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Customer Retention at Republic Bank in Ghana: A Marketing Perspective

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Abstract

In today's highly competitive environment, customer retention is an essential aspect of every banking strategy. The study explores the retention factors that affect the choices of consumers to remain with the Republic Bank in Ghana. The correlation research design was used for the study within which the simple random sampling technique was used. Data were obtained through self-administered questionnaires to 480 customers of the bank. Correlation and multiple regression techniques were used to examine the relationships between customer satisfaction, service quality, customer trust, customer commitment and switching barrier factors and customer retention. The findings revealed a strong positive relationship between switching barrier, customer commitment and customer retention. The study therefore, recommended that Management should pay attention to customer commitment by investing more into customer relationship management that can increase customers' dependency and inhibit switching.

Keywords: Customer Retention, Customer Satisfaction, Service Quality, Customer Trust

Introduction

Theories such as Richard's (2006) conversion model, Sharma and Patterson's (2000) relationship model, Ranaweera and Neely's (2003) holistic approach, client retention has well emphasized the need for organizations and firms to pay much attention to customer retention. All these theories revealed that retention of customers brings advantages such as improved quality, lower prices, lower price sensitivity, positive word-of-mouth, higher market share, greater performance and greater productivity. Furthermore, Fornell and Wernefelt (2007) emphasized that marketing resources may be better spent on keeping existing customers than acquiring new ones.

Banks have adopted marketing strategies to project distinctive characteristics through their product, service and branding to ensure they gain competitive advantage over the other banks (Keller & Lehmann, 2009). A brand is a psychological construct held in the minds of all those aware of the branded product, service, person, organization or movement. It is essential that, branding is very powerful and can help keep existing customers and also attract new ones as well. Chan (2004) further posits that, a brand is the most valuable asset of company and helps consumers to differentiate one brand from another. Sharma and Patterson (2000) also believe strongly that, brands are necessary and hence aids in the decision making of consumers towards a product or a service.

Republic Bank provides a wide range of products and services such as Loans (Rent Advance Loan, Auto Loan, Mortgage, Personal Loans, Loyalty Credit & Loan, Employer Assisted Loan), Savings (Brainy Child Account, Smart Save Account, I Do Account, Premium Savers Account, Susu Plus Account), Private banking (Adeshie Current Account, Adeshie Silver Standard Loan, Adeshie Safe Custody Deposit Services), Coprate banking (55Plus Account, Home Save Plus Account, Fixed Deposit Account, Retail Finance Product, Enidaso Account) (Republic Bank Annual report, 2018).

A key question is what drives customer retention in a highly competitive service industry, characterized by low switching costs in a competitive market like Ghana? This study was carried out to examine the factors that influence consumers' decision to stay with Republic Banks in Ghana. The study specifically to;

1. Determine the factors that contribute to customer retention at Republic Bank.
2. Analyze the relationship between service quality, customer trust, switching barrier, customer satisfaction, customer commitment, and customer retention.

On the basis of the objectives formulated it was hypothesized that:

H₀: There is no statistically significant positive relationship between customer retention and other variables such as service quality, customer trust, switching barrier, customer satisfaction and customer commitment.

Conceptual Framework on Customer Retention

Customers are the greatest asset for every organisation. A careful analysis of the review of literature suggests that customer retention depends on several factors. It also showed that these factors can influence customer retention as depicted in the conceptual framework. These, as seen Figure 1, are service quality, customer trust, and switching barrier. Customer satisfaction and customer commitment served as mediating variables. Customer retention was the dependent variable. The conceptual framework shows that service quality, customer trust and switching barrier influence customer retention. However, the degree of the effect would be influenced by customer satisfaction and customer commitment. Thus, retaining customers becomes possible if customers are committed and satisfied with services provided by the bank.

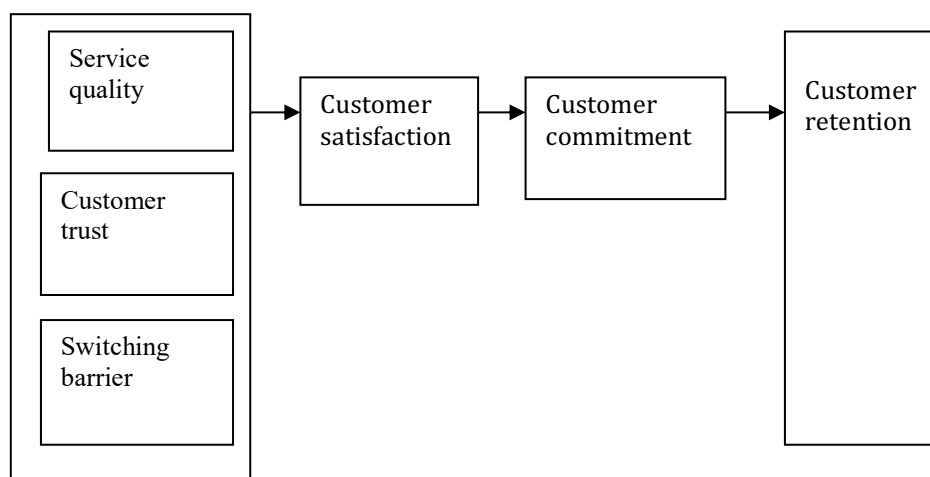


Figure 1: Conceptual Framework on Customer Retention

Source: Author's construct, 2020

Methodology

The correlational study design was used for the study. This design was considered appropriate since it helped in explaining the relationship and the factors that predict customer retention in the banking industry. The target population of the study comprised of 16,217 customers of Republic Bank. This was obtained from the database of Republic Bank head office (2020). To ensure that adequate number of responses were received, the sample size was determined using Krejcie and Morgan's (2002) table of random sample size, therefore a sample size of 480 customers of Republic bank was used for the study.

The main instruments used for data collection was the 5-point Likert scale questionnaire. This was used to measure service quality; customer trust; customer commitment; switching barriers and Customer retention. A pre-test of the questionnaire was conducted using 30 customers of to assess the reliability of the questions. Feedback from the customers was obtained to test the readability, comprehensibility, wording, order effects and any ambiguity of the questionnaire and its statements (Hair, et al., 2006). Following the pre-test, some minor changes were made to the survey instrument. Furthermore, the Cronbach's coefficient for the pilot study was 0.789, which indicated a satisfactory level of significance. The questionnaires and test item were administered with the help of operations manager of Republic bank and some staff of the bank.

Measurement of Variables

Service quality

Service quality was measured by using the variables suggested in the SERVQUAL model (Chan, 2004). In applying the SERVQUAL model, 21 statements were used to measure service quality across these elements, based on five- point Likert-scale type. The factors in the model were measured as follows: tangibles, reliability, responsiveness, assurance and empathy.

- a. Tangibles: Appearance of physical facilities, equipment, personnel, and communication materials.
- b. Reliability: Ability to perform the promised service dependably and accurately.
- c. Responsiveness: Willingness to help customers and provide prompt service.
- d. Assurance: Knowledge and courtesy of employees and their ability to inspire trust and confidence.
- e. Empathy: Caring, individualized attention the firm provides its customers.

Customer Satisfaction

Customer satisfaction (CS) was measured using six-items, on a five-point Likert-type scale. The items were adopted and modified from the satisfaction measure developed by Chan (2004) he estimates that customer satisfaction reflects the degree to which a consumer believes that the possession or use of a service evokes positive feelings.

Customer Commitment

The customer's commitment to the bank relationship was measured using an eight-item, five-point Likert-type scale. The items were adopted and modified from the customer commitment measure developed by Sharma and Patterson (2000). These eight-items tap the multiple facets of commitment incorporated in their definition, including the customer's loyalty, willingness to make short-term sacrifices, long-term orientation, and intention to invest in the relationship. Commitment was measured using switching cost, alternative attractiveness, prices, services offered and brand attitude.

Customer Trust

The customer's trust in the bank was measured by using a six- item, five-point Likert-type scale. The items were adopted and modified from customer trust measure developed by Gounaris (2005). These items were related to honesty, benevolence, integrity, relationship marketing strategy and competence of the supplier.

Switching barriers

To measure switching barriers, a seven-item, five-point Likert-type scale in Clemes, Gan and Zhang (2010) were adopted, modified and used. Switching barrier was measured using prices, reputation, service quality, competitors' advertisement, involuntary factors, and bank's distance and switching cost.

Data Analysis Procedure

The data collected with the questionnaires were sorted out, coded and analysed based on the procedures within the statistical analysis software tool known as the Predictive Analytic Computer Software (PASW) Version 19.0. Inferential statistics such as mean and standard deviation were used to analyze data.

Results and Discussion

Table 1: Factors Contributed to Customer Retention

Variables	Mean	Std. Dev.	Median	Skewness
Service quality	3.455	.519	3.429	.059
Customer trust	3.141	.532	3.153	.038
Switching barriers	3.408	.502	3.428	-.025
Customer satisfaction	3.819	.574	3.875	-.061
Customer commitment	3.349	.565	3.365	-.013
Customer retention	3.118	.531	3.125	.064

Scale (Mean): 0 – 2.9 = low, and 3.0 and above = high. Source: Field Data, 2020

From Table 1, it is evident that customer satisfaction (M=3.819, SD=.574), service quality (M=3.455, SD=.519) switching barrier (M=3.408, SD=.502) customer commitment (M=3.349, SD=.565) and customer trust (M=3.141, SD=.532) were the factors that contributed to customer retention at Republic Bank. Thus, the findings of Kenny (2000) indicated that customer retention, customer satisfaction, service quality, customer trust, switching barrier were some of the variables influencing high customer retention in an organization as confirmed by this study. Again, Johnson (2005) observed that the level of customer retention is influenced by the level of service quality, customer satisfaction and customer trust.

The standard deviations were quite high, indicating the dispersion in a widely-spread distribution. The largeness of the standard deviations of the factors means that the views of the customers were coming from a more heterogeneous group, that is, a group with different characteristics. This means that the effects of customers view on customer retention was an approximation to a normal distribution. This also indicates that customers were in favour of customer retention. Though customers perceived all the factors positively that of customer satisfaction was perceived more strongly or positively as compared to the other factors this implies that customer satisfaction is key to the success of every business. This indicates that as customer satisfaction increases, customer retention increases and vice versa. Literature supports that high customer retention today is not a guarantee for high retention in the future and for that reason there must be continuous efforts to ensure unremitting customer retention (Manoj & Sunil, 2011).

Table 2: Correlation Coefficients between Customers' Perceptions on the Factors and Customer Retention

Factors	Mean	Std. Dev.	Customer retention	Sig. Values
Service quality	3.455	.519	.456**	.000
Customer trust	3.141	.532	.429**	.000
Switching barriers	3.408	.502	.591**	.000
Customer satisfaction	3.819	.574	.310**	.000
Customer commitment	3.349	.565	.570**	.000

** . Correlation is significant at the 0.01 level (2-tailed). Source: Field Data, 2020.

Table 2 indicated respondents view on whether or not the perception of customers of Republic Bank, on customer retention had any statistically significant relationship with service quality, customer trust, switching barrier, customer satisfaction, and customer commitment. Pearson correlation matrix was used. Here a correlation was established between the factors and customer retention. Based on the correlation interpretations suggested by Cohen (1988) where correlation coefficient (r) = .10 to .29 or r = -.10 to -.29 Very Weak. r = .30 to .49 or r = -.30 to -.49 and Weak. r = .50 to 1.0 or r = -.50 to -1.0 Strong. Level of significance (p -value) = $p \leq 0.05$. (2-tailed).

The correlation matrix in Table 2 indicates moderate and positive significant correlation was observed between service quality and customer retention ($r=0.46$, p -value=0.000). The relationship indicates that moderate scores of service quality are associated with moderate scores of customer satisfaction. Hence, a moderate positive significant relationship was found between service quality and customer retention. This indicates that as service quality increases, customer retention increases and vice versa. This result is in line with Ranaweera and Neely's (2003) empirical studies. They both discovered that there was a strong correlation between perceived quality of service and repurchasing or retention of customers. This result also corroborates the claim by Sharma and Patterson (2000) that the greater the perception of quality, the stronger the commitment to the relationship.

Moderate and positive significant relationships were observed between customer trust and customer retention ($r=0.43$, p -value=0.000). The relationship indicates that medium scores of customer trust is associated with medium scores of customer retention. This indicates that as customer trust increases, customer retention increases and the converse is true. The finding in this work however, affirms the findings of Chan (2004), who demonstrated that customer trust significantly relates to sales growth through customer acquisition and retention.

Statistically significant but weak positive relation was found between customer satisfaction and customer retention ($r=0.31$, p -value=0.000). The relationship indicates that low scores of customer satisfaction are associated with low scores of customer retention. Hence, a positive but fairly significant relationship was found between customer satisfaction and customer retention. This implies that as customer satisfaction increases, customer retention also increases. However, if customer satisfaction decreases, customer retention also decreases. This result is consistent with Kenny (2002) indicated that discovering customers are satisfied with the services of a company ensures that remain loyal the company. However, other factors affect customer retention, regardless of customer satisfaction. This indicate that the degree of satisfaction of customers has a poor correlation with customer retention.

There were strong and positive significant relationships between switching barriers and customer retention ($r=0.59$, p -value=0.000). This implies that as switching barrier increases, customer retention also increases and as switching barrier decreases, customer retention decreases. The findings further support Ranaweera and Neely (2003) assertion that those who have positive perceptions of the service and product show a certain level of indifference, are the least likely to leave as their service expectations are fulfilled, and at the same time, they see no gains from switching.

The correlation matrix in Table 2 indicates that there were strong and positive significant relationships between customer commitment and customer retention ($r=0.57$, p -value=0.000). The relationship indicates that higher scores of customer commitment are associated with higher scores of customer retention. This indicates that as customer commitment increases, customer retention also increases and when customer commitment decreases, customer retention also decreases. The finding also supports Patterson and Smith (2008) findings that when customers are aware of, and perceive other suppliers as offering a differentiated service in terms of price, service and/or quality of technical outcomes, they tend to be less committed leading to commitment being positively related to repurchase intention

All the variables stated in the conceptual framework of the study which according to literature had significantly positive relationship with customer retention were confirmed by the study to have had that significant positive relationship. In view of the above finding, the study rejected the null hypothesis and confirmed the alternative one which states that there is a significantly positive relationship between customer satisfaction, service quality,

customer trust, customer commitment, switching barrier and customer retention at Republic Bank. This corroborates the findings of Manoj and Sunil (2011) who concluded that how customers perceived factors in an organization would greatly influence their decision to stay or not.

Conclusion

The data largely infer that customer retention at Republic Bank was due to the high customer satisfaction, high service quality, high switching barrier, high customer trust and high customer commitment.

Implications for banking

The above conclusions indicate a need for certain action to take place so that customer retention would continue to be high. It is suggested that management of Republic bank, should:

1. Pay attention to customer commitment by investing more into customer relationship management that can increase customers' dependency and inhibit switching.
2. Focus on switching barrier factors such as transaction time, open more efficient branches closer to customers to make switching to other banks unattractive.
3. Pay more attention to customer retention by increasing customer satisfaction through the provision of accurate and timely information on products and services to its customers.
4. Pay more attention to service quality through the continuous provision of fast, reliable and error-free transaction to customers.

Recommendations

- i. The result shows that both switching barrier and customer commitment had strong and positive significant relationship with customer retention while a moderate and positive significant relationship was found between customer trust, service quality and customer retention it is therefore recommended that switching barrier factors such as transaction time, open more efficient branches closer to customers to make switching to other banks unattractive.

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