

**QUALITY SERVICE DELIVERY AND CUSTOMER RETENTION IN THE  
BANKING INDUSTRY IN GHANA, THE MEDIATING ROLE OF  
CUSTOMER RELATIONSHIP MANAGEMENT (CRM)**

KNUST

By

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## DECLARATION

I hereby declare that this thesis is my own work towards the award Master of Business Administration in Marketing and that, to the best of my knowledge, it contains no material previously published by another person or material which has been accepted for the award of any other degree in any university except where due acknowledgement has been made in the text.

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## ABSTRACT

The banking industry in Ghana has undergone tremendous change over the years as a result of competition amongst the players. Companies are constantly putting strategies in place in order to retain customers by the adoption of Customer Relationship Management (CRM) practices. The study focused on investigating the effect of service quality on customer retention in the banking industry, the mediating role of CRM in Ghana. Firms that do not adhere to building strong laden relationships to facilitate customer retention tend to decrease their revenues and profits, bad word of mouth from customers, decrease shareholder wealth as well as fuelling switching behaviours of customers. The survey was conducted on a total of 254 respondents out of which 223 responses were received representing 87.80% response rate. The study collected data using questionnaires and interview guide. The study adopted purposive and convenience sampling techniques in selecting management and customers respectively. Service quality delivery is important as it determines whether a customer is retained or will spread good word of mouth about the company. The results showed that banks forge a mutual connection and communication in order to build a strong relationship with customers; the activities of the banks are also regulated by the top management of the banks; the banks have also developed ways to grow and maintain long standing relationships with their customers; and have also won the trust of their customers and problems that confront customers are also amicably resolved. Customer retention in the corporate or business banking is relatively high with only a few dormant accounts compared to personal or individual banking due to the competition in the industry and the entrance of new banks in to the country. The study found that CRM plays a partial mediating role as far as delivering service quality and customer retention is concerned. The study recommended constant improvement in quality customer service delivery through the minimization of the process flow, CRM practices should be intensified through good database management systems due to the mediating role it plays in customer retention efforts and organizational) policies and strategies should be customer oriented.

## **DEDICATION**

This thesis is dedicated to my late father who passed on before I was born, I hope and pray that Almighty Allah is well pleased with him and he is resting eternally with the Ummah of the Holy prophet Mohammed (peace be upon him) in JannatulFirdaus. I also dedicate this thesis to my entire family especially my mum, my wife, Danla and Yasmin; and my very good friend, Abdul-Rahim.

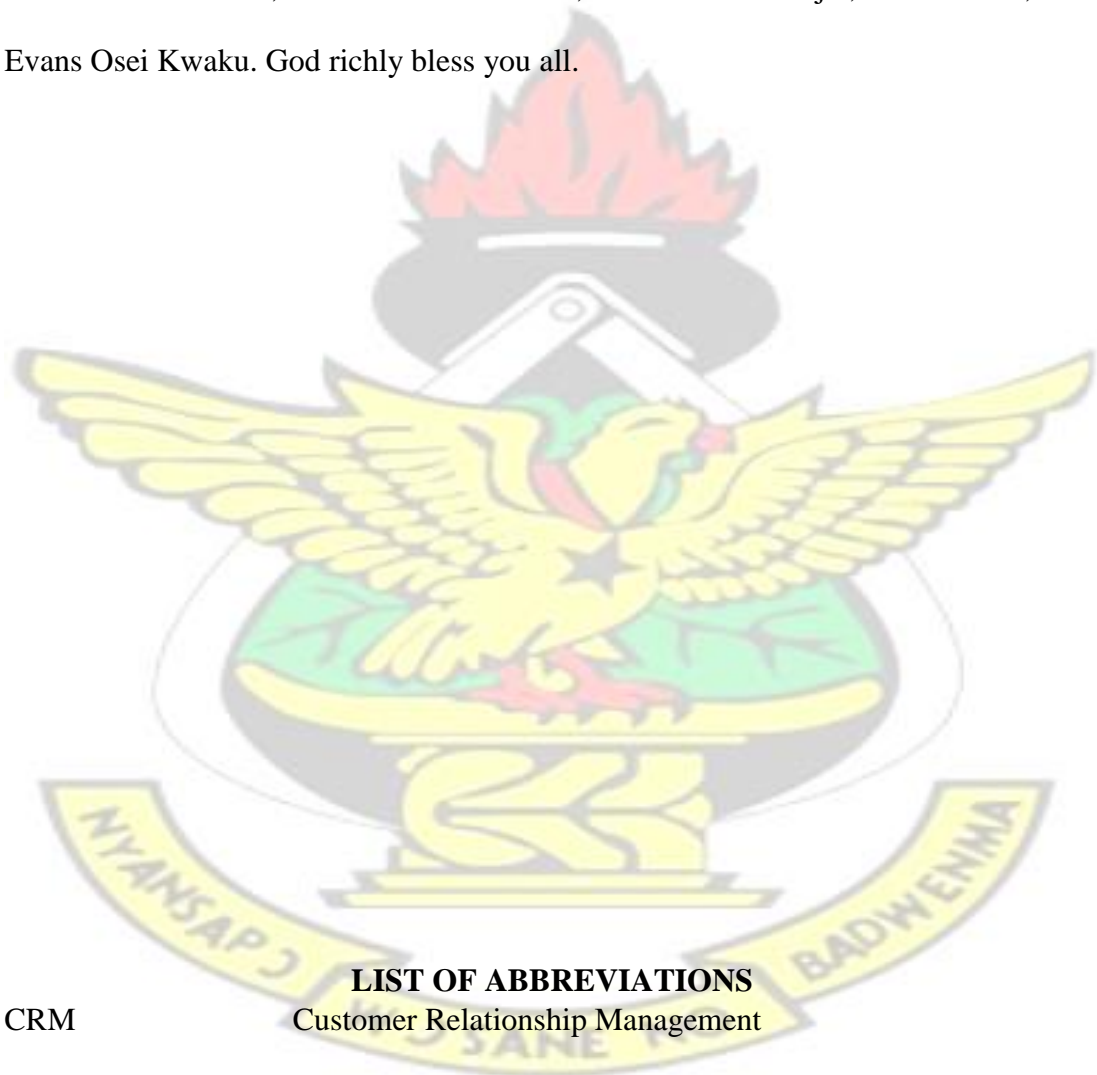


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#### **LIST OF ABBREVIATIONS**

|      |  |
|------|--|
| CRM  | Customer Relationship Management                 |
| SPSS | Statistical Package for Social Scientist         |
| EFQM | European Foundation for Quality Management Model |
| HRM  | Human Resource Management                        |



TQM

Total Quality Management

SPSS

Statistical Package for Social Sciences

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## CHAPTER ONE

### GENERAL INTRODUCTION

#### 1.1 Background of the Study

Banks play a vital and active role when it comes to how well a nation performs in its economic management. An active banking sector significantly affects the prospects of a nation in whichever activities the economy embarks on in the form of banking services sector activation despite the challenges that stakeholders in this sector may face. Due to intense competition, companies are doing their best to establish long lasting relationships with their customers in order to gain their retention especially in the service industry through quality service delivery (Saadat and Nas 2013). CRM plays a critical role in retaining customers and must therefore be embraced by firms in their quality service delivery efforts. CRM can be seen as a notion, with respect to the ability of firms to keep valuable customers which helps them minimize cost of attracting new ones thereby making enough profits (Frow et al., 2011).

Delivering quality service is also an important aspect of business as it tends to have a great impact on how customers are retained in businesses. Kumar et al, (2010) state that the exercise of admirable quality of services combined with what offering are given to customers is a potent originator to furnish what the firm's clients needs and participate with them because financial institutions who pay more attention to how they serve customers better over competitors. Making service quality your hallmark can result in increase revenue, customers making repeat purchases and customer retention.

Studies have shown that service quality is an avenue to keep current clients and secure new ones, decrease costs, boost organizational image, and advance profitability (Yoon & Suh, 2010). In effect, the quality of banking services inadvertently results in customer retention and it tends to explain that if customers have a good value proposition, they become loyal and these loyal customers and investors build an empire of repeat buying clients.

Globally, the use of relationship management as a crucial propeller to sustain and grow customer base related to banking has never been in doubt (Bauer et al., 2012). Firms that practice relationship management tend to retain their customers over a long period of time since they create value for them. Since firms increase investments in their businesses to be competitive in the world of business, creating value for customers is compatible since it is a vital ingredient in the market. Managing customer relationship effectively and efficiently tends to profit them and places them among competing firms in the industry hence the need for CRM. CRM is a way of improving shareholder value strategically through adopting proper associations with vital patrons and segments of customers (Payne & Frow, 2005). CRM has become very important and a philosophy for organizations as it tends to make customers satisfied and hence retains them. According to Zeithaml et al (1996) relationship management is a business philosophy, an orientation that strategically concentrates itself on keeping and improving present customers' base, instead of securing novel ones.

Firms that offer high levels of satisfaction and competitively price their offerings to customers helps maintain long lasting relationships with them. This implies that in



order to directly allocate resources to cross selling and marketing activities more efficiently to elicit responses, relationship management is essential to the success of every business.

The importance of relationship management is that it works to retain customers, when CRM systems operate effectively and efficiently. CRM schemes use data collected on customers to prepare value package for them. Willingly, customers are made to give information derived from the connection with the organization they do business with. The effective roll out of CRM programs enjoins firms to critically consider issues of secrecy and equality through the relationships they build with clients (Boulding et al., 2005). This therefore requires firms to do all they can to build a long term relationship and retain customers through various offers such as giving high discount rate (Gupta & Lehmann, 2005).

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

Progressively, organizations are focusing on how well to address and build relationships with customers, make customers their own, the customer has become the centre piece of business strategy so firms must try to make customers respond to their value proposition (Anabial et al., 2012). CRM tries to realize long term value for firm's clients which in the long run increase their market share resulting in increased revenue (Morgan & Hunt, 1994; Gronroos, 1990). To be able to achieve these objectives, firms need to consider sources where they can get relevant information for both customers and organizational use in order to satisfy customers better than competitors. This calls for service organisations to build strong laden relationship with



their customers and to produce high quality goods/services to meet their needs cuts across service organisations the world over.

Firms that do not adhere to building strong laden relationships to facilitate customer retention tend to decrease their revenues and profits, bad word of mouth from customers, decrease shareholder wealth as well as fuelling switching behaviours of customers. The current Ghanaian financial sector over the years has improved with the influx of banks and other non-banking financial institutions to compete for the limited customers that exist. Some have adopted enticing strategies aimed at luring the existing customers of other banks into their fold. Competition has become so keen that, customers have become selective and have numerous choices of doing business with any other competitor if there is any form of dissatisfaction with the service quality that has been delivered. This dissatisfaction can lead to the spreading of bad word of mouth, switching of banks, seeking convenience resulting in low profit and low market shares for banks. Sharma and Patterson (2010) argue that switching costs are of economical, psychological and of emotional nature and therefore must be guarded against through efforts put up by the organizations.

This has given rise to the phenomenon of building strong customer relationships in order to retain customers. Almost every bank in Ghana not only strives to maintain its current market share, but also increase their market share in order to increase its revenues and profitability. Firms are doing their best to deliver quality services through customer CRM practices to be able to minimize customers switching brands as well as increase profitability through customer retention. The amount firms will

spend in winning a client so as to replace lost ones is more due to initial expenditure that one may use to build relationship, hence customer retention should be at the heart of management (Ouma et al., 2013).

Banks try to deliver quality services through effective CRM which result in customer retention because customers are likely to switch to other competing banks where they could receive long term value, build relationship through quality service delivery leading to retention with the competing banks, hence the study sought to examine the effect of customer service quality on customer retention in the banking sector in Ghana, the mediating role of CRM.

### **1.3 Objectives of the Study**

The overall objective of this study is to investigate the impact of service quality on customer retention in the banking industry in Ghana with CRM playing a mediating role between service quality and customer retention. However, the specific objectives are as follows;

1. To ascertain the effect of Service quality delivery on customer retention of some selected banks in Ghana.
2. To ascertain the impact of quality service delivery on CRM of the selected banks in Ghana.
3. To evaluate the effect of CRM on customer retention of selected banks in Ghana.

4. To evaluate the effect of quality service delivery on customer retention through the use of CRM practices in the banking sector in Ghana.

#### **1.4 Research Questions**

1. What is the effect of Service quality delivery on customer retention of the selected banks in Ghana?
2. What is the effect of Service quality delivery on CRM of the selected banks in Ghana?
3. What is the effect of CRM on customer retention of the selected banks in Ghana?
4. What is the effect of quality service delivery on customer retention through the use of CRM practices in the banking sector in Ghana?

#### **1.5 Scope of the Study**

The focus of the studies is on the effect of quality service on customer retention in the banking industry using CRM as a mediating factor. The research was limited to the study of the Ghanaian banking industry on how service quality impacts on customer retention by the use of CRM practices. Customers who do business with Access Bank Ghana Limited, Zenith Bank Ghana Limited, ADB Bank Limited and Stanbic Bank Ghana Limited in Northern Ghana as well as management of these banks were covered in this study.

#### **1.6 Justification of the Study**

There are other researchers that have conducted studies on quality service and how firms can implement service quality dimensions in their retention efforts and

competitive advantage through CRM. This study will also be important in the following ways:

Firstly, it will guide potential entrepreneurs that intend to operate a bank account among the selected banks to know the value of quality service delivery on customer retention and how it will impact on their operations. Some banks do not do well not because their offerings are bad but rather they do not effectively practice CRM in order to retain their customers. The survey will also help other organisation to improve their service delivery.

Secondly, stakeholders in the Ghanaian banking industry will see the study as important in repositioning their practices through building strong business relationships with their clients. It is important to know customer needs and wants so that the banks can satisfy them favourably in the industry through effective CRM practices.

Thirdly, Access Bank Ghana Limited, Zenith Bank Ghana Limited, ADB Bank Limited and Stanbic Bank Ghana Limited which were used as case study will find the study relevant, the study will help them to reshape service quality delivery, customer relationship management as well as putting customer retention strategies in place to so as to achieve good word of mouth.

Additionally, it will be relevant for academic purposes. Other researchers who intend to use it will find it relevant to consult the research. Others will also use it as basis for further studies.



### **1.7 Overview of Methodology**

The total population of the study area is estimated at 6450 comprising customers and management of Access Bank Ghana Limited, Zenith Bank Ghana Limited, ADB Bank Limited and Stanbic Bank Ghana Limited in Northern Ghana. A sample of 254 was chosen made up of 250 customers and 4 management staff. The study adopted purposive and convenient sampling method to select management and customers respectively. The main data collection tools were questionnaires and interview guide. The study adopted SPSS software to code the questionnaires and employed mean, standard deviation, percentages, cronbach alpha, regression, Barron and Kenny test, Sobel test and bootstrap to analyse the data.

### **1.8 Limitations of the study**

Firstly, some of the questionnaires sent out were not received for a 100% response rate. However, 87.80% were received which was considered a good response rate.

Secondly, most of the respondents may not have given a true explanation of their experience to aid the research. The researcher however was able to explain to customer the significance of the study.

And of course money for organisation was also a challenge that confronts this study.

The researcher therefore mobilised his scarce resources to make the research a success.

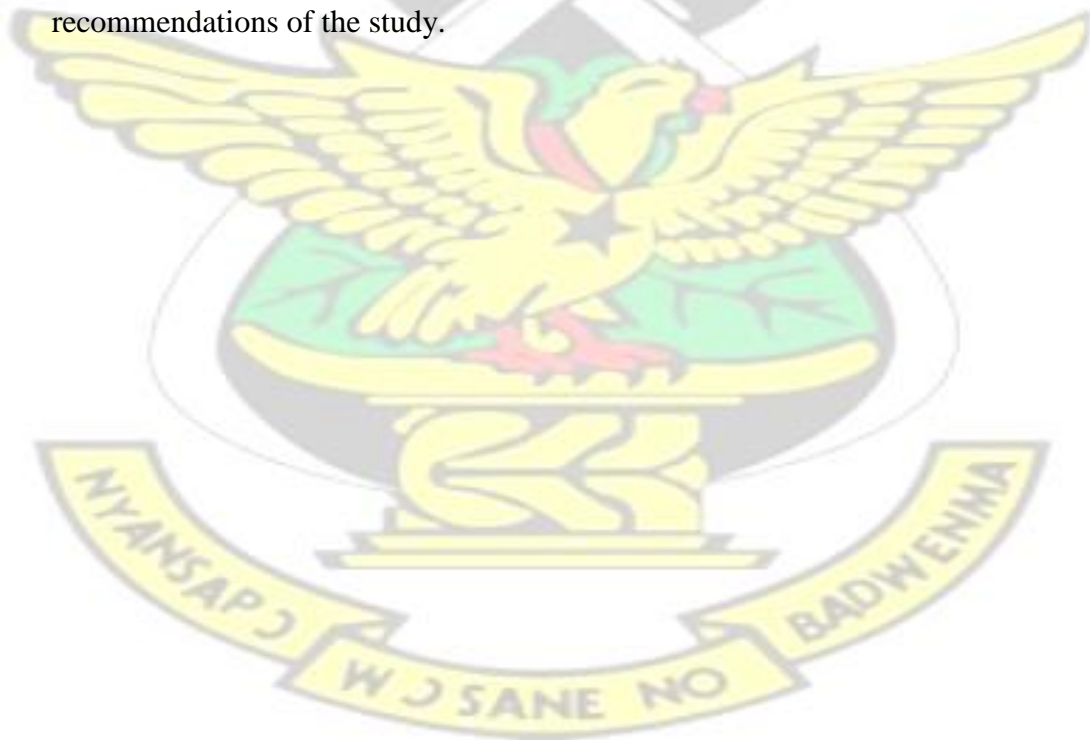


Also, lack of cooperation from respondents during the data collection especially from the customers, but this was resolved by explaining the rationale behind the study in order to persuade them to partake. Nonetheless, within these constraints, all attempts were made to undertake a valid and comprehensive study.

## **1.9 Organization of the Study**

The study is classified into five (5) chapters:

Chapter one gives the general introduction to the study. Chapter two explains existing literature on the study under discussion. The third chapter discusses the research methods adopted to accomplish the study. Chapter Four presents research findings, analysis and discussion. Chapter Five gives the summary of findings, conclusion and recommendations of the study.



## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

The chapter evaluated relevant works related to the study. It examined works of previous authors that have contributed to the study area. The literature was reviewed based on themes developed from the objectives under the following sub-headings; service quality delivery practices, customer retention strategies, customer relationship practices, effect of service delivery on customer retention, effect of service quality delivery on CRM, effect of CRM on customer retention and the mediating roles of CRM in achieving customer retention through service quality.

#### **2.1 Service Quality**

There are various studies that have explained what service quality means to the organizations and their customers. Identification and satisfaction of the needs of customers and requirements are varied explanations of quality service firms deliver (Cronin & Taylor, 1992). It has been argued by Parasuraman et al. (1985) that service quality sought to bring variations between what customers expects and what customers perceived about service, thus offerings consumers think a service provider should offer are expectations while evaluation of consumer's about a service is their perception.

Originally, SERVQUAL framed by Parasuraman et al. (1985) highlighted ten factors which were later collapsed into five different dimensions in 1988. The SERVQUAL

tool is revered as the most precise attempt to conceptualizing and measuring service quality. For the purpose of this study, the study adopted service quality dimension by European Foundation for Quality Management Model (**EFQM**). EFQM employed resources and partnership management, people management, leadership, policy/strategy management and process management to measure service quality.

## **2.2 Service Quality Dimension**

Many studies discussed elements of Total Quality Management (TQM) which may be classified in to three main categories which includes the use of technology, the organization itself and the people. Such classification was later reviewed in the enabler part of TQM evident by the European Model for Quality Management (Hafeez et al., 2006). EFQM is primarily based on self-evaluation and extends on two forms thus enabler part and result part. The enabler part explains the applicability of quality by way of different dimensions including resources and partnership management, people management, leadership, policy/strategy management and process management. The result part is also divided in to four parts; customer results, people results, society results and business results.

### **2.2.1 Resources and Partnership management**

Resources management explains how well the resources are successfully employed. Dijkstra (1997) explain the resources measurement to be the management, operation and conservation of resources. In this context, the degree to which the resources are functional efficiently to support plan and policy is the main focal point. TQM awareness of resource management goes beyond the reactive approach of managing

finance, information, people, partnerships, technology and facilities to a more planned, practical approach of management. Quality leaning resource management calls for stopping the share of resources on the basis of ad hoc conditions and direct resources towards socially responsible activities.

In managing information, EFQM goes around the static information documenting to a full scale that includes using information as a means that enables it to be used in the most resourceful and convenience for all employees. Information has an important value especially when it is supported with a concrete IT communications (Johnson et al., 2008). This target can be achieved through attractive products/ service features that will strengthen the company's competitive stand. Bou-Liusar et al. (2009) explain that promising firms plan to administer external partnership, suppliers and mobilize internal resources to sustain policy, plan and the efficient operations of the procedure.

### **2.2.2 Management of People**

Good organizations manage, develop and release the full potential of their employees on the individual, team and organizational level by exhibiting equality and fairness and by connecting and empowering them (Euro Control Experimental Center, 2003). Human Resource Management (HRM) is between the categories of practices that a different quality award model painted. That is, the Malcome Baldrige National Quality Award (Sila, 2007). World class firms place huge worth on their human capital with activities like assuring the strategic position of human resources policies, in addition, to guaranteeing successful communication, empowerment, proper training and teamwork. Such organizations are persistent on improving such flow continuously



(Oakland, 2003). Unfortunately, the human resources are being deserted for the benefit of clients in the banking industry in that much attention has been focussed on customer and not the well being of employees.

### **2.2.3 Leadership**

The EFQM sees leaders as developers and facilitators of the attainment of the assignment and dreams. Bou-Llusar et al. (2009) argue that leaders should expand organizational principles and systems necessary for sustainable achievement and apply them via their events and behaviors. Longbottom and Zairi (1996) explain leadership to be about association of board and chief executives in quality actions, hands on rights and get better alertness and skills stage. The stipulation of leadership distinction varies from the low great of providing ad hoc solution to troubles on occurrence with no signs of being positive to the other. Total Quality Management (TQM) oriented therefore involves the full appointment in development and ongoing promise of excellence (Dijkstra, 1997).

### **2.2.4 Policy and Strategy**

Outstanding organizations apply their mission and dream by raising a stakeholder listening carefully to policy that takes into explanation to the market and sector in which it operates. Policies, strategies, objectives and procedures are developed and applied to deliver such strategy (Bou-Llusar et al., 2009). Stakeholders can be customers or employees. Tang and Zairi (1998) benchmarked financial and educational division against the theoretical scope of quality initiatives. It is clear that the financial services sectors' policy is rigorous around the peak customer fulfilment



and employees engaged less supremacy. Accordingly, it is very important that employees should be the focus point of tactical direction. To attain the best of calculated development, course of action and strategy should be given across the entire firm, information connected to quality should be planned and organized and all employees should enjoy easy access to it. Moreover, guidelines and strategy should be assessed depending on a comparison with competitors and/or best practices available.

### **2.2.5 Process management**

Process management should be seen as important aspect of the quality procedures as it refers to the management of all value adding engagements within the entire firms. It is concerned with how process is identified, reviewed and importantly, revised to insure constant improvement of the organizational activities (Dijkstra, 2002). Process management's importance is solicited from the fact that the best resource exploitation is only possible through a solid process management. Adding value to customers/stakeholders embeds a proper design, management and enhancement of processes (Bou-Liusar et al., 2009). Giving a general opinion into the sub criteria of process management, there is a clear focus on the orderly process design, and the regular appraisal of products and processes to please all stakeholders, in addition to high concern to customer relationships. An organized view of processes is of high significance due to the fact that process management is unclear in service circumstance than it is in the manufacturing field and neglecting a logical approach may cause a breakdown of accomplishment. Huq (2005) believed that TQM failures in services

industry is the over emphasized on the final yield while in fact there should be an equivalent centre on input process as well.

### **2.3 Customer Retention**

Customer retention is seen as a process of building upon customer service quality as it is done in industrial marketing through building financial, social and structural bond and the firm's ability to practice acceptable general management principles. It is important to note that, it is a management decision to put strategies in place to retain customers when the market is saturated and there is a lower growth of number of new customers (Ahmed and Buttle, 2011). Firms across multitude of industries in their desire to increase their market share and minimize cost of doing business try to put in appropriate strategies in place so as to retain their customers and maximize their profitability. In another dimension, customer retention leads to developing specific strategies by preventing customers from going to other competitors through achieving a marketing goal (Ramakrishnan, 2012). It is also believed and advised that, customers leaving the organization should be minimized and prevented through addressing complaints which will raise switching barriers and cause customers stay with the service firm for an established period (Dawes, 2011).

There are some approaches to how well we can measure customer retention, which are attitudinal, behavioural and composite measurement. In the domain of service, many authors tend to define customer retention as behaviours they have observed about customers. Behavioural theorist that adopted customers buying the same product as the only way they can measure customer retention have been criticized for their lack

of conceptualized basis as its measurement has been linked to a brand competing in the market place where market for customer acquisition is low (Lombard, 2012). The challenge many firms face by treating customer retention alone is its inability to distinguish it from loyal customers. Customers staying with the firm have therefore been viewed as an attitudinal contrast in that it tends to reflect how emotional and psychological customers inherited through their retention and this has been demonstrated by the ability of existing customers to refer other customers by speaking well about the company as competitors are always in lookout to steal customers (Fluss, 2010).

#### **2.4 Customer Retention Strategies**

There are various factors that influence customer retention some of which are discussed below;

##### **2.4.1 Creating Customer Satisfaction**

Satisfying the customers need or wants in the market is a critical determinant of the survival of firms in a competitive market environment since satisfaction of the client is the most objective way of measuring the value propositions of service firms, banks constantly try to find out the needs and wants of their customers so that they can satisfy them. The organization's goal with regards to satisfying customers is for them to be retained to its product offerings. Ranaweera and Prabhu (2011) believed that the more a customer is satisfied, the chances of the customer remaining loyal to the service provider are high, and hence firms should devise ways of creating customer satisfaction approaches to make them retained.

### **2.4.2 Creating Customer Trust**

Trustful relationships are very relevant as it results in loyal and satisfied customers. Ranaweera and Prabhu (2011) argued that with optimum level of trust, the likely loyal the customer is to the service provider. It is therefore argued that trust and ultimate confidence is important as customers and organizations work with each other to achieve their individual objectives. It is also believed that many firms that achieve success in their operations implement effective planning and are market oriented bearing in mind that inability to create trust between the firm and the client will negatively cause the organization because companies are just in a hurry to look for new customers by using the recourses with effective planning suggesting that “80% or more of marketing budgets are sometimes allocated to attracting new customers Weinstein (2012).

### **2.4.3 Customer Involvement**

Richards (2010) believed that when customers are involved in decision making, the more likely it is that they will remain with the organization since they feel part of the organisation. On the other hand if customers are dissatisfied but involved in decision making, they would see themselves as valuable and would try to resolve the problems rather than quickly taking the decision to switch to other service providers. While others try to understand and measure customer retention across multitude of industry, one particular aim is for organizations to focus on customer retention which may lead to many economic benefits as part of customer involvement includes customer



participation, consumer control and confidence customers have in the service provider (Beckett et al, 2010).

#### **2.4.4 Creating Switching Barriers**

When customers stay for a long time with a firm, the quantity of products purchased and customer referrals also increases. In addition, it will cost less to maintain customers and suppliers because they learn more about one another due to the closeness, customer awareness about substitute product is limited and so they remain with the service provider even when dissatisfied. Because fewer customers may leave the organization out of some uncontrollable factors, customer replacement costs may automatically fall. It is important to note that, loyal customers do not care to pay premium prices than those newly won customers who knew little about the firm's offering are built in how well the firms manage its customers and the increased perceived switching cost, customer retention will be high. Sharma and Patterson (2010) see switching cost as psychological and economical in nature hence firms should try to satisfy customers.

#### **2.4.5 Effectiveness in Communication and Creating Value Process**

Sharma and Patterson (2010) are of the opinion that much communication between the organisation and its clients, the greater will be the customers' commitment to the relationship. Communication effectiveness is also seen as official and unofficial sharing of meaningful and timely information between a firm and its clients. According to Lowendahl (2011), the value creation processes explain the ability to sell



a credible promise in a professional manner, set of activities required to deliver the promise and learning from transactions.

#### **2.4.6 Creating Bonds and Monitoring of Customer Relationships**

The basic relationship that clients have to a firm is through financial incentives while others seek to have close interpersonal relationships at the same time as the customers should feel glued to the employees. Zeithalm (2011) believed that effective monitoring and assessing of relationships are primary strategies practiced by firms to make customers loyal. Most organizations develop data bases where the economical follow-ups are kept. Yi and Jeon (2011) posit that loyalty programmes are employed by organizations to reward customers for repeated purchases which in turn results in maximized customer retention rate.

#### **2.4.7 Use of Effective Recovery Strategies**

Zeithalm (2011), argue that although organization need to perform at their best the first time, errors may occur and in such cases, firms need to deploy appropriate recovery systems in order to sustain its relationship with its customers. Most organizations do their best to avoid mistakes in the first place and work proactively in order to always deliver beyond customer expectations. It is worth noting that organizations do not have a laid down systems for dealing with customer complaints as they take decision that each customer should be treated individually.

### **2.5 Meaning of CRM**

CRM could be explained as the way businesses try to attract customers, maintain them and try to build long standing relationships with the customers. CRM is the process of

acquiring new customers, trying to maintain the existing customers and in that light understand, anticipate and manage the needs and wants of current and potential customers (Brown, 2011). CRM could also be viewed as the way firms“ builds long term relationships and gain trust of its customers.

CRM is also seen as a coordinated approach, which integrates sales, client service, field support and other functions that are geared towards customer satisfaction. In the desire to build CRM by coordinating people, process and technologies as well as other important functions, the relationship with all customers and suppliers should be maximized (Hasounet and Alqeed, 2010). CRM could be seen as an approach regarding how firms can maintain its most valuable customers and in effect reduce costs of operating and increase the value of interaction to maximize profits (Frow et al., 2011).

Girdhar (2012) observed that maintaining good relationship and satisfying the internal customers of the bank, those customers who are also external can also be satisfied and maintained by the banks. Kumah and Rajesh (2011) stated that any bank that intends to expand in size of its operations, efficiency and profitability must consider the problems that confront all its stakeholders and try to address them. It is worth stating that so long as customers bring profit to the bank, the bank owes them a responsibility to provide excellent services to the customers, otherwise the bank risk losing them to other banks (Ray 2012). It is therefore important to note that CRM is a key determinant of customer experience and seeks to control the customer association by giving a clear understanding to the customer being able to develop services and

products based added value and the bank's target group, then enhancing the sales and quality of service delivery and products of the bank through selected channels.

## **2.6 Theories of CRM**

There are certain theories that underline CRM as it aims at providing useful guidelines for firm in their service delivery functions. Many of the theories that underpin CRM in achieving its aims include analytical CRM, operative CRM and collaborative CRM which are part of CRM application architecture (Buttle, 2010). These are discussed below;

### **2.6.1 Analytical CRM**

According to Buttle (2010), analytical CRM aims at performing customer data analysis, proceed to evaluate customer's information, modeling and prediction of behaviours customers will exhibit. Analytical CRM can for example be adopted to gather all information about customers looking for specific product by using data mining, what kind of services customers purchased now and what services they purchased eventually. Because of competition in every industry, firms are trying to gather accurate data so as to perform accurate analysis of customer behaviour. Competition and complexity in the industry is as a result of regulations that differ and are in a state of constant change throughout the world. Adding to this is the fact that most banks are attracted to a small customer segment of society, described as bankable hence, the competitive pressure on each bank to gain the greater share of the customer's wallet calls for analytical CRM.

### **2.6.2 Operative CRM**

Customers on their part have become sophisticated in their demand for services and in their negotiations, resulting in shrinking margins. This therefore calls for a very good collaborative interaction between customers and frontline staff, sales representative, operation managers among others demanding operative CRM. The ability to survive in the Ghanaian banking industry and to ensure sustainable market growth in the face of such a fierce competition lies in a bank's ability to understand and leverage on the customers. Gan et al (2006) believed that, most of the banks that serve customers choose not to engage in price war rather make use of their offering through staff and systems automation to customers as competitive tools. Thus delivering quality service is very important since customers' perception about service quality has an effect on the perceived value of the services these banks render to customers hence operative CRM should be at the heart of management.

### **2.6.3 Collaborative CRM**

The value customers receive through service quality in collaboration with CRM can be attributed to specific dimensions that can be measured and the results are connected to the aspirations for use situation. The value customers desired give customers direction when they form perception about the products they use and assess if the product met their expectations demanding collaborative CRM (Oyeniyi & Abiodun, 2012). Collaborative CRM help firms along the distribution channel and departments of the organization, to work together and share information about customers (Buttle, 2010). This will facilitate participating in a CRM to improve quality service delivery



through increased customer satisfaction and retention through collaborative CRM (Zia-Khosoosi, 2011).

## **2.7 Key elements of CRM**

There are important key elements that make up a good CRM practices that firms may use to retain customers. The ability of firms to build trust and commitment, satisfaction of customers, symmetry and dependence and fairness in firms CRM approach are key in customer retention efforts (Britton and Rose, 2010). These are discussed below;

### **2.7.1 Trust and Commitment**

Trust as an important element for effective CRM results in improved co-operation.

Improved co-operation in effect minimise feelings of insecurity and risk hence acts to improve cooperation between relationship members (Morgan & Hunt, 2010). It is also relevant to note that; one key element of effective CRM is also to increase commitment. The trust that customers repose in the organisation increases commitment, however, customers are discriminating to dependable partners, as commitment could results in their own vulnerability of personal data (Selnes, 2011). It is also worth mentioning that, effective CRM as a key to customer retention could result in a long term mutually beneficial relationship for the customer and the bank.

### **2.7.2 Satisfaction**

It has been ascertained that, both customer satisfaction and how customers perceive service quality were important consideration of customer attitudinal loyalty signs but that satisfaction had the greatest relationship with customer retention as total satisfaction is similar to total evaluations of service quality (Gustafsson et al., 2010).



It can also be disclosed that, employees of service organization form a very intimate relationship with the customers because both stakeholder often work together during the service encounter known as simultaneous relationship as the length of CRM will continuously be updated depending on perceptions of previous experiences the customer might have encountered (Britton and Rose, 2012).

### **2.7.3 Symmetry and Dependence**

Britton and Rose, (2010), believed that, depending on other party is not a tactically conducive position and would result in the other party seeking for other relationships. Building symmetry relationship looks at the magnitude of fairness among relationship elements by numerous relationship members which include sharing information, power among others as equilibrium of power establish the stable nature of relationship. Firms strive to capture the competitive market that is saturated; knowledge of the remuneration of retention has developed, especially in the financial services sector as symmetry and dependence plays a critical role

### **2.7.4 Fairness**

Studies have proved that when customers perceive fairness in relationship with service providers, enhances relationship quality (Kumar et al., 2011b). Processes and procedures are important to make customers judge the quality of the relationship and hence tend to sustain the relationship. There are relationships that could be classified as distributive and procedural. Distributive fairness is based on looking at the relationship as rewards and obligations to predict the outcome of relationship whilst routine equality is based on whether the used measures and methods are fair, and thus,

there will be more reliable outcome. One will not be far from saying that procedurally fair exchange systems has a more enduring quality and accounts for what one can describe as better CRM (Britton and Rose, 2012).

## **2.8 CRM practices**

Richards and Jones (2011) explained that, CRM is a set of business practices supported by technology and process directed by strategy and designed to improve a firm's performance in an area of customer management through building a data base. This could be explained that successful CRM practices aims at satisfying the desires and needs of the customers and this is accomplished through integration of organization's strategy, technology, people and enterprise process to achieve the desired results (Fagbemi and Olowokudejo, 2011). Al-Khouri (2012) proposed components of CRM framework which are key customers focus, knowledge management, CRM organizations, and technology-based CRM.

According to Lambert (2010), CRM could be seen as a strategy aimed at managing customer as it focuses on understanding customers as an individual instead of as part of group. As stated by Khalaf et al. (2013), CRM is built around three key variables which are customer; relationship and management are some practices that firms should put into practice.

Customer: The profit of any company is based on good customers and their inputs however; there is a clear lack of a customer's interest, who gives more profit with limited resources. In this highly competitive market and availability of products and

their knowledge is widespread which leads to confusion for the customers (Khalaf et al., 2013).

Relationship: In terms of customers relation to the company its multidimensional based on mutual connection and communication which is possible short or prolonged, last longer and remains continuous or can be distinct and customers manners and behavior are also related (Khalaf et al., 2013).

Management: Management is to deal with humans or objects and in relation to human it describes itself as a social phenomenon which is obligates to consider the planning and regulations of a company in most appropriate and economical way by meeting the aims of a company as management is a active process which delivers energy in numbers of elements, these elements totally differs from operative elements like purchase and expenditures moreover it also depends at managers abilities to and approach (Khalaf et al., 2013).

## **2.9 Effect of service quality delivery on customer retention**

Service quality is considered by many as important success for contemporary service companies that deliver service to clients with the aim of keeping them forever. There are underlying processes that generally explain the contribution of service quality to customer retention as most service providers choose not to engage in price war but service effectiveness could result in quality service (Colgate and Norris, 2011). It is believed that firms can differentiate and compete favourable by means of attracting new customers, and to contribute to increasing market share and serves as a means of customer satisfaction through delivering service quality resulting in customer retention based on customers perceived value (Colgate and Varki, 2012).

Customer retention therefore tends to build a long-term commitment of both the customer and the firm to maintain the relationship that will last forever through the building of superior value relationship with customer (Oyeniya and Abiodun (2008). Thus, improved service quality translates into advantageous behavioral intentions, which in turn, leads to customer retention.

It is believed that, once customers are satisfied, magnitude of the customers will continue to do business with the firm. The value customers receive through service quality can be attributed to specific dimensions that can be measured and the results are connected to the aspirations of the customer. The value customers’ desire gives customers direction to form perceptions about the products they use and assess if the product met their expectations (Oyeniya & Abiodun, 2008). It has been ascertained that, both customer satisfaction and how customers perceive service quality were important consideration of customer attitudinal retention signs but that satisfaction had the greatest relationship with customer retention construct. It can also be disclosed that, employees of service organization form a very good relationship with clients because both employees and customers often work together during the service encounter known as simultaneous relationship.

### **2.10 Effects of Service quality delivery on CRM**

According to Burnham et al., (2013), the effect of quality service delivery on CRM varies from industry to industry, product or service, environment, and others. In this regards, switching costs, which is made up of one on one relationship as well as brand



relationship costs and also include mental or emotional anxiety results in loss of identity and breaking of relationship (Burnham et al., 2013).

Service encounters is seen as social exchange which results in communicating between the service provider and the customer being important components of quality service delivery and supporting strong reason for continuing a relationship (Barnes, 2012). In explaining this phenomenon, social exchange theory tries to account for the development, growth and even dissolution of social as well as business relationships. Customers who receive quality of services tend to have a good relationship with the service providers and result in long lasting business as the customer finds it difficult to change service provider (Patterson, 2011).

### **2.11 Mediating role of CRM in achieving customer retention through service quality delivery**

A mediator can be seen as intervening variable which tries to account for the relation between the variable that is the predictor and as well as the variable that could be seen as an outcome variable (Baron and Kenny, 1986). It means that the item that is predicting influences the item that is seen as outcome indirectly, thereby influencing the variable that is mediating that reflect the outcome. It can therefore be seen that, in the case of a developmental study, the variables which are seen as more distal to developmental performance apply its power through mediating variables which are seen proximal. In the analysis of mediating variables, developmental researchers try to find meanings to processes which directly influence development, hence chains of happenings to processes that exert their influence. It is worth saying that, variable seen



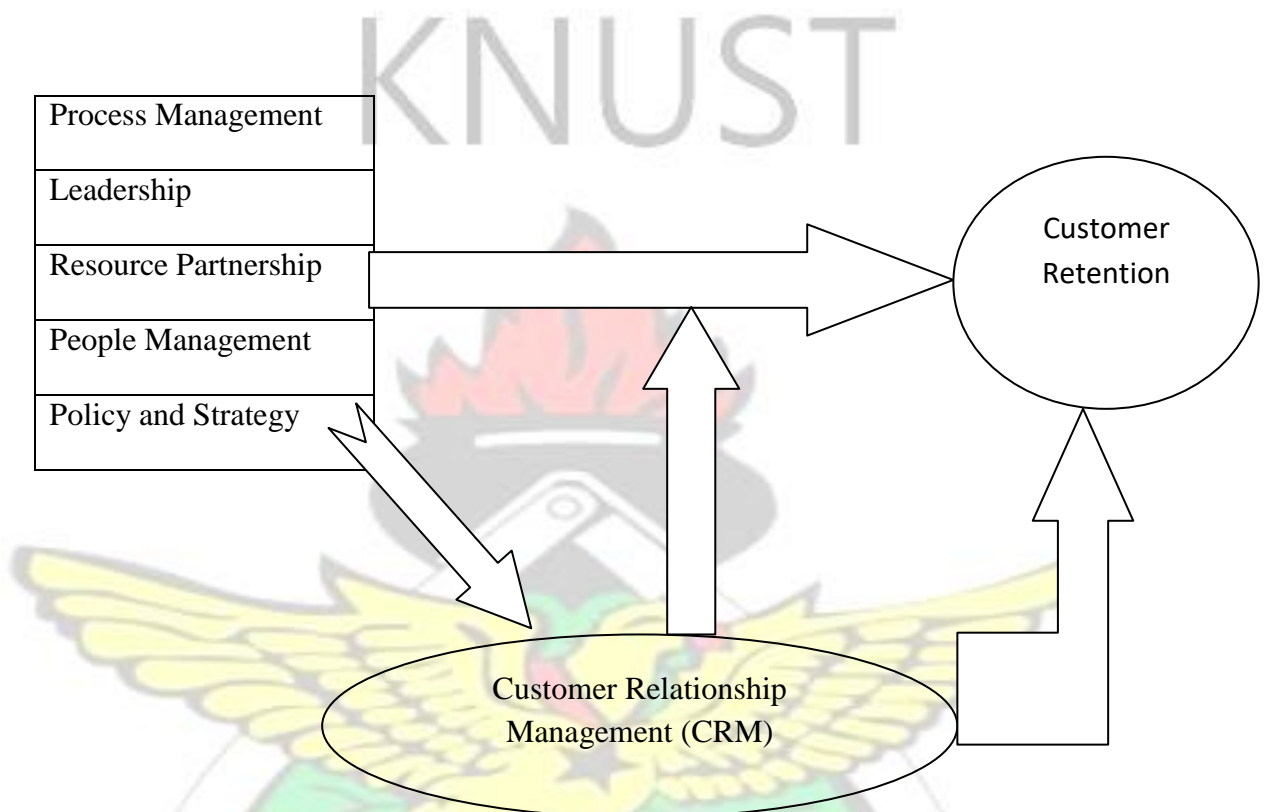
as predictor significantly have effect on mediator where the mediator in-turn affect the so called outcome (MacKinnon et al 2000).

The success or otherwise of achieving customer retention through improved service quality is dependent on the strength of relationship formed between the service provider and the customer. The banking sector acknowledges that customer satisfaction through creating and delivering value underpins the main goal of any banking institution (Danciu, 2011).

As perception about service quality is generally assumed to be a significant determinant of customer satisfaction in the banking industry, the relationship between service quality and customer retention has been found to be significant (Naidu, 2009). Also in a study by Malhotta and Mukherjee (2004) it was concluded that the commitment of employees had a major impact on service quality performance which further brings about customer retention through the use of CRM. It is therefore worth noting that the attachment a service provider enjoys from its clients should be traced to the structure of the relationship development stages that is observed by the many service providers. O'Malley and Patterson (2012) argue that, the relationship development could be incorporated in certain stages before a customer finally gets retained via CRM practices.

## 2.12 Conceptual Framework

The study assessed the effect of service quality on CRM and customer retention. The study also looked at the effect of CRM on customer retention and finally the mediating role of CRM.



**Figure 2.1 Service Quality Dimension on the mediating role of CRM on Customer Retention (Research Model)**

**Source: Authors Construct**

## CHAPTER THREE

### RESEARCH METHODOLOGY

#### 3.1 Introduction

The chapter explains the research area, the research design, population, the sample size selected, sampling technique adopted, data collection sources employed and data analysis techniques used.

### **3.2 The Design of Research**

Research design refers to general map of how the study questions were answered. Saunders et al, (2008), propose three types of research design; exploratory, explanatory and descriptive. The researcher used exploratory as well descriptive study to a have an in-depth knowledge as well as explanatory study to assess the correlation between the customer retention and the service quality. The survey approach was also used in order to collect information which was analysed quantitatively generating data which are used in the analysis.

### **3.3 Study population**

The entire population of this study comprised of the entire customers who do business with Access Bank Ghana Limited, Zenith Bank Ghana Limited, ADB Bank Limited and Stanbic Bank Ghana Limited as well as management of these banks in Northern Ghana. The population of banks customers and management is estimated to be six thousand four hundred and fifty (6450). The customer base is estimated at 6405 while the staff strength is estimated at 45. These banks were chosen because they have similar characteristics and have similar operation lines.

### **3.4 Sample Size**

A sample represents the number of respondents in the population that will serve as a representative of the entire group. For the purpose of this study, samples of 250 customers and a management staff for each were selected. This sample from the population is based on Stutely (2003) who believed that, effective statistical study required a minimum of 30 samples hence a sample of 254 is enough to be a representative of customers who do business with the selected banks in Northern

Ghana.

### **3.5 Sampling Technique**

The study adopted purposive sampling technique method to select management of these banks and Judgment (convenience) sampling method to select respondents. Judgment and convenience sampling was used to select customers who do business with these banks whilst purposive sampling technique was used to in selecting management of Access Bank Ghana Limited (ABG), Zenith Bank Ghana Limited (ZBL) , Agricultural Development Bank (ADB) and Stanbic Bank Ghana Limited (SBG).

### **3.6 Method of data collection**

Data used were both primary and secondary. Primary data sources include using questionnaires and interview guide from customers and management respectively. The researcher used questionnaires as it was considered as effective data collection means when it comes to field survey. Journals, publications, articles and books were consulted for the secondary data.

### **3.7 Analysis of Data**

The responses from customers were coded into the Statistical Package for Social Sciences (SPSS) software for analysis purpose. Frequency distribution and charts as well as cronbach alpha were adopted to ascertain how reliable the variables were. Meanings and interpretations were given through the use of means and standard deviation, cronbach alpha to test the reliability of the data, regression and bootstrap analysis to estimate the mediating effect.



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## CHAPTER FOUR

### DATA PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

#### 4.1 Introduction

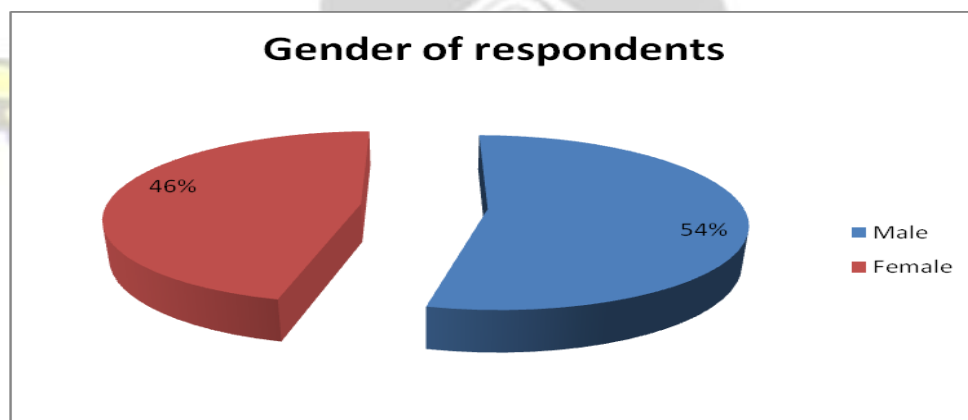
This chapter presents the information on data collected from customers and management of banks on the impact of service quality delivery on customer retention in the banking industry in Ghana, the mediating role of CRM. Analysis was based on the objectives set for the study. The chapter explains demography, evaluate quality service delivery practices; determine the customer relationship practices, ascertain the effect of Service quality delivery on customer retention, ascertain the effect of Service quality delivery on CRM, evaluate the effect of CRM on customer retention and to examine the effect of quality service delivery on customer retention through the use of CRM practices in the banking sector in Ghana. The survey was conducted on a total of 254 respondents out of which 223 responses were received representing 87.80% response rate.



## 4.2 Demography of customers

Background information about customers include gender of respondents, age distribution of respondents, educational level of staff, occupation of respondents and the number of years the respondents have been banking with their respective banks.

### 4.2.1 Gender of respondents



**Figure 4.1 Gender of respondents**

Figure 4.1 above shows the gender of the respondents used in the survey. As indicated in the figure above, 54% were males and 46% were females. This indicates that the males were more than the females and therefore the results from the data collection will be dominated by males.

**Table 4.1 Ages of Respondents**

| <b>Age range</b>   | <b>Frequency</b> | <b>Percent</b> |
|--------------------|------------------|----------------|
| under 20 years     | 15               | 6.8            |
| 20-30 years        | 73               | 33.3           |
| 31-40 years        | 44               | 20.1           |
| 41-50 years        | 52               | 23.7           |
| 51 years and above | 35               | 16.0           |
| Total              | 219              | 100.0          |

**Source: Researchers Field Survey, 2015**

The table above shows the age distribution of the respondents from whom information was sought. As shown above in the table, 6.8% are below 20 years, 33.3% fall between the ages of 20 to 30 years, 20.1% are within the ages of 31 to 40 years, 23.7% are between the ages of 41 to 50 years and finally 16% are within ages 51 and above. This showed that majority of customers who transact business with selected banks fall within the youthful category. This is because most youth prefer to save at these banks compared to the commercial ones since they enjoy certain unique services that suit their lifestyles.

**Table 4.2 Highest Educational Level**

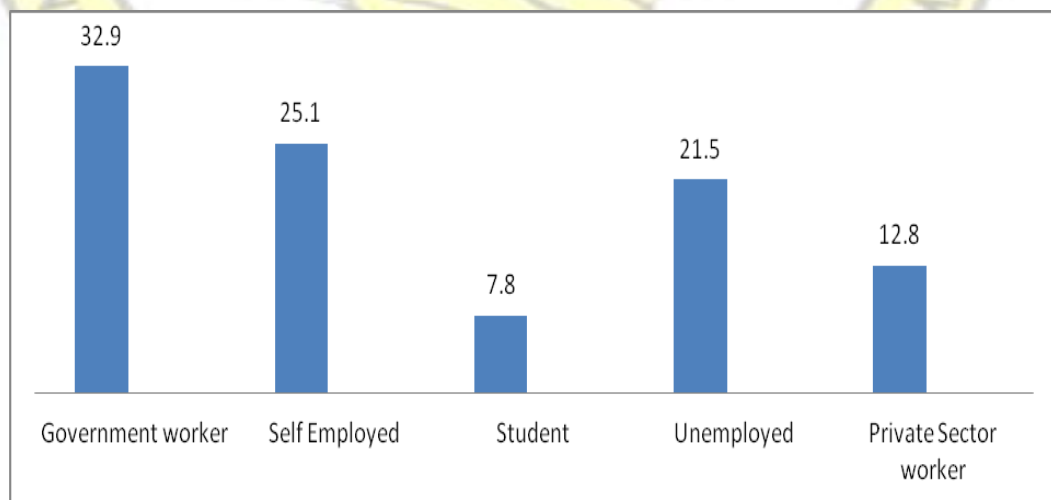
| <b>Education</b> | <b>Frequency</b> | <b>Percentage</b> |
|------------------|------------------|-------------------|
| PhD              | 12               | 5.5               |
| Masters degree   | 65               | 29.7              |
| First degree     | 57               | 26.0              |

|                |     |       |
|----------------|-----|-------|
| HND            | 49  | 22.4  |
| SHS/MSLC/Basic | 36  | 16.4  |
| Total          | 219 | 100.0 |

**Source: Researchers Field Survey, 2015**

The educational level of the respondents used for the survey was analysed. As indicated, 5.5% of the respondents have attained a doctorate or professorial level, 29.7% are Masters degree holders, 26% hold a first degree, 22.4% have holders of HND and finally 16.4% are SHS/MSLC/Basic leavers. This shows that majority of the respondents have attained quite an appreciable level of education and this is evident in most them holding a certificate from tertiary institutions. This is because most of took advantage of opening bank accounts with these banks during school days since the banks offer attractive packages to students during their early days in school and these entices most students be sign on to these packages and hence become regular customers during school days and after school.

#### 4.3 Occupation of respondents (Customers)



### Figure 4.2 Occupation of respondents (Customers)

Figure 4.2 shows the occupation by the various respondents used in the survey by the researcher. From the above, it is clear that 32.9% of the respondents are government employees, 25.1% are self-employed, thus engaged in their own private businesses, 7.8% are students, 21.5% are unemployed and 12.8% work in the private sector.

**Table 4.3 How long have you been saving with your bank**

| Years of banking  | Frequency | Percentage |
|-------------------|-----------|------------|
| Under 2 years     | 27        | 12.3       |
| 2-4 years         | 60        | 27.4       |
| 5-7 years         | 63        | 28.8       |
| 8 years and above | 69        | 31.5       |
| Total             | 219       | 100.0      |

**Source: Researchers Field Survey, 2015**

The length of time respondents have been saving with the selected banks was also analysed. As indicated in the table above, 12.3% have been saving for less than 2 years with their respective banks, 27.4% have been saving with their banks for between 2 to 4 years, 28.8% have been saving for between 5 to 7 years, and 31.5% have been saving for 8 years and over. This result shows that majority of the respondents have been with their bank for quite a long time. This is as a result with some form of satisfaction that



accrues to the customers with the kind of services rendered by the banks to its customers. These services go a long way to satisfy the basic needs of the customers.

#### 4.4 To ascertain the effect of Service quality delivery on customer retention among banks in Ghana

In assessing the effect of service quality on customer retention, regression analysis was done. Process Management, leadership, resource partnership Management, people management and policy and strategy were used as independent variables while customer retention was used as dependent variable.

**Table 4.4 Regression Results of Service Quality on Customer Retention**

| Variables                       | Unstandardized coefficients. B (S.E) | T     | Sig. | Beta |
|---------------------------------|--------------------------------------|-------|------|------|
| (Constant)                      | .992 (.140)                          | 6.578 | .000 |      |
| Process management              | .245 (.059)                          | 4.120 | .000 | .306 |
| Leadership                      | .057 (.043)                          | 0.076 | .189 | .076 |
| Resource Partnership Management | .258 (.058)                          | 4.480 | .000 | .282 |
| People Management               | .023(.055)                           | .421  | .674 | .031 |
| Policy and strategy             | .162 (.162)                          | 3.035 | .003 | .224 |
| R                               | .820                                 |       |      |      |
| R Sq.                           | .673                                 |       |      |      |

|                    |                    |
|--------------------|--------------------|
| Adj. R. Sq.        | .665               |
| F Statistic        | 87.540***          |
| Dependent Variable | Customer retention |

**Source: Researcher's Field work, 2015**

The results in table 4.6 shows that service quality had a strong relationship with customer retention in the banking industry. The correlation value was 0.820. The R<sup>2</sup> value indicates that 67.3% (.673) of customer retention could be explained using the service quality

Process management has a coefficient value of 0.245 showing a positive relationship on customer retention in the banking industry. Ceteris Paramus, when the other independent variables (leadership, resource partnership Management, people management and policy and strategy) are held constant, customer retention would increase by 24.5% if there is 100% efficient processes management that is been adopted in the banking industry to serve customer. Process management is significant to the prediction of customer retention because it has a significant value of 0.000.

The coefficient value for leadership management was 0.57 showing a positive relationship on customer retention in the banking industry. All things being equal, when the other independent variables (process management, resource partnership Management, people management and policy and strategy) are held constant, customer retention would increase by 57% if there is 100% efficient leadership management that is been adopted in the banking industry to serve customer. This was

statistically not significant and leadership management is not making any unique contribution to the prediction of customer retention because it has a significant value of 0.189.

The result shows coefficient value for resources partnership management was 0.258 showing a positive relationship on customer retention in the banking industry. When process management, resource partnership Management, people management and policy and strategy are held constant, customer retention would increase by 25.8% if there is 100% efficient resource partnership management that is been adopted in the banking industry to serve customer. This was statistically significant and resources partnership management is making any unique contribution to the prediction of customer retention because it has a significant value of 0.000 which is less than 0.05.

The coefficient value for people management was 0.023 showing a positive relationship on customer retention in the banking industry. When leadership, resource partnership Management, process management and policy and strategy are held constant, customer retention would increase by 2.3% if there is 100% efficient people management that is been adopted in the banking industry to serve customer. This was statistically not significant and people management is not making any unique contribution to the prediction of customer retention because it has a significant value of 0.674.

The analysis revealed that, the coefficient value for policy and strategies adopted by banks was 0.162 showing a positive relationship on customer retention in the banking industry. All things being equal, when leadership, resource partnership Management,

people management and process management are held constant, customer retention would increase by 16.2% if there is 100% efficient policy and strategy implementation that is been adopted in the banking industry to serve customer. This was statistically significant and policy and strategy implementation is making any unique contribution to the prediction of customer retention because it has a significant value of 0.003.

However, in comparing the contribution of each process Management, leadership, resource partnership Management, people management and policy and strategy on customer retention, the beta values are used ignoring the negative sign. Process Management, leadership, resource partnership Management, people management and policy and strategy have beta values of .306, .076, .282, 0.031 and .224 respectively.

In this case, the largest beta value is .306, which is process management meaning that, this variable makes the strongest contribution to explaining customer retention in the banking industry.

#### **4.5 To ascertain the effect of Service quality delivery on CRM among banks in Ghana**

In assessing the effect of service quality on CRM in the banking industry in Ghana, the study used resource partnership management, people management, leadership, and policy and strategy and process Management as independent variables and CRM as dependent variable. Table 4.9 shows the regression results:



**Table 4.5 Regression Results of Service Quality on CRM**

| Variables                          | Unstandardized<br>coefficients<br>B (S.E) | T     | Sig. | Beta |
|------------------------------------|---|-------|------|------|
| (Constant)                         | .579 (.124)                               | 4.669 | .000 |      |
| Process management                 | .178 (.053)                               | 3.383 | .001 | .210 |
| Leadership                         | .148 (.038)                               | 3.889 | .000 | .188 |
| Resource Partnership<br>Management | .338 (.051)                               | 6.594 | .000 | .348 |
| People Management                  | .078(.049)                                | 1.598 | .111 | .098 |
| Policy and Strategy                | .121 (.047)                               | 2.559 | .011 | .158 |
| R                                  | .8878                                     |       |      |      |
| R Sq.                              | .770                                      |       |      |      |
| Adj. R. Sq.                        | .765                                      |       |      |      |
| F Statistic                        | 142.992***                                |       |      |      |
| Dependent variable                 | CRM                                       |       |      |      |

**Source: Researcher's Field work, 2015**

The results from table 4.7 shows that service quality had a strong relationship with CRM in the banking industry. The correlation value was 0.878. The R<sup>2</sup> value indicates that 77% (.770) of CRM can be explained using the service quality.

The result shows that, the coefficient value for resources partnership management was 0.336 showing a positive relationship on CRM in the banking industry. When process management, leadership, people management and policy and strategy are held constant, CRM would increase by 33.6% if there is 100% efficient resource partnership management that is been adopted in the banking industry to serve customer. This was statistically significant with significant value of 0.000.

The results revealed that, the coefficient value for people management was 0.078 showing a positive relationship on CRM in the banking industry. When leadership, resource partnership Management, process management and policy and strategy) are held constant, CRM would increase by 7.8% if there is 100% efficient people management that is been adopted in the banking industry to serve customer. This was statistically not significant and people management is not making any unique contribution to the prediction of customer retention because it has a significant value of 0.111 which is more than 0.05. There is an indication that, banks have to change their approaches towards managing people as the people element plays a significant role to customer retention. There is an indication that, customer may have certain reservation with respect how people are managed hence banks should be up and doing so as to develop competitive people management strategies.

The results indicated that, the coefficient value for leadership management was 0.148 showing a positive relationship on CRM in the banking industry. When process management, resource partnership Management, people management and policy and strategy are held constant, CRM would increase by 57% if there is 100% efficient

leadership management that is been adopted in the banking industry to serve customer. This was statistically significant and leadership management is making a unique contribution to the prediction of CRM because it has a significant value of 0.000.

The results revealed that, the coefficient value for policy and strategies adopted by banks was 0.121 showing a positive relationship on CRM in the banking industry. When leadership, resource partnership Management, people management and process management are held constant, CRM would increase by 12.1% if there is 100% efficient policy and strategy implementation that is been adopted in the banking industry to serve customer. This was statistically significant and policy and strategy implementation is making any unique contribution to the prediction of customer retention because it has a significant value of 0.011 which is less than 0.05.

The analysis revealed that, the coefficient value for process management was 0.178 showing a positive relationship on CRM in the banking industry. When leadership, resource partnership Management, people management and policy and strategy are held constant, CRM would increase by 17.8% if there is 100% efficient processes management that is been adopted in the banking industry to serve customer. This was statistically significant and process management is making any unique contribution to the prediction of customer retention because it has a significant value of 0.001 which is less than 0.05.

However, in comparing the contribution of each independent variable (process Management, leadership, resource partnership Management, people management and policy and strategy) on CRM, the beta values are used ignoring the negative sign.

Process Management, leadership, resource partnership Management, people management and policy and strategy have beta values of .210, .188, .348, 0.098 and .210 respectively. The biggest beta value is .348, which is resource partnership management meaning that, resource partnership management strongest contribution to explaining CRM in the banking industry.

#### 4.6 To evaluate the effect of CRM on customer retention among banks in Ghana

In assessing the effect of CRM on customer retention in the banking industry used is CRM as independent variable and the customer retention as dependent variable.

Table 4.10 shows the regression results:

**Table 4.6 Regression Results of CRM on Customer Retention**

| Variables                        | Unstandardized     | T      | Sig. | Beta coefficients. B (S.E) |
|----------------------------------|--------------------|--------|------|----------------------------|
| (Constant)                       | .701 (.130)        | 5.308  | .000 |                            |
| Customer Relationship Management | .800 (.034)        | 23.340 | .000 | .846                       |
| R                                | .846               |        |      |                            |
| R Sq.                            | .715               |        |      |                            |
| Adj. R. Sq.                      | .714               |        |      |                            |
| F Statistic                      | 544.753***         |        |      |                            |
| Dependent variable               | Customer retention |        |      |                            |



**Source: Researcher's Field work, 2015**

The results from table 4.8 show that, the coefficient value for CRM was 0.800 showing a positive relationship on customer retention in the banking industry. All things being equal Customer retention would increase by 80% if there are 100% efficient CRM practices that are adopted by banks in Ghana to serve customer. This was statistically significant and CRM is making unique contribution to the prediction of customer retention because it has a significant value of 0.000 which is less than 0.05. However CRM could contribute about 84.6% to customer retention if the banks in Ghana adopt CRM practices diligently.

#### **4.7 Assessing The Mediating Role of CRM on the Effect of Quality Service**

##### **Delivery on Customer Retention**

A variable could be called a mediator to the extent that, it accounts for the relation between the predictor and the criterion (Baron and Kenny, 1986). The purpose of this study is to find out if this assertion is valid using data from banking industry in Ghana. There is partial mediation when customer retention occurs with or without CRM and full mediation where service quality will have to pass through CRM before customer retention can occur (Baron and Kenny, 1986). The Sobel test also test whether the indirect effect is significant because relying on the procedure as suggested by Baron and Kenny (1986) could be problematic. The bootstrap method as suggested by Preacher and Hayes (2008) and Zhao, Lynch and Chen (2011) for exploring mediating relationship were used in assessing mediating role of CRM. This approach was employed because according to current knowledge and literature, it permits the testing of indirect effects while compensating for a multivariate normality assumption

(Efron & Tibshirani, 1993; Hayes, 2009). The bootstrapping method is the preferred methods because it is the only test that does not violate assumption of normality.

In the bootstrap estimation procedure, when the confidence interval estimate of the indirect effect does not include zero (0), then it can be concluded that the indirect effect is significant and mediation is established (Zhao et al., 2011). The Preacher and Hayes (2008) script in SPSS was used using 10,000 replications. The variables used in the relationship have been explained below:

Dependent Variable = Customer Retention

Independent variable = Service Quality

Mediating Variable = CRM

Note that SQ= Service Quality CRM= Customer Relationship Management CR= Customer Retention

The results bootstrap analysis is shown in Table 4.11. The bootstrap results confirmed that there is a partial mediation after controlling for education, and Number of years the customer has been saving with a bank and taking 10,000 samples.

**Table 4.7 Bootstrap Analysis of Service Quality and Customer Retention with CRM as a Mediator**

| Variables     | Direct without Mediation (T Values) | Mediator              | Direct with mediator | Bootstrap result           | Indirect effect   |
|---------------|-------------------------------------|-----------------------|----------------------|----------------------------|-------------------|
| SQ-----<br>CR | .7194***<br>(21.2253)               | .8173***<br>(26.7778) | .3158***<br>(4.9849) | Lower .2486<br>Upper .5700 | Partial Mediation |

**\*p<0.05, \*\*p<0.01, \*\*\*p<0.001**

The result reveals a coefficient value of .7194 showing a positive relation with direct effect without mediation. This is statistically significant with a T value of 21.2253. The direct effect with the mediator scored a coefficient value of .3158 and statistically significant with a T value of 4.9849. The effect with a mediator scored a coefficient value of .8173 and statistically significant with a T value of 26.7778. The bias correlated confidence interval revealed a lower and upper value for total and CRM; .2486 and .5700 respectively. That is there is no possibility of it getting to zero meaning it is significant and confirm Baron and Kenny test. The indirect effect therefore results in CRM playing a partial mediation.

One can conclude that, there is a partial mediation between service quality and customer retention with CRM playing a mediating role. This means that, customer retention can be achieved through the delivery of quality service. However, CRM is very important as it also plays a significant role in determining customer retention.

The relationship between service quality and CRM is significant; between CRM and customer retention is also significant; and between service quality and customer retention is also significant resulting in partial mediation.

Literature suggests that CRM can play a mediating role between service quality and customer retention (Rizka, 2013). This is important because just delivering quality service alone does not guarantee customer retention but the ability to build a long lasting relationship with customers will enhance and maintain customer. Customers

want to feel good, be part of the relationship and feel important hence the ability of banks to make customers part of their success story through building relationships and delivering superior quality service will retain them in the long run. CRM practices must build in quality service delivery, the relationship between service quality and CRM is becoming stronger as both CRM and quality service influences customer retention.

Literature suggest that, customer retention techniques therefore tends to build a longterm commitment of both the customer and the firm to maintain the relationship for a long time through building superior and value relationship with the customer (Oyeniya and Abiodun, 2008).

## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS, RECOMMENDATIONS AND CONCLUSIONS**

#### **5.1 Introduction**

The chapter explains the summary of findings, a brief conclusion of the study and recommendations of the study.

#### **5.2. Ascertain the effect of Service quality delivery on customer retention among the selected banks in Ghana**

Service quality should be critical to the heart of organisation if they want to survive in the competitive business environment and make customers loyal. In assessing the effect of service quality on customer retention in the banking industry in Ghana, the study adopted regression analysis to assess the impact of the independent variables on the dependent variable. The independent variables used include process Management,



leadership, resource partnership Management, people management and policy and strategy and the dependent variable used was customer retention. Service quality had a strong relationship with customer retention in the banking industry with a correlation value of 0.820.

Process management showed a positive relationship on customer retention in the banking industry and was statistically significant in making any unique contribution to the prediction of customer retention. Leadership management showed a positive relationship on customer retention in the banking industry and was statistically not significant. Resources partnership management also showed a positive relationship on customer retention in the banking industry and was statistically significant in making any unique contribution to the prediction of customer retention. People management reveals a positive relationship on customer retention in the banking industry but was statistically not significant. Policy and strategies adopted by banks showed a positive relationship on customer retention in the banking industry and was statistically significant in making any unique contribution to the prediction of customer retention. However, in comparing the contribution of process Management, leadership, resource partnership Management, people management and policy and strategy on customer retention, process management makes the strongest contribution to explaining customer retention in the banking industry when the variance explained all other variables in the model is controlled for.

### **5.2.1 To ascertain the effect of Service quality delivery on CRM among banks in**

## **Ghana**

Service quality delivery is important as it will determine whether a customer is retained or spread good word of mouth about the company. The study assessed the effect of process management, resource partnership Management, leader people management and policy and strategy on CRM. It was realized that service quality had a strong relationship with CRM in the banking industry. Resources partnership management shows a positive relationship on CRM in the banking industry and was statistically significant making any unique contribution to the prediction of CRM. People management also showed a positive relationship on CRM in the banking industry and was statistically not significant thereby not making any unique contribution to the prediction of customer retention. Leadership management showed a positive relationship on CRM in the banking industry and was statistically significant making a unique contribution to the prediction of CRM. Policy and strategies adopted by banks also showed a positive relationship on CRM in the banking industry and was statistically significant making any unique contribution to the prediction of customer retention. Process management revealed a positive relationship on CRM in the banking industry and was statistically significant making any unique contribution to the prediction of customer retention. In comparing the contribution of process management, leadership, resource partnership Management, people management and policy and strategy on CRM, resource partnership management makes the strongest contribution to explaining CRM in the banking industry when the variance explained all other variables in the model is controlled for.

## **5.2.2 To evaluate the effect of CRM on customer retention among banks in**

### **Ghana**

CRM plays a critical role when it comes to customer retention the study assessed the effect of CRM on customer retention in the banking industry. CRM show a positive relationship on customer retention in the banking industry. All things being equal customer retention would increase when there exist efficient CRM practices that are adopted by banks in Ghana to serve customers. This was statistically significant and CRM is making unique contribution to the prediction of customer retention because it has a significant value of 0.000 which is less than 0.05. However CRM could contribute about 84.6% to customer retention if the banks in Ghana adopt CRM practices diligently.

## **5.2.3 To assess effect of quality service delivery on customer retention through the use of CRM practices in the banking sector in Ghana**

The Sobel test was also conducted to test whether the indirect effect is significant because relying on the procedure as suggested by Baron and Kenny (1986) could be problematic. The bootstrap method as suggested by Preacher and Hayes (2008) and Zhao, Lynch and Chen (2011) for exploring mediating relationships were also used in this study to confirm the test by Baron and Kenny (1986). Findings revealed that, there is a partial mediation between service quality and customer retention with CRM playing a mediating role. The relationship between service quality and CRM is significant; between CRM and customer retention is also significant; and between service quality and customer retention is also significant resulting in partial mediation. Barron and Kenny suggest it, Sobel result supports it and bootstrap method confirms it.

### **5.3 Conclusion**

The banking industry has undergone rapid changes that are engineered by keen competition. Delivering service quality alone is sufficient but effective CRM practice will help banks in their customer retention efforts. There is a need for banks to use effective policy and strategy, good leadership, resources and partnership, people management skills and process management in serving their customers. The purpose of the study was to assess the effect of service quality on customer retention, mediating role of CRM. It is evident that the as far as customer retention is concern, CRM plays a mediating role in ensuring that customers are retained by banks. There is therefore the need for banks to critically adopt efficient CRM strategies to enhance customer service efforts and this will reflect on how customers remain loyal and hence ability to compete favourable in the banking sector in Ghana.

### **5.4 Recommendations**

The following recommendations are worth considering based on the study.

Firstly, there should be constant improvement in service delivery processes to shorten the process customers go through in the course of their banking transaction. This is because process management is statistically significant and predicting customer retention

Secondly, CRM practices should be intensified through a good database management system due to the mediating role it plays in customer retention efforts.

Thirdly, organizational policies and strategies should be customer oriented since it has a positive relationship and statistically significant in predict customer retention.



Additionally, banks should constantly review and improve on the customer relationship practices that are currently in place to build stronger and fruitful relationship with their customers.

Again, the researcher also suggest that for business customers, management should pay regularly visits to the business“ premises in order to offer them ideas especially on the judicious use of their finances.

A close relationship with customers will require a strong coordination between information technology and marketing department to provide long term retention of some selected customers through the development of IT based banking products to meet the needs of the selected customers.

It is considerably more profitable to maintain existing customers than acquiring new ones; banks in Ghana should therefore consider and apply the 80/20 rule in relationship management, also known as the “Pareto principle”, the “principle of factor sparsity” and the “law of the vital few”, that is banks should concentrate on the effectively managing the relationship of 20% of the customer base as the 20% will contribute 80% of the profits of the banks. This principle aims at the efficient application and utilization of inputs or resources for optimum output.

Finally, customer retention can be attained by delivering extra ordinary customer service through CRM, the pursuit of excellent customer service to keep customers

satisfied and retained and leading to a positive word of mouth about the organization leading to increased patronage and consequently profitability and shareholder value.

# KNUST

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**APPENDIX**

**QUESTIONNAIRE FOR CUSTOMERS**

**KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY**

**SCHOOL OF BUSINESS**

This research is being undertaken as part of the requirement for the award of an MBA in Marketing. The study seeks the impact of Service Quality Delivery on Customer Retention in the Banking industry in Ghana, the mediating role of Customer Relationship Management. The research is strictly for academic purposes, hence information volunteered would be held in high confidentiality. I shall be grateful if you could take a few minutes of your time to answer the following questions.

*Please tick (✓) the appropriate response that best answers each question*

**PART A Personal Data**

1. Gender: Male  Female
2. Age: Under 20 years  21-30 years  31-40 years  41-50 years   
51years and above
3. Highest Educational Level: PhD  Masters Degree  First Degree   
HND  SSCE/MSLC  Others, specify .....
4. What is your occupation?  
Government worker  Self Employed  Student  Unemployed   
Private Sector worker  Other, please specify.....
5. How long have you been saving with your bank ?  
Under 2 years  2-4 years  5-7 years  8 years and above

**PART B**

### Assessing service quality practices of my bank

From the statement below, please indicate your level of agreement or disagreement to the following statements. Please use the scale below

**1=Strongly disagree 2=Disagree 3=Neutral 4=Agree 5=Strongly agree**

|          | Assessing service quality dimension  | 1 | 2 | 3 | 4 | 5 |
|----------|--|---|---|---|---|---|
| <b>A</b> | <b>Resource and Partnership management</b>   |   |   |   |   |   |
| 6        | My bank utilizes modern resources that effectively deliver service quality   |   |   |   |   |   |
| 7        | My bank applies resources effectively to support policy and strategy   |   |   |   |   |   |
| 8        | My bank directs resources towards corporate social responsibilities rather than ad hoc circumstances.                |   |   |   |   |   |
| 9        | My bank deploys information in a way that enables it to deliver quality service                                      |   |   |   |   |   |
| 10       | My bank has excellent organizations plan to manage external partnership such as suppliers.                           |   |   |   |   |   |
| <b>B</b> | <b>People management</b>   |   |   |   |   |   |
| 11       | My bank inculcate TQM in its operations thereby empowering employees to offer quality service to customers           |   |   |   |   |   |
| 12       | My bank develops and releases the full potentials of its employees on individuals, teams and groups they serve       |   |   |   |   |   |
| 13       | My bank employees possess effective communication skills, empowerment, proper training and team cohesion             |   |   |   |   |   |
| <b>C</b> | <b>Leadership</b>  |   |   |   |   |   |
| 14       | My bank implementation of total quality management helps facilitate the achievement of the mission and vision.       |   |   |   |   |   |
| 15       | My bank involves the board and chief executive in quality actives, hands on ownership and skills development         |   |   |   |   |   |
| 16       | My bank involves the full engagement in improvement and commitment to quality in all aspect of the organization      |   |   |   |   |   |
| <b>D</b> | <b>Policy and Strategy</b>   |   |   |   |   |   |
| 17       | My bank develops customer focused strategy that takes into account the market and sector in which it operates.       |   |   |   |   |   |
| 18       | My bank constantly delivers its services against key dimensions of quality service/initiatives                       |   |   |   |   |   |
| 19       | My bank communicates its strategy and policy across the entire market  |   |   |   |   |   |
| 20       | My bank evaluates its policy and strategy based on comparison with competitors in line with best practices available |   |   |   |   |   |
| <b>E</b> | <b>Process management</b>  |   |   |   |   |   |

|    |  |  |  |  |  |  |
|----|--|--|--|--|--|--|
| 21 | My bank continuously identifies, reviews and revises all value adding activities to ensure continuous improvement of the bank's operations |  |  |  |  |  |
| 22 | My bank customers/stakeholders outlines a proper design, management and improvement of its processes                                       |  |  |  |  |  |
| 23 | My bank has a systematic process design that constantly reviews products and processes to satisfy all stakeholders                         |  |  |  |  |  |
| 24 | My bank has high concern to customer relations   |  |  |  |  |  |

**PART C Customer Retention Strategies adopted of my bank** From the statement below, please indicate your level of agreement or disagreement to the following statements. Please use the scale below

**1=Strongly disagree 2=Disagree 3=Neutral 4=Agree 5=Strongly agree**

| <b>I will forever stay with my bank because.....</b> |  | 1 | 2 | 3 | 4 | 5 |
|--|--|---|---|---|---|---|
| 25   | My bank creates value processes such through its ability to sell credible promises, ability to deliver the promise and learn from transactions |   |   |   |   |   |
| 26   | My bank creates strong bonds that bind the customers to the Bank   |   |   |   |   |   |
| 27   | My bank thoroughly monitors and evaluate its relationship with customers by the help of relationship surveys and customer databases            |   |   |   |   |   |
| 28   | My bank organizes periodical customer loyalty programs to retain customers   |   |   |   |   |   |
| 29   | My bank has effective recovery systems in order to maintain its relationship with customer   |   |   |   |   |   |

**PART D CRM practices of my Bank**

From the statement below, please indicate your level of agreement or disagreement to the following statements. Please use the scale below

**1= Strongly disagree 2=Disagree 3=Neutral 4=Agree 5=Strongly agree**

| <b>I have a relationship with my bank because .....</b> |   | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|---|
| 30  | My bank provides excellent customer service in order to build strong customer relationship management |   |   |   |   |   |



|    |   |  |  |  |  |  |
|----|---|--|--|--|--|--|
| 31 | My bank uses mutual connection and communication to build strong relationship with customers                                      |  |  |  |  |  |
| 32 | Management of My bank plans and regulates the company in the most appropriate and economical way by meeting the aims of a company |  |  |  |  |  |
| 33 | My bank finds ways to maintain my through long standing relationships   |  |  |  |  |  |
| 34 | My bank build a long term relationship with me and my bank won my trust   |  |  |  |  |  |
| 35 | My bank consider the problems that confront me and tried to address them  |  |  |  |  |  |
| 36 | I say good things about my bank because the good relationship I have with them  |  |  |  |  |  |
| 37 | My bank remembers my birthday and sends me a message or gift  |  |  |  |  |  |
| 38 | All my banking problems are been solve by my bank so I forever be with them   |  |  |  |  |  |

What recommendations will you give to your bank with respect to service quality delivery, customer relationship management and customer retention strategies?

.....  
 .....

**INTERVIEW GUIDE FOR MANAGEMENT**

**KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY**

**SCHOOL OF BUSINESS**

The purpose of this survey is to obtain in-depth information on the impact of Service Quality Delivery on Customer Retention in the Banking industry in Ghana, the mediating role of Customer Relationship Management. All information obtained from you will be used for academic purposes and held confidentially since it is linked to a project in partial fulfillment of a Masters of Business Administration (Marketing option) at the Kwame Nkrumah University of Science and Technology.

Please answer the following questions by filling the spaces provided against the questions below.

**PART A Personal Data**

1. Gender Male [ ] Female [ ]
2. Highest Educational Level Diploma/HND [ ] First Degree [ ]  
Masters Degree [ ] Doctorate [ ] Others, please specify.....
3. Which department do you work and your position? .....
4. How long have you been working for this bank.....
5. How long have you been in your current managerial position.....

**PART B Quality Service Delivery**

6. What activities does your bank undertake to provide your customers with quality service in the areas of:
  - Resources and Partnership management  
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  - Management of employees  
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  - Leadership  
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  - Policy and Strategy  
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  - Process management  
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**PART C      Customer retention trends at your bank**

7. What customer retention practices are carried out at your bank.

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8. What has been the trend in customer retention for the past five (5) in your bank's operation?

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9. What in your opinion accounted for the customer retention trends for the past 5 years?

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10. What are the customer relationship practices have you been practicing to retain your customers?

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11. What recommendations would you give for the achievement of customer retention through customer relationship management?

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*Thank you for your cooperation.*

# KNUST

