



**STRATHMORE UNIVERSITY BUSINESS SCHOOL  
BACHELOR OF COMMERCE  
END OF SEMESTER EXAMINATION  
BNK 3202: SME RELATIONSHIP BANKING**

**Date: 9<sup>th</sup> December 2022**

**Duration: 2 Hours**

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**INSTRUCTIONS**

- 1) Answer **ALL** Questions in **SECTION 1**, **TWO** in **SECTION 2** and **TWO** questions in **SECTION 3**.
- 2) **SECTION 1** has **20** points, **SECTION 2** has **20** points and **SECTION 3** has **30** points.
- 3) The exams total points in **70**

**Section 1: This section requires that you briefly explain or provide explanations to some basic concepts we discussed in class. *Section 1 has a total a total of 20 points.***

1. a) Define what you understand by the term ‘Small and Medium Enterprises’? **(2 Marks)**  
b) Explain **three** challenges that are unique to SMEs that influence access to finance **(3 Marks)**.
2. (a) Define the term strategic Marketing? **(2 Marks)**  
(b) Briefly explain **three** benefits of strategic marketing to an organisation providing relevant examples **(3 Marks)**
3. Briefly explain what you understand by the term ‘relationship Banking’ **(2 Marks)**  
(b) Explain **three** implications of relationship lending on the ways that banks lend to SMEs? **(3 Marks)**
4. (a) Briefly define the ‘Customer centric approach’? **(2 Marks)**  
(b) List **three** ways a banking institution can build a customer centric culture **(3 Marks)**.

**Section 2: Questions in this section require that you justify the reason for your response. Feel free to use diagrams and examples to help you illustrate your answer. ANSWER ONLY TWO QUESTION. Each question carries 10 points making a total of 20 points for the section.**

1. According to a study on SME relationship banking approaches, “Before a bank can more effectively relationship manage its SME customers it needs to identify which of their SME customers should be relationship managed” Critically discuss the importance of relationship banking drawing on local banks examples. **(10 Marks)**
2. “CRM software does nothing to help with the bigger aspects of customer relationship marketing.” Do you agree or disagree with the statement? Using appropriate examples justify why CRM software does not fully meet the requirements for customer relationship marketing. **(10 Marks)**
3. “Acquiring a new customer can be five to 25 times more expensive than holding to an existing one” using appropriate explanations justify the need for customer retention strategy within the banking sector. **(10 Marks)**

**Section 3: The section contains QUESTIONS that require you to apply knowledge learned. ANSWER ONLY TWO questions in this section. Each question has 20 marks, which is equal to 40 marks in total for the section.**

1. A manufacturing SME, Kalipso and Sons Enterprises has been using CRM in the last three five years. In order to grow their business and increase profitability Kalipso has decided to invest in an e-commerce platform to allow them sell directly to their wholesalers and retail customers. In a recent audit of the CRM, they have realised that it needs updates due to the e-commerce platform they intend to adopt. The consultant has recommended that in order to achieve customer growth and profitability Kalipso needs to overhaul their CRM system by acquiring an electronic CRM.
  - a) Explain what you understand by electronic CRM and its importance to organisations using appropriate examples. **(3 Marks)**
  - b) Describe **two** similarities and **three** technological differences between CRM and E-CRM. Use relevant examples in your answers **(5 Marks)**
  - c) Evaluate **five** benefits that E-CRM offers compared to CRM within the SMEs industry. **(5 Marks)**
  - d) Critically analyse **four** of the barriers to adopting E-CRM within the SME industry and recommend a strategy to overcome them **(8 Marks)**
2. You have been working in a local bank for the last 5 years in the SME customer relationship department. In the last one year, you have realised that the bank has been losing its valuable SMEs customers. You bring this to the attention of your manager.

After consultations, the manager requests you to investigate the cause of the SME customers leaving and then develop a strategic marketing plan to solve this problem.

- a) What do you understand by the term ‘customer churn? **(2 Marks)**
  - b) Discuss **five** of the reasons that cause SMEs customers to leave the bank? **(5 Marks)**
  - c) Evaluate **five** reasons why the financial institution may have failed in retaining the SMEs clients **(5 Marks)**
  - d) Prescribe **four** appropriate solutions to the customer attrition and **four** benefits the organisation will get from your solution. **(8 Marks)**
3. In the current competitive environment, a growing Banking institution –XYZee Bank has realised that for it to grow its SMEs services and retain its SMEs customers it has to adopt customer centricity in its strategy. After conducting a market research, they have found out that most banks in the Kenyan market struggle to achieve a true customer centricity because of the lack of a customer-centric organisational culture. The management has decided to hire a consultant to help them develop a customer-centric approach at XYZee with an aim to identify its valuable customers, develop a CRM approach that prioritises customer-centricity and increase the customer retention and value through the customer life cycle. As a consultant, you are required to provide the following.
- a) Describe the difference between product-centric strategies and customer centric strategies. **(2 Marks)**
  - b) Identify **five** benefits that XYZee can derive from a customer-centric approach. **(5 Marks)**
  - c) Critically describe **five** different strategies XYZee Bank can develop to improve a customer-centric approach in their operations using appropriate examples. **(5 Marks)**
  - d) Drawing from the Customer Value pyramid by Joy Curry (2002), analyse how XYZee Bank can develop customer marketing strategies to be more SME focused customer oriented [**use at least four criteria**] **(8 Marks)**