



RELATIONSHIP MARKETING AND ITS IMPACT ON CUSTOMER DRIVE AND RETENTION MOTIVE OF DEPOSIT MONEY BANKS IN NIGERIA

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ABSTRACT

The banking industry and other financial institutions are competing among themselves hence, the need to strategize on how to retain as many good customers as possible. The Deposit Money Banks (DMBs) studied in this work are Zenith Bank and First Bank operating in Bida Town. The study is intended to determine the extent to which relationship marketing can influence customer drive and retention motives in Deposit Money Banks. Related literature was reviewed. The study used descriptive research design and simple random sampling method. The population for the study is estimated at 18,500 out of which a

Introduction

Background to the Study

Gilaninia, Almani, Pournaserani, and Mousalan (2018) defined relationship marketing as a kind of marketing that aims at developing and managing long-term and trustworthy relationships with customers, suppliers and all others acting in the market. It is a form of marketing that is client-based in terms of customer retention and satisfaction rather than individual transactions (Gledhill, 2019).

Relationship marketing is an alternative to transactional marketing. Banks have changed from transactional marketing to relationship marketing that is client-based unlike transactional which focuses on product selling only, takes customer for granted and does not mind whether customers' needs are met or not, does not worry losing a customer for a firm believed that there would be enough customers to replace the defecting ones (Msoka and Msoka, 2018). Abraham (2019) customers have opted for relationship marketing for the customers have become knowledgeable of what they require from the bank service providers, drastic technological changes, decline in product differentiation and competition from other banks, non-banks and other financial institutions which offer almost identical products and services, making customers switch from one bank to another (Msoka and Msoka, 2018).

Statement of the Problem

Customer relationship is rooted in relationship marketing (Kotler and Keller, 2019). Relationship marketing is a strategy to attract, maintain and enhance customer relationships (Elliot, 2019). Relationship marketing improves long run profitability by shifting from transactional based marketing, with emphasis on winning new customers, to customer retention through effective management of customer relationships (Menon and O'Connor, 2018).



sample of 392 was taken via Taro Yamane formula. Close-ended questionnaires were administered. Descriptive and T-test statistics were used to analyze the data. A major finding revealed that quality service, good communication and trust influence customer retention in deposit money banks. The study concludes among others that relationship marketing in customer retention drive is very vital for firms to move beyond service delivery and satisfy both their existing and new customers. It was therefore recommended that management of banks should always emphasis on qualitative service delivery and not just service delivery by all staff to customers in order to achieve their customer loyalty and retention objectives.

Keywords: Relationship Marketing; Impact; Customer Drive; Retention; Motive; Deposit; Money; Banks.

Banks that institutionalize relationship marketing on customer retention are doing better than those that do not focus on relationship marketing for customer retention. Relationship marketing enables firms to increase market share, penetrate foreign markets, increase profits, increase sales and reduce production and marketing cost (Brown, 2018). Due to increasing competition, banks have resorted to relationship marketing as a strategy to attract, maintain and enhance customer relationship and build customer loyalty and retention (Wood, 2018).

Nalim and Kumaradeenan (2018) carried a study on customer relationship marketing as a strategy for better banking relationship in Sri Lanka Banking industry. The study established that private banks paid much important to relationship marketing strategy because of ownership. Catalina (2019) conducted a study on relationship marketing practices in India banking sector. The study revealed that a comprehensive approach not only of the clients but also of the employees was important in building long term profitable relationships. Muro, Obara and Nyantora (2019) conducted a study on the strategic benefits and challenges in the use of customer relationship management systems among commercial banks in Kenya. Ogongo (2018) study on customer retention strategies adopted by commercial banks in Kenya found that the customers would be retained in the bank if the customers were satisfied, if the bank had efficient services, listened and resolved customers' problems and met customers' needs.

In the studies related to relationship marketing, the researchers have studied the aspects of relationship marketing factors, challenges, strategies and practices in the banking sector. They have not studied the dimensions of relationship marketing and customer retention in the banking industry. The study filled the knowledge gap on relationship marketing on customer retention. The study addressed the following question. To what extent does relationship marketing influence customer retention in Deposit Money Banks?

Objectives of the Study

The study is guided by the following objectives:

- (i) To determine the extent to which relationship marketing can influence customer drive and retention in Deposit Money Banks (DMBs).
- (ii) To examine the extent to which communication can influence customer drive in DMBs.
- (iii) To establish the extent to which trust can influence customer retention in DMBs.



Research Questions

The study has the following research questions:

- (a) In what way(s) can relationship marketing influence customer drive and retention in Deposit Money Banks (DMBs)?
- (b) To what extent can communication influence customer drive in DMBs?
- (c) To what extent can trust influence customer retention in DMBs?

Research Hypotheses

H₁: There is no significant relationship between relationship marketing and customer drive and retention in DMBs

H₂: There is no way communication can influence customer drive in DMBs

H₃: Trust does not influence customer retention in DMBs.

Literature

Relationship Marketing

Relationship Marketing is a concept that is developed based on identifying customer needs. The Organization will identify the needs of the customers and develop every activity based on such needs. Relationship marketing is a form of marketing developed from direct response marketing campaigns that emphasizes customer retention and satisfaction rather than sales transactions differentiates from other forms of marketing in that it recognizes the long-term value of customer relationships and extends communication beyond intrusive advertising and sales promotional messages. With the growth of the Internet and mobile platforms, relationship marketing has continued to evolve as technology opens more collaborative and social communication channels such as tools for managing relationships with customers that go beyond demographics and customer service data collection. Relationship marketing extends to include inbound marketing, a combination of search optimization and strategic content, public relations, social media and application development.

The entire value system of the organization will be carried out based on the ability to satisfy customer needs. In this concept it is seen that the customer is taking the center of attention, much priority is given to the customers and even the decisions will be based on the customer preferences. In the current context, the driving force behind the success of every business is the customer satisfaction and the customer loyalty. On the other hand, the driving force behind customer satisfaction is the relationship the businesses have with their customers and how their needs are being addressed in the market context overall. Much emphasis should be given to the area that is being researched on as it is the ultimate requirement of every business that sells its product or service to the end consumer or vice versa (Gilaninia et al., 2018).

Customer Retention in the banking industry

Bergeron (2018) relationship marketing leads to customer retention, customer satisfaction, increased loyalty, increased profits and competitive advantage. Banks need to employ marketing strategies that attracts new customers and retain existing ones. The cost of acquiring a new customer is far greater than the cost of maintaining the existing customer. The cost of acquiring a new customer is 5 times more than the cost involved in satisfying and retaining the current customers.

Rootman and Sharp (2019) conducted a study on how to retain a bank customer in Jordanian banks. The study established that internal marketing plays a big role in customer retention. Some drivers such as



communication, transparency trust and satisfaction had a strong effect on customer retention. Kate (2017) carried a study on customer retention strategies in Ghanaian banks. The study aimed at studying the importance of retention strategies that influence customers to make continual patronage of banking services in Ghanaian banking. The study revealed that bank service quality, loyalty rewards and customer relationship management had a positive significant on customer retention. Msoka and Msoka (2018) carried a study on determinants of customer retention in Commercial banks in Tanzania. The study revealed that quality of services and products and pricing of banks products had a strong positive relationship on customer retention. Kuria (2019) conducted a study on challenges of customer retention in the Kenyan banking. The study revealed that Kenya banks were required to pay serious attention to retain their customers and not only is to increase new customers and that retaining the existing customers more significant than increasing the new customers.

Mengi (2019) carried a study on factors affecting customer retention in Barclays bank of Kenya. The study revealed that customer retention is influenced by accuracy of transactions, delivery of services, efficiency of customer services and physical appearance of the bank. The study recommended that management to put strategies so as to satisfy their customers and retain them.

Elliot (2019) carried a study on the effect of brand loyalty on customer retention in Kenyan banking sector. The study revealed that the customers of Barclays bank were not sensitive about products and prices charged and fee paid for their accounts was reasonable so they were not likely to defect to another bank because of prices. Ogongo (2018) conducted a study on customer retention strategies adopted by commercial banks in Kenya. The study found that the customers would be retained in the bank if the customers were satisfied, if the bank had efficient services, listened and resolved customers' problems and met customers' needs. The previous studies with respect to customer retention, the researchers have discussed customer retention factors, challenges and practices and strategies. They have not studied the influence of relationship marketing on customer retention. This study will fill this knowledge gap.

Objectives of Relationship Marketing

According to Kotler and Keller (2019), the following are some of the objectives of relationship marketing:

- (a) **Maintain Customer Relationships:** To ensure that the service provider continues to understand the needs of existing customers and establishes relationships with potential new customers. This process is also responsible for maintaining the Customer Portfolio.
- (b) **Identifies Service Requirements:** To understand and document the desired outcome of a service, and to decide if the customer's needs can be fulfilled using an existing service offering or if a new or changed service must be created.
- (c) **Sign up Customers to Standard Services:** To capture customer requirements and agree service level targets with customers who request the provision of existing standard services (no modifications to existing Supporting Services are necessary in order to fulfill the customer's needs).
- (d) **Customer Satisfaction Survey:** To plan, carry out and evaluate regular customer satisfaction surveys. The principal aim of this process is to learn about areas where customer expectations are not being met before customers are lost to alternative service providers.
- (e) **Handles Customer Complaints:** To record customer complaints and compliments, to assess the complaints and to instigate corrective action if required.



Methodology

This study employs descriptive research design. the study covers selected customers of First Bank and Zenith Bank in Bida, Niger State. Our estimated population for the study is 18500 customers for both banks that the writers will use to elicit information and relationship marketing and customer drive and retention motive of DMBs. Both primary and secondary data were explored to obtain information used for this research with questionnaires basically for primary data being administered to elicit responses from the respondents. Data from secondary sources were sourced from internet and books. Data were analyzed using Statistical Package for Social Sciences (SPSS) and hypotheses were tested using Analysis of Variance or ANOVA. Respondents were selected by simple random sampling method in order to give every customer of the banks in consideration the equal opportunity of being included in the survey while Taro Yamani formula was adopted to arrive at the sample size of the study as shown below:

Using the Taro Yamane formula:

$$N = \frac{N}{1+N(e)^2}$$

Now using the Taro Yamane formula

$$n = \frac{N}{1+N(e)^2}$$

Where:

n is the sample size

N is the population of the study

e is the margin error in the calculation (0.1)

we now have

$$n = \frac{18500}{1+18500(0.05)^2}$$

$$n = \frac{18500}{1+18500 (0.0025)}$$

$$n = \frac{18500}{1+46.25}$$

$$n = \frac{18500}{1+46.25}$$

$$n = \frac{18500}{1+46.25}$$

$$n = 391.53$$

$$n \approx 392$$

Test of the Hypotheses

Hypothesis One

H₁: There is no significant relationship between relationship marketing and customer drive and retention motives in DMBs

There is no significant relationship between relationship marketing and customer drive and retention motives in DMBs

	Observed N	Expected N	Residual
Agree	19	187.5	-168.5
Strongly agree	356	187.5	168.5
Total	375		

Source: SPSS (Version 20)



Test Statistics

There is significance of quality service on customer retention in the banks operating in Bida town

Chi-Square	302.851^a
Df	1
Asymp. Sig.	.000
a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 187.5.	

Source: SPSS (Version 20)

Decision Rule

Reject H_1 if P value < 0.05, otherwise accept H_0 .

Conclusion

Since $P_{sig.} (0.000) < 0.05$ with Chi-square value of 302.851^a we reject the stated hypothesis (H_1) and hence conclude that there is significant relationship between relationship marketing and customer drive and retention motives in DMBs (Hypothesis One).

Hypothesis Two

H_2 : There is no way communication can influence customer drive in DMBs

There is no way communication can influence customer drive in DMBs

	Observed N	Expected N	Residual
Agree	128	187.5	-59.5
Strongly agree	247	187.5	59.5
Total	375		

Source: SPSS (Version 20)

Test Statistics

There are ways communication can influence customer retention in banks operating in Bida	
Chi-Square	37.763^a
Df	1
Asymp. Sig.	.000
a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 187.5.	

Source: SPSS (Version 20)

Decision Rule

Reject H_0 if P value < 0.05, otherwise accept H_2 .

Conclusion

Since $P_{sig.} (0.000) < 0.05$ with Chi-square value of 37.763^a, we reject the stated hypothesis (H_2) hence conclude that there is a way(s) communication can influence customer drive in DMBs (Hypothesis Two).

Hypothesis Three

H_3 : Trust does not influence customer retention in DMBs.



Trust does not influence customer retention in DMBs			
	Observed N	Expected N	Residual
Undecided	8	125.0	-117.0
Agree	256	125.0	131.0
Strongly agree	111	125.0	-14.0
Total	375		

Source: SPSS (Version 20)

Test Statistics	
	Trust influence customer retention in the banks operating in Bida town
Chi-Square	248.368 ^a
Df	2
Asymp. Sig.	.000
a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 125.0.	

Source: SPSS (Version 20)

Decision Rule

Reject H_0 if P value < 0.05, otherwise accept H_3 .

Conclusion

Since $P_{sig.} (0.000) < 0.05$ with Chi-square value of 248.368^a, we reject the stated hypothesis (H_3); hence conclude that trust influences customer retention in DMBs (Hypothesis Three)

Findings

Having conducted a study on relationship marketing and its impact on customer drive and retention motive of Deposit Money Banks in Nigeria, analysis of the data collected revealed the following findings: Quality service, good communication and trust influences customer retention in deposit money banks operating in Bida town.

Institutionalize relationship market on customer retention are doing better than those that do not focus on relationship marketing on customer retention; also, through communication, customers are informed about the features, benefits, availability and usage of a particular product or service for persuasion purpose

Relationship marketing is an alternative to transactional marketing and the cost of acquiring a new customer is far greater than the cost of maintaining the existing customer.

Relationship marketing enables firms to increase market share, penetrate foreign markets, increase profits, increase sales and reduce production and marketing cost, bank should be truthful to their customer's; also through communication, customers are informed about the features, benefits, availability and usage of a particular product or potential customers appreciate the physical structure of the bank and motivate them to use the bank service for persuasion purpose.

Conclusion

Relationship marketing in customer retention drive is very vital for firms to move beyond satisfying both existing and new customers where the practice is proved to be an important tool to improve firm's performance particularly from their non-financial aspects. Hence, the practice should become a



compulsory management tool for retailers to sustain in the competitive retailing sector. The findings of this study alongside the implications given are expected to enlighten the practices of customer retention in Zenith Bank Plc and First Bank Nigeria Plc, Bida.

Recommendations

In line with this study, the writers hereby recommend as follows:

Management of banks should always emphasize on qualitative service delivery by all staff of the bank to customers in order to achieve customer loyalty and retention.

Effective customer relationship management should be put in place in order to promote customer satisfaction. For banks to boost their performance levels, they need to institutionalize relationship marketing philosophy and pursue effective customer drive and retention objectives.

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