

## Effects of Direct Selling Strategy on Customer Loyalty by Commercial Banks in Kisii County

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### Abstract

*Direct selling strategy is fast becoming a significant approach to one's business. It emphasizes on interpersonal relationship as a way of ensuring a high level of influence on customers. In Kenya, direct selling strategy has consistently gained prominence for the past few years. Selling is however a very competitive field and this has led to compromises on the work ethic that eventually affects customer loyalty. Too much attention has been on customer acquisition without much regard to customer retention. The purpose of this study was to assess the influence of direct selling strategy on customer retention by commercial banks in Kisii County. The objective of this study is to determine how direct selling strategies employed by commercial banks affect customer loyalty, hence find out its role on customer retention by commercial banks. The study adopted a quantitative approach with a descriptive research survey that allowed a researcher to collect primary quantitative data through structured questionnaires. The total population was 300939 people comprising 171 sales people, 300752 customers and 16 sales managers. Random sampling was used in selecting the customers from every bank to be interviewed. Sample size of direct sales persons was calculated using Solvins' formula-  $n=N/(1+N(0.05)^2)$  from the total population. The entire population of sales managers was used making a sample size of 130. The questionnaire with closed questions was used because it is the most appropriate for the study. Document review for secondary data was also used to gather data that had been recorded in the institutions that were contacted. The data was analyzed using quantitative methods. These include the mean, and percentages. Data was presented using simple statistical techniques. These include frequency tables and graphs. The study approached the issue of customer retention by determining the effects of direct selling strategies on customer loyalty. In this analysis, the researcher captured the findings on a five-point scale on the basis of their level of agreement. The findings indicated that all banks in Kisii County engage in direct selling activities as a way of increasing volume sales without much regard to customer retention. The banks' engagement in direct sales paid little attention to customer loyalty. As a recommendation the researcher proposed the establishment of an effective direct sales approach that ensures a successful customer retention implementation program.*

**Key Words:** *Direct Selling, Direct Selling Strategy, Customer loyalty, and Customer retention*

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## **Introduction**

In the modern world, direct selling strategy is fast becoming a significant approach to one's business. Most organizations employ this strategy as a way of ensuring a high level of influence on their customers. Customers' perceptions about a firm's products and services are easily fast-tracked.

According to Euromonitor (2012), direct selling strategy has been in existence for a reasonably long period of time in the developed world. This has led to the establishment of strong direct selling tactics compared to the developing world. In Kenya, direct selling strategy has consistently gained prominence for the past few years. Organizations are now investing substantial income on training, development and management of direct sales force. This focus on direct sales has led to organizations, especially in the service industry, to invest heavily on the management of the sales force. The successful implementation of the sales strategy has led to an increase in sales volumes. Selling is however a very competitive field and this has led to compromises on the work ethic that eventually affects customer loyalty. Commercial banks are employing the direct selling strategy to a large extent. It is because of these reasons that this study was carried out to assess the impact of the direct selling strategy on customer retention by commercial banks in Kisii County.

Direct selling strategy is held as an important first step in creating or growing one's business. For a company to succeed or survive, it's imperative to have effective sales strategies. Direct sales can be viewed as a methodology used by a sales person to gain a sale by focusing on the product features and its benefits to the customer against the competition during the sales process. The management of direct selling strategy is an industry that is highly mobile and emphasizes on interpersonal relationships. Direct selling can save the company a lot of cost, yet they are accompanied with uncertain risk. Most customers are wary about the misuse of this strategy and are always concerned that they may become victims of fraud. (Yen, et al., 2008)

According to Yen, et al., (2008), direct selling originated in 1886 from "California Perfume" Corporation, nowadays referred to as Avon. Avon used direct sales personnel to sell their perfume through direct selling. They expanded to other products such as cosmetics and skin care products. They argued that this strategy was later adapted by the English Publishing Company in Taiwan. Since then, direct selling has taken root in Taiwan, but most notably 1982 onwards, the time when Amway and Avon entered Taiwan's market. This was as a result of massive 'cheats' by the marketing models in Taiwan that made the public to have a bad image on the whole concept of marketing. Direct selling then gained prominence. This eventually led to the establishment of Taiwan Direct Selling Association in 1990. The association gave direct selling a legal entity in 1992. In Taiwan, members of the Taiwan Direct Selling Association use the direct seller as the only sale channel. Mary Kay Company has narrowed its sales channel to the direct seller and use of the internet. Direct selling has therefore experienced prominence and is widely used in Asia amid some setbacks.

In 1998, Yen, et al., (2008) notes, the Chinese Government found direct selling very difficult to manage due to the occurrence of illegal fraudulent events. The Chinese government consequently prohibited direct selling in favor of real general stores, an example of indirect sales. The Direct Selling Association has seen the growth of direct selling strategy worldwide. It is a corporate membership organization primarily operating in the U.S.A with two primary categories of membership: direct selling membership and supplier membership. Direct selling members are companies that manufacture or deal in goods or services intended to reach the consumer through a personal sales contact. Supplier members are companies that provide goods and/or services to support direct selling companies. Direct selling and Supplier member companies that operate, or are planning to begin operations, in countries other than the United States may be incorporated in DSA's International Council, hence global networking. Direct selling companies without operations in the United States can operate under a Global Associate Membership category that allows these companies to access selected services and benefits. DSA has a well defined code of ethics. It ensures that member companies will make no statements or promises that might mislead either consumers or prospective sales people.

In Egypt, Direct selling has attracted a growing number of middle-income consumers in the country's largest cities, with sellers importing their goods themselves from countries such as France, Turkey and Germany. According to Euromonitor (2012), women were often attracted by the low prices offered by these sellers, with many going on to start direct selling operations themselves. Sales are often made on an open day basis, with products being displayed in the sellers' apartment and paid for on an installment basis.

Avon Products also saw a strong growth in its market share in 2011 over the previous year, reinforcing its position as the leading direct seller in Egypt. The company restructured its operations in the country in 2008, taking direct charge of distribution and sales in Egypt. This supported a good growth in share, with the company attracting more sales representatives and thus customers. Avon and Oriflame, beauty specialists, were the leading players in 2011. Avon continued to perform strongly as the company has seen its sales increase since restructuring in 2008. Nevertheless, Oriflame continues to follow, closing the gap in 2011. However, political unrest hindered sales growth in 2011. According to Euromonitor (2012), the use of direct selling strategy has considerably grown and this was stimulated by the increase in internet access levels in South Africa over the last few years. The increased internet user base in South Africa has allowed direct sellers to have close direct contact with customers on a regular basis and the marketing process has been simplified through various forms of communication that include emails, social site marketing and individual direct seller websites. Avon controls a market share of almost 20% in 2011.

This dominance in market share has been due to the fact that it has a huge network of sales representatives all over the country and their income is based on how much they sell in terms of Avon products. Euromonitor places Tupperware in second place with a share of almost 5% and this has also been influenced by the fact that it has a lot of sales representatives all over the country. Beauty and personal care direct selling remained the main direct selling channel present in Morocco in 2011. New product developments, targeted promotions and other innovative activities were the main drivers of growth in direct selling current value.

According to Euromonitor (2012), direct selling strategy in Kenya has been slowly but steadily gaining prominence. This has been due to several reasons. High inflation and widespread unemployment hit many households' budgets hard in 2011. Consequently, many consumers sought out cheaper prices. This trend resulted in informal dukas or shops performing strongly, with these stores typically based in low-income neighborhoods and offering a wide range of grocery products and other essentials. In addition, many consumers switched from buying new products to buying via 'mitumba' channels. These channels offer low-priced imported second-hand goods, primarily selling clothing but also a widening range of other products. Non-grocery products gained a big market share within overall retailing sales in 2011. With few chains present and a vast number of independent sellers in both formal and informal channels, clear leaders at the end of 2011 were Nakumatt, Uchumi and Tusker Mattresses. These players benefit from a longstanding presence in supermarkets and hypermarkets in Kenya and from their well-known brands. All three players also benefited from focusing on the development of large hypermarkets offering a wide range of services towards the end of the review period. Commercial banks in Kenya have embraced direct selling strategy as a way of getting to the customers who shy away from banks due to the customers' perceptions that banks are exorbitant. Leading the pack was Stan-Chart but later dropped this strategy after a short period of time. Barclays bank of Kenya launched its direct sales program in 2006 and it has since led other commercial banks to-date.

In Kisii County, most of the commercial banks have resorted to the use of direct selling strategy as a way of growing their sales volumes and ensuring customer loyalty. Kisii County is a relatively large county on the Western side of Kenya. Towns in Kisii County are near cosmopolitan. It has been a reasonably stable county having experienced peaceful moments during the post election violence. This has led to the establishment of many commercial banks in especially Kisii Town. For the past four years, Diamond Trust Bank, Stan-chart, Eco bank, Bank of Africa and CFC Stanbic have opened branches in Kisii Town serving the larger county. This has added to the already established banks like in the region like Barclays bank of Kenya, co-Operative bank, National Bank of Kenya, Credit Bank, Equity Bank, K-Rep Bank, and Family Bank. Most of these banks are targeting the working class, corporate entities and businessmen. These banks are all seeking to grow their sales volumes and guard their customer bases. They have consequently employed the use of the selling strategy, thereby engaging reasonable numbers of sales staff. This strategy has seen most of the work stations in the county being frequented by direct sales agents from banks. Transport, among other support services, has been organized for the sales staff to be able to reach every part of the county. The use of tactics and anti-tactics to outdo the competition has led to many customers getting dissatisfied with the services offered hence opting to quit banks and join Savings and Credit cooperative societies.

## ***Review of Literature***

This section seeks to determine the impact of direct selling strategy on customer loyalty. According to Journal of Marketing Management (Spring/Summer1994) the theory of relativity thrives on the ability to relate to their audience, or for that matter, offer any relevance at all. The theory entails keeping the brand promise pertinent. This theory is about cause and effect. Simply, when selling to a target audience, if you deliver a relevant message in a relevant format in a relevant presentation, your chances of achieving a desired response will grow exponentially. Firstly, Brayfield (2007) argues, any company using direct selling strategy must work on its brand promise. Black & Decker doesn't sell drills but sell holes! Holes are what customers want otherwise what good is a drill if it cannot drill a hole? Understanding what your customers care about begins with your brand promise.

This promise delivers relevant and unique benefits to a specific audience—not relevant to you but relevant to a specific audience. Volvo expresses its brand promise as: “Only Volvo delivers assurance of the safest ride to parents who are concerned about their family’s well-being.” There are two critical parts of a brand promise that every company must understand before delivering relevant content. The first is a higher-order benefit. In Volvo’s case, the company understands this concept by promising safety, not just a sturdy, well-built car. The second critical part of a brand promise is the need to define your specific audience. Truthfully, many marketers get hung up in their quest to be all-inclusive and politically correct. Great brands must reflect the customer in their message and deliver personal relevance, even if it alienates others. Secondly, get to know your customers. Direct sales staff must understand what is important to the customers, how to talk to them (Ziglar, 2006)

The Edwin Moses theory of Direct Sales illustrates one of the most frustrating aspects of direct sales which occur when the salesperson arrives finally to the close segment of the process and is unable to make the sale (Duncan, 2004). The close segment is when the customer shows signs of taking one’s product. One of the best known and most widely respected athletes to come out of the U.S.A. is Edwin Moses, the two-time Olympic and four -time world champion. The reason why Edwin Moses never lost a race was in great measure, because of his analysis, as a physicist and mathematician of what it took to successfully negotiate the hurdles. Yet, had he not engaged in a deliberate and rigorous planning process, it is unlikely that he would have achieved the success he did. Likewise, a careful planning process is necessary for direct sales people if they are to be successful. An analogy to a hurdle race seems to be appropriate to the direct sales process. If the salesperson cannot vault over each hurdle in its proper progression, he/she is unlikely to make a sale. A well developed plan of action is necessary, yet many direct sales organizations train salespeople in techniques that can best be described as hit-and-miss. This theory stresses the need of a well-thought out plan in sales. This theory emphasizes the need for relationship selling as part of a partnership between the salesperson and the customer or prospect. There was an emphasis on reordering and developing long- term relationships with customers, with less emphasis on direct sales training (Storhlo, 1982).

According to Dominique (1993), direct selling is the direct personal presentation, demonstration, and sale of products and services to consumers, usually in their homes or at their jobs. The most common definition of sales strategy deals with one’s approach to the customer. Direct selling hereby means going straight to your customer and selling her your product. You can phone the customer, see her face to face or even use email. Industry representative, the World Federation of Direct Selling Associations (WFDSA, 2011), reports that its 59 regional member associations accounted for more than US\$114 Billion in retail sales in 2007, through the activities of more than 62 million independent sales representatives.<sup>1</sup> The United States Direct Selling Association (DSA) reported that in 2000, 55% of adult Americans had at some time purchased goods or services from a direct selling representative and 20% reported that they were currently (6%) or had been in the past (14%) a direct selling representative

During the last several decades, the marketing paradigm has shifted from the manufacturer’s market to the customer’s market. In order for companies to remain competitive, they must have core capabilities like customer orientation, innovativeness, organizational information sharing, personal selling and employee motivation, perceived quality of the product or service, relationship trust or commitment between buyers and sellers, customer satisfaction and high technology. In this paper, our focus is on an increasing importance of the salesperson. A successful salesperson is one that responds quickly to a customer’s request. Therefore, factors pertaining to the salesperson are quite important. The performance of the salesperson relates strongly to the company’s performance in sales and customer retention. (Belch, 2006)

This research examines whether specific sales skills could improve customer retention rates. Krawitz (1998) sought to examine the following issues: (1) whether customer retention rates could be improved by attempting to resell customers who wished to cancel their accounts with banks or stop services; (2) service quality factors that have been shown to contribute to customer retention; (3) behaviors and skills that have been linked to service quality and customer retention; and (4) the relationship of specific sales skills to these behaviors.

Several studies have been conducted to find out the role of sales staff in improving customer retention rates through direct intervention. Reicheld and Sasser (1990) found out that profit in service industries, including credit card companies like banks, increased in direct proportion to the length of a customer's relationship. They noted the experience of MBNA America, citing its customer defection 'swat' team staffed by some of the company's best telemarketers, which achieved a 50% success rate in persuading customers to retain their credit cards. They concluded that cutting defection in half could more than double the growth rate of the average company.

Everett (1993) noted that a dedicated customer retention unit developed by Patrick J Swanick at the Society National bank in Cleveland achieved a seventy five percent success rate in persuading callers to remain with the bank.

As Kelvin (2006) points out, customer loyalty is all about driving perceived value, whether that is rational (functional, quality, cost, etc.), emotional (trust, service, communication, information, and brand equity) or a combination of these two dimensions. First, identify what leverages top-end customer commitment and advocacy behavior, and then build customer experience around it. According to Lowenstein's research on customer retention, there is no standard schedule for how often to communicate with customers to build loyalty. In his research, customers reported an interest in receiving communication from suppliers as long as they could see personal value in each message. Promotions can be a very effective way of retaining customers by keeping them actively engaged with your brand. The key is to run relevant pander-free promotions that reward customers, make them feel good about doing business with your company, and encourage them to do more of the same. Loyalty programs are a good way to encourage and reward repeat business. Special discounts can also be effective, especially when they are tailored to those customers whose behaviors indicate signs of possible defection. On a more personal note, promotions such as sending promotional gifts, birthday cards, or staying in touch over the holidays with business Christmas cards are additional ways to express appreciation and potentially increase customer retention.

To be successful with a customer loyalty program, one should rely on both tangible and intangible (service, convenience, information, etc.) components (Lowenstein, 1997). In most programs, a high percentage of customers do not take advantage of loyalty rewards. Consulting firms can help by researching the effectiveness of each element of the loyalty or retention program, based on its correlation, or contribution, to desired loyalty behavior. For those that don't have access to this kind of quantitative evaluation, Lowenstein recommends debriefing the redeemers and non-redeemers of a loyalty program to find out why they are/are not redeeming and also to determine what else the company can do to build value. When evaluating the benefits of a customer loyalty program, companies need to consider whether they will buy an off-the-shelf vendor program or develop a homegrown program.

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. Direct selling that focus is not how you build customer loyalty. (Schlesinger et. al., 1991) Customer loyalty, according to Schlesinger, is built by keeping touch with customers using email marketing, thank you cards, treating the sales team well so they treat customers well, showing that you care and remembering what customers like and don't like, and building loyalty by rewarding customers for choosing the company over competitors. In short, you build customer loyalty by treating people how they want to be treated. Direct selling strategies and tactics should be geared towards customer loyalty and customer retention by inspiring and motivating people. People are emotional creatures. Not only is our decision-making influenced by what we feel, we get an energy boost from strong emotions. (Kelvin, 2006)

The role of the social media in customer retention is the third factor to be considered. Social networking websites provide you with access to forums and discussion boards, where you can speak about your services and goods, and interact with prospective customers regarding these items and services Social Media should change customer loyalty programs (Kelle, 2006). Kelle notes that there is no denying the influence of social media on the way that we as human beings communicate on a daily basis. The impact of the digital age will be felt even more in the future if things continue on the same path that it is currently.

Not only have we been put in contact with each other like we have never been before, businesses are making the most of social media networks as well. Since the majority of people in the country are constantly on social media sites at all hours of the day, companies realized that they had a whole new market to reach. With social media sites like Facebook, companies from every industry are gaining from a new found connection with their customers. Since people are constantly updating their activity streams and current states of being, businesses are also able to update their clients and loyal customers with special discounts, offers, and marketing endeavors. A really great thing about being able to do this is the fact that they can connect with their customers in a timelier manner. People are connected through sites like Twitter, and Facebook and enjoy the intimate bond that can be formed directly with owners and managers of businesses. Social media networks open the doors to new types of customer experiences by connecting you with them when they are a few feet away from their stores. Many companies have interactive collaborations with social networks in order to bring customers special discounts and notifications of new opportunities at any given moment. Many social media networks are accessible by such devices as the iPhone, Android, and the Blackberry, which give companies a 24 hour window for advertising to the countless masses. Social media is changing customer loyalty programs also by identifying problems through monitoring what people are saying about their brands. (Kelvin, 2006)

### ***Statement of the Problem***

Commercial banks in Kisii County have employed direct selling strategy as a way of increasing their sales volumes (customer acquisition) and therefore increased profits in the short-term. These banks have strived to have a superior customer acquisition strategy while paying little attention to customer retention. Banks have failed to adjust their selling strategies to address issues pertaining to ensuring superior customer satisfaction. They have consequently failed to accommodate the 'self-empowered customer' created by the rapid spread of the internet (Kelvin 2006). The banks have failed to reach out to the new breed of customers who demand high levels of customer service. This creates a perception among customers that such banks are not in line with the changing expectations and behaviors. Failure to acknowledge that simultaneous focus is expected on both customer acquisition and customer retention has led to banks losing customer loyalty. Sales skills and behaviors meant to retain customers are often neglected. It is because of these reasons that this research was carried out to assess the effects of direct selling strategy on customer retention by commercial banks in Kisii County.

### ***Materials and Methodology***

The study employed a survey approach with a descriptive research design. According to Trochim (2006), a descriptive research design is best suited for this kind of research where studies are conducted to demonstrate relationships between things or interactions between groups of people. The target population was 16 sales managers, 171 direct sales employees and 300752 customers of the commercial banks totaling to 300939 people. The sample was 130 which comprised of 16 sales managers, 34 direct sales employees and 80 customers, that is, 5 customers per bank. Random sampling was used in selecting the customers interviewed. Sample size of direct sales persons represented two percent of the population. This sampling method was recommended because it was best suited for this kind of study. (Mugenda, 2004). The entire population of sales managers was used. Purposive sampling procedure was used to pick respondents particularly for sales people because it was the most convenient procedure for the study. The questionnaire was administered personally by the researcher to the respondents and collected after 2 days. The questionnaire with closed questions was used. The tool was chosen because it is the most appropriate for the study. The questionnaire was tailored for easy use by the respondents in the study. Document review for secondary data was also used to gather data that has been recorded in the institutions that were contacted.

An authorization letter was obtained from the university and attached to the questionnaire so as to help in improving the response rate. The questionnaires were self administered by the researcher to the respondents during bank working hours. The respondents were allowed 2 days to fill them after which they were collected for analysis.

The questionnaire was pre-tested through piloting on some of the respondents to test its reliability. The same questionnaire was administered to the same category of respondents during the study though excluding the respondents who participated during the piloting. The answers were then compared to determine similarity. The content validity of the questionnaire was ensured by supervisors' expert opinions and colleagues'. The data was analyzed using quantitative methods. These included the mean, and percentages.

The information collected from the survey was analyzed by using statistical, mathematical and data interpretation techniques which include Simple percentage method and the five-point Likert scale. In the Weighted Average score method, specific weights were predetermined on the basis of the ranks given by respondents.

### Results

This study sought to find out the effects of direct selling strategy on customer loyalty. Respondents were asked to give their assessment of their banks' commitment to customer loyalty through direct selling, based on promotional gifts like season's cards, birthday cards and cocktails, special discounts for existing customers, rewards, after-sale services and regular bank-customer communication. The findings were captured on a five-point scale on the basis of their level of agreement as shown in the chart below.

**Table 6.1 The Effects of Direct Selling Strategies on Customer Loyalty**

S.NO	Category	Ranks					Weighted Averages
		1	2	3	4	5	
1.	Promotional Gifts	1	9	25	25	70	1.82
2.	Special Discounts	1	7	27	28	67	1.81
3.	Driving Perceived value	1	6	26	33	64	1.82
4.	Reward System	3	11	36	40	40	2.21
5.	Communication	4	2	41	50	33	2.18
6.	After-sale-Services	1	1	15	56	57	1.72

**Source: Field Data (2013)**

The score of 5 was given to rank 1, 4 to rank 3, 3 to rank 3, 2 to rank 4, and 1 to rank 5. On the basis of this, weighted average is employed,  $\text{Weighted average} = \sum f(n) / N$

After analyzing the weighted average scores, it was inferred that respondents agree that all banks score lowly on all the customer loyalty parameters tested. This was especially felt with the absence of promotional gifts (1.82), special discounts (1.81), driving the perceived value (1.82), and after-sale service (1.72). The reward system and communication scored slightly higher than the rest at 2.21 and 2.18 respectively. Majority of the respondents felt that they don't see their banks working notably to hold on to the existing customers in their direct selling activities compared to their efforts aimed at customer acquisition. It was noted that 91.54% of the bank's direct selling targets are geared towards the acquisition of new customers. The information collected showed that only 8.46% of the direct selling responsibilities go towards ensuring customer loyalty.

From the information gathered from sales managers and sales persons, the banks' selling activities are predominantly geared towards customer acquisition as opposed to customer loyalty. This was so because the compensation structure was only begged on the volume sales and not on working to retain or serve an already existing customer. The researcher found out that much of the bank's reward system was inclined towards fresh recruits or new customers than existing ones. Most of the respondents said that most of the promotional materials were meant for new customers, and that little attention was paid to the existing ones.

A section of the respondents were requested to indicate whether they endeavor to solve problems or complaints raised by the existing customers. Their responses were as shown in the table below

**Table 6.2 Direct Selling Strategy on Customer Loyalty**

	Yes	No	Total
Direct sales persons	3	31	34
Sales managers	1	15	16
<b>Total</b>	4	46	50

**Source: Field Data 2013**

The results show that the direct selling staff paid little attention to the existing customers. A further analysis to test the homogeneity of responses from the two groups of respondents using the chi-square test was carried out and the findings are as shown in the table below, where the formula for calculating the expected (E), is as follows:

$$\text{Expected (E)} = \frac{(A) \times (B)}{N} = 2.72$$

**Table 6.3 Chi-Square Test for Homogeneity of Responses on Customer Loyalty**

		$(O-E)^2$	$(O-E)^2 / E$
3	2.72	0.0784	0.0288
1	1.28	0.0784	0.0613
31	31.28	0.0784	0.0025
15	14.72	0.0784	0.0053
			$\frac{\sum (O-E)^2}{E} = 0.0979$

The table value for chi square for one degree of freedom ( (2-1) (2-1)) at 0.05 significance level is 3.841. The calculate value of chi sq is 0.0979, which is less than the table value. This means that there was no significance difference on the respondents pertaining the effects of direct selling on customer loyalty. Both groups agree that direct selling strategy does not enhance customer loyalty.

**Findings**

Findings from the study indicate that all banks engage rigorously in direct selling activities. It was discovered that the approach in direct selling strategies was that of increasing the volume of sales. From the data collected, direct selling strategies are geared towards customer acquisition, which is the emphasis of the banks in Kisii County, as opposed to customer retention. From the information collected, most of the respondents said that the direct selling strategies as employed by these banks primarily target the number of customers recruited. This was so because their compensation structure puts into consideration only sales volumes. Service to the existing customers or those customers who have already been recruited was not of so much concern to the direct sales persons because the banks didn't incentivize them in any manner. Bitran and Hoech (1990) noted that problem diagnosing skills, among other customer retention skills should be part of direct selling approaches. The sales persons are majorly trained on customer acquisition thereby lacking skills, knowledge and motivation necessary for customer retention. The promotional materials employed by these banks were majorly meant to attract new customers. An integration of direct selling strategies' customer acquisition approach and customer retention skills was necessary if banks had to make reasonably long-term businesses with the customers and ensure long-term relationships that leads to cost cutting on customer acquisition. This level of dissatisfaction makes them reluctant to refer their friends and colleagues to join their banks.

Customer acquisition strategies worked for the banks, the reason as to why all banks in Kisii County engaged in direct selling. The customers interviewed too confirmed that their contact with the banks was through direct sales persons. The tally from the data collected indicated that direct selling strategies had effects on customer loyalty. The research objective was to determine how direct selling strategies have affected customer loyalty. From the information collected, customer loyalty was an area that was ignored by the sales staff. Most of the respondents strongly agreed that direct selling strategies put in place by the banks didn't have customer loyalty as its focus. All the customers interviewed said that their initial contact with the bank was through the sales people who abandon them after successfully recruiting them. Their relationship with the bank is none of the sales contact staff's concern but the customer service staff located in the banking halls.

**Conclusion**

From the tally in this study, 91 percent of the respondents strongly agreed that direct selling strategies aim primarily at customer acquisition. The banks offer incentive for rewarding efforts aimed at recruiting new customers compared to existing ones who remain loyal for a long time. Promotional materials, special discounts, and after-sales services were used to attract new customers without much regard to the existing ones.

**Recommendations**

From this study and based on the conclusions made, the following are the recommendations as established by the research. There is need to restructure the compensation plan for the direct sales persons. Their compensation should also address the effort at keeping the existing customers repeat customers, or loyal to the bank.



The direct sales persons should be compensated for continued support to the existing customers so as to continue doing business with them, just like the insurance companies that continue to compensate the direct sales staff as long as their customers continue with their premiums.

The induction courses and refresher trainings for the direct sales persons should be enhanced to impart customer service skills. Emphasis on customer satisfaction should be stressed because a satisfied customer will offer more business opportunities and even refer friends to join their banks, hence customer acquisition based on exemplary service.

There is need for an integrated approach to direct selling. For a successful and sustainable direct selling strategy, customer acquisition skills should integrate well with customer service skills. Keeping an existing customer satisfied is much more profitable and cost-effective to the banks than just chasing new customers who leave as soon as they get recruited.

Further research should be undertaken to ascertain the competitiveness of the compensation structure of the sales persons. There should be further research to find out ways of integrating or incorporating customer service skills with direct selling strategies.

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