Relationship between Customer Personality, Service Features and Customer Loyalty in the Banking Sector: A Survey of Banks in Homabay County, Kenya

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Abstract

Marketing management research has advocated for the establishment of the relationship between service features and customer loyalty in order to improve customer retention and organization performance. Despite consumer behavior theory emphasizing the importance of customer personality in consumer decision making process, establishing determinants of customer loyalty has been problematic. This study had a target population 845,000 and a sample size of 400 was selected from the population which included customers from Equity Bank, Kenya Commercial Bank, Barclays Bank and Cooperative Bank, to establish the relationship between customer personality, service features and customer loyalty in the banking sector in Homa Bay County. The study was guided by a conceptual framework involving concepts of customer loyalty and customer personality which are anchored on the theory of consumer behavior. The study used cross-sectional survey design, banks were selected using stratified sampling and the customers were picked using simple random sampling. Respondents were met at the ATM as they carry out their transactions. Data was collected using questionnaire and the reliability of the instrument was tested using split-half method while validity was tested by use of experts who were the supervisors of the researcher. Descriptive statistics, simple regression analysis, and moderated regression analysis were used to analyze data. The findings show that the independent variables service features is a significant determinants of customer loyalty among customers who had not that is service features (F_o=5.123>F_c=3.860) after moderation (F_o=3.545>F_c= 3.020). Among customers who had changed their banks, service features had no significant effect even after moderation with customer personality. The study concluded that customer personality has a moderating effect on the relationship between service features and customer loyalty. The study recommends that bank product managers should continuously modify their product offerings to suit their customers' personality. The study may help the bank policy makers to predict customer loyalty using the models of customer loyalty, it also contributes to the development of consumer behavior theory.

Key words: Customer loyalty, Service features, Banks, Homa Bay County, Customer switching behavior, Consumer Behavior, consumer decision-making.

1.1 Introduction

Consumer decision-making is a behavior pattern of the consumers that precede, determine and follow the decision making process for the acquisition of need satisfying products, ideas or services. During the consumer decision making process, not only do consumers make decisions regarding which service provider to choose but also decide whether to remain loyal to the current service provider (Zeithaml & Bitner, 2000). Customer loyalty is a deeply held commitment to re-buy or re-patronize a preferred product or service in the future despite situational influences and marketing effort having the potential to cause switching behavior. A basic premise of marketing is that through understanding customers and their purchasing habits, firms can design an effective product offering to help them achieve their objective which is to delight their customers and ensure customer retention. The cost of recruiting new customers is far much greater than the cost associated with keeping customers which may reduce profitability of the firm. Understanding customer behavior is intricately linked to understanding the needs and wants of customers. Today it is no longer sufficient for a business to simply satisfy a customer during a single transaction. Rather, it must try to retain the customer for life, that is, achieve customer retention (Schiffman & Kanuk, 2004).

Consumer behavior theory posits that individuals, groups, or organizations undergo various processes to select, secure, and dispose of products, services, experiences, or ideas to satisfy needs and the impacts that these processes have on the consumer and society. It blends elements from psychology, sociology, social anthropology and economics. It attempts to understand the decision-making processes of buyers, both individually and in groups. It studies characteristics of individual consumers such as demographics and behavioral variables in an attempt to understand people's wants. It also tries to assess influences on the consumer from groups such as family, friends, reference groups, and society in general (Kotler, 2000). Customer behavior study is based on consumer buying behavior, with the customer playing the three distinct roles of user, payer and buyer. Consumer behavior is difficult to predict, even for experts in the field. Relationship marketing is an influential asset for customer behavior analysis as it has a keen interest in the re-discovery of the true meaning of marketing through the re-affirmation of the importance of the customer or buyer. A greater importance is also placed on consumer retention, customer relationship management, personalization, customization and one-to-one marketing (Baker, 2004).

Customers are more concerned with the benefits a product can offer hence service features is found to be a major determinant of customer loyalty in the retail banks. The product considerations include the actual product or service as well as the brand name, reputation, and packaging. Products based on goods tend to have more tangible characteristics, and products based on services tend to be more intangible. Service products normally include a core service, which associates with specific features, service specifications, and targets (Berry, 2004). In a technology-driven, fast-paced environment, delivering a wide range of products to customers is essential for success and survival of the businesses. Today's competition is not only between organizations, but also between products. One of the more important business development strategies therefore is the introduction of successful new products. Service products associated with technologies can reduce transaction costs, switching rates, and encourage customers to create services outcomes on their own thereby achieving enhanced customer loyalty (Shapiro, 2003).

According to Baker (2004) personality is a determinant of consumer behavior as no two individuals are exactly alike. However, many individuals tend to be similar. Customers with different personalities can act differently under the same situation. Customer personality includes customers' character which is a habit, a usual pattern or way of thinking, speaking or acting. Character habits include being enthusiastic, punctual, dependable, benevolent; temperament which is an average of a person's emotional states across a representative variety of life situations. It includes regularity, initial reaction, and sensitivity; and intellect which is an ability to feel, a curiosity and desire for knowledge, an ability of being aware of the sensations and stimuli received through the five sensory organs, and an ability to have necessary actions taken through the five organs of action. It also includes discrimination, analysis and decision making. These characteristics can contribute to a variety of customers' thresholds or tolerance levels which can affect customers' repurchase behavior and loyalty (Mittal & Kamakura, 2007).

Customer loyalty is achieved by delivering high customer value. These include customer retention, competitive advantage, referrals from loyal customers, low cost of doing business and high price of products or services as a result of price inelasticity. With intensive competition offering customers greater variety and choice in the market, customer reputation has been identified by firms in the service sector as an essential determinant of customer loyalty. As customers move up the social ladder, they would want to be identified with some service providers as they reach actualization stage of the hierarchy of needs as demonstrated in Maslow's hierarchy of needs (Kotler, 2000). In addition, bank reputation can enhance customer loyalty, especially in the retail banking industry where quality cannot be evaluated accurately before purchase.

The Central Bank Report (2010) also found that, out of 45 financial institutions, 43 made aggregate profits while 2 posted losses as a result of unstable market share. Customer loyalty reduced by 17.3 per cent. This trend reduced profit to Kshs. 38.9 billion from Kshs. 46.7billion in 2009 and accounted for 49 per cent of total customers in 2009. The banking sector profit before tax for the quarter ended September 2012 declined marginally by 3.2 percent from the Ksh. 28.5 billion registered in the second quarter to Ksh. 27.6 billion in the three months of the third quarter of 2012. This was due to the unstable market share in the sector. (Central Bank Report, 2012) Most studies have however focused on the relationship of service quality, customer satisfaction and customer loyalty, this study, therefore, seeks to establish the relationship between service features, customer personality and customer loyalty in the banking sector in Homa Bay County.

The main objective of the study was to establish the relationship between customer personality, service features and customer loyalty in the banking sector in Homa Bay County, Kenya. Other objective included;

1. to analyse the effect of service features on customer loyalty

The following hypotheses were tested during the study.

Ho_1: There is no relationship between service features and customer loyalty.
H_{02}: Customer personality has no moderating effect on the relationship between service features and customer loyalty.

Literature review

This section reviewed both theoretical and empirical literature relating to the service quality and customer loyalty in retail banks.

The Theory of Consumer Behavior

Neuman (2006) defines a theory as a system of interconnected ideas that condense and organize knowledge, depicting a world-view about a phenomenon. The main theory underlying the concepts of customer personality and customer loyalty is the theory of consumer behavior.

The theory of consumer behavior relates to the complex, dynamic, multidimensional processes in marketing that are based on assumptions about decision-making process and physical activity involved in acquiring, evaluating, using and disposing of goods and services (Kotler, 2006). The cornerstone of consumer behavior theory is consumer decision making process (Baker, 2004)**.** This posits that a consumer will undergo cognitive processes prior to and consequent to a purchase decision. Before the purchase decision, the consumer will engage in problem recognition, information search, seeking alternatives between products while assessing their relative advantages and disadvantages. If successful, this process will be followed by the purchase decision, then use and evaluation. A positive outcome of the purchase experience leads to customer satisfaction, improved sales and enhanced product/brand image or loyalty. The success of a marketing strategy is, therefore, intricately related to an effective understanding of consumer behavior, particularly to an understanding of the customers' cognitive processes before, during and after the purchase experience (Kotler, 2006). Customer personality is bound up in cognitive perceptions while customer loyalty is primarily dependant on a post- purchase experience (Blackwell, Miniard & Engel, 2006).

Concept of Customer Loyalty

According to Baker (2004) the term customer loyalty is used to describe the behavior of repeat customers, as well as those that offer good ratings, reviews, or testimonials. Some customers do a particular company a great service by offering favorable word of mouth publicity regarding a product, telling friends and family, thus adding them to the number of loyal customers. However, customer loyalty includes much more. It is a process, a program, or a group of programs geared towards keeping a client happy so he or she will provide more business. Customer loyalty is all about attracting the right customer, getting them to buy, buy often, buy in higher quantities and bring you even more customers. However, customer loyalty is built by keeping touch with customers using email marketing, thank you cards and more, treating the employees well so they treat the customers well, showing that the institution cares and remembering what customers like and don't like, building it by rewarding them for choosing the institution over the competitors and finally building it by truly giving a damn about them and figuring out how to make them more success, happy and joyful (Kotler,2006)

Kotler (2006) emphasized that customer loyalty can be achieved in some cases by offering a quality product with a firm guarantee. Customer loyalty is also achieved through free offers, coupons, low interest rates on financing, high value trade-ins, extended warranties, rebates, and other rewards and incentive programs. The ultimate goal of customer loyalty programs is happy customers who will return to purchase again and persuade others to use that company's products or services. This equates to profitability, as well as happy stakeholders. The concept of customer loyalty is anchored on the theory of consumer behavior which is the study of when, why, how, and where people do or do not buy a product. It blends elements from psychology, sociology, social anthropology and economics. It attempts to understand the buyer decision making process, both individually and in groups. It studies characteristics of individual consumers such as demographics and behavioral variables in an attempt to understand people's wants.

It also tries to assess influences on the consumer from groups such as family, friends, reference groups, and society in general. Customer behaviour study is based on consumer buying behaviour, with the customer playing the three distinct roles of user, payer and buyer. Consumer behavior includes motivational theory, personality theory, and consumer behavior model among others. There are various dimensions of customer loyalty like the service quality, service features and customer complain handling.

Loyal customers are more likely to give information to the service provider (because they trust the service provider and expect from the service provider to use the information with discretion and to their benefits). Managing loyalty is important because it means not only managing behaviour but also managing a state of mind. Most research on customer loyalty has focused on brand loyalty; on the other hand, a limited number of researches on customer loyalty have focused on service loyalty. It is argued that the findings in the field of brand loyalty did not generalize to service loyalty for the following reasons: service loyalty is dependent on the development of interpersonal relationships as opposed to loyalty with tangible products, in case of services, the influence of perceived risk is greater and intangible attributes such as confidence and reliability are the important factors to maintain the customer loyalty in the service context (Dick & Basu, 2004). He also identified the two dimensions of loyalty (relative attitude and repeat patronage behaviour) and four categories of loyalty which include loyalty (positive relative attitude, high repeat patronage), latent loyalty (positive relative attitude, but low repeat patronage), spurious loyalty (low relative attitude, high repeat patronage), and no loyalty (low on both dimensions).

Ndubisi & Pfeifer (2005) pointed out that the cost of serving a loyal customer is five or six times less than a new customer. This statement shows the importance of customer loyalty. He mentioned that it is better to look after the existing customer before acquiring new customers. Gee *et al*. (2008) stated the advantages of customer loyalty which include the service cost of a loyal customer is less than new customers, they will pay higher costs for a set of products and for a company a loyal customer will act as a word-of-mouth marketing agent. The determinants of customer loyalty are service quality, service features and customer complaint handling process as discussed in the foregoing sections.

Service features

Service features are the product attributes offered by an organization which include their benefits and costs. In the service sector, price is a major product attributes. It is is a cost incurred by the customer to have a particular product. It is an attribute that must be given up or sacrificed to obtain certain kinds of products or services (Zeithaml, 2008). Perceived price normally combines monetary price and non-monetary price and customers in general are price conscious in their purchasing behaviour (Kevin, 2003). Price is an important factor in choice situations as a consumer's choices typically relies heavily on the price of alternatives. The role of price, as an attribute of performance, can have a direct effect on customer loyalty and behavioral intentions.

Another service feature is the service products characteristics. In the context of commercial marketing, product considerations include the actual product or service as well as the brand name, reputation, and packaging. According to Baker (2004), products based on goods tend to have more tangible characteristics while products based on services tend to be more intangible. Service products normally include a core service, which associates with specific features, service specifications, and targets. In a technology-driven, fast-paced environment, delivering a wide range of products to customers is essential for businesses' success and survival. Today's competition is not only between organizations, but also between products and one of the more important business development strategies is the introduction of successful new products. Service products associated with technologies can reduce transaction costs, switching rates and encourage customers to create services outcomes on their own (Shapiro, 2003).

Delivering a broad range of service products is very important in the banking industry because of the intensive competition between financial and non-financial institutions. Shapiro (2003) suggests that a key determinant in attracting customers is the diversity of features of service products introduced to the marketplace via different technology mediums. It is necessary for banks to offer certain types of financial products, such as 24 hours ATM self-service, phone, and internet banking. These developments provide customers with unlimited access to financial service products and offer them a wider range of choices than before (Gerrard & Cunningham 2000) conclude that service products combined with high technology can attract the customers who are techno-seekers to the more innovated banks, which offer a quick, convenient, and higher quality service.

Alternatively, the less innovative banks which cannot offer these types of delivery method effectively may cause customers to switch banks. Best (2009) findings on his research in Ghanaian banks on the effect of competitive pricing on customer loyalty in which he found that price competitiveness and customer loyalty failed to show correlations above average. This shows weak linear relationship among these variables and he concluded that competitive pricing and loyalty are independent, that is, in Ghanaian banking industry, the current product charges and benefits are relatively not important drivers for loyalty. This may be due to price insensitivity among the banks' customers or that the differences in pricing policies of the various banks may not be significant to influence customers' loyalty intentions. Thus it may be more reasonable to suggest that customers are price insensitive at current pricing levels.

Concept of Customer Personality

The study of personality has been approached by theorists in a variety of ways. Some have emphasized the dual influence of heredity and early childhood experiences on personality development while others have stressed broader social and environmental influences and the fact that personalities develop continuously over time. Some theorists prefer to view personality as a unified whole while others focus on specific traits. Personality can be defined as those inner psychological characteristics that both determine and reflect how a person responds to his or her environment. Personality is the relatively stable organization of a person's character, temperament, intellect, and physique, which predisposes him or her to behave and act in particular ways in given situations, and which differentiates one individual from another. Various consumer variables such as personality, values and psychographics can predict the effect of individual variables on purchase and consumption (Blackwell, Miniard & Engel, 2006).

According to Allport (2006), there are various theories of personality which include Trait Theory, Psychoanalytic Theory and Sociopsychological Theory. Trait's theory states that loyalty may depend on the personality of the customer. An introvert directs attention on inner experiences, while extroverts relate to focusing attention outward on other people and the environment. So, a person high in introversion might be quiet and reserved, while an individual high in extraversion might be sociable and outgoing. Consumer traits such as risk taking, self consciousness and need for recognition determines customer loyalty to a service provider.

Blackwell, Miniard & Engel, (2006) psychoanalytic theory recognizes that the human personality consists of Id, ego and superego. The id is the source of psychic energy and seeks immediate gratification of biological and instinctual needs. The superego represents societal or personal norms and serves as an ethical constraint on behavior. The ego mediates dynamic interaction of these elements and results in unconscious motivations that are manifested in observed human behavior. Sociopsychological theory explains that the individual strives to meet the need of the society whereas society helps the individual to attain his personal goals. Behavioral motivation is directed to meet the needs of the society, for example, a customer may be loyal to a service provider that symbolizes an unattainable or socially unacceptable goal, although the customer may not admit why he or she is loyal but the service provides some subconscious forbidden desire.

Demographic Characteristics

Customers with different demographic characteristics can act differently under the same situation. Demographic factors have been regarded as a basis for understanding customer characteristics and behavior in the marketing area. Customers' demographic characteristics can be categorized as age, income, education, culture, or nationality. These characteristics can contribute to a variety of customers' thresholds or tolerance levels which can affect customers' repurchase behavior (Mittal & Kamakura, 2007).

Motivation

Kotler (2000) emphasizes that consumer motivation represents the drive to satisfy physiological and psychological needs through product purchase and consumption. Customer motivation theory helps to understand consumer behavior. Maslow's hierarchy of needs tries to identify specific human motives based on three premises which include; all humans adopt a set of motives through genetic endowment and social interaction, some motives are more basic than others and finally the most basic motives need to be satisfied to a minimum level before other more advanced motives come into play. These needs include physiological needs, safety needs, need to belong, ego needs and finally self actualization needs. The importance of the Hierarchy of Needs will influence the buying individual's behavior.

The basic requirements include the need to eat, rest, having a home, feeling secure and to have the company of friends. As a result, people's basic need goes to buying food and drinks, paying rent, insurance and meeting up with friends at functions, religious places, institutions and so on. Once the above needs are met, Maslow theorized that the individual's behavior will change and it will be associated with the following: Need to gain self-esteem, for example, through possession of prestigious products or branded goods, overseas holidays, donation in public, etc, secondly need to know and understand what is going on around them by subscribing to newspapers, international magazines, and finally need to achieve independence and self-fulfillment by purchasing a car, second house and holidays, indulging in hobbies among others (Kotler, 2000).

Maslow's Hierarchy of Needs enables the bank to be able to make decisions about marketing its financial services. Some of the approaches in becoming the market leader include making the service tangible, reducing perceived risk, focusing on benefits, building the organization's reputation, simplifying or merchandising, avoiding over-promising, keeping things simple and thinking about the selling process. Some products which are offered by the bank and are only suitable to customers in specific levels of hierarchy of need include first the Housing Loan which involves purchasing a house. This is not for those who cannot meet the physiological need or basic need and different type of houses are designed for different market segments, for example, single-storey, double storey, flat, condominium or bungalow which will attract different segments, secondly is the Credit Card which is not for those who cannot satisfy physiological need or financial security. Different category of cards are designed for people at different social (culture or religious) needs and financial level, for instance, normal vs. "gold" card (esteem needs), convenience (social, entertainment) needs (Kotler et. al 2006).

Lifestyle

According to Schiffman & Kanuk (2004) lifestyle is a person's pattern of living in the world as expressed in activities, interests and opinion. People from the same subculture, social class and occupation may lead quite different lifestyles. Within the social class, there is a contestation of specific lifestyle factors like the shared beliefs, attitude, activities and behavior that tend to distinguish the members of each class from the members of the other classes. An individual's or family's decisions to be committed to a particular behavior, for example, devoted followers of a particular religion impact on a wide range of specific everyday consumer behavior. Lifestyle portrays the whole person interacting with his or her environment. Marketers search for relationship between their products and lifestyle groups, for instance, a computer manufacturer might find that most computer buyers are achievement oriented. The marketer may then aim the brand more clearly at the achiever lifestyle.

Lifestyles are shaped partly on whether consumers are money oriented or time constrained. Companies aiming to serve money constrained consumers will create lower cost products and services. Consumers who experience time famine are prone to multitasking, that is, doing two or more things at the same time. They will phone or eat, or ride a bicycle to work to get exercise. They will also pay others to perform tasks because time is more important than money. Consumer's decisions are also influenced by core values, the belief systems that underlie consumer attitude and behavior. Core values go much deeper than behavior or attitude and determine at a basic level people's choices and desires over the long term. Marketers target consumers on the basis of their values in the belief that by appealing to people's inner selves, it is possible to influence their outer selves, that is, the purchase behavior (Kotler et. al. 2006).

Self Concept

Kotler (2000) explains that self-concept also called self-construction, self-identity or self-perspective is a multi-dimensional construct that refers to an individual's perception of "self" in relation to any number of characteristics, such as academics (and non academics), gender roles and sexuality, racial identity, and many others. While closely related with self-concept clarity which refers to the extent to which self-knowledge is clearly and confidently defined, internally consistent, and temporally stable, it presupposes but is distinguishable from self-awareness, which is simply an individual's awareness of their self. It is also more general than self-esteem, which is the purely evaluative element of the self-concept.

Zeithaman & Bitner (2000) argues that self-concept is an internal model which comprises self-assessments. Features assessed include but are not limited to personality, skills and abilities, occupation(s) and hobbies, physical characteristics, etc. For example, the statement "I am lazy" is a self-assessment that contributes to the self-concept.

However, the statement "I am tired" would not be part of someone's self-concept, since being tired is a temporary state and a more objective judgment. A person's self-concept may change with time as reassessment occurs, which in extreme cases can lead to identity crises.

According Schiffman and Kanuk (2004), the self-concept is not restricted to the present. It includes past selves and future selves. Future or possible selves represent individuals' ideas of what they might become, what they would like to become, or what they are afraid of becoming. They correspond to hopes, fears, standards, goals, and threats. Possible selves may function as incentives for future behavior and they also provide an evaluative and interpretive context for the current view of self. The psychologists paved the way for this concept, everyone strives to become more like an "ideal self." The closer one is to their ideal self, the happier one will be. Moreover, one factor in a person's happiness is unconditional positive regard from others. This often occurs in close or familial relationships, and involves a consistent level of affection regardless of the recipient's actions.

Assessment of the self-concept has been shown to differ across cultures. In Western cultures, "the normative imperative...is to become independent from others and to discover and express one's attributes". Relationships, memberships, groups, and their needs and goals, tend to be secondary to the self. In Asian and non-Western cultures, an interdependent view of the self is more prevalent. Interpersonal relationships are therefore more central than one's individual accomplishments. Great emphasis is placed on these relationships, and the self is seen primarily as an integral part of society (Schiffman & Kanuk, 2004).

Empirical literature review

Customer loyalty

The previous research by Beryl & Brodeur (2007) in Pakistan on Variables of customer loyalty with the main purpose to analyze various determinants of customer loyalty used a sample size of three hundred and Analysis of Variance to analyze the data has tried to identify a number of variables of customer loyalty. They found that because satisfaction basically is a psychological state, care should be taken in the effort of quantitative measurement. They defined ten quality values which influence loyalty this was further expanded by Berry (2007) when he used same population size and similar data analysis but different target population that is Barclays in UK. These ten domains of loyalty include quality value, timeliness, efficiency, ease of access, environment, interdepartmental Team Work, Front` line service Behavior, Commitment to the customers and innovation. These factors are emphasized for continuous improvement and organizational change measurement and are most often utilized to develop the architecture for loyalty as an integrated mode. The current study sought to establish the determinants of customer loyalty in the banking sector in Kenya.

Armstrong & Symonds (2002) carried out a research in South Africa, to determine the effects of customer loyalty in the banking industry. They established that increased loyalty leads to lower cost of servicing the firms' customers, reduced marketing expenditures, increased business from existing customer base and greater profit. By increasing customer loyalty, a retail bank is able to reduce its service cost, gains knowledge of the financial affair and needs of its customer thereby allowing effective and efficient targeting and has the opportunity to cross sell new products and services to existing customers. Improving customer loyalty and thereby retention rates can come from a variety of activities available to the firms. The existing evidence suggests that major gains in customer loyalty are likely to come from improvement in service quality, service features and customer complaint handling. Consequently, the current study sought to establish the applicability of such findings in the banking sector in Kenya.

A study carried out by Jones & Sasser (2002) on the effect of switching cost on customer loyalty in Nigeria banks with the main purpose to analyze the effect of increased switching cost on customer loyalty. They found that switching barrier is any factor that makes it difficult or costly for customers to switch service providers. Other determinants of customer loyalty is known as switching costs, which can be defined as the technical, financial or psychological factors which make it difficult or expensive for a customer to change banks. For this reason, switching cost can be seen as a cost that deters customers from demanding a rival firm's brand. It can also be defined as the technical, financial or psychological factors which make it difficult or expensive for a customer to change a brand. When the costs of switching brand are high for the customer, there is a greater probability that the customer will remain loyal in terms of repeat purchase behavior, because of the risk or expense involved in switching and because of the accompanying decrease in the appeal of other alternatives. The present study sought to examine other determinants of customer loyalty in the banking sector in Kenya.

Service features

A case study done by Suleiman (2010) to assess bank customer retention and loyalty in Iran on state-owned banks in Tehran, sought to investigate factors that would influence customers' decision to stay with or leave their current banks. The most important construct (by mean score) was customer features, followed by corporate image and changing barriers. These results led to suggestions for bank managers to consider how they might improve customer retention in today's competitive banking environment. Results of this analysis have also showed that there was significant correlation between service features such as interest on loans, commission charges and interest on savings and customer loyalty. The current research sought to explore what customers values most in order to remain loyal to the service provider.

A study conducted by Maiyaki (2011) on the factors determining Bank's selection and preference in Nigeria investigated the relative importance of the factors determining the customer loyalty and preference of bank's by retail customers. It found that attractiveness of interest on savings and loan charges tend to be less influential among the determinants of customer loyalty. It is reasonable that customers of bank in Nigeria place emphasis on the size of banks' asset due to recent cases of banks failure. This is because the collapse of banks which was associated with their size resulted in dramatic loss of depositors' funds. Similarly attractive loan charged by banks was found to be insignificant among factors that are important in customer loyalty in Nigeria. These findings were highly associated with religion as the findings showed that Muslims do not put much emphasis on loans. The present study, in contrast, employed variables such as customer personality to establish the relationship between service features and customer loyalty.

Price is an attribute that must be given up or sacrificed to obtain certain kinds of products or services (Zeithaml, 2008). Perceived price normally combines monetary price and non-monetary price. Keaveny (2005) carried out a case study in Western Kenya on Ecobank the "pricing" factor included all critical switching behaviors that involved prices, rates, fees, charges, surcharges, service charges, penalties, price deals, coupons, and/or price promotions. In the financial service industry, price has wider implications than in other services industries. For example, in the financial service industry, price includes fee implementation, bank charges, interest rates charged and paid. This was also supported by (Gerrard & Cunningham, 2000) when he carried out a similar research in state owned banks in Pakistan. The present study sought to examine the relationship between service features and customer loyalty in banking sector in Kenya.

Several studies show that price has an important impact on customers' switching decisions. Baker (2004) empirically identifies price as a critical factor in bank selection for college students. Since price has a wider implication to bank customers, pricing seems to influence switching behaviour among bank customers more than customers of other services. A study carried out by Colgate & Hedge (2001) on bank customers' switching behaviour in Australia and New Zealand established price as the top switching determinant, followed by service failures and denial of services. Service products are an important component of service quality in intangibly based services as identified in several studies focusing on the hierarchical nature of service quality. Service products can be components of interaction quality, physical environment quality, and outcome quality in a hierarchical context, for example, access and service portfolio are a component of service quality in retail banking. The present study aimed to establish the applicability of the findings in the banking sector in Kenya.

Customer personality

A study carried out by Saura & Molina (2008) on perceived value, customer attitude and loyalty in retail banks in Spain sought to analyze how consumer attitude influences customer loyalty. They found that perceived value might have an influence on customer attitude, as the literature widely reports. On the other hand, the fact that attitudes are predispositions to respond leads to their relationship with actual consumer behaviour. The present study sought to establish the effect of customer personality on customer loyalty.

A case study by Leo & Hossain (2009) on customer perception of customer loyalty in retail banking in Middle East to evaluate customer loyalty in retail banking in the Middle East in general, and Qatar in particular, based on different levels of customers' perception regarding customer loyalty. The result indicated that customers' perception is highest in the tangibles area and lowest in the competence area. It therefore showed that in order to achieve higher levels of customer loyalty in retail banking, banks should deliver higher levels of service quality and in the present context, customers' perceptions are highest in the level of infrastructure facilities of the bank, followed by timing of the bank, and return on deposit.

Owing to the increasing competition in retail banking, customer service is an important part and bank managers should be rethinking how to improve customer loyalty with respect to improving customer perception. The current study intended to explore the implications of customer personality on customer loyalty

A study carried out by Nguyen & Leblanc (2001) on the tools which can be used to predict the outcome of customer loyalty in United States banks concluded that customer personality may be regarded as a critical strategic tool to predict the outcome of the customer loyalty, and as the most reliable indicator of the ability of a service firm to satisfy a customer's desires and increase loyalty. Consequently, the current study sought to examine the implications of customer personality on determinants of customer loyalty.

According to research carried out by Gerrard & Cunningham (2000) targeting Singapore's graduates studying their bank switching behavior, they established that student personality is one of the most important switching factors. However, Peppard (2000) argues that personality is irrelevant in the current e-business environment because more and more customers are using internet banking and interaction of customers with bank staff is minimal. The present study aimed to analyze the effect of customer personality on determinants of customer loyalty.

In the foregoing literature, it is evident that most researchers have concentrated on the relationship between service constructs, customer loyalty and customer satisfaction which has not improved customer loyalty in the banking sector, hence this study seeks to establish the relationship between service features, customer personality and customer loyalty in banking sector.

Methodology

Study Design

Several frameworks have been used in consumer behavior research. The dominant paradigms among these frameworks include the work of (Ahmed & Gul, 2006; Hashash, 2008; Ramzi, 2010). These researchers generally fall into the paradigms of, functionalism, radicalism, radical structuralism, humanism, and interpretative approaches. The prevalent paradigms in the consumer behavior are interpretative and functionalist resulting in two extreme points of view, the quantitative and qualitative. The quantitative approach claims that there is similarity between social and natural phenomena and therefore, similar methods can be used to study both phenomena, though a positivistic quantitative methodology in social science research has been favoured.

A survey design is appropriate for the study. Survey design is posited as the most appropriate where the main aim of the study is to determine existence and extent of a problem. In this regard, the methodology used in this study adopted the positivist paradigm to scientific inquiry. Positivist approach is founded on the belief that objective reality exists independently of what individual perceive. That is, the positivist seeks facts or causes of social phenomena with little regard for the subjective states of individuals. Consequently, high regard is placed on identifying causal relationships among variables.

A major principle of the positivist paradigm is the formulation and testing of hypotheses. In light of the foregoing, this study used cross-sectional survey design to acquire relevant data in order to engage a correlational and analytical approach. This approach facilitated the development of a broad based understanding of the banking sector, rather than of individual banks, of the moderating influence of customer personality on the relationship between customer loyalty determinants and customer loyalty.

Target Population

The study was conducted in Homa Bay County which has a population of 4.260m (MoP, 2010), the target population consists of 845,000 customers from Equity, Barclays, Kenya Commercial Bank and Cooperative Bank in Homa Bay County distributed in the major towns of Ndhiwa, Mbita, Sindo, Oyugis and Homa Bay distributed as shown in table 2.

Study Area

The study area was Homa Bay County which is situated along the shore of Lake Victoria to the south of Kisumu City. Homa Bay County has four major district; Ndhiwa, Rachuonyo, Mbita and Homa Bay districts. It has four major banks, several micro finance institutions and four established saving societies distributed within the four districts.

Sampling Design

Sample Size

Using Yamane's (1967) formula, a sample size of four hundred respondents was selected from the population. This sample size is supported by Amin (2005) who states that population size beyond a certain point about N=5,000, the population size is almost irrelevant and the sample size of 400 is adequate. Hence based on Yamane and Amin's recommendation, a sample of 400 was selected.

Table 1: How to arrive at the proper sample size

Population	Confidence level	Sampling error
845,000	95	.05

$$n = \frac{N}{1 + N\left(e^2\right)} \qquad (3.1)$$

Where N=Population

e=expected error

$$\text{Sample size} = \frac{845{,}000}{1 + 845{,}000(.05)^2} = 399 \neq 400$$

Samples were selected using stratified random sampling whereby banks were put into four strata. By using Fisher's formula, the sample was drawn from each stratum and a total of 130 respondents were drawn from Barclays, Equity 70, Cooperative bank 95 and 105 from Kenya Commercial Bank using simple random sampling where customers were randomly selected. Customers were met at the Automated Teller Machine (ATM) as they transacted at the ATM as shown in table 2 below. This gave a total of 400 respondents (Fishbein, 2004)

Table 2: **Sample size from each bank in Homa Bay County**

Banks	Banking Population	Percentage population proportion	Sample size
Barclays	270,000	32.0	130
Equity	155,000	18.3	70
Cooperative	200,000	23.7	95
Kenya Commercial Bank	220,000	26.0	105
Total	845,000	100	400

Data Collection

Sources of Data

Primary data was collected using a self administered questionnaire on the banks' customer loyalty determinants, customer loyalty and customer personality. Banks' brochures and Central bank's Report was reviewed to extract secondary data on service features, complaint handling and service quality.

Data collection procedure

The questionnaire was self administered through personal hand delivery survey instrument with the help of five research assistants. The questionnaire was divided into two sections with section one establishing the demographic characteristics of the customers and section two covering determinants of customer loyalty, customer personality and customer loyalty. A cover introductory letter accompanied the survey instrument, included as Appendix I and Appendix II respectively. Following the delivery of the survey instrument, the interviewer sought appointments with the branch managers of the selected four banks through telephone with little success. In order to enhance response rate and response quality, the researcher and research assistants then personally made visits to the banks to seek permission from the branch managers to allow the research assistants to collect data from their customers. The respondents were randomly selected in order to give customers equal chance of being sampled.

Instrument for Data Collection

The instrument used to gather the data was self administered questionnaire with on the spot collection, the structure of the questionnaire was both closed ended and a ranking scale of 1-5, that is, from strongly agrees to strongly disagree. Closed ended questionnaire was used in section one and likert scale in section two.

Reliability Tests for Data Collection Instrument

Reliability refers to the extent to which a measuring procedure yields consistent results on repeat trials. For this study, the questionnaire was formally pre-tested on 50 respondents from all the four banks. The customers were met during their visit to the Automated Teller Machine (ATM). Split-Half Reliability test was used where the questionnaire in each subject or variable was divided into two subsets and each subset had two scores which was then correlated using spearman-Brown Prophesy formula. This gave a reliability of 0.89, that is the instruments were 89% reliable (Amin, 2005).

Validity Test for Data Collection Instrument

Validity is the extent to which research results can be correctly interpreted and generalized to other populations. It is a measure of the accuracy of the study. Validity was ensured through use of experts who were the supervisors of the researcher. The questionnaires were given to the two supervisors to evaluate and rate each item in relation to the objectives as “not relevant” or “relevant” on a scale of the 1-4 such that 1 was *not relevant,* 2 was *somewhat relevant*, 3 was *quite relevant* and 4 was *very relevant*. Content validity index was then determined from the assessors’ agreement scale as $n_{3/4}/N$, where $n_{3/4}$ is the number of items marked 3 or 4 and N the total number of items assessed. The items were then modified to attain a validity index of at least .70 which is the least accepted value of validity in survey research (Amin 2005).

Data Analysis

Data analysis used was correlation and regression analysis. Pearson correlation analysis was conducted to determine the direction, strength, and significance of the Bivariate relationships between service features and customer loyalty. Moderated regression analysis was used to determine the moderating effect of customer personality. The researcher assumed that moderated regression is the most general and conservative method for testing hypotheses in which interaction exists. This procedure involved the regression of the depended variable (customer loyalty) on the independent variables (determinants of customer loyalty), the potential moderating variable (customer personality), and the cross-product term of the independent variable and the potential moderating variable. If the cross-product interaction term produced a significant change in the R-square value, then the moderating variable was identified as having a significant effect on the nature of the relationship between the service features and customer loyalty.

Karl Pearson’s Co-efficient Correlation (Saleemi, 1997)

$$r = \frac{\sum d_x d_y}{\sqrt{\sum d_x^2 \sum d_y^2}} \qquad (3.2)$$

where;

d_x = customer loyalty

d_y = independent variable (service features)

The model was used to test the relationship between service features and customer loyalty.

If $\sum d_x d_y$ was positive then r was positive; if $\sum d_x d_y$ w was negative, r was negative

Simple regression model used was,

$$X = a + b_y \qquad (3\text{-}3)$$

Where;

X= customer loyalty,

a = constant,

b = coefficient

x = service features

The moderator variable by way of partial regression was used to analyse the effect of personality on the relationship between service quality and customer loyalty. The moderator regression analysis used to test data is mathematically presented in the following form (Saura &Molina, 2008).

$$X = a + b_1 y + e_1 \qquad (3\text{-}5)$$

$$X = a + b_1 y + b_2 Z + e_2 \qquad (3\text{-}6)$$

$$X = a + b_1 y + b_2 Z + b_3 XZ + e_3 \qquad (3\text{-}7)$$

Where;

X = dependent variable (customer loyalty),

y = independent Variable (service features),

Z = moderator Variable (personality)

XZ = interaction term between customer loyalty and customer personality

b_1 =regression coefficient

a =constant.

The error term for equation (3-5), equation (3-6) and equation (3-7) are e_1, e_2 and e_3 respectively.

Results and Findings

This section presents the results of the statistical analysis carried out on the variables discussed in the foregoing sections. The study investigated the relationship between service quality and customer loyalty.

Service features and customer loyalty among customers in the banking sector

The second objective of this study was to analyse the effect of service features on customer loyalty in the banking sector in Homa Bay County. Service features, as a determinant of customer loyalty was conceptualized as interest on loans, credit cards, account charges, service cost, loans and interest on savings**.** Data on this objective was collected from customers who had changed banks as well from those who had not changed banks in the last three years. Data from the two categories of customers were analyzed using simple regression analysis and the results summarized in the following sub section were obtained.

Service features and customer loyalty of customers who had changed banks

Data on service features and customer loyalty from the 80 customers who had changed banks in the last three years were analyzed using regression analysis. The results obtained are summarized in table 3.

Table 3: Simple Regression of Service Features and Customer Loyalty of Customers who had changed Banks

		Coefficients		R values/proportions				F statistic		t-statistic		
Determinant	Constant	B	β	R	R^2	Adj. R^2	Std. ε	F_o	F_c	t_o	t_c	Sig.
Service Features	53.156	.064	.062	.062	.004	-.009	24.80	.306	3.960	.553	1.930	.582
Personality	44.628	.061	.059	.157	.025	-.001	24.70	.970	3.110	.527	1.930	.600

B is un-standardized coefficients, β is standardized coefficients; R is multiple correlation coefficient, R^2 is the proportion of the total variance, R^2-adjusted is improved approximation of R^2; Std ε is standard error of the estimate, F_o is the observed ANOVA statistic, F_c is critical ANOVA statistic $F_{(1, 78; 2, 77)}$; t_o is observed t statistic, t_c is critical t statistic $t_{(78, 77)}$; $\alpha = .05$.

Table 3 shows the statistics of regression of service features and customer loyalty of customers who had changed banks in the last three years. The row of service features provides statistics of the regression of service features and customer loyalty of customers who had changed banks in the last three years, unmoderated by personality. From the table, the overall regression model is not significant ($F_o = .306 < F_{(1, 78)} = 3.960$; $\alpha_o = .582 > \alpha_c = .05$), which leads to the same conclusion. The t values also indicate a non significant association ($t_o = .553 < t_{(78)} = 1.930$) which points to the same conclusion. The null hypothesis that there is no significant relationship between service features and customer loyalty among customers in the banking sector in Homa Bay County was therefore accepted. The alternative hypothesis that service features have a significant effect on customer loyalty was rejected. The study therefore established that service features is not a significant determinant of customer loyalty among customers who had changed banks in the last three years. The adjusted R square statistic (Adj. $R^2 = .001$) indicates that service features accounts for just .01% of the variance in customer loyalty among customers in the banking sector in Homa Bay County, leaving a whole 99.9% of the variance in customer loyalty to other factors. Since service features is not a significant predictor of customer loyalty, it was not necessary to build a prediction model of customer loyalty using the constant and B values.

The row of personality shows the variations in the relationship between service features and customer loyalty when moderated by personality. Even after moderation, however, the overall regression model is still not significant ($F_o = .970 < F_{(1, 77)} = 3.960$; $\alpha_o = .384 > \alpha_c = .05$). Further $t_o = .527 < t_{(77)} = 1.930$), which led to the same conclusion. The null hypothesis that service features has no significant effect on customer loyalty in the banking sector in Homa Bay County was therefore accepted even after moderation. The alternative hypothesis that personality has significant moderation effect on the relationship between service features and customer loyalty was therefore rejected. The adjusted R square statistic (Adj. $R^2 = .009$) improved slightly to 0.9% from 0.1%, but this increment does not have a significant effect on the overall regression model, as it can only explain 0.9% of the variance, leaving 99.1% of the variance in customer loyalty to other factors including errors. Therefore even after moderation, it was not necessary to construct a prediction model. Hence, the study established that service features is not a significant determinant of customer loyalty among customers who had changed banks in the last three years. Service features therefore do not explain why customers in the banking sector in Homa Bay County changed banks in the last three years.

Service Features and Customer Loyalty of customers who had not changed banks
Data on service features and customer loyalty from the 320 customers who had not changed banks in the last three years were analyzed using regression analysis and the results summarized in Table 4 were obtained.

Table 4: Simple Regression of Service features and Customer Loyalty of customers who had not changed banks

		Coefficients		R values/proportions				F statistic		t-statistic		
Determinant	Constant	B	β	R	R^2	Adj. R^2	Std. ε	F_o	F_c	t_o	t_c	Sig.
Service features	49.974	.130	.057(0.067)	.126	.016	.013	18.25	5.123	3.860	2.263	1.960	.024
Personality	53.565	.135	.058	.148	.022	.016	18.22	3.545	3.020	2.351	1.960	.030

B is un-standardized coefficients, β is standardized coefficients; R is multiple correlation coefficient, R^2 is the proportion of the total variance, R^2-adjusted is improved approximation of R^2; Std ε is standard error of the estimate, F_o is the observed ANOVA statistic, F_c is critical ANOVA statistic $F_{(1, 318; 2, 317)}$; t_o is observed t statistic, t_c is critical t statistic $t_{(318; 317)}$; $\alpha = .05$.

Parenthesis indicates the moderated Beta Value of Service Features.

Table 4 shows the statistics of regression of service features and customer loyalty of customers who had not changed their banks in the last three years. The row of service features provides statistics of the regression of service features and customer loyalty unmoderated by personality. The table shows that overall regression model is significant ($F_o = 5.123 > F_{(1, 318)} = 3.860$; $\alpha_o = .024 < \alpha_c = .05$). The t values also indicate a significant association since $t_o = 2.263 > t_{(318)} = 1.980$, which led to the same conclusion. The null hypothesis that there is no significant relationship between service features and customer loyalty among customers who had not changed banks in the last three years was rejected. The alternative hypothesis that service features has a significant effect on customer loyalty was accepted. The study therefore established that service features is a significant determinant of customer loyalty among customers who had not changed banks in the last three years.

The adjusted R square statistic (Adj. $R^2 = .013$) indicates that service features accounts for 1.3% of the variance in customer loyalty among customers who had not changed banks in the last three years. 98.7% of the variance in customer loyalty among customers who had not changed banks in the last three years is therefore explained by other factors including errors in measurements. Since service features is significant predictor of customer loyalty among customers who had not changed banks in the last three years, it was possible to build a prediction model of customer loyalty from service features using the constant and B value such that $CL^I = 49.974 - 0.13SF$; where CL^I is the predicted customer loyalty among customers who had not changed banks in the last three years, and SF the status of service features. This means that it is possible to influence customer loyalty among loyal customers in the banking sector in Homa Bay County by about 1.3% by manipulating service features. The row on personality shows the variations in the relationship between service features and customer loyalty among customers who had not changed banks in the last three years when moderated by personality.

Even after moderation by personality, the overall regression model was still significant ($F_o = 3.545 > F_{(1, 217)} = 3.020$; $\alpha_o = .030 < \alpha_c = .05$). Further $t_o = 2.531 > t_{(317)} = 1.960$), and this led to the same conclusion. The null hypothesis that there is no significant relationship between service features and customer loyalty among customers in the banking sector was confirmed still rejected even after moderation with personality. The alternative hypothesis that personality has a significant effect on the relationship between service features and customer loyalty was accepted. The study therefore established that personality has significant moderating effect on the relationship between service features and customer loyalty.

The adjusted R square statistic (Adj. $R^2 = .016$) shows an increased effect of service features on customer loyalty from 1.3% to 1.6% when moderated by personality. Hence 1.6% of the variance in customer loyalty among customers who had not changed banks in the last three years in Homa Bay County is accounted for by service features when moderated by personality. Because of this significant effect, it was necessary to develop a prediction model of customer loyalty from service features. The moderated prediction model is $CL^I = 53.565 + 0.135PS - 0.067SF$; where CL^I is the predicted customer loyalty of customers who had not changed banks in the last three years, and SF the status of service features while PS is personality. It can be said from these findings that customers tend to stay in and remain loyal to banks due to service features provided by the banks and due to their personalities.

Discussions of the findings

Service features and customer loyalty

The study found that service features is not a significant determinant of customer loyalty among customers who had changed banks, but that it is a significant determinant of customer loyalty among customers who had not changed banks, whether or not it is moderated with customer personality. It follows therefore, as pointed out in the background, and as confirmed by the study, that with the intense competition and increasing globalization in the financial markets, banks must develop customer-oriented strategies in order to compete successfully in the competitive retail banking environment. It is true, as Zeithaml (2008) indicates that the longer a bank can retain a customer, the greater revenue and cost savings from that customer. But of critical effect in this area are the service features that a bank has to offer to its customers. This finding supports the views of Zeithaml (2008) that price must be given up or sacrificed to obtain certain kinds of products or services. He pointed out that customers change banks in search of better prices for the services offered.

This finding is also supported by the views of Keaveny (2005) who observed that all critical switching behaviors involved prices, rates, fees, charges, surcharges, service charges, penalties, price deals, coupons, or price promotions. Thus, as Keaveny (2005) had noted, and as this study has confirmed, price has wider implications in the banking sector than in other service industries. In fact, the findings of this study are also confirmed by Baker (2004) that price is a critical factor in bank selection, and has an important impact on customers' switching decisions. The study concurs with the findings of Berry (2004) who concluded that in a technology-driven, fast-paced environment, delivering a wide range of products to customers is essential for businesses' success and survival. Hence service features become key in business success. As Shapiro (2003) had pointed out, this finding also confirms that delivering a broad range of service products is critical in the banking industry. Commercial banks must have a diversity of features of service products to provide customers with unlimited access to financial service products and offer them a wider range of choices.

The study found that service feature was not a significant determinant of customer loyalty among customers who changed their banks for the last three years. This findings did concur with Best (2009) who found that acceptable price may not attract or increase customers loyalty. He suggested therefore that the evidence regarding the relationship between price satisfaction and customer loyalty may be inconclusive.

Moderating effect of Personality on the relationship between service features and customer loyalty

The moderating effect of personality on each determinant of customer loyalty and on all determinants of customer loyalty develops from the very nature of personality. The study found that customer personality has significant effect on the relationship between service features and customer loyalty among customers who had not changed banks in the last three years. The study also established that customer personality have significant effect on the relationship between determinants of customer loyalty and customer loyalty among customers who had changed banks in the last three years.

As Blackwell et al. (2006) pointed out, personality is the relatively stable organization of a person's character, temperament, intellect, and physique, which predisposes him or her to behave and act in particular ways in given situations, and which differentiates one individual from another. It follows that since various consumer variables such as personality, values and psychographics can predict the effect of individual variables on purchase and consumption, such individual differences can provide understanding of characteristics of determinants of behaviour, and everyone is different. He concluded that personality has effect on customer loyalty. This finding confirms the views of Allport (2006) based on Trait Theory that loyalty is dependent on the personality of the customer; and the consumer motivation theory by Kotler, (2000). Customer motivation represents the drive to satisfy physiological and psychological needs through product purchase and consumption based on a hierarchy of needs that influence the individual's behaviour.

The finding also follows the points raised by Blackwell et al. (2006) that personality shapes customers' beliefs and the nature of customer behaviour. It creates in the customer self concept and subsequent lifestyle based on a variety of internal (mainly physical and psychological) and external (mainly sociological and demographic) influences. It agrees and builds on the views of Fishbein (2004) that a person's belief is not his or her attitude, but his or her attitude is based on his or her belief. Behaviour does not therefore automatically follow from holding certain attitude. This means that if consumers have a positive perception of the functionality of the bank, these attitudes are not automatically translated into actual behaviour. The consumer attitude is influenced by the interplay between consumers' individual risk orientation and the different risk perception aspects which are influenced by personality.

However, customers are also concerned about their reputation which is somewhat dependent on their personality. This is also true from the findings of this study. Study by Fishbein (2004) concurred with the statement that reputation enhances customer loyalty, especially in the retail banking industry where quality cannot be evaluated accurately before purchase. The study by Nguyen & Leblanc (2001) agrees with the position of the findings of this study that reputation is a critical strategic tool for predicting the outcome of the service-production process, and a reliable indicator of the ability of a service firm to satisfy a customer's desires. Therefore, as Taylor, Roos & Hamer (2009) had pointed out, and as the results of this study corroborates, switching behaviour is not only a matter of distinct decision, but also of involuntary factors not related to the distinct decision but to customer personality. Banking sector should therefore adopt this approach.

In the study, the R^2 value is relatively very low, that is, as low as 0.01% this is attributed to the field of study. For example, any field that attempts to predict human behavior, such as psychology, typically has R-squared values lower than 20%. Humans are simply harder to predict than, say, physical processes. Hence, it is entirely expected that the R-squared values is generally low. Furthermore, the R-squared value is low but the F_0 value and the level of significance shows that the effect is statistically significant predictors, then important conclusions can still be drawn about how changes in the predictor values are associated with changes in the response value. Regardless of the R-squared, the significant coefficients still represent the mean change in the response for one unit of change in the predictor while holding other predictors in the model constant. It is also noted that the low R^2 value does not show that the model is not fit and conclusions are done based on significance coefficient regardless of the adjusted R^2 value (Gary, 1986).

Summary of the findings

This study carried out an analysis on the effect of customer personality on the relationship between service features and customer loyalty among customers in the banking sectors in Homa Bay County, The study particularly determined the effect of service features both moderated and unmoderated with customer personality on customer loyalty. The study noted that there are significant positive association between customer loyalty and service features at .01 of the 80 customers who had changed banks. The study thus deduced that the 80 customers changed their banks due their personality. Among the 320 customers who had not changed their banks, the study reported significant positive associations between service features and customer loyalty are significant at .01, and between service features and personality are significant at .05. The study therefore established that customer loyalty can be improved if service features, and customer vice versa. The main objective was to analyse the effect of service features on customer loyalty in the banking sector in Homa Bay County; with service features being conceptualized as interest on loans, credit cards, loans, interest on savings and price.

Among the customers who had changed banks in the last three years, the study established that service features is not a significant determinant of customer loyalty. In fact, it can only account for .01% of the variance in customer loyalty in the banking sector in Homa Bay County, leaving 99.9% of the variance in customer loyalty to other factors. As R^2 value was less than 1% and the F_0 values showed that it was a non-significant predictor of customer loyalty, it was not necessary to build prediction model of customer loyalty using the constant and B values. Moreover, even when moderated by personality, service features can only explain 0.9% of the variance. The study further established that service features is not a significant determinant of customer loyalty among customers who had changed banks in the last three years in the banking sector in Homa Bay County hence customers who changed their banks did so because of other factors other than the service features.

Though in the second category of customers, that is, those who had not changed banks in the last three years, the study established that service features was a significant determinant of customer loyalty among customers who had not changed banks in the last three years. It accounts for 1.3% of the variance in customer loyalty and as the R^2 value is greater than 1% and the F_0 values showing that service features is a significant determinant, it was necessary to build a prediction model of $CL^I = 49.974 - 0.13SF$ unmoderated; but accounts for 1.6% of the variance in customer loyalty when moderated with personality. The moderated prediction model is $CL^I = 53.565 + 0.135SF – 0.067PS$. Thus customers tend to stay and remain loyal to the banks due to service features provided by the banks. The purpose of this study was to establish the relationship between service features and customer loyalty in the banking sector in Homa Bay County. The study found that service features is a significant determinant of customer loyalty in the banking sector, whether or not it is moderated with customer personality among customers who had not changed banks.

Conclusions of the study

The first objective of the study was to analyze the effect of service features on customer loyalty in banking sector in Homa Bay County. This was also analyzed on two categories of customers, that is, customers who had changed banks and those who had not changed banks in the last three years.

The findings showed that service features had no significant effect on customer loyalty among customers who had changed banks. It can be concluded that customers did not leave their banks because of the service features, that is, the price of the products, the benefits, the interest on loans and savings and availability of credit cards.

In the second category, that is, customers who had not changed their banks in the last three years, it can be concluded that service features is a major determinant of customer loyalty. This shows that customers remained loyal because of the benefits they were getting from the products, the loyal customers are price insensitive, they were comfortable with the interest rates on loans and savings. Banks should enhance service features as it was a significant determinant of customer loyalty and it made these customers to remain loyal to their current service providers this will enable customers to stay with their banks and improve loyalty. From the literature, it was noted that it is cheaper to retain customers than acquiring new ones, in this regard, banks should take keen interest on service features to ensure that customers do not move to another service provider.

In the second objective, it can be concluded that customer personality has a significant effect on the relationship between service features and customer loyalty in both customer categories, that is, customers who had changed their banks and those who had not changed their banks. When the relationship was moderated with personality, the R^2 value changed. This shows that customer will remain loyal or change their service provider because of their personality. If the service offerings, benefits and the features do not match their personality, then they are likely to change their service provider. However, with these benefits and features are in accordance to their personality requirements, then they will remain loyal.

Significance of the study

The study developed customer loyalty model which will enhance decision making among stakeholders in the service industry especially the banking sector to improve the customer loyalty.

Recommendations of the study

The study findings can benefit the service industry in Kenya and especially the banking sector. However, in view of the findings and conclusions of the study, the following recommendations are of particular importance to the banking industry in Homa bay County.

Service features and customer loyalty

The effect of service features was significant among customers who were loyal and had not changed banks in the last three years, whether or not it is moderated with personality. As established in the literature review, it is easier to retain customers than to get new ones, hence the study recommends that banks should now balance their drive to make profits with a desire to serve clients. The product manager in the banking sector needs to enhance product offerings and the government needs to regulate interest on loans, on savings, on credit cards as well as the average charges on accounts to be reduced to minimum so that the focus is on the customer rather than on profits.

The study also recommends that the product managers in the banking sector should enhance service features offerings to go beyond the price, interest on loans and savings, credit cards to include more benefits from a product offering so that service features can have an effect on customer loyalty among customer who had changed their banks.

The study also suggests that product managers should analyse the personality of the target market to ensure that the product offerings, benefits and the features meets the customer personality requirements.

Based on the conclusion that customer personality has a significant effect on the relationship between the service features and customer loyalty, the management in the service industry and especially the banking sector need to learn their customers and treat them as individuals and stop generalization on customer categories. This will enable the banks to know their customers character, temperament, intellect, demographic characteristics, source of motivation and lifestyle which will enhance a personalized service to the customers.

Suggestions for Further Research

The study takes note of the fact that it was done based on the views of the customers per se rather than on the actual data based on manipulation of variables. In actual sense, the study did not manipulate service features which led to low R^2 values. The study cannot therefore claim to have established the effect of these variables on customer loyalty hence a decision would require an experimental design. This study therefore recommends that an experimental study be conducted to determine the actual effect of these variables on customer loyalty among customers in the banking sector not only in Homa Bay County, but in the banking sector as a whole. This study should form a basis for that study.

The interesting study findings depicting insignificant effects of customer personality on the relationship between customer loyalty and service features among customers who had changed banks. This is an avenue for further research in the banking sector in Kenya.

Limitation of the study

The researcher met respondents at the ATM (Automated Teller Machine) as they carried transactions hence there is possibility of duplication of respondents.

The second limitation is that the study focused only on the banks in Homa bay County. This focus on a single region may make the results not generalizeable to other banks or the banking sector in general. However, confining the study to banks in a single regional setting conferred the obvious advantage of control effects as the customers are exposed to same economic environment. It is possible that such focus could better illuminate the interrelationships customer loyalty determinants, customer personality and customer loyalty.

A final limitation encountered during the field survey was that respondents were hesitant to give free view about their loyalty to the bank fear of implicating a staff. The researcher deems this issue as not adversely affecting the results of the study.

Contributions of the study

This study makes several contributions to both theory and practice of determinants of customer loyalty, customer personality and customer loyalty in general. Specific contributions of the study are explicated in the following sections.

Contribution of the study to managerial practice

Bank managers can use these instruments of determinants of customer loyalty to assess the bank customer loyalty in Kenyan banks.

Moreover, because all the dimensions of determinants of customer loyalty are positively correlated with customer loyalty, Kenyan bank managers should emphasize all the determinants of customer loyalty while improving the service quality that they provide. Service quality showed the highest positive correlation with customer loyalty in the current study. The core concept of service quality is employee-customer interactions. Therefore, Kenyan bank managers would be well advised to emphasize the employee training programmes so that they can offer personalized service. The main aim should be to develop a long-term relationship with the customers. The current study demonstrates that there is a large positive correlation between service quality and customer loyalty. That means that if the bank offers good services then the customers will become loyal.

The managers can also use the contrast of service feature to assess customer loyalty. Service features had a positive correlation with customer loyalty. The managers can learn that apart from
good service, satisfactory complaint handling, customers are still keen on the features of the product offered by the banks, that is, the price for their money.

The study has developed a model of customer loyalty and as such banks will be able to predict customer loyalty using the three determinants of customer loyalty, that is, service quality, service features and complaint handling. The study has also made it possible to predict customer loyalty when the determinants are moderated by customer personality. This is intended to improve customer loyalty in the banking sector especially in Homa Bay County.

Contribution of the study to theory

The theory of consumer behavior has not been fully exploited with equivocal research findings on the relationship between determinants of customer loyalty and customer loyalty. Using empirical, theoretical, conceptual and methodological analysis, this study has made contribution to the limited body of knowledge relating to customer loyalty, customer personality and service features in the banking sector in Kenya. The study confirmed that customer personality is a significant buyer characterestics which influences consumers' decision making process as postulated in consumer behaviour theory.

This study reviewed a wide range of existing studies. This has enabled the screening and structuring of the different studies so that both perspectives of customer loyalty in a facilitation role and as an enabler of business strategy are clearly delineated. This exercise has allowed the study to clearly point out the gaps in literature and offer avenues for future research. Given the hitherto fragmented reviews, this study makes a significant contribution in synthesis of customer loyalty.

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