companies are expressing friendship or gratitude to their consumers which can really create a deep social meaning for themselves. In order to build further relationship quality, create customer value and stabilize the relationship, companies can use these kinds of bonding tactics.

2.5.3 Structural Bonding

The structure, administration and institutionalization of norms in a relationship are part of structural bonding tactics. The norms or routines structure in a relationship such as policies, rules, infrastructure, procedures or agreements are part of this bonding tactics. The other parts that also take control in this bonding tactics are organizational systems and technologies. These parts enable or facilitate interaction which would provide psychological, legal and physical ties that bind parties to a relationship and make it difficult to consider other exchange partners. Implementing structural solving program for consumers is the main part of this bonding tactics that companies can use to reinforce their relationship with consumer. 'The kinds of value added services provided from structural integration are often technique related; they cannot only improve consumer's efficiency and productivity, but also increase customer value and are not easy to be emulated by competitors for heightened transforming costs' (Ching-Ju Liang and Wen-Hang, 2008). In order to get the best relational marketing strategy companies should make a right combination portion of this bonding tactic and the other two kinds of bonding tactics i.e. financial and social bonding tactics. This will make it difficult for competitors to penetrate into the company's existing markets

2.6 Customer Involvement

Customer involvement was initially defined as the number of conscious bridging experiences or personal reference per minute that the subject makes between the content of the persuasive stimulus and the content of his or her own life (Zaichowsky, 1985). In the years that followed researchers spent time in understanding and refining the involvement construct and also in arriving at a consensus definition. Zaichowsky (1985) developed a comprehensive and widely cited 10 item scale known as the personal involvement inventory (PII) scale to capture the construct of involvement. She defined involvement as a person's perceived relevance of the object based on inherent needs, values, and interests. She stated that a person can be involved with advertisements, with products or with purchase decision. Involvement with the product can lead to greater perception of attribute differences, perception of greater product importance, greater commitment to brand choice. Involvement with the purchase decision can lead one to search for more information and spend more time searching for the right decision.

2.6.1 Moderating role of Customer Involvement

Three perspectives available in the literature are elaborated below to explain why consumer's response to a differential pricing strategy should be different according to his or her involvement with the product or purchasing decision.

The first perspective is related to the social judgment theory (Sherif, Sherif and Nebergal, 1965). Social judgment theory posits that individuals evaluate stimuli based on a pre-existing psychological judgment scale, which is an internalized scale used by consumers. This scale has three distinct segments referred to as latitudes of acceptance, rejection and non-commitment. Social judgment theory posits that highly involved persons exhibit an "extended latitude of rejection" while less involved persons will have an "extended latitude of indifference or non-commitment". This means that high involvement consumers have a lower tolerance to change in relational marketing strategy as compared to a less involved consumer. As a result, a differential strategy can cause a steeper drop in consumer value for a high involvement consumer as compared to a low involvement consumer.

The second perspective is based on the perceived value concept (Zeithaml, 1988). She conceptualized value as a tradeoff between benefits and sacrifices. According to her, sacrifice can be monetary or non-monetary. Non monetary sacrifice includes time, energy and effort. A more involved consumer is more likely to invest time, energy and effort in a product than a less involved consumer. When a more involved consumer discerns the differential strategy of the firm, he/she will suffer a greater dissonance as he/she had invested greater time, energy and effort in addition to price as the sacrifice component of value.

A third perspective is related to post purchase evaluation. Greater the involvement, the more likely post purchase evaluation will occur and the more extreme the evaluation will be (Gronhaug 1977). This is because the relevance of the product and greater search input will lead the consumer to a point where a closure is essential. That is the consumer would need to know that products attributes are in line with the relevance for him/her and is worth the effort that he/she put in. If the evaluation is unfavorable, then it can trigger a steep decrease in consumer value.

Although the involvement construct has been developed almost exclusively within the context of physical products, Day, Stafford, and Camacho (1995) point out the need to investigate the role of involvement in service settings. They argue that since involvement has been found to be a significant antecedent of purchase behavior for products, this may be the case for services as well. Gabbott and Hogg (1999) state, for example, that perceptions of service quality might be dependent on levels of involvement or even that the level of involvement could impact the evaluation of interactions with service providers.

The perspective on involvement taken in this study is similar to that presented by Celsi and Olson (1988). Ibis perspective puts the consumer at the center of the decision as to what is and is not highly involving. Furthermore, as Celsi and Olson point out, this perspective emphasizes a person's subjective experience or feeling of personal relevance and is labeled felt involvement. Celsi and Olson go on to state that this perspective recognizes the situational nature of involvement in that it can occur only at certain times and in certain situations. One of those situations could be during the service encounter, which is that time when the customer interacts with customer contact employees.

A number of outcomes have been identified relative to decision making by consumers who have high levels of subject or felt involvement. For example, Mitchell (1980), reports that these consumers use more criteria in decision making. Beatty and Smith (1987) found that they search for more information. Petty and Cacioppo (1981) found that they accept fewer alternatives and Chaiken (1980) reported that they process relevant information in more detail. One result of this is that consumers who have higher levels of felt involvement will form attitudes that are more resistant to change. Accordingly, while these consumers may be more susceptible to product/service information provided before the service encounter, they might be less likely to be impacted by customer contact employees during the service encounter since other information may have allowed them to develop more resistant attitudes. The other side of this, however, is that customers who have low levels of felt involvement may not have spent time collecting the same amount of information and therefore may rely more on customer contact employees during the service encounter. Therefore, they may perceive a stronger relationship between customer service provided by service employees and perceptions of service quality, satisfaction, and employee service quality.

Much has been written by academics about the concept of involvement as a theory in consumer behavior since at least the 1960s. A study of product involvement by Peter Bloch and Marsha Richins (1986), provided supporting evidence that there were two forms of product involvement – Situational Involvement (SI) and Enduring Involvement (EI). SI was defined as a form of product involvement that occurs only in specific situations such as at the time of a purchase, while EI is described as an ongoing concern with a product that transcends situational influences. Banwari Mittal and Myung-Soo Lee (1989) concluded that there was a distinction in involvement theory between product involvement and brand-decision involvement. They defined Product Involvement as the interest a consumer finds in a product class. Such interest stems from the consumer’s perception that the product class meets important values and goals. Purchase Involvement or brand-decision involvement is the interest taken in making the brand selection. Low purchase-involvement implies a casual selection of brands while high purchase involvement is demonstrated by a very deliberate brand choice decision process.

More recent refinement of Consumer Involvement Theory (CIT) defines Involvement in terms of how much time, thought, energy and other resources people devote to the purchase process. The Emotional/Rational scale that arose from this is a measure of reason vs. impulse, desire vs. logic, passion vs. prudence. The modern development of the concept can be defined by the four following involvement categories: High involvement/rational – this is Reason over Impulse. The target market is likely to devote a significant amount of time and effort into making sure that they make the right decision about purchasing a particular brand. They are likely to have relatively high self-esteem and confidence in their judgment about buying into a brand for its rational benefits such as build quality, performance or economy, but not for its aesthetics. These buyers will purchase brands that support and re-enforce their self-concept; High involvement/emotional – this is Desire over Logic. The target market is influenced in this category more by the style and design associated with a brand rather than any practical benefits. By deciding to purchase a particular brand based on aesthetics they are buying benefits such as status and style. These buyers are likely to have lower self-esteem and are buying into a brand that confers status upon the individual where associations with a brand's values or benefits support a person's status and reduces a negative self-concept; Low involvement/rational – this is quick Logic over Desire. Buyers in this category are inclined to brand inertia – they tend to buy the same brand for reasons of comfort or habit, but they will consider or buy another brand if the reason is compelling. Consequently they need to be convinced to make a change but with relative ease and Low involvement/emotional – this is Impulse over Reason. Buyers in this category do not want to undertake extensive research or invest large amounts of time and effort in considering the rational merits of different brands – they want to make a quick decision. They are therefore impulsive and will consider a brand solely on hedonic and visual imagery and stimuli. Consequently they need to satisfy an initial stimulus but the craving or desire may be fleeting so they are time sensitive and opportunistic. Consumer involvement theory has been used in this study to underpin the moderating variable that is customer involvement. Levels of customer involvement measures were based on the 10 item scale developed by Zaichowsky (1985).

Although the involvement construct has been developed almost exclusively within the context of physical products, Day, Stafford, and Camacho (1995) point out the need to investigate the role of involvement in service settings. They argue that since involvement has been found to be a significant antecedent of purchase behavior for products that this may be the case for services as well. Gabbott and Hogg (1999) state, for example, that perceptions of service quality might be dependent on levels of involvement or even that the level of involvement could impact the evaluation of interactions with service providers.

2.7 Theoretical Framework

This section reviews major theoretical framework applicable to the study and understanding of customer value. The theories discussed underpin the study variables and show how the theories may be used to explain the phenomena of relational marketing strategies and customer involvement and customer value.

2.7.1 Social Exchange Theory

Social exchange theory originated from sociology studies exploring exchange between individuals or small groups (Emerson 1976). The theory mainly uses a cost-benefit framework and comparison of alternatives to explain how human beings relate with each other, how they form relationships and bonds, and how communities are formed through relational exchanges (Homans 1958). The theory states that individuals engage in behaviors they find rewarding and avoid behaviors that have too high a cost. In other words, all social behavior is based on each actor’s subjective assessment of the cost-benefit of contributing to a social exchange. They relate or exchange with each other contingent on reciprocal actions from the other party (Emerson 1976). The mutual reinforcement could be analyzed through a microeconomic framework, though the rewards are often not monetary but social, such as opportunity, prestige, conformity, or acceptance (Emerson 1976). The theory was arguably best summarized by Homans (1958) when he wrote: Social behavior is an exchange of goods, material goods but also non-material ones, such as the symbols of approval or prestige. Persons that give much to others try to get much from them, and persons that get much from others are under pressure to give much to them. This process of influence tends to work out at equilibrium to a balance in the exchanges. For a person in an exchange, what he gives may be a cost to him, just as what he gets may be a reward, and his behavior changes less as the difference of the two, profit, tends to a maximum.

Hence, the reasons why people engage in a social exchange have been posited as: an expected gain in reputation and influence on others; an anticipated reciprocity on the part of others; altruism; and direct reward. Commercial banks recognize that most of their customers do not directly benefit from the business relational exchanges neither are they involved in designing and implementing relational strategies. Framed in social exchange theory, commercial banks take but do not reciprocate from the exchange with customers suggesting that they consider the cost of implementing relational marketing strategies as too high, or have not appreciated the tangible contributions of relational exchanges.

2.7.2 Social Bond/Social Control Theory

Hirschi (1969), posit that all of us, beginning at birth, possess the hedonistic drive to act in the kinds of selfish and aggressive ways that lead to deviant behavior. These behaviors, Hirschi contended, are part of our innate human nature- the important part, he argued, is that most of us control these “natural” urges. Hirschi began his theory with the view that asking why offenders ‘do it’ when it comes to behavior is, on its face, an irrelevant question. Instead, we should be asking, ‘why *don’t* we do it?’

For Hirschi, the answer could be found in the bonds that people form to pro-social values, pro-social people, and pro-social institutions. It is these bonds, Hirschi held, that end up controlling our behavior when we are tempted to engage in deviant acts. Accordingly, these bonds come in four interrelated forms, the first of which is attachment. *Attachment,* according to Hirschi (1969), refers to the level of psychological affection one has for pro-social others and institutions. The second type of bond is referred to as *commitment,* where Hirschi cited the importance of the social relationships that people value, which they would not want to risk jeopardizing by committing deviant acts. In essence, Hirschi noted that people are less likely to misbehave when they know that they have something to lose. The third type of social bond is known as *involvement,* which relates to the opportunity costs associated with how people spend their time. Specifically, Hirschi tapped into the old philosophy that ‘idle hands are the devil’s workshop’ in that if people are spending their time engaged in some form of pro-social activity, then they are not, by definition, spending their time engaged in anti social activity. The final type of social bond identified by Hirschi is *belief,* which refers to the degree to which one adheres to the values associated with behaviors that conform to the law; the assumption being that the more important such values are to a person, the less likely he or she is to engage in deviant behavior. Although this relationship is quite simple, the underlying concept Hirschi was tapping into was that there is an important link between bonds and behavior- not in the sense that bonds motivate people to act, but rather that pro-social bonds constrain people from deviant acts they otherwise would have in the absence of such social bonds.

The most significant element of Hirschi’s theory is that, taken together, these social bonds coalesce in a way that controls our behavior indirectly—that is, we do not need to have these bonds directly present in our lives to keep our behavior in check. Instead, the pro-social bonds we have formed can control our behavior even when they are no longer there. It is also important to note that Hirschi's social bonds represented, at least primarily, mechanisms of informal social control- that is, the bonds that control our behavior are typically social conventions rather than formally adopted laws.

Social bond theory has been used to underpin social bonds variable for this study. Expected behavior of commercial banks customers is based on pro-social bonds the banks provide. Customers are likely to change their buying behavior if they view the social bonds as anti-social. Commercial banks recognize that most of their customers do not directly experience the pro-social bonds from the business therefore must develop pro-social bonds capable of deterring customers from switching to competitors. Based on social bond theory, the study analyzed how pro-social bonds such as; communication with customers, creation of friendship and social support help to create customer value.

2.7.3 Conceptual Foundation of Customer Involvement

While the notion of customer involvement is not new in the literature of various management disciplines, it has only emerged in the field of academic marketing relatively recently. Before 2005 there were very few academic articles in the field of marketing which have mentioned the term 'involvement' (Brodie et al., 2011). Since then the term has gained popularity. However, despite the significant practitioner interest evolved during the last decade, there have only been a few systematic scholarly attempts to define the concept, its distinctiveness from the more traditional relational concepts like participation, and, finally the conceptual roots of customer involvement

A few underlying logic perspectives were identified in the academic literature exploring the conceptual foundations of customer involvement. First of all, Brodie et al. (2011) suggest that the theoretical roots of customer involvement can be examined by drawing on the service-dominant (S-D) logic and the relationship marketing theory. The S-D logic is a framework that conceptualizes business exchange by addressing service as the main purpose, and explains how the different actors (firms, customers and other stakeholders) can co-create value while interacting with each other (Karpen, Bove, & Lukas, 2012). The term service here is referring to the process of using one's resources for the benefit of another entity (Vargo & Lusch, 2008). The logic implies that the co-creation of superior value is replacing the more traditional notion of value provision, meaning that creating superior value in cooperation with the customer becomes a source of competitive advantage for the firms (Vargo & Lusch, 2008)

The underlying S-D logic premises have been found relevant in explaining the conceptual roots of customer involvement (Brodie et al., 2011). Together these premises imply that value is not something embedded in the product, but the benefit that the customer gets out of using the product instead. Thus, the nature of value is highly contextual and subject to experiences (Karpen et al., 2012). Moreover, value that is realized through market exchange always involves a combination of resources and, therefore, cannot be created unilaterally, which makes the customer a co-creator of value (Vargo & Lusch, 2008). Naturally, the interactive nature of the co-creation process leads to viewing the firm and the customer in a relational context and, since the benefit is always determined by the customer, it is inherently customer oriented. Finally, the value is created within the network where the firms and individuals are motivated to interact in order to integrate their specialized resources and create more complex services (Vargo & Lusch, 2008). The S-D logic premises build a solid conceptual foundation for the concept of customer involvement. In particular, it is also suggested that the customer experiences of the co-creative and interactive nature taking place in complex relational environments may actually be viewed as the act of involvement (Brodie et al., 2011).

Another perspective of exploring the conceptual foundations of customer involvement draws on the so called broadened relationship marketing domain (Brodie et al., 2011; Hollebeek, 2011). Relationship marketing refers to 'all marketing activities directed toward establishing, developing, and maintaining successful relational exchange' (Morgan & Hunt, 1994), which are critical to the firms in order to build value driven interactive long-term relationships with their existing as well as potential customers and organizational networks and facilitate the processes of value co-creation (Brodie, Ilic, Juric, & Hollebeek, 2011).

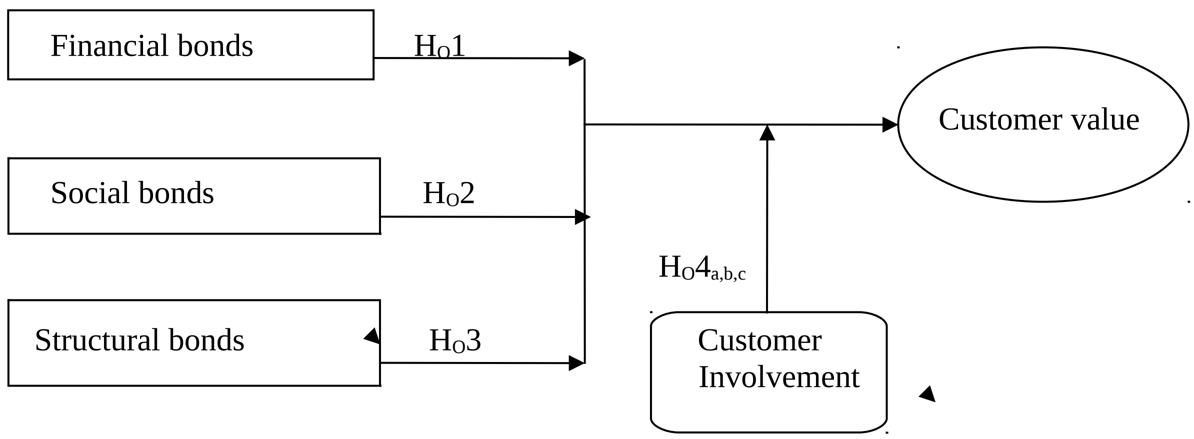
While the S-D logic and relationship marketing perspectives introduce the notion of the customer behavior being focused on interactive and co-creative experiences in the complex relational networks, Hollebeek (2011) also draws on the social exchange theory to explain the rationale behind the customers' motivation of contributing to the superior value creation. The social exchange theory functions under the premise that one party will do a favor to another party because of being motivated by expected future return. Therefore, it would also suggest that a customer experiencing a benefit from a relationship is expected to respond with positive thoughts, feelings and behaviors (L. Hollebeek, 2011). As a result, all three foundational perspectives of customer involvement build on the interactive nature of exchange between the value creating actors.

2.8 Conceptual Framework

The fundamental propositions underlying the general concept of customer involvement suggested by Brodie et al. (2011) provide suitable guidelines for framing the investigation of the moderating effect of customer involvement on the relationship between relational marketing strategies and customer value in commercial banks. These themes were therefore applied in developing the working definition and building the conceptual model. The proposed working definition in this study is the following: The concept of customer involvement is characterized by interactive customer experiences with the bank. It is a process of dynamic and iterative nature, which stems from the domains of S-D logic, relationship marketing and social exchange theory. Customer involvement is the central element embedded in a broader network of other relational constructs serving as the moderator. The concept of involvement is multidimensional and comprises the expressions of emotional, behavioral and cognitive involvement specific to this particular context.

Based on this definition and the findings from the literature review, a conceptual model of customer involvement, relational marketing strategies and customer value was developed (see Figure 1). The framework portrays customer involvement as the moderator embedded in the network of other constructs, which are divided into independent variables (relational marketing strategies), dependent variable (customer value) and moderating variable (customer involvement). In principle, the structure of the framework relates to Van Doorn's et al. (2010) conceptual model of customer involvement behavior. However, instead of considering three types of factors that can affect involvement, the current model is focused on relational strategies and customer value as a consequence. The customer-based perspective has been chosen, since not only it represents the inevitable focus of the business, but the consequences of involvement to the customer are also suggested to have an inherent effect on the ultimate business performance (Kumar et al., 2010). Furthermore, as suggested in the working definition, the conceptual framework does not only comprise the behavioral aspect of involvement, but addresses the concept in a broader sense by including the cognitive and emotional aspects as well.

Figure 2.1: Conceptual Framework



Source: Adapted from Van Doorn et al. and modified by the researcher (2015)

2.8.1 Relationship between Financial Bonds and Customer Value

Financial bonds refers to the provision of direct economic benefits in exchange for past or future customer loyalty, includes special discounts, free products to generate incremental sales, and other incentives that easily may be converted to cost savings (e.g., free shipping; extended payment terms) (Berry, 1995; Palmatier, Scheer, Houston, Evans, & Gopalakrishna, 2007). Researchers have argued that one motivation for customers to engage in relational exchanges is to save money (Peterson, 1995). Financial bonds enhance customer relationships through special price offers or other financial incentives to loyal customers (Hsieh, Chiu, & Chiang, 2005).

Commercial banks in Kenya are faced with unique changes in the market such as changes in customer needs, increased competition, changing customer behavior, and changes in legal frameworks. These forces and trends may influence how banks create value to their customers in terms of trust, commitment and loyalty. Therefore it is proposed that commercial banks with good financial bonding techniques display a greater potential to create customer value relative to competitors; thus the following null hypothesis is formulated:

H_{01}: There is no significant relationship between financial bonds and customer value of commercial banks

2.8.2 Relationship between Social Bonds and Customer Value

Social bonds are personal ties that pertain to service dimensions that offer interpersonal interactions, friendships, and identifications (Berry, 1995; Hsieh *et al*., 2005). Marketers at this level always stress staying in touch with their customers, and expressing their friendship, rapport and social support. Hence, social bonds strategy provides psychosocial benefits (Chiu *et al*., 2005; Williams *et al*., 1998). The interactivity of the Internet can help achieve a two-way conversation between the banks and customers. Hence, banks may build social bonds with individual customers based on the understanding coming from long-term interactions.

Social bonds such as communication with the customer, creating friendship and social support, show either the strengths or weaknesses in striving to create customer value. The study proposes that organizations with good and effective social bonds have the potential to perform well and create customer value. Thus the relevant null hypothesis is stated as:

H_{02}: There is no significant relationship between social bonds and customer value

2.8.3 Relationship between Structural Bonds and Customer Value

Structural bonds refer to offer customer tangible, value-added benefits that are difficult or expensive for customers to provide themselves and that are not readily available elsewhere (Berry, 1995). In an online consumer study, Hsieh *et al*. (2005) define structural bonds as the value adding services that are designed into a website. Hence, structural bonds represents a business practice in which firms attempt to retain customer by providing valuable services that are not available from other sources, such as integrated services through their business partners (Chiu et al., 2005; Lin, M., & Hsieh, 2003).

Structural bonds such as financial advice, safe keeping of valuables and insurance cover to customers can influence how customers perceive the banks, hence derive customer value. The study proposes that banks with good structural bonds can control the adverse effects of customer switching to other banks and create customer value. Thus the relevant null hypothesis is stated as:

H_{03}: There is no significant relationship between structural bonds and customer value

2.8.4 Moderating effect of Customer Involvement on the Relationship between Relational Marketing Strategies and Customer Value

Understanding the ways in which consumers' involvement levels influence how they use different cues to make purchase decisions has been a topic of research for several decades. (Priluck & Till, 2004; Swinyard, 1993). A consumer can be involved not only with a product, but also with consumption of the product and purchase decisions (or the process of purchasing) (Huang *et al*., 2010). It is believed that together these different involvement types can form an overall profile of consumer involvement that encompasses purchasing and consumption occasions or they can be treated as separate types of involvement that focus on a particular consumer-object context. Because this study focuses on banks customer behavior, involvement is defined here as the extent to which the customer views commercial banks as a central part of their life, a meaningful and engaging service in their life and important to them.

According to involvement theory, it is likely that mood will have a greater effect when the service experience is personally relevant to customers or in some way instrumental in achieving their personal goals (Kwon & Chung, 2010). Based on this theory, researchers argue that involvement plays an important role in moderating and explaining variable relationships (Huang *et al*., 2010; Kwon & Chung, 2010; Swinyard, 1993). In a study of relationship marketing, Gordon *et al*. (1998) argue that involved buyers are more likely to value the benefit of relationship marketing tactics, and to respond positively to them. In the context of banking services, researchers indicate that customers who are highly involved with a bank are more willing to search for information, to explore new stimuli (Balabanis & Reynolds, 2001), and more likely to purchase and maintain strong relations than others (Kim, Fiore, & Lee, 2007). Based on the statement above, it is likely that the extent of customers' involvement moderate the effectiveness of relational marketing strategies.

Personal involvement level can significantly influence customer value. This study proposes that involvement level factors, namely, low customer involvement, high customer involvement as well as customer perception on involvement; affect the relationship between relational marketing strategies and customer value. Such factors may influence how relational marketing strategies are managed and consequently customer value. The following null hypotheses are suggested:

H_{04a}: Customer involvement does not significantly moderate the relationship between financial bonds and customer value.

H_{04b}: Customer involvement does not significantly moderate the relationship between social bonds and customer value.

H_{04c}: Customer involvement does not significantly moderate the relationship between structural bonds and customer value.

CHAPTER THREE
RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

This chapter focuses on the methodology that was used in the study. It discusses the research design, scope of the study, population of the study, sampling, data collection, reliability and validity of data collection instruments, measurement of study variables and data analysis. The chapter finalises by a summary of the study hypotheses and analytical models that was used to test the hypotheses and ethical considerations.

3.2 Research Design

The research was based upon the philosophical and methodological foundations of logical positivism. A logical positivist researcher deduces and formulates variables, hypotheses and operationalizes definitions based on existing theory (Durgee, 1984). Contemporary social science and marketing research is dominated by logical positivism (Anderson, 1983; Hunt, 1991).

The study employed explanatory survey research design as it sought to describe and establish the associations among the key study variables, namely, relational marketing strategies, customer involvement, and customer value. Explanatory design is used where theories are used as a basis for understanding and explaining practices or procedures (Saunders, et al., 2007). A survey-based method was deemed appropriate to examine the relationships between the variables in the customer value model. Other advantages to using surveys for this research include their cost effectiveness, their flexibility and their efficiency in collecting large amounts of data for statistical analyses, and their quick turnaround in the data collection phase (Babbie, 2009). Finally, the study was cross-sectional (that is, snapshot or one-shot) as the research respondents were interviewed just once. Cross-sectional studies have been found to be robust for effects of relationships studies (Coltman, 2007).

3.3 Study Area

Nairobi's name comes from the Maasai phrase 'enkare nairobi' which means a place of cool waters. It originated as the headquarters of the Kenya Uganda Railway, established when the rail head reached Nairobi in June 1899. The city grew into British East Africa's commercial and business hub and by 1907 became the capital of Kenya (Mitullah 2003). Nairobi occupies an area of about 700 square km at the south-eastern end of Kenya's agricultural heartland. At 1600 to 1850 m above sea level, it enjoys tolerable temperatures year round (Mitullah 2003). The western part of the city is the highest, with a rugged topography, while the eastern side is lower and generally flat. The Nairobi, Ngong, and Mathare rivers traverse numerous neighbor hoods and the indigenous Karura forest still spreads over parts of northern Nairobi. The Ngong hills are close by in the west, Mount Kenya rises further away in the north, and Mount Kilimanjaro emerges from the plains in Tanzania to the south-east. Minor earthquakes and tremors occasionally shake the city since Nairobi sits next to the Rift Valley, which is still being created as tectonic plates move apart. Nairobi city has been chosen for this study because it is the economic hub of Kenya and all commercial banks operating in Kenya either have their headquarter or branch in Nairobi. The cosmopolitan and diversity among commercial banks customers in Nairobi also offered suitability to the study.

3.4 Target Population of the Study

Banking services in Kenya is presently being offered to two sets of clients, namely, individual customers and business clients. This research mainly focused on individual customers as the target population approximately one hundred thousand. However respondents like young school children or those aged below 18 were excluded from the research population as their banking needs are minimal or different to that of adults. As a result, the target population was defined as those who were aged 18 or above and at least has bank account. For purposes of this study, target population comprised 43 commercial banks operating in Nairobi (see appendix iv). Customer is defined as an individual, natural person owning one or more of the following accounts: investment, savings, salary, current, and loan and retirement annuity. The commercial banking sector is deliberately chosen for this study since service companies have a high propensity to relationship building than non-service companies (Berry, 1995, Ang and Buttle, 2006). Similarly, Kotler (2004) argues that relational marketing makes the most sense in data rich industries such as banking, insurance and telecommunications.

3.5 Sampling of the Study Population

The process of sampling involves any procedure using a small number of items or parts of the whole population to make conclusions regarding the whole population.

3.5.1 Probability Sampling Method

The probability sampling method was used for this study. Probability sampling is most commonly associated with survey-based research where you need to make inferences from the sample about a population to answer research questions or to meet set objectives. (Saunders *et al.*, 2003). The probability sampling method was chosen for this study because in this method each element of the population had a chance of being included in the sample (Roberts-Lombard, 2002).

3.5.2 Sampling Technique

Simple random sampling was used for this study. The reason for selecting this sampling technique is that all the elements in the universe had equal chance of being selected. Random samples are statistically the most efficient, and they allow the investigation of the characteristics of the interest for particular elements within the population (Churchill and Iacobucci, 2005). Random sampling ensures greater representativeness across the entire population, and also results in a smaller sampling error, giving greater precision in estimation (Wegner, 2000).

3.5.3 Sample Size

The size of the sample determines the statistical precision of the findings. The size of the sample is a function of change in the population parameters under study and the estimation of the quality that is needed by the researcher (Wegner, 2000). Generally, larger samples result in more precise statistical findings (Terre Blanche *et al*., 2006). The study estimated population proportion with specified relative precision; anticipated population proportion was estimate at 50%, confidence level 95% and relative precision (from 45% to 55%) – 10% (of 50%). A rough estimate of *P* will usually suffice. If it is not possible to estimate *P,* a figure of 0.5 should be used; this is the "safest" choice for the population proportion since the sample size required is largest when *P* = 0.5. It is recommended that the choice of *P* for the sample size computation should be as "conservative" (small) as possible, since the smaller *P* is the greater the minimum sample size. In previous research on related topics, questionnaires from 220 and 264 respondents respectively proved viable in drawing conclusions (Rootman, 2006). The sample size of this study was computed based on the following simplified formula proposed by (Daniel, 1999):

$$n= \frac{Z^2 P(1-P)}{d^2}$$

Where;

n = sample size,

Z = Z statistic for a level of confidence,

P = expected prevalence or proportion

(in proportion of one; if 20%, *P* = 0.2), and

d = precision (in proportion of one; if 5%, *d* = 0.05).

Appendix III shows sample size based on anticipated population proportion, confidence level and relative precision suggested (Lwanga, 1991). For the purposes of this study the sample size was determined to be 384 (see appendix III).

3.6 Data Collection Instrument and Procedure

Primary data was collected using a questionnaire. The percentages in Table 3.1 reflect the number of questionnaires that were distributed to the respondents in the three strata at commercial banks in Kenya to respondents willing to partake in the research.

3.6.1 Type of Data

For purposes of this study, primary data was utilized. Primary data has been found to be robust in empirical studies (Hair, et al, 1995).

3.6.2 Data Collection Instrument

In order to achieve the stated objectives one data collection instrument was used. That is, questionnaire. This instrument was deemed ideal for the study as it helped to elicit or collect primary data. Quite often, the questionnaire is considered as the heart of a survey operation (Hair, et al, 1995). The questionnaire was designed based on five point Likert-type scales. The questions were constructed to generate data in answer to specific target research questions and help to achieve the objectives of the study. Closed-ended questions were used to save time and to motivate the respondent to answer.

3.6.3 Data Collection Procedure.

A total of 384 copies of the questionnaire were administered to the participants in the entire study. For this study, the questionnaire was administered by ten research assistants. The research assistants were selected based on their qualifications and availability during the period. Those with Bachelors degree in business management were selected, and were further trained on effective data collection techniques. This method of data collection helped the researcher to overcome issues of time.

3.7 Measures of Reliability and Validity

An extensive review of relevant existing conceptual and empirical literature on relational marketing strategies, customer involvement and customer value produced the measures for each variable. These measures were used to construct the questionnaire. Therefore, the measurement scales in the questionnaire were deemed to have content and construct validity because they reflect the key components of relational marketing strategies, customer involvement and customer value described in the extant literature and also since they are validated measures previously applied in related studies.

3.7.1 Reliability of Study Measures

The reliability of the study measures was assessed by Cronbach's Alpha Coefficients, which was used to assess the internal consistency or homogeneity among the research instrument items (Sekaran, 1992). Cronbach's alpha coefficients exceeding the 0.7 lower level is acceptable in social research (Bagozzi and Yi, 1988; Sekaran, 1992; Hair et al., 1998). For this research the reliability coefficients met the criteria since all reliability coefficients of the study variables were above 0.7 (see reliability of study measures in chapter 4)

3.7.2 Validity of Study Measures

In order to ensure content validity, the preliminary questionnaire was pre-tested on a pilot set of respondent relational marketing managers for comprehension, logic and relevance. Respondents in the pre-test were drawn from two financial institutions; mortgage finance and a micro-credit institution, which were similar to those in the actual survey in terms of background characteristics, familiarity with the topic of research and attitudes and behaviours of interest. The pre-tested financial institutions were not part of the target population of study as this would have brought assessment biases. As recommended by Malhotra (2007), the questionnaire pre-tests were done by personal interviews in order to observe the respondents' reactions and attitudes. All aspects of the questionnaire were pre-tested including question content, wording, sequence, form and layout, question difficulty and instructions. The feedback obtained was used to revise the questionnaire before administering it to the study respondents. For construct validity factor analysis of the constructs was carried out, this helped in identifying usable items for each study construct

3.8 Measurement of Study Variables

A survey instrument was developed for testing the hypothesis developed. In order to ensure the content validity of the scale used, it is advised to largely adapt the items for each construct from prior researches (Luarn and Lin, 2005). Hence, in this research, 65 survey items for five constructs in the questionnaire actually come from the prior empirical studies, and are modified to fit the context of customer value, relational marketing and customer involvement. Table 3.1 shows the sources of where the questions were adapted from.

Table 3.1: Constructs and their Sources

Constructs	Number of items	Sources
Customer value	10	De Wulf et al. (2001), Eggert and Ulaga (2002), Khalifa (2004), Kar (2006), Buttle (2009)
Financial bonds	12	Hsieh, et al (2005), Mallat et al (2006), Kuria (2007), Liao et al. (2007)
Social bonds	21	Hsieh et al. (2005), Kim et al. (2007), Kuria (2007), Chiung-Ju Liang and Wen-Hang (2008)
Structural bonds	12	Lin & Hsieh (2003), Chiu et al. (2005), Kuria (2007), Chiung-Ju Liang and Wen-Hang (2008), Kwon and Chung (2010)
Customer involvement	10	Zaichowsky (1985), Kim, Fiore, & Lee (2007), Huang *et al*. (2010), Brodie et al (2011), Karpen et al (2012)

3.9 Data Analysis and Presentation

To establish the main characteristics of the study variables, descriptive statistics, factor analysis using Principal component method with varimax rotation and Pearson correlations analysis was done and relevant tests conducted. To establish the statistical significance of the respective hypotheses, analysis of variance (ANOVA) or F-tests as well as multiple linear regression analysis was conducted as appropriate at 95 percent confidence level ($\alpha = 0.05$). The questionnaires returned from the field were coded, edited and keyed into the computer to facilitate statistical analysis. Statistical package for social sciences (SPSS) version 17 was used to assist in the analysis. Analyzed data was interpreted and presented in tables.

3.9.1 Hypotheses Testing

For the purposes of this study, Table 3.2 shows the analytical models that were employed to test hypotheses:

Table 3.2: Study hypotheses and analytical models

1. Relationship between Relational Marketing Strategies and Customer Value	
Hypothesis Statement	**Regression Model**
Ho_1: There is no significant relationship between financial bonds and customer value in commercial banks Ho_2: There is no significant relationship between social bonds and customer value in commercial banks Ho_3 There is no significant relationship Between structural bonds and customer value in commercial banks	$Y = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \varepsilon$ **Where;** Y= Aggregate mean score of customer value β_0 = y-intercept/constant β_1 =Regression coefficient for financial bonds (beta) X_1= Aggregate mean score of financial bonds β_2 =Regression coefficient social bonds (beta) X_2 =Aggregate mean score of social bonds β_3 =Regression coefficient for structural bonds (beta) X_3=Aggregate mean score of structural bonds ε=error term-random variation due to other unmeasured factors

2. Moderating effect of Customer Involvement	
Hypothesis Statement	**Regression Model**
Ho_4a: Customer involvement does not significantly affect the relationship between financial bonds and customer value Ho_4b: Customer involvement does not significantly affect the relationship between social bonds and customer value Ho_4c: Customer involvement does not significantly affect the relationship population between structural bonds and customer value	(OLS model): $Y = \beta_0 + \beta 1x + \beta_2 z + \varepsilon$ (MMR model): $Y = \beta_0 + \beta_1 x + \beta_2 z + \beta_3 x*z + \varepsilon$ **Where;** Y= Aggregate mean score of customer value β_0 = y-intercept/constant β_1 = Least squares estimate of the population regression coefficient for X X= Degree of the individual independent variable Z= A hypothesized grouping moderator (Customer involvement) β_2 = Least squares estimate of the regression coefficient for Z X*Z= The product between the predictors (Independent variable*Moderator)

β_3 = The sample base least squares estimates of the population regression coefficient for the product term

ε =error term-random variation due to other unmeasured factors

3.10 Ethical Considerations

For the purpose of this study, the following ethical considerations were observed: the researcher explained the purpose of the study to the respondents and informed them that participating in the study was voluntary and that they are free to withdraw from it at any time they deem fit. The principle of free and informed consent was adhered to by emphasizing voluntarism, clear explanation and sufficient detail of the nature of the research and procedures. They were also given an opportunity to ask questions before, during and at the end of the study.

The researcher respected the individuals' rights to safeguard their personal integrity. The study ensured privacy and confidentiality by allowing respondents to have pre-eminence over time and the extent to which they can withhold or share information. All the respondents were treated with respect and equality. There were no names or personal identification numbers reflected on the questionnaires except the numbering for questionnaires, which was done for purposes of identification of data during data analysis.

CHAPTER FOUR
DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter describes the main results obtained by analyzing the questionnaire data. Subsequently, the research results are presented in tabular form using a variety of descriptive and inferential statistics that sets out the key characteristics of the data and test the study's hypotheses.

4.2 Response Level

Although the study intended to collect data from 384 respondents (see sampling frame in Appendix III and IV), data was successfully collected from 300 respondents. This represents a response rate of 78.1 percent of the target population and falls within the confines of a large sample size ($n \geq 30$). This provides a smaller margin of error and good precision (Anderson, Sweeney and Williams, 2003).

4.3 Profile of Respondents

The demographic profile of the surveyed respondents is presented in Table 4.1, which includes gender and period the respondent has been customer of the bank. The total sample for the survey comprised of 300 respondents. The gender distribution of the survey respondents is 64.7 per cent males and 35.3 per cent females. The results also indicated that most of the respondents have been customer of bank for between 6-10 years, which is 53.3 per cent.

Table 4.1: Demographic Profile of Respondents

Variables		Frequency	Percentage
Gender	Male	194	64.7
	Female	106	35.3

Period you have been customer	Less than one year	8	2.7
	1-5 years	88	29.3
	6-10 years	160	53.3
	11-15 years	20	6.7
	16-20 years	24	8.0

Source: Research Data (2015)

4.4 Descriptive Statistics

In order to establish how the samples responded to survey items, the mean, standard deviation, skewness and kurtosis of the variables are determined. The following section highlights the findings

Table 4.2: Descriptive Statistical Analysis of the Study Variables

Variable	Mean	Standard deviation	Skewness	Kurtosis
FB	2.6906	.80529	-.242	-.602
SOCB	2.9714	.91101	-.534	-.333
STRB	3.0522	.79876	-.657	-.525
CUSI	2.9767	.94004	.085	-.556
CV	3.2900	.90186	.016	-.063

FB= Financial bonds, SOCB= Social bonds, STRB= Structural bonds, CUSI= Customer involvement and CV= Customer value

Source: Research data (2015)

From Table 4.2, financial bonds have a mean score of 2.6906 and standard deviation of 0.80529. The normal curve is skewed to the right with a skewness of -0.242 and kurtosis measure of -0.602. The graph shows slightly negative skewness and positively peaked curve. Social bonds show mean score of 2.9714 and standard deviation of 0.91101. It has skewness of -0.534 making it skewed to the right side of the curve along with a kurtosis -0.333. Structural bonds have a mean score of 3.0522, standard deviation of 0.79876. The curve is skewed to the right with a skewness of -0.657 and flat with kurtosis -0.525. Customer involvement is the moderator variable in the study. It accounts for a mean score of 2.9767 and standard deviation of 0.94004. The curve is negatively skewed to the right with a skewness of

0.85 and peakedness of -0.556. Customer value is the dependent variable. It accounts for a mean score of 3.2900 and standard deviation 0.90186. The curve is negatively skewed to the right with a skewness of 0.016 and peakedness of -0.063.

4.5 Reliability of Study Measures

Purification of the scales started with computing reliability coefficients (Cronbach's alphas), in accordance with Churchill's (1979) recommendation. Because of the multidimensionality of the study constructs, Cronbach's alpha was computed separately for the study variables to assess the internal consistency or homogeneity among the variable measures (Sekaran, 1992). The results are presented in Table 4.3

Table 4.3: Results of Reliability Tests of the Variable Measures

Variable	Number of Measures	Cronbach alpha coefficient
Financial bonds	12	0.873
Social bonds	21	0.947
Structural bonds	12	0.813
Customer involvement	10	0.944
Customer value	10	0.954

Source: Research Data (2015)

Table 4.3 show that reliability coefficients of each variable are as follows: Financial bonds (0.873); Social bonds (0.947); Structural bonds (0.813); Customer involvement (0.944) and Customer value (0.954). The reliability coefficients of all the variables are above 0.70, which concurs with the suggestion made by (Sekeran, 1992; Nunnally, 1978). Since all the reliability results exceeded the 0.7 lower level of acceptability (Sekeran, 1992), the internal consistency reliability of the measures used was considered to be sufficient and to have adequately measured the study's variables. Reliability analysis outlining inter-item correlation of the measures is presented in Tables A1 to A5 in Appendix V

4.5.1 Test of Data Normality and Linearity

In order to compare the shape of the sample distribution to the shape of a normal curve and assume, normality of the population distribution, Kolmogorov-Smirnov (K-S) one sample test was carried out. The Table 4.4 show respective results for normality of financial bonds, social bonds, structural bonds, customer involvement and customer value

Table 4.4: One-sample Kolmogorov-Smirnov Test for Normality of Study Variables

Variable	Statistic	Sig	Mean	Variance	Std dev
FB	.134	.000	2.6906	.648	.80529
SOCB	.178	.000	2.9714	.830	.91101
STRB	.170	.000	3.0522	.638	.79876
CUSI	.142	.000	2.9767	.884	.94004
CV	.112	.000	3.2900	.813	.90186

FB= Financial bonds, SOCB= Social bonds, STRB= Structural bonds, CUSI= Customer involvement and CV= Customer value

Source: Research Data (2015)

The results of K-S tests for the key variables, namely; financial bonds, social bonds, structural bonds, customer involvement and customer value as presented in Table 4.4, reveal that the data relating to the study variables is normally distributed. The fact that data on the key variables did not deviate significantly from normal distribution can be translated to mean that it is safe to use statistical tests such as correlation and regression that assume normality of these variables. Normality plots are presented in Figure A1 to A5 in appendix V.

4.6 Validity of Study Measures

Validity is the degree to which a variable actually measures what it has intended to measure (Nunnally and Burnstein, 1994). For the purpose of this study two forms of validity were utilized- content validity and construct validity.

4.6.1 Content Validity of Study Measures

Content validity refers to the adequacy of indicators to measure the concepts. The better the scale items measure the domain of content, the greater the validity. An assessment of content validity requires a panel of experts to attest to the content validity of each instrument (Sekaran, 2000). In order to ensure content validity, previously validated measures were pretested and the preliminary questionnaire was pre-tested on a pilot set of respondent managers, employees and customers for comprehension, logic and relevance. Respondents in the pre-test were drawn from two financial institutions, a micro finance and a mortgage institution, which were similar to those in the actual survey in terms of background characteristics, familiarity with the topic of research. The pre-tested financial institutions were not part of the target population of study as this would have brought about assessment biases. As recommended by Malhotra (2007), the questionnaire pre-tests were done by personal interviews in order to observe the respondents' reactions and attitudes. All aspects of the questionnaire were pre-tested including question content, wording, sequence, form and layout, question difficulty and instructions. The feedback obtained was used to revise the questionnaire before administering it to the study respondents.

4.6.2 Construct Validity of Study Measures

Construct validity measures the degree to which a scale measures what it intends to measure (Garver and Mentzer, 1999) and it is assessed by factor analysis in this research. In order to assess the construct validity, the items are examined by principal components extraction with varimax orthogonal rotation. The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy, approximate Chi-Square and Bartlett's test of Sphericity were all conducted in accordance to Field's (2005) recommendations. The following sections present the factor analysis results for each study variable

4.6.2.1 Factor Analysis Results of Financial Bonds

The results show that 12 items for financial bonds are sorted and clustered into two components. The results of principal component analysis indicate that, there are two factors whose Eigenvalues exceed 1.0. The Eigenvalue of a factor represents the amount of the total variance explained by that factor. For financial bonds, the first factor has Eigenvalue of 8.705 and the second factor has Eigenvalue of 1.260. The two factors identified in this study explain 83.037% of the total variance. The first factor explained 72.539% of this variance. Similarly, the second factor explained 10.498% of the total variance. The percentage of variance combines for succeeding items to make up 100 % variance (see Table A6 in Appendix IV). Furthermore, results show the extracted sum of square loading for the two factors. The values are calculated on the basis of the common variance, which is smaller than the total variance, incorporating 83.037% of variance. Rotated sum of square loadings depict the distribution of the variance after varimax rotation. Varimax rotation tries to maximize the variance of each of the factors, so the total amount of variance accounted for is redistributed over the two extracted factors. Principal component analysis with varimax rotation is widely adopted as a reliable method of factor analysis (Lee, 2010; Sinkkonnen, et al. 2007 and Malhotra and Galleta, 1999).

The Kaiser-Meyer-Olkin (KMO) has a measure of 0.725, which is above the threshold of 0.5 (Field, 2005). The Bartlett's test is significant for financial bonds with Chi-Square= 6841.615 (p-value< 0.05). Therefore, the KMO value of 0.725 and significance of Bartlett's statistic confirm the appropriateness of the factor analysis for financial bonds. The results are presented in Table A11 in appendix IV

Any item that fails to meet the criteria of having a factor loading value of greater than 0.5 and loads on one and only one factor was dropped from the study (Liao et al., 2007).According to the result presented in Table 4.5, first factor, exhibited heavy loadings for six items. This factor consists of factor loadings for price depends on relationship (0.811), premium rates on savings (0.906), special discounts (0.953), extension of loan repayment (0.780), no interest on rescheduled loan (0.868) and free products (0.599). This factor can be called as 'Financial benefits', because the items loading highly on it are related to financial relief to customers. Factor two exhibits heavy loading for three items comprising; customer negotiation of payment terms (0.756), free legal advice (0.833) and free shipping on imports (0.803). This factor can be renamed as 'Operational benefits'. Factor analysis presented a good fit between the financial bonds data and the proposed model. The goodness-of-fit statistic indicates that the model is acceptable and statistically significant (Karjaluoto, et al, 2002). The Chi-square value of 6841.615 and (p-value< 0.05) indicates a good fit between the model and the financial bonds data and there exists an adequate correlation among the extracted variables.

Table 4.5: Financial Bonds Rotated Component Matrix

Scale item		Factor loadings	
		1	2
Prices depends on relationship		.811	
Bank pay premium rates on savings		.906	
Special discounts improve customer value		.953	
Bank extend loan repayment		.780	
Bank charge no interest on rescheduled loan		.868	
Customer allowed to negotiate payment terms			.756
Bank offer free legal advice			.833
Bank offer free shipping on imports			.803
Free products create customer value		.742	
Notes: Eigenvalues		8.705	1.260
Percentage of variance		72.539%	10.498%
KMO Measure of Sampling adequacy	0.725		
Approx. Chi-Square	6841.615, Sig. 0.000		

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
a. Rotation converged in 3 iterations.

Source: Research data (2015)

4.6.2.2 Factor Analysis Results of Social Bonds

Results show that 21 items for social bonds are sorted and clustered into two components. The results of principal component analysis indicate that, there are two factors whose Eigenvalues exceed 1.0. The Eigenvalue of a factor represents the amount of the total variance explained by that factor. For social bonds, the first factor has Eigenvalue of 15.731 and the second factor has Eigenvalue of 1.630. The two factors identified for the independent variable; social bonds explain 82.671% of the total variance. The first factor explained 74.911% of this variance. Similarly, the second factor explained 7.760% of the total variance. The percentage of variance combines for succeeding items to make up 100 % variance (see Table A7 in appendix IV). Results also show the extracted sum of square loading for the two factors. The values are calculated on the basis of the common variance, which is smaller than the total variance, incorporating 82.671% of variance. Rotated sum of square loadings depict the distribution of the variance after varimax rotation. Varimax rotation tries to maximize the variance of each of the factors, so the total amount of variance accounted for is redistributed over the two extracted factors. Principal component analysis with varimax rotation is widely adopted as a reliable method of factor analysis (Lee, 2010; Sinkkonnen, et al. 2007 and Malhotra and Galleta, 1999).

The Kaiser-Meyer-Olkin (KMO) has a measure of 0.774, which is above the threshold of 0.5 (Field, 2005). The Bartlett's test is significant for social bonds with Chi-Square= 2644.665(p-value< 0.05). Therefore, the KMO value of 0.774 and significance of Bartlett's statistic confirm the appropriateness of the factor analysis for social bonds. The results are presented in Table A11 in appendix IV

Any item that fails to meet the criteria of having a factor loading value of greater than 0.5 and loads on one and only one factor was dropped from the study (Liao et al., 2007).According to the result presented in Table 4.6, first factor, exhibited heavy loadings for six items. This factor consists of factor loadings for; bank communicates extensively with customers (0.863), timely and trustworthy information (0.936), information on new services (0.796), accurate information (0.835), information is easy to understand (0.721) and satisfaction with relationship (0.800). This factor can be renamed as 'Communication efficiency', because the items loading highly on it are related to information flow to customers. Factor two exhibits heavy loading for six items comprising; tailored communication (0.827), employees show respect to customers (0.717), I recommend bank to friends (0.839), relations with bank go beyond business (0.829), concern for success of bank (0.782) and encouraging people to do business with my bank (0.872). This factor can be renamed as 'Customer sacrifices' because the items loading highly on it are related to customers activities in the relationship with the bank. Factor analysis presented a good fit between the social bonds data and the proposed model. The goodness-of-fit statistic indicates that the model is acceptable and statistically significant (Karjaluoto, et al, 2002). The Chi-square value of 2644.665 and (p-value< 0.05) indicates a good fit between the model and the social bonds data and there exists an adequate correlation among the extracted variables.

Table 4.6: Social Bonds Rotated Component Matrix

Scale items	Factor loadings	
	1	2
Bank communicate extensively with customers	.863	
Bank provide timely and trustworthy information	.936	
Provision of information on new services	.796	
Bank provide accurate information	.835	
Information is easy to understand	.721	
Communication is tailored to suit my needs		.827
Employees show respect to customers		.717
I recommend my bank to friends		.839
Relations with bank go beyond business		.829
I feel satisfied with the relationship	.800	
I have high concern for the success of my bank		.782
I encourage people to do business with my bank		.872
Notes: Eigenvalues	15.731	1.630
Percentage of variance	74.991%	7.760%
KMO Measure of Sampling adequacy 0.744		
Approx. Chi-Square 2644.665, Sig. 0.000		

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
a. Rotation converged in 3 iterations.

Source: Research data (2015)

4.6.2.3 Factor Analysis Results of Structural Bonds

Results show that 12 items for structural bonds are sorted and clustered into three components. The results of principal component analysis indicate that, there are three factors whose Eigenvalues exceed 1.0. The Eigenvalue of a factor represents the amount of the total variance explained by that factor. For structurall bonds, the first factor has Eigenvalue of 7.583, the second factor has Eigenvalue of 1.715 and the third factor has Eigenvalue of 1.064. The three factors identified for the independent variable; structural bonds explain 86.350% of the total variance. The first factor explained 63.192% of this variance; the second factor explained 14.289% of the total variance. Similarly the third factor explained 8.870% of the total variance. The percentage of variance combines for succeeding items to make up 100 % variance (see Table A8 in appendix IV). Results also show the extracted sum of square loading for the three factors. The values are calculated on the basis of the common variance, which is smaller than the total variance, incorporating 86.350% of variance. Rotated sum of square loadings depict the distribution of the variance after varimax rotation. Varimax rotation tries to maximize the variance of each of the factors, so the total amount of variance accounted for is redistributed over the three extracted factors. Principal component analysis with varimax rotation is widely adopted as a reliable method of factor analysis (Lee, 2010; Sinkkonnen, et al. 2007 and Malhotra and Galleta, 1999).

The Kaiser-Meyer-Olkin (KMO) has a measure of 0.678, which is above the threshold of 0.5 (Field, 2005). The Bartlett's test is significant for structural bonds with Chi-Square= 5964.463 (p-value< 0.05). Therefore, the KMO value of 0.678 and significance of Bartlett's statistic confirm the appropriateness of the factor analysis for structural bonds. The results are presented in Table A11 in appendix IV

Structural bonds items that failed to meet the criteria of having a factor loading value of greater than 0.5 and loads on one and only one factor was dropped from the study (Liao et al., 2007).According to the result presented in Table 4.7, first factor, exhibited heavy loadings for four items. This factor consists of factor loadings for; safekeeping of valuables (0.883), low prices for safekeeping of valuables (0.619), I trust bank to safe keep valuables (0.836) and bank keep promise on insurance cover (0.869). This factor can be renamed as 'Trust', because the items loading highly on it are related to customer perception on services offered by the bank. Factor two exhibits heavy loading for four items comprising; bank is confidential (0.684), free insurance on loans (0.690), no hidden charges on insurance cover (0.708) and insurance cover is beneficial (0.935). This factor can be renamed as 'Customer protection' because the items loading highly on it are related to bank initiatives to protect customer from financial losses due to uncertain eventualities. Factor three exhibits heavy loading for three items comprising; bank offer financial advice (0.921), risk analysis to customers (0.897) and financial advice help create customer value (0.651). This factor can be renamed as 'Financial services' because the items loading highly on it are related to bank activities to advice customer on investment and risks involved. Factor analysis presented a good fit between the structural bonds data and the proposed model. The goodness-of-fit statistic indicates that the model is acceptable and statistically significant (Karjaluoto, et al, 2002). The Chi-square value of 5964.463 and (p-value< 0.05) indicates a good fit between the model and the structural bonds data and there exists an adequate correlation among the extracted variables.

Table 4.7: Structural Bonds Rotated Component Matrix

Scale items	**Factor loadings**		
	1	2	3
Bank offer financial advice			.921
Bank carry out risk analysis to customers			.897
Financial advice help create customer value			.651
Bank safe keep valuables for customers	.883		
Bank charge low prices for safe keeping	.619		
I trust my bank to safe keep my valuables	.836		
Bank is always confidential on valuables kept		.684	
Bank offer free insurance on loans		.690	
Bank keep promise on insurance covers	.869		
There are no hidden charges on insurance cover		.708	
Insurance cover is beneficial to customer		.935	
Notes: Eigenvalues	7.583	1.715	1.064
Percentage of variance	63.192%	14.289%	8.870%
KMO Measure of Sampling adequacy	0.678		
Approx. Chi-Square	5964.463, Sig. 0.000		

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
a. Rotation converged in 3 iterations.

Source: Research data (2015)

4.6.2.4 Factor Analysis results of customer involvement

Results show that 10 items for customer involvement are sorted and clustered into two components. The results of principal component analysis indicate that, there are two factors whose Eigenvalues exceed 1.0. The Eigenvalue of a factor represents the amount of the total variance explained by that factor. For social bonds, the first factor has Eigenvalue of 6.785 and the second factor has Eigenvalue of 1.521. The two factors identified for the moderating variable; customer involvement explains 83.065% of the total variance. The first factor explained 67.852% of this variance. Similarly, the second factor explained 15.213% of the total variance. The percentage of variance combines for succeeding items to make up 100 % variance (see Table A9 appendix IV). Results also show the extracted sum of square loading for the two factors. The values are calculated on the basis of the common variance, which is smaller than the total variance, incorporating 83.065% of variance. Rotated sum of square loadings depict the distribution of the variance after varimax rotation. Varimax rotation tries to maximize the variance of each of the factors, so the total amount of variance accounted for is redistributed over the two extracted factors. Principal component analysis with varimax rotation is widely adopted as a reliable method of factor analysis (Lee, 2010; Sinkkonnen, et al. 2007 and Malhotra and Galleta, 1999).

The Kaiser-Meyer-Olkin (KMO) has a measure of 0.685, which is above the threshold of 0.5 (Field, 2005). The Bartlett's test is significant for customer involvement with Chi-Square= 5352.735 (p-value< 0.05). Therefore, the KMO value of 0.685 and significance of Bartlett's statistic confirm the appropriateness of the factor analysis for customer involvement. The results are presented in Table A11 in appendix IV

Customer involvement items that failed to meet the criteria of having a factor loading value of greater than 0.5 and loads on one and only one factor was dropped from the study (Liao et al., 2007).According to the result presented in Table 4.8, first factor, exhibited heavy loadings for six items. This factor consists of factor loadings for; involvement on new services (0.931), involvement on purchase decisions (0.712), effectiveness of customer involvement techniques (0.915), involvement techniques are beneficial (0.858), levels of customer involvement are agreeable (0.900) and bank train customers on product/service use (0.892). This factor can be renamed as ‘Information usage and processes’, because the items loading highly on it are related to customer experiences on involvement initiatives offered by the bank. Factor two exhibits heavy loading for four items comprising; advice from bank before purchase (0.753), investment in customer relations equipments (0.889), contractual rules and policies on involvement (0.750) and research to identify new marketing possibilities (0.893). This factor can be renamed as ‘Customer welfare’ because the items loading highly on it are related to bank initiatives to customer perceived benefits. Factor analysis presented a good fit between the customer involvement data and the proposed model. The goodness-of-fit statistic indicates that the model is acceptable and statistically significant (Karjaluoto, et al, 2002). The Chi-square value of 5352.735 and (p-value< 0.05) indicates a good fit between the model and the customer involvement data and there exists an adequate correlation among the extracted variables.

Table 4.8: Customer Involvement Rotated Component Matrix

Scale items		Factor loadings	
		1	2
Bank informs customers on new service		.931	
Bank involve customers on product development		.712	
Customer service is effective		.915	
Bank has beneficial involvement programs		.858	
Levels of customer involvement are agreeable		.900	
Bank train customers on product/service use		.892	
I get advice from bank before I purchase			.753
My bank invests on customer relations			.889
Bank has rules and policies on involvement			.750
Research to identify new marketing possibilities			.893
Notes: Eigenvalues		6.785	1.521
Percentage of variance		67.852%	15.213%
KMO Measure of Sampling adequacy	0.685		
Approx. Chi-Square	5352.735, Sig. 0.000		

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
a. Rotation converged in 3 iterations.

Source: Research data (2015)

4.6.2.4 Factor Analysis Results of Customer Value

Results show that 10 items for customer value are sorted and clustered into two components. The results of principal component analysis indicate that, there are two factors whose Eigenvalues exceed 1.0. The Eigenvalue of a factor represents the amount of the total variance explained by that factor. For customer value, the first factor has Eigenvalue of 7.173 and the second factor has Eigenvalue of 1.429. The two factors identified for the dependent variable; customer value explains 86.021% of the total variance. The first factor explained 71.730% of this variance. Similarly, the second factor explained 14.291% of the total variance. The percentage of variance combines for succeeding items to make up 100 % variance (see Table A10 in appendix IV). Results also show the extracted sum of square loading for the two factors. The values are calculated on the basis of the common variance, which is smaller than the total variance, incorporating 86.021% of variance. Rotated sum of square loadings depict the distribution of the variance after varimax rotation. Varimax rotation tries to maximize the variance of each of the factors, so the total amount of variance accounted for is redistributed over the two extracted factors. Principal component analysis with varimax rotation is widely adopted as a reliable method of factor analysis (Lee, 2010; Sinkkonnen, et al. 2007 and Malhotra and Galleta, 1999).

The Kaiser-Meyer-Olkin (KMO) has a measure of 0.770, which is above the threshold of 0.5 (Field, 2005). The Bartlett's test is significant for customer involvement with Chi-Square= 5845.198 (p-value< 0.05). Therefore, the KMO value of 0.770 and significance of Bartlett's statistic confirm the appropriateness of the factor analysis for customer value. The results are presented in Table A11 in appendix IV

Customer value items that failed to meet the criteria of having a factor loading value of greater than 0.5 and loads on one and only one factor was dropped from the study (Liao et al., 2007).According to the result presented in Table 4.9, first factor, exhibited heavy loadings for four items. This factor consists of factor loadings for; response to customer complaints (0.879), dealing with customer requests (0.925), friendly staff and short queues (0.886) and employees are truthful and honest (0.869). This factor can be renamed as ‘Customer contact’, because the items loading highly on it are related to bank employee’s service delivery. Factor two exhibits heavy loading for four items comprising; bank fulfills its obligations (0.853), personalized telephone banking (0.874), savings management (0.897) and personalized services (0.819). This factor can be renamed as ‘Service quality delivery’ because the items loading highly on it are related to bank initiatives to serve customer better than competition. Factor analysis presented a good fit between the customer value data and the proposed model. The goodness-of-fit statistic indicates that the model is acceptable and statistically significant (Karjaluoto, et al, 2002). The Chi-square value of 5845.198 and (p-value< 0.05) indicates a good fit between the model and the customer value data and there exists an adequate correlation among the extracted variables.

Table 4.9: Customer Value Rotated Component Matrix

Scale items	**Factor loadings**	
	1	2
Quick and efficient response to customer complaints	.879	
Quick and efficiency services	.925	
Friendly, courteous branch staff	.886	
Bank employees are truthful and honest	.931	
Bank fulfills its obligations to customers		.853
Bank provision personalized telephone banking		.874
Bank manage my savings well		.897
Bank offer personalized services		.819
Notes: Eigenvalues	7.173	1.429
Percentage of variance	71.730%	14.291%
KMO Measure of Sampling adequacy	0.770	
Approx. Chi-Square	5845.198, Sig. 0.000	

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
a. Rotation converged in 3 iterations.

Source: Research data (2015)

4.7 Correlation Analysis

Since a single construct in the questionnaire was measured by multiple items, the average score of the multi-items for a construct was computed and used in further analysis such as correlation analysis and multiple regression analysis (Wang and Benbasat, 2007). Pearson correlation analysis was conducted to examine the relationship between the variables (Wong and Hiew, 2005; Jahangir and Begum, 2008). As cited in Wong and Hiew (2005) the correlation coefficient value (r) range from 0.10 to 0.29 is considered weak, from 0.30 to 0.49 is considered medium and from 0.50 to 1.0 is considered strong. However, according to Field (2005), correlation coefficient should not go beyond 0.8 to avoid multicollinearity. Since the highest correlation coefficient is 0.679 which is less than 0.8, there is no multicollinearity problem in this research. The results are presented in Table 4.10

All the associated pairs of variables were significant at level 0.05. All the hypothesized relationships developed were found to be statistically significant at level $p < 0.05$. In other words, FB ($r = 0.645$, $p < 0.05$), SOCB ($r = 0.588$, $p < 0.05$), STRB ($r = 0.502$, $p < 0.05$) and CUSI ($r = 0.510$, $p < 0.05$) were correlated to customer value significantly and positively. Based on Table 4.10, the correlation between FB and SOCB was the strongest (r-value = 0.679, $p < 0.05$. This is followed by the relationship between FB and CV (r-value = 0.645, $p < 0.05$). The weakest relationship was between STRB and CUSI (r-value = 0.407, $p < 0.05$).

Table 4.10: Pearson Correlation Coefficients of Study Variables

	FB	SOCB	STRB	CUSI	CV	Sig (2-tailed)
FB	1					.000
SOCB	.679**	1				.000
STRB	.546**	.589**	1			.000
CUSI	.630**	.576**	.407**	1		.000

CV	.645**	.588**	.502**	.510**	1	.000

Note: **. Correlation is significant at the 0.01 level (2-tailed), N= 300

FB= Financial bonds, SOCB= Social bonds, STRB= Structural bonds, CUSI= Customer involvement and CV= Customer value

Source: Research Data (2015)

4.8 Test of Hypotheses

The study was based on the premise that relational marketing strategies influence customer value but this influence is moderated by several customer involvement factors. Six hypotheses had been set to guide the study as highlighted in the conceptual framework in chapter two. In order to establish the statistical significance of the respective hypotheses, multiple linear regression was used to test direct relationships, while moderated multiple regression used to test the moderating effect of customer involvement on the relationship. Analysis was conducted as appropriate at 95 percent confidence level ($\alpha = 0.05$). Moderated multiple regression analysis is an inferential procedure which consists of comparing two different least-squares regression equations (Aguinis, 2004).

4.8.1 Relationship between Relational Marketing Strategies and Customer Value

To assess the influence of relational marketing strategies on commercial banks customer value, the study had set the following null hypotheses:

Ho_1: There is no significant relationship between financial bonds and customer value of commercial banks

Ho_2: There is no significant relationship between social bonds and customer value of commercial banks

Ho_3: There is no significant relationship between structural bonds and customer value of commercial banks

Multiple regression analysis was employed to test the hypotheses. Multiple regression analysis is applied to analyze the relationship between a single dependent variable and several independent variables (Hair et al., 2005). Multiple regression analysis was therefore selected as it is viewed as an appropriate method for this study. The summary of results analysis is shown in Table 4.11.

In order to test for multicollinearity among the predictor variables, variance-inflation factor (VIF) and tolerance were applied. The multicollinearity statistics showed that the tolerance indicator for Financial bonds (FB), Social bonds (SOCB) and Structural bonds (STRB) are all greater than 0.1 and their VIF values are less than 10. The result indicates that no multicollinearity problem has occurred (Ott and Longnecker, 2001).

The F-statistics produced ($F = 265.459$) was significant at 5 per cent level (Sig. $F < 0.05$), thus confirming the fitness for the model. Therefore, there is a statistically significant relationship between the relational marketing strategies and customer value. The coefficient of determination R^2 was 72.9 per cent. Thus, relational marketing strategies can significantly account for 72.9 per cent in customer value.

The results also shows that FB ($p < 0.05$), and SOCB ($p < 0.05$) significantly affect the customer value. Based on Table 4.11, it indicated that the most important relational marketing strategy that affect customer value is FB (β= 0.709, p-value= 0.000), followed by SOCB (β= 0.011, p-value= 0.000). Structural bonds however, were found not to be significantly associated with customer value STRB (β= 0.023, p-value= 0.783). Hence, Ho1 and Ho2 are rejected since none of the βi's $\neq 0$ and their p-values is less than α. On the other hand the study fail to reject Ho3 since the p-value of structural bonds is greater than 0.05.

Table 4.11: Multiple Regression Results on Relationship between Relational Marketing Strategies and Customer Value

Predictor variables	β	t-value	Std Error	Sig.	Tolerance	VIF	Durbin-Watson
Constant	.656	6.059	.108	.000			1.378
Financial bonds	.709	9.160	.077	.000	.192	5.215	
Social bonds	.011	2.972	.004	.003	.163	6.153	
Structural bonds	.023	.276	.084	.783	.166	6.022	

Notes: Overall model F= 265.459; $p < 0.05$; R= 0.854; R^2= 0.729; Adjusted R^2= 0.726

Source: Research results (2015)

4.8.2 Moderated Multiple Regression Results of effect of Customer Involvement on the Relationship between Financial Bonds and Customer Value

To determine the moderating effect of customer involvement on the relationship between financial bonds of commercial banks and customer value, the relevant null hypothesis postulated as:

Ho_4a: Customer involvement does not significantly affect the relationship between financial bonds and customer value.

Using the moderated multiple regression analysis, the moderating effect of the variable customer involvement was analyzed by interpreting; the R^2 change in the models obtained from the model summaries and the regression coefficients for the product term obtained from the model summaries. Prior to conducting the moderated multiple regression analysis, preliminary analyses were conducted to ensure that there was no violation of the assumptions of normality, linearity and homogeneity of error variance. Data was carefully examined to avoid the occurrence of; Type 1 error, which is the error of rejecting the true null hypotheses at a specified (α) and Type 2 error (β), which is the error of failing to reject a false null hypotheses at a specified power (Aguinis, 2004).

In order to test for multicollinearity among the predictor variables, variance-inflation factor (VIF) and tolerance were applied. The multicollinearity statistics showed that the tolerance indicator for Financial bonds (ZFB), Customer involvement (ZCUSI) and ZFB*ZCUSI are all greater than 0.1 and their VIF values are less than 10. The result indicates that no multicollinearity problem has occurred (Ott and Longnecker, 2001).

Table 4.12 shows that for Model 1, R= 0.846, R^2= 0.716 and ($F(1, 298) = 752.055$, p=0.000). Model 2 shows the results after the product term (ZFB*ZCUSI) was included in the equation.

Table 4.12 also indicates that the inclusion of the product term resulted in an R^2 change of 0.041, (F (1, 297) = 49.636, p= 0.000). The results show presence of moderating effect. To put it differently, the moderating effect of customer involvement explains 4.1% variance in customer perceived value above the variance by financial bonds scores. Thus it can safely be concluded that hypothesis H_{O4a} is not supported since $\beta \neq 0$ and p-value is less than 0.05. Model 1 indicates that financial bonds was statistically significant (p<0.05; Beta value= 0.846).

Table 4.12: Results of Moderating effect of Customer Involvement on the Relationship between Financial Bonds and Customer Value

Predictor variables	β	Std Error	R^2 Change	Sig.	Tolerance	VIF	Durbin-Watson
Constant	-6.788	.031		1.000			1.360
ZFB	.846	.031	0.716	0.000	1.000	1.000	
ZCUSI	.484	.059		0.000	0.237	4.226	
ZFB*ZCUSI	.217	.031	0.041	0.000	0.237	4.226	

Notes:

Overall model 1 F(1, 298)=752.005; p <0.05; R=0.846; R^2=0.716; Adjusted R^2= 0.715

Overall model 2 F (1, 297) = 49.636; p < 0.05; R= 0.870; R^2= 0.757; Adjusted R^2= 0.755

ZFB= Financial bonds, ZCUSI= Customer involvement and ZFB*ZCUSI= Financial bonds*Customer involvement

Source: Research results (2015)

4.8.3 Moderating effect of Customer Involvement on the Relationship between Social Bonds and Customer Value

To determine the moderating effect of customer involvement on the relationship between social bonds of commercial banks and customer value, the relevant null hypothesis was postulated as:

Ho_4b: Customer involvement does not significantly affect the relationship between social bonds and customer value.

Using the moderated multiple regression analysis, the moderating effect of the variable customer involvement was analyzed by interpreting; the R^2 change in the models obtained from the model summaries and the regression coefficients for the product term obtained from the model summaries. Prior to conducting the moderated multiple regression analysis, preliminary analyses were conducted to ensure that there was no violation of the assumptions of normality, linearity and homogeneity of error variance. Data was carefully examined to avoid the occurrence of; Type 1 error, which is the error of rejecting the true null hypotheses at a specified α and Type 2 error (β), which is the error of failing to reject a false null hypotheses at a specified power (Aguinis, 2004).

In order to test for multicollinearity among the predictor variables, variance-inflation factor (VIF) and tolerance were applied. The multicollinearity statistics showed that the tolerance indicator for Social bonds (ZSOCB) and Customer involvement (ZCUSI) and ZSB*ZCUSI are all greater than 0.1 and their VIF values are less than 10. The result indicates that no multicollinearity problem has occurred (Ott and Longnecker, 2001).

Table 4.13 shows that for Model 1, R= 0.829, R^2= 0.687 and (F (1, 298) = 653.502, p=0.000). Model 2 shows the results after the product term (ZSOCB*ZCUSI) was included in the equation. Table 4.13 also indicates that the inclusion of the product term resulted in an R^2 change of 0.056, (F (1, 297) = 64.354, p= 0.000). The results show presence of moderating effect. To put it differently, the moderating effect of customer involvement explains 5.6% variance in customer perceived value above the variance by social bonds scores. Thus it can safely be concluded that hypothesis Ho_{4b} is not supported since $\beta \neq 0$ and p-value is less than 0.05. Model 1 indicates that social bonds was statistically significant (p<0.05; Beta value= 0.829).

Table 4.13: Results of Moderating effect of Customer Involvement on the relationship between Social Bonds and Customer Value

Predictor variables	β	Std Error	R^2 Change	Sig.	Tolerance	VIF	Durbin-Watson
Constant	-8.407	.032		1.000			1.371
ZSOCB	.829	.032	.687	.000	1.000	1.000	
ZCUSI	.531	.047		.000	.386	2.588	
ZSOCB*ZCUSI	.380	.047	.056	.000	.386	2.588	

Notes: Overall model1F(1, 298)=653.502; p <0.05; R=0.829; R^2= 0.687; Adjusted R^2= 0.686

Overall model 2 F (1, 297) = 64.354; $p < 0.05$; R= 0.862; R^2= 0.743; Adjusted R^2= 0.741

ZSOCB= Social bonds, ZCUSI= Customer involvement and ZSOCB*ZCUSI= Social bonds*Customer involvement

Source: Research results (2015)

4.8.4 Moderating effect of Customer Involvement on the Relationship between Structural Bonds and Customer Value

To determine the moderating effect of customer involvement on the relationship between structural bonds of commercial banks and customer value, the relevant null hypothesis was stated as follows:

Ho_4c: Customer involvement does not significantly affect the relationship between structural bonds and customer value.

Using the moderated multiple regression analysis, the moderating effect of the variable customer involvement was analyzed by interpreting; the R^2 change in the models obtained from the model summaries and the regression coefficients for the product term obtained from the model summaries. Prior to conducting the moderated multiple regression analysis, preliminary analyses were conducted to ensure that there was no violation of the assumptions of normality, linearity and homogeneity of error variance. Data was carefully examined to avoid the occurrence of; Type 1 error, which is the error of rejecting the true null hypotheses at a specified α and Type 2 error (β), which is the error of failing to reject a false null hypotheses at a specified power (Aguinis, 2004).

In order to test for multicollinearity among the predictor variables, variance-inflation factor (VIF) and tolerance were applied. The multicollinearity statistics showed that the tolerance indicator for Structurall bonds (ZSTRB) and Customer involvement (ZCUSI) and ZSTRB*ZCUSI are all greater than 0.1 and their VIF values are less than 10. The result indicates that no multicollinearity problem has occurred (Ott and Longnecker, 2001).

Table 4.14 shows that for Model 1, R= 0.837, R^2= 0.701 and (F (1, 298) = 699.877, p=0.000). Model 2 shows the results after the product term (ZSTRB*ZCUSI) was included in the equation. Table 4.14 also indicates that the inclusion of the product term resulted in an R^2 change of 0.009, ($F(1, 297) = 9.390$, $p= 0.002$). The results show presence of moderating effect. To put it differently, the moderating effect of customer involvement explains 0.9% variance in customer perceived value above the variance by structural bonds scores. Thus it can safely be concluded that hypothesis H_O4c is not supported since $\beta \neq 0$ and p-value is less than 0.05. Model 1 indicates that structural bonds was statistically significant ($p<0.05$; Beta value= 0.837).

Table 4.14: Results of Moderating effect of Customer Involvement on the Relationship between Structural Bonds and Customer Value

Predictor variables	β	Std Error	R^2 Change	Sig.	Tolerance	VIF	Durbin-Watson
Constant	-4.557	.032		1.000			1.545
ZSTRB	.438	.017	.701	.000	1.000	1.000	
ZCUSI	.601	.056		.000	.086	8.643	
ZSTRB*ZCUSI	-.326	.107	.009	.002	.086	8.643	

Notes: Overall model1F(1, 298)=699.877; $p<0.05$; R= 0.837; R^2= 0.701; Adjusted R^2= 0.700
Overall model 2 F (1, 297)= 9.390 $p< 0.05$; R= 0.843; R^2= 0.711; Adjusted R^2= 0.709

ZSTRB= Structural bonds, ZCUSI= Customer involvement and ZSTRB*ZCUSI= Structural bonds*Customer involvement

Source: Research results (2015)

Table 4.15: Summary of the Hypotheses Tests Results

Hypothesis statement	Results
H_o1: There is no significant relationship between financial bonds and customer value	Rejected Ho
H_o2: There is no significant relationship between social bonds and customer value	Rejected Ho
H_o3: There is no significant relationship between structural bonds and customer value	Failed to reject Ho
H_o4a: Customer involvement do not moderate the relationship between financial bonds and customer value	Rejected Ho
H_o4b: Customer involvement do not moderate the relationship between social bonds and customer value	Rejected Ho
H_o4c: Customer involvement do not moderate the relationship between structural bonds and customer value	Rejected Ho

Source: Research results (2015)

CHAPTER FIVE
SUMMARY, DISCUSSIONS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter discusses the empirical results of the study as presented in chapter four. It presents a summary of the results of the hypothesis testing. Managerial and theoretical implications are then discussed, as well as the limitations of the study and suggestions for further research.

5.2 Summary of Findings

The basic premise of this study was that relational marketing strategies influence customer value of commercial banks and that this relationship is moderated by customer involvement. The study developed a conceptual framework of this argument and tested it empirically guided by the following specific objectives: establish the relationship between financial bonds and customer value; establish the relationship between social bonds and customer value; establish the relationship between structural bonds and customer value; and assess the moderating effect of customer involvement on the relationship between relational marketing strategies and customer value. Preliminary analyses focused on establishing the characteristics of the respondents and descriptions of response on the measures of study variables. After which relevant hypotheses tests to address the study objectives were conducted. The discussions in the following sections highlight the key findings of the study.

5.2.1 Influence of Financial Bonds on Customer Value in Commercial Banks.

The study had proposed the null hypothesis;

Ho_1: There is no significant relationship between financial bonds and customer value.

This relationship was found to be positive and significant ($\beta = 0.709$, $p < 0.05$). The hypothesis was therefore rejected. The coefficient 0.709 implies that financial bonds significantly explain the variability in customer value.

This result supports prior researches that looked at relational marketing strategies in the context of customer value (Palmatier, Scheer, & Steenkamp, 2007; Lin and Wang, 2005; Khalifa and Shen, 2008; Ahmad and Buttle, 2001). These studies have indicated that financial bonds played a vital role in influencing customer value. Customer value will increase when they find financial bonds useful. In conclusion, the better financial bonds could support customers, the more useful they perceive such bonds to be and increase their value. Hence, commercial banks attention should focus on designing reliable financial bonds system that will meet customer needs, so as to increase customer value. The research findings suggest that bank customer' attitudes towards the provision of financial bonds and subsequent levels of customer involvement and customer satisfaction impact on customer value. Most bank products are easy to duplicate and when banks provide nearly identical services, they can only distinguish themselves based on price and quality (Kuria, 2007). Therefore, customer value is an effective tool that banks can use to gain a strategic advantage and survive in today's banking competitive environment. It is more economical to keep customers than to acquire new ones. The key financial bonds factors affecting customers' value in a bank include the range of services, rates, fees and prices charged (Kuria, 2007). The finding of the study is further supported by Heskett et al. (1994) who argued that profit and growth are stimulated primarily by customer value and value is a direct result of financial bonds.

5.2.2 Influence of Social Bonds on Customer Value in Commercial Banks.

The study had proposed the null hypothesis;

Ho_2: There is no significant relationship between social bonds and customer value.

This relationship was found to be positive and significant ($\beta = 0.011$, $p < 0.05$). The hypothesis was therefore rejected. The coefficient 0.011 implies that social bonds explain the variability in customer value.

This result supports prior researches that looked at relational marketing strategies in the context of customer value (Ndubisi, 2004; Vierra and Ennew, 2004; Hsieh *et al*., 2005; Chiu *et al*., 2005; Chiung-Ju Liang and Wen-Hang, 2008). These studies have indicated that social bonds influence customer value. Customer value increase when customers perceive social bonds to be beneficial. In conclusion, the better social bonds could create beneficial friendship to customers, the more useful they will perceive such bonds to be and increase customer value. Hence, commercial banks attention should focus on designing effective social bonding strategies that will meet customer needs, create lasting friendship between the bank and customers, so as to improve customer value. The positive relationship that was identified between social bonds and customer value may be interpreted as customer value being increased as a result of experiencing a high quality of service in terms of communication, friendship and social support this in turn create high customer satisfaction and high perceptions of value.

5.2.3 Influence of Structural Bonds on Customer Value in Commercial Banks.

The study had proposed the null hypothesis;

Ho_3: There is no significant relationship between structural bonds and customer value.

This relationship was found to be positive and insignificant ($\beta = 0.023$, $p > 0.05$). The hypothesis was therefore accepted.

Structural bonds were found to have an insignificant effect on customer value. This result contradicted the prior studies (Bell, Auh, & Smalley, 2005; Ndubisi, 2006; Ching-Ju Liang and Wen-Hang, 2008). However, it is consistent with Cho et al.’s (2007) finding, which suggested that there is no significant influence of structural bonds on customer value. It is surprising that structural bonds was found to be not significant in influencing customer value in the study, even though structural bonds has been validated as major behavioral belief to influence customer value. It can be inferred that since majority of the bank customers in the study are retail customers, it is possible that structural bonds such as financial advice, safe keeping of valuables and insurance cover are less important to them and thus has no impact on value to them.

5.2.4 Moderating effect of Customer Involvement

On moderating effect of customer involvement, the study had postulated three null hypotheses;

Ho_4a: Customer involvement does not significantly affect the relationship between financial bonds and customer value

Ho_4b: Customer involvement does not significantly affect the relationship between social bonds and customer value

Ho_4c: Customer involvement does not significantly affect the relationship between structural bonds and customer value

The moderating effects were found to be positive and significant by interpreting R-square change Ho4a: (Model 1 R^2=0.716, Model 2 R^2=0.757, R^2 Change= 4.1%, $p< 0.05$), Ho4b: (Model 1 R^2= 0.687, Model 2 R^2= 0.743, R^2 Change= 5.6%, $p< 0.05$), Ho4c: (Model 1 R^2= 0.701, Model 2 R^2= 0.711, R^2 Change= 0.9%, $p< 0.05$). The hypotheses were therefore rejected. The coefficient of financial bonds (Beta value=0.846; $p<0.05$), social bonds (Beta value=0.829; $p<0.05$), structural bonds (Beta value=0.837; $p<0.05$), indicate that the independent variables were statistically significant.

The results indicated that on the overall customer involvement directly influenced the relationship between relational marketing strategies and customer value. The positive influence of customer involvement on the relationship between relational marketing strategies and customer value may be interpreted as involved customers having favorable behavioral intentions to revisit or continue using the same bank after receiving high service quality that produces a high customer value. According to Brady et al. (2001), researchers and practitioners should identify customer involvement as a means of driving customer value. This implies that involved customers are likely to engage in positive word-of- mouth and to continue doing business with the same bank. This link is very strong, and it shows that if the bank managers want to create customers value, they should have some special strategies to involve the customer. An involved customer never takes the risk of moving to other competitors (Brady et al., 2001). Customer involvement is important to marketers because it is usually assumed to be a significant determinant of recurring sales, positive word-of-mouth, intention to repurchase, and customer value. Banks need to demystify their bank statements so that customers can see exactly what they are being charged for. This is likely to raise their perceived notion and consequently lead to customer value. If a customer is involved and gets value for their money, then he/she will become satisfied and this injects value automatically and the customer remains with the current providers for a longer period of time. Cohen et al. (2007) found that a loyal customer takes less of the company's time during transactions and are less sensitive to price changes.

5.2.5 Summary of the Analytical Model Results

At individual level, relational marketing strategies that have significant positive relationship with customer value are financial bonds (β= 0.709, p-value= 0.000) and social bonds (β= 0.011, p-value= 0.003). On the other hand Structural bonds (β= -0.023, p-value= 0.783) do not have significant relationship with customer value, since p-value > 0.783. Hence, Ho1 and Ho2 are rejected since none of the βi's $\neq 0$ and their p-values is less than α. On the other hand the study fail to reject Ho3 since the p-value of structural bonds is greater than 0.05 In addition the explanatory power of relational marketing strategies on the variability of customer value is strong at 72.9 percent (R Square= 0.729). The results also show presence of moderating effect of customer involvement on the relationship between relational marketing strategies and customer value. On the basis of these results, the following multiple regression equations that can be used to estimate the influence of relational marketing strategies on customer value and the moderating effect of customer involvement on the relationship is given on Table 5.1

Table 5.1: Summary of the Analytical Model Results

1. Relationship between Relational Marketing Strategies and Customer Value

Hypothesis Statement	**Regression Model**
Ho_1: There is no significant relationship between financial bonds and customer value Ho_2: There is no significant relationship between social bonds customer value Ho_3 There is no significant relationship Between structural bonds and customer value in commercial banks	CV= 0.656 + 0.709FB+0.011SB +0.023STRB (.108) (.077) (.004) (.084) **Where;** CV= Aggregate mean score of customer 0.656 = y-intercept/constant 0.709 =Regression coefficient for financial bonds (beta) FB= Aggregate mean score of financial bonds 0.011 =Regression coefficient social bonds (beta) SB =Aggregate mean score of social bonds 0.023 =Regression coefficient for structural bonds (beta) STRB=Aggregate mean score of structural bonds (.108) (.077) (.004) (.084)=error terms-random variation due to other unmeasured factors

2. Moderating effect of Customer Involvement

Hypothesis Statement	**Regression Model**
Ho_4a: Customer involvement does not significantly affect the relationship between financial bonds and customer value	CV= -6.788+ .846ZFB+ 0.484ZCUSI + 0.217ZFB*ZCUSI (.031) (.031) (.059) (.031) **Where;** CV= Aggregate mean score of customer value -6.788 = y-intercept/constant 0.846 = Least squares estimate of the population regression coefficient for financial bonds ZFB= Degree of the individual independent variable (financial bonds) ZCUSI= A hypothesized moderator (Customer involvement) 0.484= Least squares estimate of the population regression coefficient for customer involvement

ZFB*ZCUSI= The product between the predictors (Financial bonds*Customer involvement)
0.217 = The sample base least squares estimates of the population regression coefficient for product term
(.031) (.031) (.059) (.031)=error term-random variation due to other unmeasured factors

H_{o4}b: Customer involvement does not significantly affect the relationship between social bonds and customer value

CV=-8.407+.829ZSOCB+0.531ZCUSI + 0.380ZSOCB*ZCUSI
(.032) (.032) (.047) (.047)

Where;
CV= Aggregate mean score of customer value
-8.407 = y-intercept/constant
0.829 = Least squares estimate of the population regression coefficient for social bonds
ZSOCB= Degree of the individual independent variable (social bonds)
ZCUSI= A hypothesized moderator (Customer in (Customer involvement)
0.531= Least squares estimate of the population regression coefficient for customer involvement
ZSOCB*ZCUSI= The product between the predictors (Social bonds*Customer involvement)
0.380 = The sample base least squares estimates of the population regression coefficient for the product term
(.032) (.032) (.047) (.047) =error term-random variation due to other unmeasured factors

H_{o4}c:Customer involvement does not significantly affect the relationship between structural bonds and customer value

CV=-4.557+0.438ZSTRB+0.601ZCUSI+ 0.326ZSTRB*ZCUSI
(.032) (.017) (.056) (.107)

Where;
CV= Aggregate mean score of customer value
-4.557 = y-intercept/constant
0.438 = Least squares estimate of the population regression coefficient for structural bonds
ZSTRB= Degree of the individual independent variable (structural bonds)
ZCUSI= A hypothesized moderator (Customer involvement)
0.484= Least squares estimate of the population regression coefficient for customer involvement
ZSTRB*ZCUSI= The product between the predictors (Structural bonds*Customer involvement)
-0.326 = The sample base least squares estimates of the population regression coefficient for the product term
(.032) (.017) (.056) (.107)=error term-random variation due to other unmeasured factors

Source: Research results (2015)

5.3 Positioning the Current Research

Most of the relational marketing strategies employed by commercial banks are a reflection of the same paradigm. As a result, there is equivocal evidence to support the effectiveness of these strategies. Most do not produce the promised results: customer perceived value, higher profitability, more valuable insights into customer behavior and stronger relationships (Nunes & Drèze, 2006). Many firms invest a substantial proportion of their marketing budget in providing these benefits (e.g. bonding programs), but remain unsuccessful in achieving their aims, including targeted returns and improved relationship quality, with their existing and potential customers.

Most studies have examined the economic mechanisms by which firms' strategies, such as financial, social and structural bonding, influence customer behavior, so it is difficult to understand why some programs work and some do not. Studies (Morales, 2005; Palmatier, et al., 2009) have identified psychological mechanisms that: work only with other mediating mechanisms, such as trust and commitment in extant relationship marketing models; incorporate behavioral tendencies to explain attitudinal patterns; and directly predict purchase behaviors (e.g. share of wallet) instead of defining purchase patterns as a function of customer perceived value and relationship quality.

In this research, it is argued that it is critical to introduce the construct of customer involvement into studies of seller-buyer relationships because customer involvement may explain the ineffectiveness of customer-directed relationship investments. This thesis highlights that customer involvement is a moderating mechanism that can better explain the relationship between the customer perceptions of relational marketing strategies and customer perceived value, overall satisfaction and commitment (all dimensions of relationship quality). It is also argued that customer involvement is a significant component of personal relationships and thus may offer important insights to the concept of customer perceived value. To the best of knowledge of author, no published study has examined the independent moderating role of customer involvement on the relationship between relational marketing strategies and customer perceived value. Consequently, this study contributes to the marketing literature by addressing this gap.

5.4 Conclusion of the Study

This study was an attempt to introduce and investigate the emerging concept of customer perceived value in the context of relational marketing strategies and customer involvement in commercial banks. With the diminishing role of traditional marketing and the evolution of customer centric orientations, the rules of the marketing game have changed. As a result, customer involvement was brought to the attention of marketers as a way to improve customer relationships and therefore gain competitive advantage.

The concept and its roots were introduced by reviewing the existing academic literature. While the notion of customer involvement was not new in other disciplines, it is still emerging in the field of marketing. Building on various conceptualizations adapted from other academic disciplines, it has been concluded that the concept of customer involvement is characterized by interactive customer experiences with the service provider. It is a process of dynamic and iterative nature, which stems from S-D logic and the relationship marketing domain, which imply that creating superior value in cooperation with the customer is becoming the source of competitive advantage and it is therefore important for businesses to put their focus on building and maintaining long-term interactive value-driven relationships with their customers. Customer involvement is the central element embedded in a broader network of other relational constructs serving as a moderator in the relationship between relational marketing strategies and customer perceived value. The concept of customer involvement is multidimensional and comprises the expressions of emotional, behavioral and cognitive involvement specific to particular context.

Furthermore, the conceptual model of customer value, the study found that customer involvement significantly moderates the relationship between relational marketing strategies and customer perceived value. Two relational marketing strategies (financial bonds and social bonds) were found to positively and significantly influence the overall level of customer perceived value; while structural bonds were found to be insignificant in relations to customer perceived value.

In conclusion, the findings of this study have important implications for both academic marketing literature and practice. As the scholarly inquiries into the notion customer perceived value have mostly remained conceptual to date, this research is one of the first few attempts to test the concept in an empirical setting. On the other hand, the managers will also find some useful implications that are relevant and can be applied in designing the strategies for engaging the customers. Yet, further testing and refinement of the model is necessary in order to fully leverage the potential of customer perceived value.

5.5 Recommendations of the Study

The study provides valuable recommendations to both theory and practice. The researcher believes that these recommendations will create vital insights to both scholars and practitioners in marketing and help fill the knowledge gap in the model of customer perceived value in the context of the moderating role of customer involvement. The following sections highlights the recommendations

5.5.1 Theoretical Implications

This study provides several implications for scholars. First, the study successfully extends the relational marketing strategies in the context of customer value by incorporating customer involvement construct. This extended relational marketing model is developed to achieve the greater understanding of customer acceptance of relational strategies in Kenya's commercial banks while remaining the parsimony of the model in the same time. In conclusion, the model in this study presents a considerable improvement in explanatory power. Secondly this research presents a specific business theory and a systematic mechanism that is different from the gift-giving phenomenon. This mechanism helps us to understand what makes a customer grateful in an exchange context. This mechanism also helps us to understand why firms are encouraged to invest in relationship-building activities that lead to customer perceived value. Thirdly, three relational marketing strategies (i.e. financial bonds, social bonds and structural bonds) are also proposed and tested to help understand the extended role of relational marketing investments in predicting customer perceived value and performance outcomes of the firm. Besides these key contributions, the customer perceived value model also explains how customer perceived value is translated into other corporate benefits. The conceptualization of the model extends existing research that examines customer perceived value as an antecedent to customer commitment to a relationship with commercial banks.

5.5.2 Managerial Implications

Given that customer perceived value is an important affective response embedded in relational exchange processes, several implications can be advanced for service managers and practitioners. First, all service managers and employees who interact with customers should endeavor to understand customer perceived value in relational exchanges. Service managers should acknowledge that customer perceived value, beyond the role of satisfaction, trust and commitment, is a powerful assessment of a seller's performance. Furthermore, they must recognize that customer perceived value is not a replacement for satisfaction, trust or attitudinal commitment; rather, it predicts the customer's perceptions of relationship quality.

In most situations, customer’s evaluative reservations and negative feedback are not manifested at the spot, but appear later in the form of switching to a competitor and/or negative word of mouth, which have adverse effects on the performance of the firm. The effectiveness of relational marketing strategies to build relationships with customers can be judged by identifying, recognizing and categorizing the customer perceived value generated in customers. Similarly, service managers can determine the degree of perceived relationship quality by recording the grateful submissions of customers.

Second, the scope of customer perceived value is not limited to purchase, transaction-specific or point-of-sale situations alone. Perceived value may be a powerful indicator of satisfaction, trust and commitment in pre-purchase and post-purchase scenarios as well. For instance, a grateful prospective customer is more likely to have a better relationship with the seller and increased purchase intentions. For post-purchase and service recovery scenarios, the affective response of perceived value can be used as a gauge for persistent, continued, or lost attitudinal and behavioral loyalty towards the seller. This also suggests that relational marketing strategies should not be made solely in the purchase phase; rather, they should be extended to pre- and post-purchase situations in order to win customer perceived value. Likewise the role of customer perceived value can be extended in the premise of customer relationship management (CRM).

Third, the definition presented and model suggested in this research is relevant to internal aspects of market orientation. Given that service managers can impact employee behaviors by motivating them to serve their customers better and stay loyal to the firm (Lings, 2004), perceived value may predict the attitudinal and behavioral loyalty of employees for their organizations, and the value they receive from other value chain members. The capacity for being grateful for benefits received from the value network, as well as the capability to render benefit in order to earn value, is a reflection of strong relationships between employees and a firm. An evaluation of this employee capacity, through an appropriate measure, may be useful during recruitment, especially for frontline managers who are crucial to organizational success.

Fourth, when considering that benefits received once by customers may then become an essential determinant of value in subsequent encounters, designing relational marketing strategies is challenging. Service managers should focus on the co-creation and co-production of value by developing a better understanding of their employees, customers, and the nature of the relationship between them. The model of customer perceived value may also provide insights for service managers to understand and analyze the behavior base of both customers and employees.

Fifth, an understanding of the customer perceived value model will help service practitioners to analyze what goes on ‘behind the scenes’ when substantial marketing budgets do not produce desirable outcomes. After assimilating the customer perceived value model, more managers will pay attention to the customer commitment that is predominately responsible for generating valued benefits for the firm.

Sixth, psychosocial mechanisms (as opposed to the rationality of a customer) play a crucial role in many exchange contexts. The customer relationship model suggests managers should not only invest their time, energy and resources in stimulating customer perceived value, which subsequently influences customer-perceived relationships with sellers, but also focus on grateful customers who trust, are satisfied with, and commit to the seller. Once this trust, satisfaction, and commitment are achieved, customers' positive emotions will lead to other corporate benefits for the seller.

Seventh, this study suggests that benefits rendered by the firm might stimulate equal perceived value in both new and existing customers, but loyal customers are more likely to generate benefits for the seller. This finding echoes the findings of another survey (ACI Worldwide, 2011) that suggests that positive responses to loyalty programs are most likely from existing loyal customers. Most loyalty programs that target new customers remain unsuccessful and may even create frustration. Consequently, it is not enough for managers to merely render a benefit to stimulate perceived value in their customers; they also need to prioritize the customers they address. Firm benefits directed at committed and loyal customers pay off more than those directed at new customers.

According to Kuria (2007), it costs tens of billions to build and develop customer value and relationships in Kenya’s commercial banks. Since lots of efforts and money have been invested in relational marketing strategies, it is essential to ensure that customers positively perceive such strategies. In order to attract and retain more customers, it is believed that merely introducing relational strategies may not be sufficient. By using the derived results in the analysis, commercial banks may focus on the improvement of constructs or attributes that have positive impact on customer value (Wong and Hiew, 2005).

Since the Financial bonds are the most critical factor among all independent variables, commercial banks should initiate critical financial bonds which customers will find valuable and usable to keep up with the ever changing customer requirements. Design of the financial bonds should be focused on the important and unique requirements of the customer, such as personalization among others.

Besides, the financial bonds, the findings also reflect the overwhelming importance of social bonds in customer value. This implies that social bonds building between the customers and commercial banks should be another major concern for the banks. Without proper communication, friendship and social support, customers may not enter into mutually beneficial relations with commercial banks. The banks must strive to build trust among their customers According to Wang and Barnes (2007), the trust building strategies include advertising campaign, personalized services, and favorable company policies. Furthermore, the strong relationship between relational bonds and customer value in the study suggests that the creative promotional and pricing strategies, including cost reduction should be implemented to attract price-conscious customers. On the other hand, structural bonds are found to be insufficient to influence customer value in the study. Hence, the main attention of management should be focused on development of financial bonds and social bonds, instead of focusing on safekeeping of valuables and insurance cover to customers.

The study was to answer the question, what is the moderating effect of customer involvement on the relationship resulting from relational marketing strategies and customer value? First, the study established that there is a direct relationship between relational marketing strategies and customer value. The results can help bank managers to decide upon those relational marketing dimensions that need improvement. Bank management should pay attention to relational marketing strategies dimensions of financial bonds and social bonds. In this respect, efforts should be made for example to simplify banking procedures. Thus, the waiting time decreases which may positively affect customers' level of satisfaction. Second, customer involvement is a critical success factor that influences the competitiveness of an organization. A bank can differentiate itself from competitors by providing beneficial customer involvement forums. The findings showed that customer involvement dimensions can be used by banks to attract and maintain their customers. To survive in the competitive banking industry, banks have to develop new strategies which can create value to their customers. Since it is impossible to have product differentiation in a competitive environment like the banking industry (Ioanna, 2002) as all banks are delivering the similar products, bank management should try to differentiate their firm from competitors through involving their customers in such areas as; new service development, purchase decisions, training customers on service use, developing contractual rules and policies on customer involvement and investing on customer involvement equipments. Third, employees as the implementers of commercial bank strategies must be equipped with knowledge, skills and attitudes necessary to effectively implement customer involvement programs. Training should pay particular attention to introduction of new service, advising customer before purchase and contractual rules and policies on customer involvement, in order to meet the customers' need for informed decision. This may result in high customer value, retention and loyalty (Reichheld and Teal, 1996; Caruana, 2002) within the Kenya Commercial Banking industry.

5.6 Limitations of the Study and Suggestions for Further Research

The limited empirical research in the area of customer perceived value with respect to relational marketing is mainly due to a lack of suitable models. Other constructs (e.g. customer involvement, perceived competence of seller, etc.) that leverage perceived customer value must also be identified to gain better insight into this phenomenon and develop other meaningful models. However, there are several limitations to the current research.

First, due to the cross-sectional nature of this research, this study does not capture long-term feelings of customer perceived value. Future researchers might be interested in whether feelings of perceived value are relatively short term, whether they decay over short intervals of time, and how they assure long-term customer-seller relationships.

Second, future research could compare the perceived value of relational marketing strategies in both developed and developing economies. This would test if there are differences in the intensity of customer perceived value between different groups of people in response to the same type of relational marketing strategies. The context of banking sector in Kenya places some limitations on the generalization of the findings of this study. Investigating other sectors in Kenya and other economies will improve the generalizability of this research.

Third, besides customer involvement, other moderating factors may also be investigated in order to gain insight into what inhibits and facilitates customer's perceptions of relational marketing strategies to stimulate perceived customer value.

Fourth, the theoretical context for the research was business-to-consumer markets. This is just one of many service contexts. Future research might focus on business-to-business transactions. Organizational attempts to express perceived value might be quite different to customers' attempts and might employ distinct emotional tendencies. This research is limited to investigating the intensity of customer value to benefits received at one specific point. Additional research may focus on illuminating the nature of perceived customer value using a longitudinal approach in a business-to-business context.

Fifth, what forms customers' perceptions of relational marketing strategies: the value of a benefit or the perceived cost to the seller? What constitutes value? Is it utility, relevance, cost, convenience, interest, congruence, or a combination? We do not yet know, as the current research does not decompose the "value" investigated.

Sixth, like most empirical research, the findings of this study are based on information generated from bank customers that is self reported data. The information that customers generates is not the only source of information about relational marketing strategies, customer involvement and customer value. It may be prudent to combine internal information with those collected from external sources namely bank employees, competitors and relevant government agencies. To address this limitation, future researchers can combine the viewpoints of bank employees, competitors and other stakeholders in order to generate more valid conclusions.

Last but not least, we do not know how seller perceived value (upon receiving some benefit from the customer) impacts on seller trust in, satisfaction with and commitment to a customer. This research does not address the seller's perceived value in response to benefits reciprocated by customers, but this would be a fruitful avenue for future research.

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APPENDICES

Appendix I: Transmittal Letter

Dear Sir/Madam,

RE: MODERATING EFFECT OF CUSTOMER INVOLVEMENT ON THE RELATIONSHIP BETWEEN RELATIONAL MARKETING STRATEGIES AND CUSTOMER VALUE IN COMMERCIAL BANKS IN KENYA

I am Tom O. Mboya a PHD Candidate in the School of Business and Economics, Moi University. I am in my research year of my postgraduate studies focusing on "**Moderating effect of customer involvement on the relationship between relational marketing strategies and customer value in Commercial Banks in Kenya".** I have selected you as my study respondent. I request you to spare a few minutes to answer the questions in this questionnaire. Your responses will be kept confidential and will be used for academic purposes only. No individual's responses will be identified as such and the identity of persons responding will not be published or released to anyone. Your participation in facilitating this study will be highly appreciated.

Please assist me in gathering enough information to present a representative finding for the study. Your participation is entirely voluntary and the questionnaire is completely anonymous. Thank you very much for helping with this important study.

Faithfully,

Tom O. Mboya **Mobile: +254-724-451932**

APPENDIX II
RESEARCH QUESTIONNAIRE

PART ONE: BACKGROUND INFORMATION

(Please tick as appropriate)

1 Name of your bank ____
2 How long have you been a customer with this bank?
Less than one year ☐ 1-5years ☐ 6-10years ☐ 11-15years ☐

16-20years ☐
3 Gender
Male ☐ Female ☐

PART TWO: FINANCIAL BONDS
Q4 Please indicate with a tick your level of agreement with the following aspects special discounts statements in relation to your bank

Aspects of special discounts	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
i) My bank waive service charge to loyal customer					
ii) Prices charged depends on relationship					
iii) My bank pay premium rates on savings					
iv) Special discounts improve customer value					

Q5 Please indicate with a tick your level of agreement on the following aspects of extension of payment terms

Aspects of extension of payment terms	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
i) My bank extend of loan repayment period					
ii) My bank charge no interest on rescheduled loan					
iii) Customer is allowed to negotiate payment terms					
iv) My bank waive interest on loans					

Q6 Please indicate with a tick the extent to which you agree with the following statements on free services in relation to your bank

Aspects of free services	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
i) My bank offer free legal advice to loyal customer					
ii) My bank offer free ATM services					
iii) My bank offer free shipping on imports					

iv) Free products help create customer value					

PART THREE: SOCIAL BONDS

Q7 Please indicate with a tick the extent to which the following communication with the customer statements apply to your bank

Aspects of communication with customer	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
i) My bank communicate extensively to customers					
ii) Provision of timely and trustworthy information					
iii) Provision of information on new services					
iv) My bank always provide accurate information					
v) Information that I receive is easy to understand					
vi) Communication is tailor made to suit my needs					
vii) My bank makes and fulfils promises					

Q8 Please indicate with a tick your level of agreement with the following statements on creation of friendship in relation to your bank

Aspects of creation of friendship	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
i) Bank employees are courteous					
ii) Bank employees show respect to customers					
iii) Relationship with my bank is mutually beneficial					
iv) My bank is my first choice among other banks					
v) I recommend my banks to friends					
vi) Relations with my bank goes beyond business					
vii) I feel satisfied with the relationship with my bank					

Q9 Please indicate with a tick the extent of your agreement with the following statements on social support as they apply to your bank

Aspects of social support	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
i) I have a strong bond with my bank					
ii) I have confidence in my bank					
iii) I have a high concern for the success of my bank					
iv) My bank offer social support at times of need					
v) My bank organize social meetings for interaction					
vi) Bank employees are socially responsible					
vii) I encourage people to do business with my bank					

PART FOUR: STRUCTURAL BONDS

Q10 Please indicate with a tick your level of agreement with the following statements on financial advice in relation to your bank

Aspects of financial advice	Strongly agree	Agree	Neutral	Disagree	Strongly disagree

i) My bank offer free financial advice to customer					
ii) My bank offer free advice on investment					
iii) My bank carry out risk analysis to customers					
iv) Financial advice help create customer value					

Q11 Please indicate with a tick the extent of your agreement with the following aspects of safe keeping of valuables in relation to your bank

Aspects of safe keeping of valuables	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
i) My bank safe keep valuables for customers					
ii) My bank charge low prices for safe keeping					
iii) I trust my bank to safe keep my valuables					
iv) My bank is always confidential on valuables kept					

Q12 Please indicate with a tick your level of agreement on the following statements on insurance cover to customers as they apply to your bank

Aspects of insurance cover to customers	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
i) My bank offer free insurance on loans					
ii) My bank keep their promise on insurance cover					
iii) There are no hidden charges on insurance cover					
iv) Insurance cover is beneficial to customer					

PART FIVE: CUSTOMER INVOLVEMENT

Q13 Please indicate with a tick the extent to which you agree with the following statements on customer involvement in relation to your bank

Aspects of customer perception on involvement	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
i) My bank inform customers on new service					
ii) Bank involve customers on product development					
iii) Customer service is effective in my bank					
iv) My bank have beneficial involvement programs					
v) Bank has agreeable level of customer involvement					
vi) My bank train customers on new service use					
vii) I get advice from bank before I purchase					
viii) My bank invests in customer relations.					
ix) My bank has rules and policies on involvement.					
x) Bank carryout research to identify new marketing possibilities.					

PART SIX: CUSTOMER VALUE

Q14 Please indicate with a tick the extent to which the following customer value statements apply to your bank

Aspects of customer value	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
i) My bank has national branch and ATM network					
ii) Bank responds quickly to customer complaints					

iii) Bank provide quick and efficient services					
iv) My bank has friendly, courteous branch staff					
v) My bank provide a range of quality products					
vi) My bank employees are truthful and honest					
vii) My bank fulfill its obligations to customers					
viii) Bank provide personalized telephone banking					
ix) Bank manage my savings well					
x) My bank offer personalized services					

APPENDIX III

Table: Estimating a population proportion with specified relative precision

Confidence level 95%

ε / *P*	**0.05**	**0.10**	**0.15**	**0.20**	**0.25**	**0.30**	**0.35**	**0.40**	**0.45**	**0.50**	**0.55**	**0.60**	**0.65**
0.01	729904	345744	217691	153664	115248	89637	71344	57624	46953	38416	31431	25611	20686
0.02	182476	86436	54423	38416	28812	22409	17836	14406	11738	9604	7858	6403	5171
0.03	81100	38416	24188	17074	12805	9960	7927	6403	5217	4268	3492	2846	2298
0.04	45619	21609	13606	9604	7203	5602	4459	3602	2935	2401	1964	1601	1293
0.05	29196	13830	8708	6147	4610	3585	2854	2305	1878	1537	1257	1024	827
0.06	20275	9604	6047	4268	3201	2490	1982	1601	1304	1067	873	711	575
0.07	14896	7056	4443	3136	2352	1829	1456	1176	958	784	641	523	422
0.08	11405	5402	3401	2401	1801	1401	1115	900	734	600	491	400	323
0.09	9011	4268	2688	1897	1423	1107	881	711	580	474	388	316	255
0.10	7299	3457	2177	1537	1152	896	713	576	470	**384**	314	256	207
0.15	3244	1537	968	683	512	398	317	256	209	171	140	114	92
0.20	1825	864	544	384	288	224	178	144	117	96	79	64	52
0.25	1168	553	348	246	184	143	114	92	75	61	50	41	33
0.30	811	384	242	171	128	100	79	64	52	43	35	28	23
0.35	596	282	178	125	94	73	58	47	38	31	26	21	17
0.40	456	216	136	96	72	56	45	36	29	24	20	16	13
0.50	292	138	87	61	46	36	29	23	19	15	13	10	8

Source: Lwanga, S. K., (1991)

APPENDIX IV

Results of inferential statistics on the relationship of the study variables

Table A1: Reliability analysis: Inter-Item Correlation matrix of financial bonds measures

Measures:
1. SD= Special discounts, 2. ELR= Extension of loan repayment terms, 3. FS= Free service

	FBI	FBII	FBIII
FBI	1		
FBII	.674	1	
FBIII	.562	.860	1

No of cases= 300
Reliability coefficients 3 items
Alpha= 0.873 Standardized item alpha= 0.874

Source: Research Data (2015)

Table A2: Reliability analysis: Inter-Item Correlation Matrix of social bonds measures

Measures:
1. C= Communication, 2. F= Friendship, 3. SS= Social support

	SOCBI	SOCBII	SOCBIII
SOCBI	1		
SOCBII	.860	1	
SOCBIII	.881	.833	1

No of cases= 300
Reliability coefficients 3 items
Alpha= 0.947 Standardized item alpha= 0.948

Source: Research Data (2015)

Table A3: Reliability analysis: Inter-Item Correlation Matrix of structural bonds measures

Measures:
1. FA= Financial advice, 2. SV= Safe keeping of valuables, 3. IC= Insurance cover

	STRBI	STRBII	STRBIII
STRBI	1		
STRBII	.508	1	
STRBIII	.447	.856	1

No of cases= 300
Reliability coefficients 3 items
Alpha= 0.813 Standardized item alpha= 0.821
Source: Research Data (2015)

Table A4: Reliability analysis: Inter-Item Correlation Matrix of customer involvement measures

Measures:

1. INS= Involvement on new service, 2. PD= Purchase decisions, 3. CP= Customer programs, 4. IT= Involvement techniques are beneficial, 5. LI= Level of involvement, 6. TPS= Training on product/service, 7. AP= Advice before purchase, 8. IE= Investment in equipment, 9. RP= Rules and policies, 10. R= Research

	CUSI1	CUSI2	CUSI3	CUSI4	CUSI5	CUSI6	CUSI7	CUSI8	CUSI9	CUSI10
CUSI1	1									
CUSI2	.743	1								
CUSI3	.817	.638	1							
CUSI4	.868	.697	.803	1						
CUSI5	.932	.835	.885	.914	1					
CUSI6	.943	.719	.839	.787	.918	1				
CUSI7	.605	.656	.490	.717	.716	.598	1			
CUSI8	.369	.614	.286	.535	.593	.400	.832	1		
CUSI9	.501	.493	.290	.431	.511	.518	.489	.535	1	
CUSI10	.409	.422	.406	.406	.564	.511	.709	.753	.758	1

No of cases= 300
Reliability coefficients 10 items
Alpha= 0.944 Standardized item alpha= 0.945
Source: Research Data (2015)

Table A5: Reliability analysis: Inter-Item Correlation Matrix of customer value measures

Measures:

1. PB= Proximity to branch and ATM, 2. RC= Response to complaints, 3. SE= Speed and efficiency, 4. FS= Friendly staff, 5. QP= Quality products, 6. HS= Honest staff, 7. FO= Fulfills obligations, 8. TB= Telephone banking, 9. SM= Savings management, 10. PS= Personalized services

	CV1	CV2	CV3	CV4	CV5	CV6	CV7	CV8	CV9	CV10
CV1	1									
CV2	.568	1								
CV3	.626	.915	1							

CV4	.573	.747	.854	1						
CV5	.756	.719	.816	.813	1					
CV6	.558	.894	.968	.910	.815	1				
CV7	.680	.702	.669	.540	.814	.630	1			
CV8	.286	.279	.339	.362	.640	.381	.780	1		
CV9	.675	.572	.613	.471	.865	.592	.885	.773	1	
CV10	.829	.627	.651	.545	.871	.584	.861	.614	.860	1

No of cases= 300
Reliability coefficients 10 items
Alpha= 0.954 Standardized item alpha= 0.955
Source: Research Data (2015)

Table A6: Financial bonds Total Variance Explained

Components	**Initial Eigenvalues**			**Extraction Sums of Squared**			**Rotation Sums of Squared Loadings**		
	Total.	% of Variance	Cumulative %	Total.	% of Variance	Cumulative %	Total.	% of Variance	Cumulative %
1	8.705	72.539	72.539	8.705	72.539	72.539	5.684	47.368	47.368
2	1.260	10.498	83.037	1.260	10.498	83.037	4.280	35.670	83.037
3	.615	5.122	88.160						
4	.473	3.942	92.101						
5	.303	2.522	94.624						
6	.272	2.264	96.888						
7	.118	.981	97.870						
8	.104	.863	98.733						
9	.089	.746	99.479						
10	.043	.361	99.840						
11	.019	.157	99.997						
12	.000	.003	100.000						

Extraction Method: Principal Component Analysis.

Source: Research Data (2015)

Table A7: Social bonds Total Variance Explained

Components	**Initial Eigenvalues**			**Extraction Sums of Squared**			**Rotation Sums of Squared Loadings**		
	Total.	% of Variance	Cumulative %	Total.	% of Variance	Cumulative %	Total.	% of Variance	Cumulative %
1	15.731	74.911	74.911	15.731	74.911	74.911	8.975	42.739	42.739
2	1.630	7.760	82.671	1.630	7.760	82.671	8.386	39.933	82.671
3	.931	4.433	87.105						
4	.869	4.140	91.245						
5	.531	2.530	93.775						
6	.484	2.303	96.078						
7	.301	1.435	97.512						
8	.205	.978	98.490						
9	.132	.628	99.118						
10	.094	.449	99.567						
11	.059	.282	99.850						
12	.022	.104	99.954						

13	.010	.046	100.000
14	6.301	3.000	100.000
15	2.674	1.274	100.000
16	1.470	6.998	100.000
17	1.169	5.568	100.000
18	8.195	3.903	100.000
19	-1.408	-6.703	100.000
20	-3.142	-1.496	100.000
21	-4.613	-2.196	100.000

Extraction Method: Principal Component Analysis.

Source: Research Data (2015)

Table A8: Structural bonds Total Variance Explained

Components	**Initial Eigenvalues**			**Extraction Sums of Squared**			**Rotation Sums of Squared Loadings**		
	Total.	% of Variance	Cumulative %	Total.	% of Variance	Cumulative %	Total.	% of Variance	Cumulative %
1	7.583	63.192	63.192	7.583	63.192	63.192	4.213	35.111	35.111
2	1.715	14.289	77.480	1.715	14.289	77.480	3.127	26.054	61.165
3	1.064	8.870	86.350	1.064	8.870	86.350	3.022	25.185	86.350
4	.515	4.290	90.639						
5	.378	3.146	93.785						
6	.297	2.478	96.264						
7	.202	1.683	97.947						
8	.159	1.329	99.276						
9	.053	.445	99.721						
10	.016	.137	99.858						
11	.010	.086	99.944						
12	.007	.056	100.000						

Extraction Method: Principal Component Analysis.

Source: Research Data (2015)

Table A9: Customer involvement Total Variance Explained

Components	**Initial Eigenvalues**			**Extraction Sums of Squared**			**Rotation Sums of Squared Loadings**		
	Total.	% of Variance	Cumulative %	Total.	% of Variance	Cumulative %	Total.	% of Variance	Cumulative %
1	6.785	67.852	67.852	6.785	67.852	67.852	4.932	49.323	49.323
2	1.521	15.213	83.065	1.521	15.213	83.065	3.374	33.743	83.065
3	.687	6.865	89.930						
4	.414	4.143	94.073						
5	.268	2.677	96.750						
6	.179	1.787	98.537						
7	.100	1.002	99.539						
8	.032	.315	99.854						
9	.012	.122	99.976						
10	.002	.024	100.000						

Extraction Method: Principal Component Analysis.

Source: Research Data (2015)

Table A10: Customer value Total Variance Explained

Components	Initial Eigenvalues			Extraction Sums of Squared			Rotation Sums of Squared Loadings		
	Total.	% of Variance	Cumulative %	Total.	% of Variance	Cumulative %	Total.	% of Variance	Cumulative %
1	7.173	71.730	71.730	7.173	71.730	71.730	4.510	45.100	45.100
2	1.429	14.291	86.021	1.429	14.291	86.021	4.092	40.922	86.021
3	.687	6.871	92.893						
4	.361	3.613	96.506						
5	.153	1.532	98.038						
6	.100	.996	99.033						
7	.058	.582	99.615						
8	.025	.254	99.869						
9	.007	.070	99.939						
10	.006	.061	100.000						

Extraction Method: Principal Component Analysis.

Source: Research Data (2015)

Table A11: KMO and Bartlett's Test of study constructs

Constructs	KMO Measure of Sampling Adequacy	Approx. Chi-Square	Bartlett's Test of Sphericity df	Sig.
Financial bonds	0.725	6841.615	66	0.000
Social bonds	0.774	2644.665	21	0.000
Structural bonds	0.678	5964.463	21	0.000
Customer involvement	0.685	5352.735	45	0.000
Customer value	0.770	5845.198	45	0.000

Source: Research Data (2015)

Figure A1: Normality and linearity of financial bonds

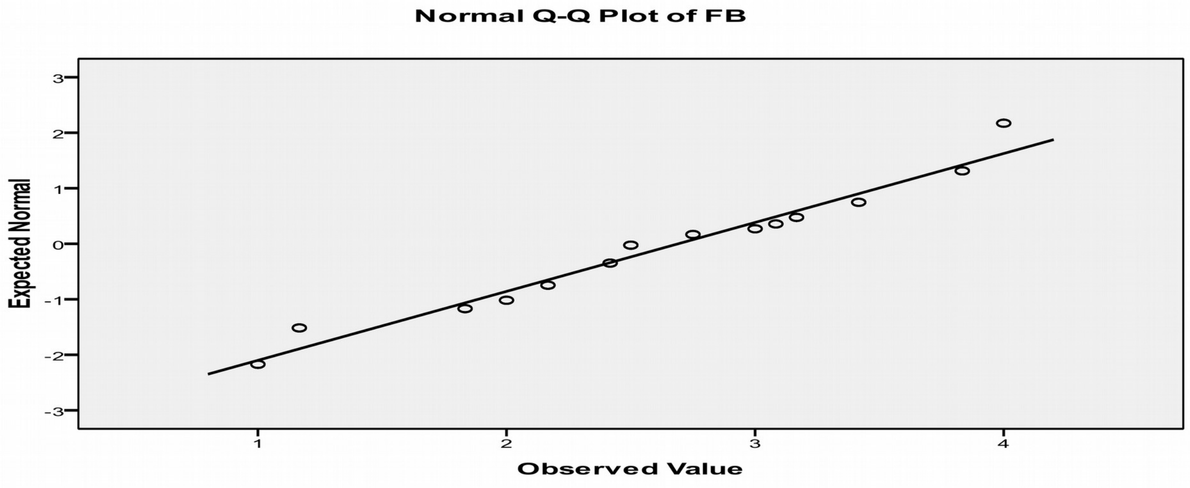


Figure A2: Normality and linearity of social bonds

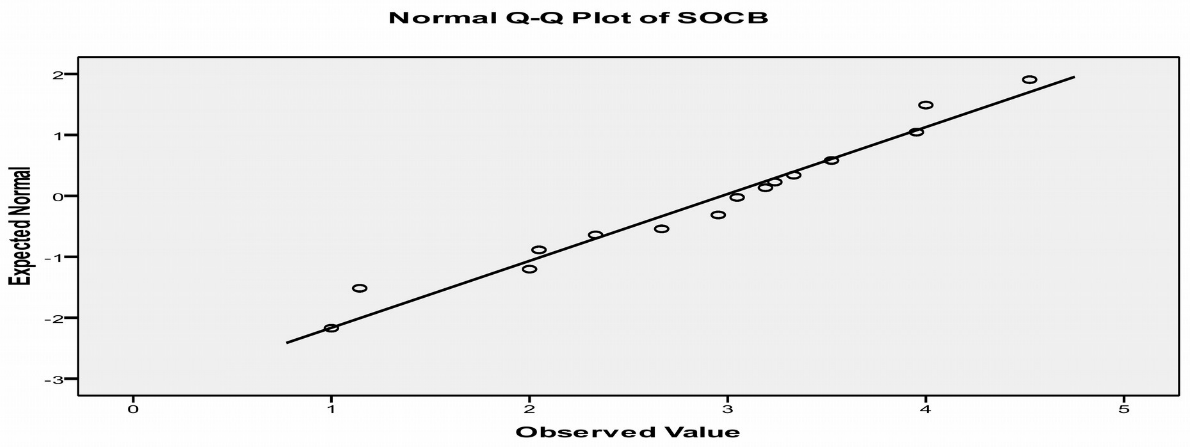


Figure A3: Normality and linearity of structural bonds

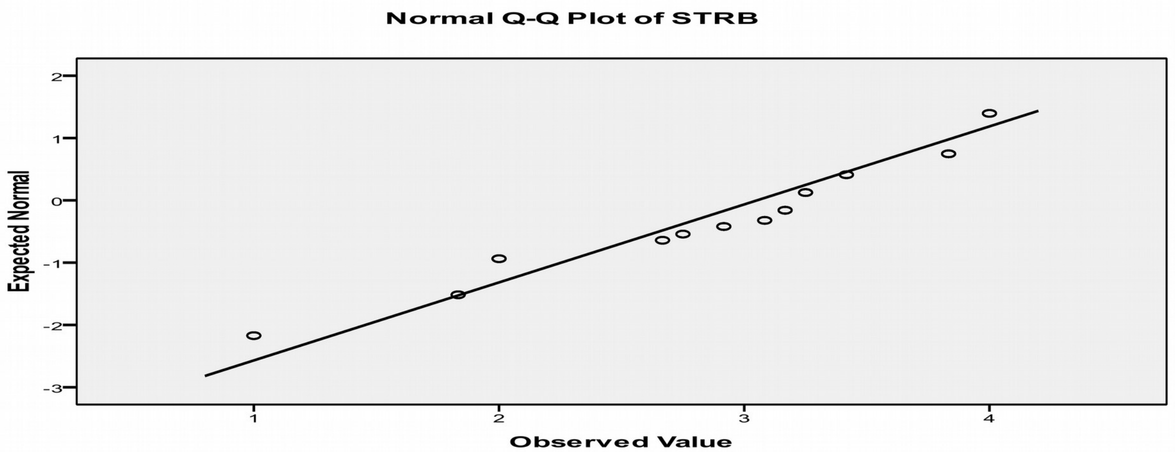


Figure A4: Normality and linearity of customer involvement

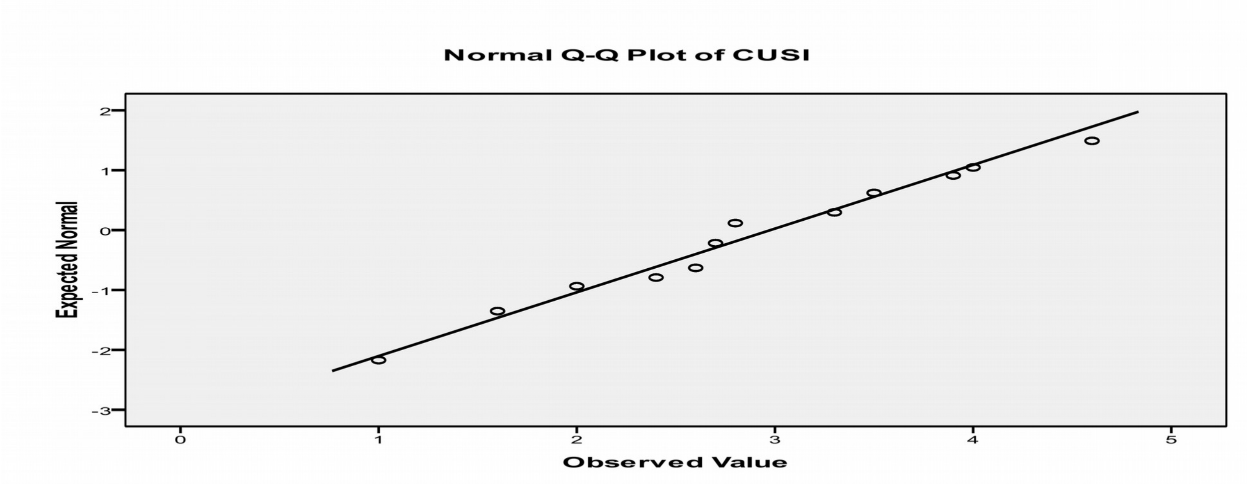
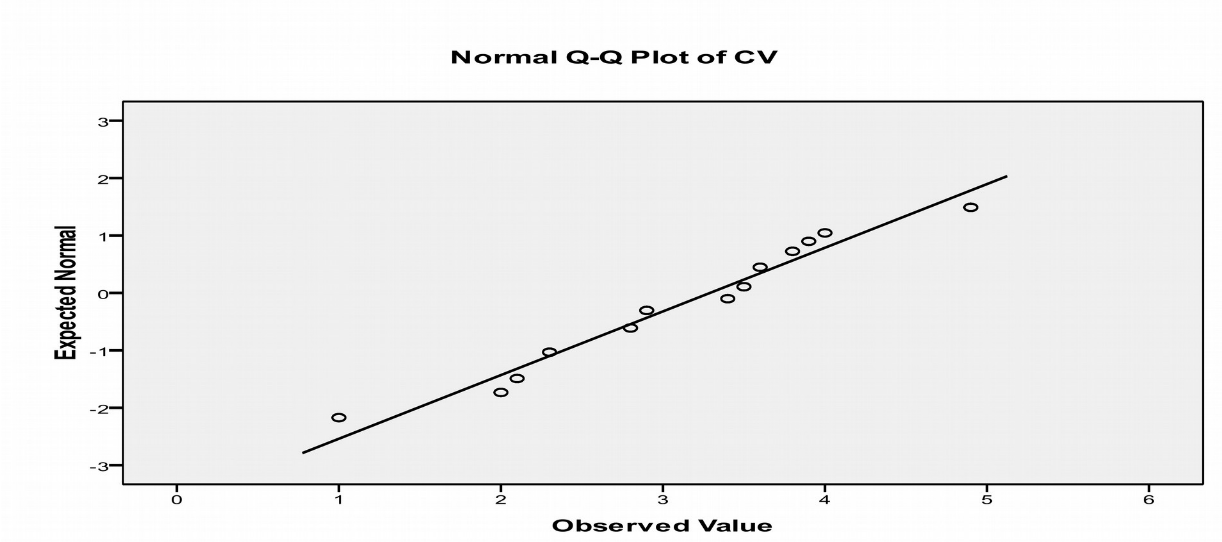


Figure A5: Normality and linearity of customer value



FB= Financial bonds, SOCB= Social bonds, STRB= Structural bonds, CUSI= Customer involvement and CV= Customer value

Source: Research Data (2015)