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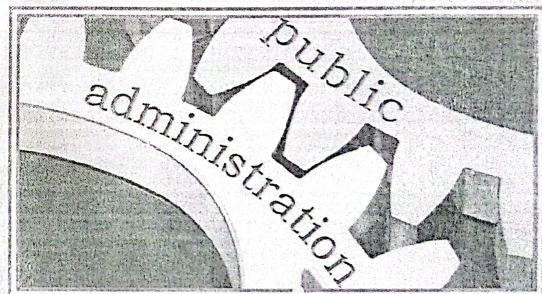
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Retention Strategy and Customer Loyalty: An Analysis of the selected 2nd Generation Banks, Ilorin, Nigeria

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Abstract

This study examined the effect of retention strategies on customer satisfaction as evidenced by the selected 2nd generation banks within the Ilorin metropolis. Two research objectives were raised to guide the conduct of this study; (i) identify how the retention strategy (customer relationship management) adopted by the selected 2nd generation banks enhances customer satisfaction, and (ii) investigate the effect of the retention strategy (service quality delivery) on customer satisfaction of the selected 2nd generation banks. The study utilized a descriptive research design and collected data through a cross-sectional survey method. Three hundred and seventy-nine (379) validated questionnaires were distributed to the respondents, but only three hundred and sixty-three (363) were found usable, sorted, edited, and coded for the analysis. Findings revealed that customer relationship management and service quality delivery have a significant effect on customer loyalty with $R^2 = 85.6$ and 83.2 respectively. The study recommended that businesses should treat customer loyalty as a priority and not an option. Also, adequate funding must be provided to achieve the customer retention program.

Keywords: customer relationship management, quality service delivery, satisfaction

Introduction

The financial industry was no exception to the increased competitiveness in the business environment, as they concentrated more on creating long-term connections with existing customers (Gangrade & Jain, 2018). The financial sector top players have not grasped the importance of retaining previous accounts because their profit and survival are mostly dependent on existing customers, rather than new customers who may switch at any time for no apparent reason (Nasir, 2017). Nasir (2017) further explained that in a competitive market, a lost customer means more than a lost sale and also the company may lose all future sales and revenues from that customer's purchases. More so, Aladejare (2020) reported that Nigerian financial sector contributed 3.6 percent to the total gross domestic product in the second quarter of 2020, up from 3.1 percent in the first quarter and 2.63 percent in the same quarter of 2019, indicating steady growth despite the economic downturn experienced by businesses during the corona pandemic surge. The lack of client retention strategy is a major threat to organizational viability (Hawkins & Hoon, 2020). According to Gangrade

and Jain (2018), the financial sector has recognized the strategic importance of customer value and is constantly seeking new ways to improve customer retention through varied service relationship tactics.

Due to existing customers' satisfaction and happiness, selling to or giving services to them is less expensive than selling to or offering services to potential customers (Aydin & Ozer, 2005; Alshurideh, Masa'deh & Alkurdi, 2012). Also, Almohaimmed (2019) opined that organizations seeking a competitive advantage over their competitors must engage in practices aimed at attracting existing profitable customers and ensuring that measures are in place to retain those customers. This author went further to say that organisations must invest in their employees' training and development in customer relationship management to ensure that customer loyalty is maintained. This is because client retention has progressed beyond the simple strategy of offering a 50% discount for seasonal purchases or enticing customers with various amount rebates to boost sales during slow seasons (Tor, Raven & Dekay, 2011). Tor, *et.al* (2011) opined that marketers go above and beyond typical measures that none of their competitors take in order to keep clients and increase product sales. As a result, customer acquisition should be secondary to customer retention (McCarthy, 1997). Nowadays, customer retention is important to a company's success, and competitors are continuously seeking for new ways to increase consumer numbers by offering better deals (Fluss, 2010). Moreover, the banking industry is saddled with the responsibility of keeping and releasing people's money and other valuable items and, currently investing in more financial and human resources to retain existing customers with the hope that customers is an asset to the organisation. According to Njoku (2019), the banking sector in Nigeria is anchored in strategic tasks and responsibilities that center on its financial operations to the economy, saving and mobilizing from excess economic activity and channeling the same fund to deficit units and other projects. The licensed banks in Nigeria are categorised into five different generations; first generation banks, second-generation banks, third-generation banks, fourth-generation banks and fifth-generation banks and the essence of this classification is to ensure customer's satisfaction for service render to them (Njoku, 2019).

Remarkably, customer satisfaction exceeds expectations and adds value while customer happiness promotes loyalty and favourable word-of-mouth about the brand's goods and services (Hansemark & A Ibinsson, 2004; Kotler, 2000; Hoyer & MacInnis, 2001). One of the crucial factors that determine a nation's economic position is the Nigerian banking sector. A viable and efficient banking sector signifies a better and stable business environment where interested and potential investors can commit their resources (Kola-Oyeneyin & Kuyoro, 2020). Recently, the traditional banking sector is coming up with different retention strategies as a result of varieties of virtual financial service providers coming up on daily basis to serve the same customers by more simplified methods within the comfort of their homes. Also, Esu and Anyadighibe (2014) opined that the new financial service providers have many other alternative options to which satisfaction and comfortability are inherent in their financial operations to the target market segment. Customers are more concerned and disturbed about the inconsistency in the service charges, maintenance service charge that ought to have been borne by the financial service providers, ineffective or delay in feedback or most times no information from the financial service providers have led many customers to switch from the normal traditional banking to the virtual financial service providers who they

perceived as not only cost-effective but also more efficient and reliable in terms of financial service for both local and international transactions (Kola-Oyeneyin & Kuyoro, 2020). Hence, this study aims to fill these gaps by evaluating how the retention techniques used by the selected 2nd generation banks affect customer loyalty. This study examined mainly the customers of the selected 2nd generation banks in Ilorin metropolis (Zenith bank plc and Fidelity bank plc). These banks were selected based on the retention strategies program they put in place to ensure customer satisfaction despite the strict regulations from the statutory authorities regulating money bank operations in Nigeria. Moreover, the selected 2nd generation banks over the years are vibrant and proactive in handling customer relationship management strategy as well as quality service delivery which are the major determinant of customer loyalty (Osuagwu, 2004). This study is limited with regards to the population of the study which targeted only customers in Zenith Bank branches and Fidelity bank within Ilorin metropolis. Furthermore, the context of this study was restricted to customers patronizing the above 2nd generation banks within Ilorin metropolis, Kwara, State, Nigeria. The study objectives are to :

- i. identify how retention strategy (customer relationship management) adopted by the selected 2nd generation banks enhance customer satisfaction : and
- ii. investigate the effect of retention strategy (service quality delivery) on customer satisfaction of the selected 2nd generation banks

Literature Review, Theoretical Review/ Background and Hypothesis Formation

Concept of Retention Strategy

Retention strategy is one of the most significant management practices that necessitate strategic thinking for the purpose of meeting present and future term organizational goals (Bender & Fish, 2000). This role is critical for two reasons according to these management experts i.e. bender and fish (2000) First, obtaining new clients in a volatile market is costly and dangerous. Second, corporations have become more profitable as long as customers remain loyal (Darzi & Bhat, 2018). Li and Zhou (2020), strategy of retention is the real strategy to manage customer churn, and according to them, it is pertinent for the business's future success and survival in the market where they operate. Also, according to Jahromi, Stakhovych and Ewing (2014) said customers' allegiance to a brand can easily be shifted to another if the brand's producers are not consistent and up-to-date in communicating information about the brand through various forms of marketing communication. Customer retention strategies can be defined as a technique that enables a business to concentrate its limited resources on the most viable opportunities for maintaining existing customers in order to boost sales and gain a long-term competitive edge over competitors in the market (Armstrong, Adam, Denize & Kotler, 2014). Customer retention methods are purposeful efforts by a firm or individual to keep customers buying their goods or services. They frequently include psychological elements aimed at getting clients to consider and see reasons why they should buy company's product (Armstrong, *et.al* 2014). In addition, Khadka and Maharjan (2017) explained that retention is not just about keeping consumers but first, it's about maintaining profitable customers for mutual benefit, which starts with creating and cultivating a genuine relationship with the target audience and Secondly, profit can only be made if clients are willing to purchase the company's goods. According to Tseng (2007), companies use a variety of customer retention strategies, including

direct mail, tangible prizes, interpersonal communication, preferential treatment, and seasonal/birthday SMS messages. Peng and Wang (2006) also looked at how retention measures, such as goodwill, price reduction perception, and credit-value offer to previous customers, were used to improve service quality.

Moreover, Griffin and Lowenstein (2001) added that management at the bank must find and improve elements that can keep customers from leaving because the longer a company keeps a customer, the more earnings the customer brings in. Considerable aspects include employee performance, professionalism, preparedness to address client issues, friendliness of sales representatives, level of marketing communication skills expertise, and selling abilities.

Types of Retention Strategies

The study of retention techniques for developing and maintaining positive customer connections has drawn the interest of researchers. Customer relationship management and service quality are keys in sustaining long-term relationships in the service sector (Boadu & Achiaa, 2019). Although, Hawkins and Hoon (2020), explained that the application of retention strategy is define by a larger customer interaction model known as customer relationship management. For customer retention strategy to achieve its main purpose, organizations must pay adequate attention to customer relationship management and service provided to the target customers (Anoes, Nordin, Anjum, Cavaliere & Heider, 2020). Also, Simanjuntak, Putri, Yuliat and Sabri (2020) opined that the best retention strategies for companies trying to preserve existing customers, make transaction faster, determine segmentation and increase customer satisfaction should manage its customer relationship management effectively and efficiently.

Determinant of Retention Strategies

Many scholars come up with different determinants of retention strategies. Some scholars concluded that market determines the retention strategies to adopt by the organization while other marketing experts opined that value of the product determines the retention strategies. The Management-study-guide.com (2020), reveals that determinant of retention strategies based on market evidence includes the following factors such as easy accessibility of the product, customer service, value, uniqueness and suitability of the product, quality of goods and services versus customer expectation, loyalty and exit barrier. Although, Ranaweera and Prabhu (2003) opined that satisfaction and trust remain the major determinants of retention strategies, they went further to explain that satisfaction is more relevant in determining retention strategies than trust. Also, Chen and Hitt (2002) expounded that system utilization, service design, and additional corporate and individual-level variables are determinants of customer retention strategies in the service industry.

Berry and Parasuraman (1991) divided client retention methods into three categories: theoretical strategies, expert-reported best practices, and business-based tactics as three major strategies available for organization to adopt in ensuring customer churn objective. They compared insights from industrial and business-to-business marketing theories. According to Ganesh (2010), companies with strong customer retention rates can boost their image and attract prospects more easily and that customer retention is a key factor in a company's profitability and growth. According

to them, customer relationship management strategy and service quality delivery enhance customer loyalty and this leads to favourable customer retention that yield good profit to the business.

Concept of Customer Relationship Management Strategy

Srivastava (2012) explained that customer relationship management is a management strategy targeted at maximizing customer value, corporate profitability, and thus shareholder wealth. Ramanakumar (2008) defines customer relationship management as all marketing efforts targeted at generating, developing, and maintaining relational contacts. According to Ramanathan (2008), customer relationship management is a new technique that allows retail marketers to stay relevant in a changing market. Also, Buttle (2004) opined that Customer relationship management is a fundamental business strategy that combines internal and external factors to produce and deliver value to specific customers while making a profit. It is based on high-quality customer data and technological infrastructure.

Concept of Service Quality Delivery

Service is any activity or benefit that one party can offer to another, which is basically intangible and does not result in the ownership of anything (Kotler, Hayes & Bloom, 2002). Hence, in delivering service quality, there are distinct characteristics that distinguished service from physical goods e.g. intangibility, inseparability, variability and perishability. (Kotler, 2016). The assessment of quality performance for service rendered to the customer is more difficult than for the physical good due to the intrinsic variability, separation of production and consumption, perishability, and intangibility of these products (Frochot & Hughes, 2000; Roy et al., 2015). Quality of service defined by Parasuraman, Zeithaml and Berry (1985) in terms of the discrepancy between what clients anticipate from a service and how they actually perceive the business providing it. They created the SERVQUAL scale, a survey instrument designed to evaluate any type of customer service on the basis of five criteria: dependability, tangibles, assurance.

Theory of disconfirmation

The theory was propounded in 1957 by Leon Festinger. This theory is also known as expectation theory or expectancy-disconfirmation theory. Disconfirmation theory argues that satisfaction is related to the size and direction of the disconfirmation experience that occurs as a result of comparing service performance against expectations. Szymanski and Henard (2001) found in the meta-analysis that the disconfirmation paradigm is the best predictor of customer experience.

Empirical Review

Christopher, Cohen, Clemes, and Chong (2006) performed a survey on client retention in the New Zealand banking sector. A sample size of 23,120 customers was chosen at random from a population of customers with recorded card membership that is thought to number 120,000. To investigate the proposed association between the listed constructs, multiple regression was performed. According to study results, liberalization and globalization have considerably boosted the competition in the banking sector in recent years, and keeping an existing customer is less expensive than acquiring a new one. Findings also indicate that repeat customers spend more money and, if they are happy,

may spread good news about the institutions. It went on to say that client satisfaction strengthens their loyalty to the bank.

Choudhury (2007) looked at the characteristics of customer-perceived service quality in the Indian retail banking sector in the setting of a less prosperous environment. The four retail banks in India: National Bank, Millennium Bank, Central Bank, and Prudential Bank, made up the study's sample. From each of these banks, five branches were chosen at random. Six hundred (600) clients from each of the four banks made up the two thousand four hundred (2400) respondents who were surveyed. The SERVQUAL scores for the whole sample of customers were used in the factor analysis technique, which was then followed by a VARIMAX rotation to look at the dimensionality of the items. According to the research, customers in the Indian retail banking sector were able to discern between four different aspects of service excellence. Attitude, competence, tangibles, and convenience are the four dimensions of service quality, and each has distinctive characteristics that are part of the Indian retail banking environment. According to this study's findings, the Indian retail banking sector's two most important service quality elements are personnel' attitudes and competence.

H₀₁: customer relationship management has no significance on customer satisfaction;

H₀₂: service quality delivery has no significance on customer satisfaction

Methodology

This study is purely a quantitative technique employed a cross-sectional research design to gather information from the walk-in-customers of selected 2nd generation banks within the Ilorin metropolis. The study populations are the walk-in customers from two branches of Zenith bank (Unity Road branch and AbdulAzeez Attah Road branch) and the only Fidelity bank branch within Ilorin metropolis. These banks were selected because of their outstanding performance during the year 2021 despite the advent of the Covid-19 pandemic that altered all business operations globally (Kola-Oyeneyin & Kujoro, 2020). The study sample size derived from the Guilford and Fruchter (1973) formulae

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

Where n= sample size, e= margin error N= population

$$n = \frac{7,390}{1 + 7,390 (0.05)^2}$$

$$= \frac{7,390}{1 + 18.48}$$

$$= \frac{7,390}{19.48}$$

19.48

$$= 379.36 \text{ approximately } 379$$

$$\text{Zenith bank} = 6640/7390 * 379 = 340 \text{ respondents}$$

$$\text{Fidelity bank} = 750/7390 * 379 = 39 \text{ respondents.}$$

For this study, a multi-stage sampling procedure was adopted. The two banks in Ilorin, Kwara State, were initially chosen using the purposive sampling technique. Then, stratified sampling was employed to determine the number of respondents in each bank as follows: Zenith bank- three hundred and forty (340) respondents and Fidelity bank-thirty- nine (39) respondents and then the convenience sampling procedure was finally used to select the individual respondents to which the instruments were administered. To answer the study research questions and hypotheses, an instrument was developed. After conducting a literature search, two variables of the customer retention strategy—customer relationship management and service quality delivery—were discovered. Based on the constructs derived from the review of the literature, measurement scales for each of the discovered variables were created. The constructs developed for customer relationship management are; client security, customer data, ethics, trust and customer orientation. Also, constructs developed for service quality delivery; SERVQUAL, courtesy, communication, access and credibility.

Results

Table 1: Presentation of Demographic Data of the study

		Frequency/Percentage (%)
Respondents' gender	Male	161 (44.35%)
	Female	202 (55.65%)
	Total	363 (100)
Respondents' age:	Below 21years	77 (21.21%)
	21 – 30years	87 (23.97%)
	31 – 40years	111 (30.58%)
	41 – 50years	42 (11.57%)
	Above 50years	46 (12.67%)
	Total	363 (100)
Respondents' educational qualification	WASC/GCE	117 (32.23%)
	B.Sc./BA/HND	134 (36.91%)

	M.Sc./MA/MBA.	98 (27.00%)
	Ph.D.	14 (3.86%)
	Others	-
	Total	363 (100)
Respondents' marital status	Single	127 (34.98%)
	Married	191 (52.62%)
	Widow/Widower	31 (8.54%)
	Divorced	14 (3.86%)
	Others	-
	Total	363 (100)
Respondents' religion	Christian	127 (34.99%)
	Islam	236 (65.01%)
	Others	-
	Total	363 (100)
	Total	363 (100)

Source: Authors Computation, 2022

From the demographic table 4.1, six (6) major variables were considered: respondents' gender, age, educational qualification, marital status, religion, and bank name. The descriptive analysis shows that 44.35% of the respondents are male while 55.65% are female, and this implies that the majority of the respondents are female. Also, 21.21% of the total respondents are below 21 years of age, 23.97% are between 21 and 30 years of age, 30.58% are between the ages of 31 and 40, 11.57% are between 41 and 50 years of age, and 12.67% are above 51 years of age. The higher proportion of 30.58% with age brackets of 31–40 years indicated that the majority of the respondents were of active age. For the educational qualifications, the highest percentage of 36.91% was for the B.Sc./BA/HND degree holders, followed by 32.23% for the WASC/GCE holders, and 27.01% for the M.Sc./MA/MBA degree holders, representing 3.86% of the respondents. The highest proportion of 36.91% implies that the majority of the respondents patronising Zenith Bank Plc and Fidelity Bank Plc in the Ilorin metropolis are B.Sc./BA/HND degree holders. The marital status shows 34.98% of the respondents are single, 52.62% are married, 8.54% are widowed or widowers and the divorced percentage stand at 3.86%. This result revealed that 34.99% are Christians and 65.01% are Muslims which implies that the majority of the respondents are Muslims. Also, 89.81% represents the respondents from Zenith Bank Plc, while the remaining 10.19% are respondents from the Fidelity Bank Plc, hence majority of the respondents are from Zenith Bank Plc.

H₀₁: there is no relationship between retention strategy (customer relationship management) and customer loyalty

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.925 ^a	.856	.549	.43911

a. Predictors: (Constant), customer relationship management

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	37.223	1	39.227	184.095	.000 ^b
	Residual	31.809	147	.211		
	Total	69.032	148			
a. Dependent Variable: Customer loyalty						
b. Predictors: (Constant), Customer Relationship Management						
Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.618	.109		5.251	.000
	Customer relationship management	.884	.042	.713	11.642	.000
a. Dependent Variable: Customer Loyalty						

Source: SPSS Output, 2022

H₀₂: there is no relationship between retention strategy (service quality delivery) and customer loyalty

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.912 ^a	.832	.569	.48141

a. Predictors: (Constant), service quality delivery

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	38.117	1	39.227	186.097	.000 ^b
	Residual	31.629	149	.211		
	Total	69.746	150			

a. Dependent Variable: Customer loyalty

b. Predictors: (Constant), Service quality delivery

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.223	.131		1.614	.000

Service quality delivery	.761	.062	.771	15.024	.000
a. Dependent Variable: Customer Loyalty					

Source: SPSS Output, 2022

Discussion of Findings

The correlation coefficient R is 0.925 (i.e. $R = 0.925$) in the model summary table above, indicating that there is a very strong relationship between customer loyalty (dependent variable) and customer relationship management (independent variable). The data also shows that the R^2 , or coefficient of determination, is 0.856, approximately 86 percent. This means that a shift in the customer relationship management for the selected 2nd generation banks understudy will account for an 86 percent shift in customer loyalty. The remaining 14% can be explained by other factors not considered in the analysis. The ANOVA table is analyzed to see if any of the variables are significant. The ANOVA table, p -value = 0.000 which is less than 0.05 (sig) and since p -value < 0.05, the null hypothesis (H_0) is rejected and the alternative hypothesis (H_1) is accepted that there is relationship between retention strategy (customer relationship management) and customer loyalty from the selected 2nd generation banks in Ilorin metropolis. The coefficient of the individual variable reveals that (.884) customer relationship management has a positive relationship with the customer loyalty of the chosen 2nd generation banks in Ilorin city. Furthermore, because the alpha level of 0.05 is greater than the p -value, the p -value and t -statistics value of 0.000 explains that there is a relationship between customer relationship management and customer loyalty. Hence, the retention strategy (customer relationship management) has a significant effect on customer loyalty from the selected 2nd generation banks within the Ilorin metropolis, and this finding was in agreement with the study conducted by Hawkins and Hoon (2020) that keeping existing customers above gaining new ones is cost-effective and more profitable to the business.

The coefficient R is 0.912 (i.e., $R = 0.912$) in the model summary table, indicating that there is a strong positive relationship between customer loyalty (dependent variable) and service quality delivery (independent variable). The data show that the R^2 , or coefficient of determination, is 0.832, approximately 83 percent. This shows that a change of 83 percent in the service quality delivery will lead to 83 per cent change in the level of customer loyalty for the selected 2nd-generation banks under study. The remaining 17 per cent can be explained by other factors that were not part of the analysis. The ANOVA table is analyzed to see if the variables are significant. From the ANOVA table, p -value = 0.000 which is less than 0.05 (sig) and since p -value < 0.05, the null hypothesis (H_0) is rejected and the alternative hypothesis (H_1) accepted i.e. there is significant relationship between service quality delivery and customer loyalty of the selected 2nd generation banks within Ilorin metropolis. The coefficient of individual variable reveals that (.761) service quality delivery has significant effect on the customer's loyalty. In addition, the p -value= .000 further explained that there is significant relationship between service quality delivery and customer loyalty since alpha level of 0.05 is greater than the p -value, which shows the independent variable (service quality delivery) have significant effect on the dependent variable (customer loyalty) for the selected 2nd generation banks within Ilorin metropolis. This study is consistent with the study conducted by Gangrade and Jain (2018), that customers can compare different banks' services in terms of eleven key factors, such as responsiveness, consistency in services, loyalty, credibility, reliability,

courteous behavior, conflict resolution, customer orientation, convenience, seasonal promotional campaigns, and service orientation..

Conclusion and Recommendations

Every day, the Nigerian financial sector grows in size, structure, and complexity, and customers now have a wide range of options (Kola-Oyeneyin & Kujoro, 2020). Conclusions were drawn in accordance with the research objectives and questions based on the results of the data analysis and hypothesis testing. With a p-value less than 0.05, the two null hypotheses under test were found to be false. For the chosen 2nd generation banks in the Ilorin metropolitan, the study thus concluded that retention methods (customer relationship management and quality service delivery) have a significant effect on customer loyalty (Al Zaydi et.al,2018; Tsafarakis et.al,2018; Roy et.al, 2015; & Choudhury, 2007). As a result, a successful retention plan is essential to address customer loyalty at all time, and management should allocate a suitable budget to this end. Therefore, the study recommends that Management should establish a culture that makes customers feel heard, valued, and welcome at all times in order to achieve a sustainable relationship with customers. There must certainty sense of perceived positivity in terms of service quality delivered to the customers. Management's commitment to customer loyalty should be a priority and not an option. Effective communication and feedback must be monitored and controlled in order to avoid a vacuum between management and the customer so as to sustain a long term relationship.

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Competing Interests

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