Customer Relationship Marketing and its Influence on Customer Retention: A Case of Commercial Banking Industry in Tanzania

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Abstract

This study investigated the extent to which customer relationship marketing influences customer retention with commercial banks in Tanzania. It assessed how the antecedents of relationship marketing notably customers’ trust, commitment, satisfaction and relationship influence customers’ retention with their commercial banks. Cross-sectional survey method was used to collect data by using the questionnaires. The Chi-Square was used to judge the variation of observed variables in explaining the latent variables. Multiple regressions were employed to give the conclusion for the stated hypotheses. From the study, a satisfied customer will not always enter into a long-term relationship with the firm. However, the committed customer with degree of trust enters into a long-term relationship with the firm. The results suggest that, a long-term customer-organization relationship is crucial in creating longer-term customer retention.

Keywords: Customer Relationship marketing (CRM), trust, commitment, satisfaction, customer retention.
1. Introduction

Many commercial banks have been facing severe competition and major customers’ switch off. Lack of customer retention has not been profitable for both the banks and their clients. In the past, many companies took their customers for granted. Customers often didn’t have any alternative suppliers because the market was growing so fast and competition was very low such that the company didn’t worry about fully satisfying its customers. A company could lose 100 customers a week, but gain another 1000 customers and considers its sales to be satisfactory. Such a company believes that there will always be enough customers to replace the defecting ones (Kotler et al., 2001). However, banks today are working in a highly competitive and rapidly changing work environment, with not only competing among each other but also competing with non-banks and other financial institutions. Most bank product developments are easy to duplicate and they provide nearly identical services (Caroline et al., 2014). Therefore it is easy for customers to switch from one bank to another. In such kind of environment, banks need to employ the marketing strategies which can enable them not only to attract new customers but also retain the existing ones. Customer retention is important to most companies because the cost of acquiring a new customer is far greater than the cost of maintaining the existing customer (Ro-King, 2005). Kotler (2006) insists that acquiring new customers can cost five times more than the costs involved in satisfying and retaining the current customers and that the customer profit rate tends to increase over the life of the retained customer. Thus, one strategic focus that banks can implement to remain competitive would be to retain as many customers as possible. To be successful in this, banks need to adopt a strategy of superior relationship marketing, because clients focus on the service aspect and interaction with the service provider when evaluating a service firm.

The objective of CRM is to build customer loyalty by creating and maintaining a positive attitude toward the company (Thanban, 2013). When a bank claims to be practicing relationship marketing, it signifies that it has undertaken an organization wide strategy to manage and nurture its interaction with clients and sales prospects (Keshvari et al., 2012). Relationship marketing is not only at the customer service point or at relationship manager level but at every point in the organization. Firm–client relationships in service industries are important as they influence the satisfaction, support and retention of banking clients (Rootman et al., 2011). Proper relationship marketing may result in lower marketing costs, enhanced customer satisfaction, customer loyalty and possibly increases customer retention levels for banks (Bergeron et al., 2008). If banks focus on relationship marketing, clients may receive benefits, customized offerings, empathy, appreciation, friendliness, communality, decreased prices as well as experiencing feelings of trust the firm and customer satisfaction (Rootman et al., 2011).
Several studies have been done on customer retention (Rootman, 2011; Ondieki, 2012; Anani, 2013; Nwankwo, 2013; Msoka, 2014). Studies in Tanzania include that of (Ondieki, 2012), which attempted to examine factors determining bank section and retention, and found out that the ownership of the bank and newness of the bank do not determine the bank selection and later retention by corporate customers, but rather bank services being offered, convenience of bank location, aggressive promotion and the ability to meet customers’ demand as well as good public image. In the study of relationship marketing and customer retention for South African banks (Rootman et al., 2011), revealed that six banking service delivery variables influence banks’ customer retention including fee structures and the ethical behaviour of banks. On the other (Anani, 2013), found that service quality and switching barriers were significantly and positively associated with customer retention. Also, (Nwankwo, 2013) found that customer relationship management positively influences customer retention in the insurance industry, and thus helps create values for insuring populace in Nigeria. Alternatively, (Caroline et al., 2014) conducted the study on determinants of customer retention in commercial banks in Tanzania and discovered that academics need to incorporate quality of products provided by the banks together with pricing of banks products in customer retention models. From those few cited studies, it true that most business models support mass marketing, mass production, and standardized products and services. Companies that continue to rely and operate on this obsolete model will fall behind the competition (Abraham, 2011). The reasons for this development are several but include the following: more sophisticated and knowledgeable customers, dramatic changes in technology, the rise of competition, and declining product differentiation in the global business environment. Over the years many commercial banks in Tanzania have failed to retain its customers. The customers are switching from one bank to another and thus causing a steady drop in the number of repeat purchases (Wanzagi, 2014). This can be attributed to the failure to embrace relationship marketing. Without delivering customer satisfaction, customers of commercial banks will continue to defect from one bank to another and this has the cost implication not only to the customer but also the bank itself (Caroline et al., 2014).

From above literatures, switching off customers has been a challenge among the banks. It appears that no harmony on the best ways of retaining the customers. This research intended to fill this gap by investigating the extent to which customer relationship marketing influences customer retention with their commercial banks in Tanzania. It focused on finding out how the antecedents of relationship marketing notably customers’ trust, commitment, satisfaction and relationship influence customers’ retention with their commercial banks. The researcher assumed that by establishing, developing, and maintaining successful relational exchanges, banks could sustainably retain their customers.
2. Research Objectives

1. To assess the extent to which customers’ trust influences their commitment to commercial banks in Tanzania.
2. To assess the extent to which customers’ satisfaction influences their commitment and retention with commercial banks in Tanzania.
3. To assess the extent to which customers’ commitment influences their relationship with commercial banks in Tanzania.
4. To assess the extent to which relationship influences retention with commercial banks in Tanzania.

3. Literature Review

3.1 Theoretical review

Basing on the stated objectives, an intensive literature review was conducted regarding the strategies of promoting the banks’ products and retaining the customers. Variables that could possibly influence relationship marketing and customer retention including trust, commitment and satisfaction were identified.

3.1.1 Trust

The first factor that affects customer commitment and hence relationship with the bank is considered to be customer trust. Trust is defined as “confidence in an exchange partner’s reliability and integrity (Morgan et al., 1994).” In business, trust refers to the confidence that one partner, the customer, has in the business’s reliability and integrity to deliver goods and services (Proctor, 2000). Trust relates to the belief that a customer has in an honest investment and engagement with the service provider (Peltier et al., 2006). In the banking context, trust is defined as customer confidence in the quality and reliability of the services offered by the organization (Garbarino et al., 1999). To develop an exchange partner’s trust in a business relationship, a service provider must consistently meet the expectation of competent performance. Confidence in one’s reliability and integrity in exchange relationships are important enough to warrant maximum efforts at maintaining those (Morgan et al., 1994). Thus, trust exists if a customer believes a service provider is reliable and has a high degree of integrity (Keshvari et al., 2012). Loyalty will occur if the customers truly trust the bank they make transaction. Bank should focus on how to provide satisfaction on customer; if it is achieved, it will cause customer trust on the bank, then in a long term it will create customer loyalty. It becomes the moral values that are established to enhance their business relationship between banks and customers. Prior studies find trust to be the core of the relational approach and consider it key to the development of the notion of commitment in provider-user relationships (Ratnasingam et al., 2003). Trust is also considered as a key element in
establishing long-term relationships with customers and in maintaining a company’s market share (Urban et al., 2000).

3.1.2 Commitments

Commitment is a vital component for building a successful long-term relationship (Morgan et al., 1994). Commitment is defined as “an enduring desire to maintain a valued relationship” (Palmer et al., 1996). Similarly, (Morgan et al., 1994) defined commitment as “an exchange partner believing that an ongoing relationship with another is so important as to warrant maximum efforts at maintaining it”. The same is supported by Berry and Parasuraman (1991) who argue that “relationships are built on the foundation of mutual commitment”. Without commitment there is no relationship, if it is to be cemented for a longer time. The reasoning is that without high commitment of the customers, it will not bring about customer loyalty. Besides, customer satisfaction influences the customer commitment and thus enhances customer loyalty (Zafar, 2012).

3.1.3 Customer Satisfaction

Customer satisfaction can be defined in many ways, one of which is “a person’s feeling of pleasure or disappointment from comparing a product’s perceived performance (or outcome) in relation to his or her expectations (Kotler, 2000). Customer satisfaction is a complex process of various aspects, which operate in a coherent manner and form attitudes of customers towards a banking industry. Customer satisfaction is a satisfied feeling toward the performance of product/service after they consume or use it (Belás, 2014). In the process of forming customer satisfaction, the economic factors, emotional attitudes, and habits of consumers are acting. According to (Chavan et al., 2013), bank business depends very much on the quality of the customer service provided and overall satisfaction of customers. The former, (Chavan et al., 2013) have further defined eight of the most important attributes of satisfaction: paying individual attention to each client, personnel behavior inducing customer trust, attractive bank equipment, zero fees for issuing checks, zero error records, the possibility of online banking, security of transactions, helpful staff, and readiness of staff to answer to customer requirements regardless of occupancy. A satisfied customer is willing to use the same product despite of the change in price and time (Fraering et al., 2013).

3.1.4 Customer Retention

Every organization needs to know how to retain its customers, even if they appear to be satisfied. Retention rate leads to higher net present value of customers. Another study by (Reichheld et al., 1990), has quantified the significance of customer retention. They found that profits in service industries, increased in direct proportion to the length of a customer’s relationship and that a 5% improvement in customer retention increased the average customer value by 125%. At least 75% of an organizations marketing budget has to be spent on customer retention strategy and strengthening relationship (Weinstein, 2002). Customers are
retained if customer service quality and satisfaction are improved (Parasuraman et al., 2002). Behavioral intentions are very important to understand whether customers will remain or defect from a company (Anani, 2013). These behavioural intentions will be influenced by service quality (Parasuraman et al., 2002). Service quality can increase customer loyalty, retention and improved business performance (Ennew and Binks, 1996). An empirical study conducted by (Nwankwo, 2013) using evidence from the Nigerians banking sector and its small business customers found that there is a positive impact of service quality on customer loyalty and retention. The study conducted in Tanzanian banks by (Caroline et al., 2014) discovered that academics in need to incorporate quality of products provided by the banks together with pricing of banks products in customer retention models. In this view, customer retention is extremely vital for business to remain competitive. It has recently become more significant compared to customer acquisition.

3.2 Competing Models on Customer Retention

The first model which is relevant to this study is the relationships between constructs impacting customer retention by Cohen (1997) in the study of a survey of customer retention in the New Zealand banking industry. This model was empirically used to examine the potential constructs in customer retention by investigating the chain of effects of retention from customer satisfaction, customer value, corporate image, switching barriers to competitive advantage. The predictive relationship between or among variables has been summarized by the model in figure 1.

Fig.1. Research Model of the Relationships between Constructs Impacting Customer Retention
In general, all of the hypotheses tested were supported by the above prediction except that a higher level of customer satisfaction does not necessarily lead to customer loyalty. This finding supports Hotchkiss’s (1995) study who found that consumers can be highly satisfied but still leave their service providers. The model however, didn’t touch relationship marketing of which this study covered.

The second model of customer retention was formulated by Hennig-Thurau (1996) which based on *Reflections on the State-of-the-Art of the Relational Concept*. According to him, four factors that influence customer retention include closeness to the customer, the profit which a firm is getting, security and customer independence. The model is:\n\[ C = f (Cl, P, S, I) \]; Where:\n* C = Customer retention, Cl = Customer closeness, P = Profit which the company gets, S = Security that a customer feels to have in his/her firm and I = Independence of the customer. However, the model does not exhaust all the factors such as trust, satisfaction and commitment which this researcher felt that they are core to customer retention. In addition, the research was done in the past fifteen years and in Hanover.

### 3.3 Cited Empirical Studies on Customer Retention

The study conducted by Zeithaml *et al* (1996) on *The Effect of Service Quality on Customer Retention* examined customer retention and defection from an organization in the context of customer service quality. The study concluded that the better a company’s service-quality scores were, the higher the loyalty and pay more intentions were, and the lower the switch and external responses were. However, they noted that the relatively few customers had left their service firms despite of good service quality. This means that service qualities alone are not the only factors that retain customers in the firm. Another study by Morgan and Hunt (1994) on *Influence of Customer Trust and Commitment on Long-term Relationship*, found that successful relationship marketing requires relationship commitment and trust. However, other constructs of relationship marketing such as customer satisfaction, commitment and relationship were not also included in that research. This research must include them to fill up the gap.

Furthermore, Cohen *et al.*, (2006) did the study by empirically examining the potential constructs in customer retention in the New Zealand banking industry by investigating the chain of effects of retention from customer satisfaction, customer value, corporate image, switching barriers to competitive advantage. This finding was that consumers can be highly satisfied but still leave their service providers. Hence from that results it clearly shows that satisfaction only is not enough and a satisfactory factor to retain customers. In addition, the gap still exists since the researcher did not observe other constructs such as trust and commitment which actually may have the profound effects on customer retention.

Another study was done by Onditi ( 2012) on *Implications of Service Quality on Customer Loyalty in the Banking Sector* in Homabay County, Kenya and revealed that it is
possible to increase customer loyalty by about 4.6% through manipulating quality of service. The study contributes to the validation of the determinants of customer loyalty. Similarly, Auka (2013) investigated the relationship between service quality dimensions and customer loyalty in Retail Banking in Kenya. The results indicated that all the dimensions of service quality had the positive and significant influence on customer loyalty in retail banking. Msoka et al., (2014) investigated the “Determinants of Customer Retention in Commercial Banks in Tanzania”. The study discovered that academics need to incorporate quality of products provided by the banks together with pricing of banks products in customer retention models. For Bank of Tanzania, there is a need to expand monitoring and include quality of the products provided by banks to determine the sustainability of banking industry. Again, Elly (2010), conducted the study on “Service Quality and Customers Retention in Tanzania Commercial Banks”, with the purpose of investigating the link between service quality and customers loyalty. The research findings revealed that the overall service quality provided by the commercial banks had a direct relationship with customer loyalty. However, despite of improving bank services still other customers could leave the particular bank (Auka, 2013 and Elly, 2010). From the four researchers still there is a contradiction on the best strategies which can be applied to retain customers since it seems that maintaining service quality alone is not a sufficient factor.

3.4 Conceptual Framework and Hypotheses

From above literature review, the model was developed to show how the series of independent variables are related with the dependent variable. The overall assumption was that the degree of commitment will depend on degree of customer satisfaction and trust on products and services. A satisfied and committed customer with a degree of trust will enter into a long term relationship with sellers. A long term buyer-seller relationship is very important to create longer term customer retention. The following research proposed model figure 2 summarizes all 5 stated hypotheses by showing how the antecedents of customer relationship marketing influence each other and the overall effect on customer retention.

**Figure 2: CRM and its influence on customer retention**

[Diagram of CRM and its influence on customer retention]

Source: Researcher, 2015
The stated hypotheses

H₁: There is a positive relationship between customers’ trust and their commitment. The main underlying assumption is that the higher the trust, the higher the commitment in using the bank services. Morgan and Hunt (1994) stated that trust was a major determinant of relationship commitment.

H₂: There is a positive relationship between customers’ satisfaction and their commitment. The assumption is that a satisfied customer is likely to be committed in using the bank service. A satisfied customer is committed towards the organization and a committed customer is not only loyal but demonstrates that loyalty by telling others (Heskett, 2002).

H₃: There is a positive relationship between customers’ commitment and their relationship. The assumption is that a customer who is committed is likely to have a good relationship with that bank. Commitment is a vital component for building a successful long-term relationship (Gundlach et al., 1995). Berry and Parasuraman (1991) stated that “relationships are built on the foundation of mutual commitment”.

H₄: There is a positive relationship between customers’ satisfaction and their retention. The assumption is that building a good relationship with the customer means retaining that customer. Customer satisfaction has been and still is regarded as a fundamental determinant of long-term consumer behaviour (Yi, 1990). The more satisfied customers are, the greater is their retention (Anderson et al., 1993).

H₅: There is a positive relationship between customers’ relationship and their retention. The assumption is that higher the level of relationship, the higher the level of customer retention. Personal relationships between sales persons and customers contribute to customer retention (Reichheld et al., 2000).

4. Research Methodology

According to Kothari (1990), a research methodology refers to a systematic way applied to solve a research problem. This part describes the research design and study area, sampling size and research instruments as well as data analysis.

4.1 Research design and population of the study

The analysis of customer relationship marketing and its influence on customer retention in Tanzania commercial banks was done and all variables necessary to explain the phenomena were considered. The study was descriptive type (cross sectional study) with the main objective of acquiring the knowledge to the subject matter and it involved largely quantitative approach and hypotheses were statistically tested. The target population for the study was from actual customers of only six (6) commercial banks operating in Tanzania. These banks were Barclays Bank (T) Ltd, Diamond Trust Bank (T) Ltd and National Bank of Commerce Ltd. Others were National Microfinance Bank Ltd, CRDB Bank Ltd, and Akiba Commercial
Banks Ltd. The selected banks are both local and international and have branches all over Tanzania. Actual customers were selected by probabilistic sampling. Specifically, multi-stage area sampling was undertaken in which the regions selected in the first step were divided into districts and from those districts the required banks were randomly selected. The sample included different gender, ages and levels of education so as to get the good representative data (Refer to Table 1).

Table 1: Distribution of Sample size-Source: Researcher 2015

<table>
<thead>
<tr>
<th>Gender</th>
<th>Number</th>
<th>Primary</th>
<th>Secondary</th>
<th>Certificate</th>
<th>Diploma</th>
<th>Degree</th>
<th>Masters</th>
<th>PhD</th>
<th>Lower</th>
<th>Medium</th>
<th>Higher</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>120</td>
<td>6</td>
<td>10</td>
<td>20</td>
<td>30</td>
<td>31</td>
<td>20</td>
<td>3</td>
<td>55</td>
<td>30</td>
<td>35</td>
</tr>
<tr>
<td>Female</td>
<td>80</td>
<td>4</td>
<td>5</td>
<td>10</td>
<td>20</td>
<td>29</td>
<td>10</td>
<td>2</td>
<td>35</td>
<td>30</td>
<td>15</td>
</tr>
<tr>
<td>Total</td>
<td>200</td>
<td>10</td>
<td>15</td>
<td>30</td>
<td>50</td>
<td>60</td>
<td>30</td>
<td>5</td>
<td>90</td>
<td>60</td>
<td>50</td>
</tr>
</tbody>
</table>

4.2 Sample size

Two hundred (200) respondents were involved which was calculated by using the formula:

\[ n = \frac{Z^2 \cdot pq}{d^2} \]  

where \( n \) is the sample size, \( Z \) is the standard variate which is 1.96 for a 95% confidence level, \( p \) is the proportion in the largest population which is 50%, \( q \) is \( 1-p \) and \( d \) is the degree of accuracy, set at 0.05. Then, \( n = (1.96)^2 \times (0.5 \times 0.5)/ (0.05)^2 = 384 \). Saunders et al. (2007) recommends that, as rule of thumb a minimum sample size of 30 is acceptable for statistical analysis. In this study therefore, a sample of 200 was viewed as adequate and appropriate instead of 384.

4.3 Types of data and research instruments

Cross-sectional survey method was used to collect primary data by using the questionnaires. Questionnaires were designed by including independent variables. In order to get the opinion of the respondents, five points Likert- scale type of questions were used The clients were surveyed at the bank halls of commercial banks while depositing, withdrawing or making other banking transactions and asked to fill in the questionnaires. Two hundred questionnaires were randomly distributed to 210 actual customers but 186 were successfully
collected. However, only 179 questionnaires were successfully cleaned, coded and entered in
the computer for analysis.

4.4 Data analysis

Data from questionnaire were analyzed by Statistical Package for Social Sciences (SPSS)
because it is user friendly and widely accessible (Lugumiliza, 2012). Descriptive analysis in
which tabulation, frequencies and percentages were used since this method aims at assessing
the spread and association of variables in the database in order to present the findings
(Tundui, 2012). Chi-square test was used to show how observed variables explain the latent
variable for each hypothesis. Since the study tried to investigate a series of relationship in the
casual model among many independent variables against one dependent variable, multiple
regression analysis was correctly applied as test statistical in testing the stated hypotheses.
Given a dependent variable, the linear multiple regression estimates constants $B_1, B_2, B_k$ and
$A$ such that the expression $Y=\beta_1 X_1 + \beta_2 X_2 + \ldots + \beta_k X_k + A$, provides a good estimate of
individual’s $Y$ score based on the $X$ scores (C.R. Kothari, 2004). Thus, the regression analysis
to test hypotheses is as follows:

$$y_i = \alpha + \beta_1 X_1 + \beta_2 X_2 + \ldots + \beta_k X_k + \varepsilon$$

Where: $y$ is the dependent variable, $\alpha$ is the $y_i$ intercept in regression, $X_i$=coefficient of regression and $\beta_i$ is net change in $y$ for each unit change in independent variable.

4.5 Test of Reliability and Validity

Reliability is the quality of consistency or replicability of a study or measurement
(Kothari, 2009). It explains the degree to which observed scores are free from errors of
measurement. Reliability is an essential pre-condition for validity and can be estimated in one
of four ways: Internal consistency (typically Crobanch’s alpha), split-half reliability (the
Spearman- Brown coefficient), test –retest reliability and inter-rater reliability. Test results for
reliability were done as shown in Table 2.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Trust on commitment</th>
<th>Satisfaction on commitment</th>
<th>Commitment on relationship</th>
<th>Satisfaction on retention</th>
<th>Relationship on retention</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alpha Coefficient</td>
<td>0.922 N=9</td>
<td>0.9303 N=5</td>
<td>0.9180 N=4</td>
<td>0.9135 N=5</td>
<td>0.9286 N=5</td>
</tr>
</tbody>
</table>

Crobanch’s alpha, which is the common form of internal consistency reliability coefficient,
was used in this study. By convention, a cut-off 0.60 is common in descriptive research; alpha
should be at least 0.70 or higher to retain an item in “adequate “scale (Hair et al., 1995). All
Crobanch’s value in this study are greater than 0.60 and thus prove the study to have higher
reliability.

Validity refers to ability of an instrument or research study to measure what it claims to
measure (Alreck et al., 2004). The survey instrument for the study was examined for face and
content validity. In order to obtain validity and reliable measures of the variables, previously validated scales were used for all of the constructs involved in this study. In order to be valid the measure must be free from extraneous factors that systematically push or pull the results in one particular direction. Several measures were taken to ensure representatives of the sample, and in particular sample frame and heterogeneity of commercial banks from semi-government owned, local private banks to international banks.

### 5. Empirical Results Using Chi-Square

Hypotheses H₁, H₂ and H₃ were statistically tested using Chi-Square to judge the variation of observed variables in explaining each latent variable and the results were as indicated in Tables 3.

#### Table 3: Source, Researcher 2015

<table>
<thead>
<tr>
<th>Variables</th>
<th>Gender</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Male</td>
<td>Female</td>
<td>Total</td>
<td></td>
</tr>
<tr>
<td><strong>Influence of Customers’ Trust on their Commitment to the bank</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low</td>
<td>29 (40%)</td>
<td>44 (60%)</td>
<td>73 (40.78%)</td>
<td></td>
</tr>
<tr>
<td>Moderate</td>
<td>32 (60%)</td>
<td>23 (40%)</td>
<td>55 (30.72%)</td>
<td></td>
</tr>
<tr>
<td>High</td>
<td>34 (67%)</td>
<td>17 (33%)</td>
<td>51 (28.49%)</td>
<td></td>
</tr>
<tr>
<td>Total Respondents Based on Gender</td>
<td>95 (53.07%)</td>
<td>84 (46.92%)</td>
<td>179 (100%)</td>
<td></td>
</tr>
<tr>
<td>Pearson Chi-square=9.582, df=2, p=.008</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Influence of customers’ Satisfaction on their commitment to using bank’s services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low</td>
<td>26 (40%)</td>
<td>39 (60%)</td>
<td>65 (36.31%)</td>
<td></td>
</tr>
<tr>
<td>Moderate</td>
<td>30 (56%)</td>
<td>24 (44%)</td>
<td>54 (30.16%)</td>
<td></td>
</tr>
<tr>
<td>High</td>
<td>39 (65%)</td>
<td>21 (35%)</td>
<td>60 (33.51%)</td>
<td></td>
</tr>
<tr>
<td>Total Respondents Based on Gender</td>
<td>95 (53.07%)</td>
<td>84 (46.92%)</td>
<td>179 (100%)</td>
<td></td>
</tr>
<tr>
<td>Pearson Chi-square=8.02, df=2, p=.018</td>
<td></td>
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<td></td>
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<tr>
<td><strong>Influence of Customers’ Commitment on their Relationship with the bank</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low</td>
<td>25 (41%)</td>
<td>36 (59%)</td>
<td>61 (34.07%)</td>
<td></td>
</tr>
<tr>
<td>Moderate</td>
<td>38 (55%)</td>
<td>32 (45%)</td>
<td>70 (39.10%)</td>
<td></td>
</tr>
<tr>
<td>High</td>
<td>32 (67%)</td>
<td>16 (33%)</td>
<td>48 (26.81%)</td>
<td></td>
</tr>
<tr>
<td>Total Respondents Based on Gender</td>
<td>95 (53.07%)</td>
<td>84 (46.92%)</td>
<td>179 (100%)</td>
<td></td>
</tr>
<tr>
<td>Pearson Chi-square=7.182, df=2, p=.028</td>
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</table>
H1: Influence of customers’ trust on their commitment to commercial banks. The study intended to investigate the extent to which customers’ trust influences their commitment towards commercial banks in Tanzania. The hypothesis had been stated as: *There is a positive relationship between customers’ trust and their commitment to commercial banks in Tanzania.* From Table 3, 40.78%, 30.72% and 28.49% of the respondents argued that trust has the low, moderate, and high influence on their commitment to the bank services respectively. On the other hand, the Chi-square values for observed trust variable (9.582) was higher than table value of 5.991 at 2 degrees of freedom with significant levels of 0.008 which is less than the critical value of 0.05 (p<0.05). Hence all the indicators of trust are significant in explaining the latent variable commitment.

H2: Influence of Customers’ Satisfaction on Their Commitment to Commercial Banks. The study intended to investigate the extent to which customers’ satisfaction influences their commitment with commercial banks in Tanzania. The hypothesis had been stated as: *There is a positive relationship between customers’ satisfaction and their commitment to commercial banks in Tanzania.* From Table 3, the statistics show that 36.31%, 30.16% and 33.51% of the respondents argued that satisfaction has the low, moderate and high influence on customers’ commitment to their banks respectively. Also, the Chi-square values for observed variable of satisfaction (8.02) is higher than table value of 5.991 at 2 degrees of freedom with significant levels of 0.018 which is less than the critical value of 0.05 (p<0.05). Hence all the indicators of satisfaction are significant in explaining the latent variable commitment.

H3: Influence of Customers’ Commitment on their Relationship with Commercial Banks. The study intended to investigate the extent to which customers’ commitment influences their relationship with commercial banks in Tanzania. The hypothesis had been stated as: *There is a positive relationship between customers’ commitment and their relationship to commercial banks in Tanzania.* From Table 3, the statistics indicate that 61%, 70% and 48% of the respondents argued that commitment has an influence in building the bank relationship lowly, moderately and highly respectively. Also, the Chi-square values for observed variables for commitment to the bank (7.182) is higher than table value of 5.991 at 2 degrees of freedom with significant levels 0.028 which is less than the critical value of 0.05 (p<0.05). This shows that customers’ commitment may have a positive influence on building their relationship with the banks.

Similarly, hypotheses H4 and H5 were statistically tested using Chi-Square to judge the variation of observed variables in explaining each latent variable and the results were as indicated in Tables 4.
Table 4: Source, Researcher 2015

<table>
<thead>
<tr>
<th>Variables</th>
<th>Gender</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Male</td>
<td>Female</td>
<td>Total</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Influence of Customers’ Satisfaction on their retention with the bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low</td>
<td>26 (46%)</td>
<td>31 (54%)</td>
<td>57 (31.84%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Moderate</td>
<td>29 (43%)</td>
<td>32 (57%)</td>
<td>61 (34.07%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>High</td>
<td>40 (66%)</td>
<td>21 (34%)</td>
<td>61 (34.07%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Respondents Based on Gender</td>
<td>95 (53.07%)</td>
<td>84 (46.92%)</td>
<td>179 (100%)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Pearson Chi-Square=5.850, df=2, p=.054

<table>
<thead>
<tr>
<th>Influence of customers’ Relationship with the bank and their retention</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>24 (73%)</td>
<td>9 (27%)</td>
<td>33 (18.43%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Moderate</td>
<td>26 (45%)</td>
<td>32 (55%)</td>
<td>58 (32.40%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>High</td>
<td>45 (52%)</td>
<td>43 (48%)</td>
<td>88 (49.16%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Respondents Based on Gender</td>
<td>95 (53.07%)</td>
<td>84 (46.92%)</td>
<td>179 (100%)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Pearson Chi-Square= 15.222, df=2, p=.000

**H₄**: Influence of customers’ satisfaction on their retention to commercial banks. The study intended to investigate the extent to which customers’ satisfaction influences their retention with commercial banks in Tanzania. The hypothesis had been stated as: *There is a positive relationship between customers’ satisfaction and their retention with commercial banks in Tanzania.* From Table 4, among 179 respondents, 31.84%, 34.07% and 34.07% argued that satisfaction has a low, moderate and high influence on retention respectively. However, the Chi-square values for observed variables for satisfaction (5.850), is less than table value of 5.991 at 2 degrees of freedom with significant levels of 0.054. This result predicts that the satisfied customers will not always be retained.

**H₅**: Influence of customers’ relationship on their retention with commercial banks. The study intended to investigate the extent to which customers’ relationship influences their retention with commercial banks in Tanzania. The hypothesis had been stated as: *There is a positive relationship between customers’ relationship and their retention with commercial banks in Tanzania.* From Table 4, out of 179 respondents, 18.43% argued that building a relationship with customers have low retention on them. Also, 32.40% agreed that building a relationship can moderately retain the bank customers. Again 49.16% agreed that having a good relationship with customers can assist in highly retaining them. Furthermore, the Chi-square value for observed variables for relationship indicators (15.222) is higher than the
table value of 5.991 at 2 degrees of freedom with significant levels of 0.000. This value is less than the critical value of 0.05 (p<0.05) and hence significant. This shows that all the relationship indicators have a positive influence on customer retention.

6. Multiple Regression Analysis for Individual Hypotheses

Multiple regression analysis is an appropriate technique in analyzing the linear relationship between the dependent variables and multiple independent variables (Saunders, 2012). By examining the technique, it can differentiate the significance of the individual factors concerned in this study on the factors affecting customer retention. Dimensions of each factor were listed. For example, dimensions of trust included empathy, feelings of security and perceived strength, personal experience, beliefs and benevolence. The customers were asked to assess the degree of each dimension on Five-point Likert Scale: 5= Very, High, 4= High, 3= Moderate, 2= Low, 1= Very Low. Multiple regression analysis was run and the combined latent variable was obtained. Similar approach was adopted by (Elmuti et al., 2009). The results for each latent variable were as shown in Table 5.

Table 5: Multiple Regression Analysis on Individual hypotheses Source: Field Data 2015

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Unstandardized Coefficients</th>
<th>Standardized coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std.error</td>
</tr>
<tr>
<td>H2: Trust → Commitment</td>
<td>0.522</td>
<td>0.019</td>
</tr>
<tr>
<td>H2: Satisfaction → Commitment</td>
<td>0.809</td>
<td>0.035</td>
</tr>
<tr>
<td>H3: Commitment → Relationship</td>
<td>1.078</td>
<td>0.069</td>
</tr>
<tr>
<td>H4: Satisfaction → Retention</td>
<td>0.871</td>
<td>0.054</td>
</tr>
<tr>
<td>H5: Relationship → Retention</td>
<td>0.590</td>
<td>0.041</td>
</tr>
</tbody>
</table>

7. Discussion of the Findings and Conclusion

The dimensions of trust included empathy, feelings of security and perceived strength, personal experience, beliefs and benevolence. Others were reliability of bank services, confidence with the bank services, integrity and credibility of the bank as well as its predictability. From Table 5, since the coefficient of latent variable trust is 0.884, which is very effective, it is concluded that the customers’ trust has a positive influence on customers to their commitment to the bank services. Therefore, H1 which states that, “there is a positive relationship between customers’ trust and their commitment to commercial banks in Tanzania”, is accepted. The findings are consistent with those of (Morgan et al., 1994) who argues that commitment stems from trust, shared values and the belief that always the services
will be reliable. Trust is also considered as a key element in establishing long-term relationships with customers and in maintaining a company’s market share (Urban et al., 2000).

Dimensions of satisfaction included happiness with the bank services, desire fulfillment, repeat purchase, loyalty and positive word of mouth. From Table 5, since the coefficient of latent variable satisfaction is 0.864, which is very effective, it is concluded that customers’ satisfaction has a positive influence on their commitment to commercial banks. Therefore, H2 which states that, “There is a positive relationship between customers’ satisfaction and their commitment to commercial banks in Tanzania”, is accepted. This finding is consistent with that of (Zafar, 2012) who found that the customer satisfaction influences the customer commitment and enhances customer loyalty. High customer satisfaction will influence commitment which then affects customer loyalty.

Dimensions of commitment included promise expectations, dependence on bank services, effective serving of customers and being loved by the company. From Table 5, since the coefficient of latent variable commitment is 0.762, which is very effective, it is concluded that customers’ commitment has a positive influence on their relationship with commercial banks. Therefore, H3 which states that, “there is a positive relationship between customers’ commitment and their relationship with commercial banks in Tanzania”, is accepted. The results is similar to that of (Fraering et al., 2013) who revealed that a satisfied customer is willing to use the same product despite of the change in price and time and hence become loyal to a company.

Dimensions of satisfaction included happiness with the bank services, desire fulfillment, repeat purchase, loyalty and positive word of mouth. From Table 5, since the coefficient of latent variable satisfaction is 0.223, which is not effective, therefore it is concluded that customer satisfaction has no positive influence on their retention with commercial banks. Therefore, H4 which states, “There is a positive relationship between customers’ satisfaction and their retention with commercial banks in Tanzania”, is rejected. Thus, this finding suggests that satisfaction is not an antecedent to customer retention and that a satisfied customer with services provided with the bank will not always remain to be a loyal customer to the firm. The findings are contrary to (Narteh, 2013) who found that satisfaction with bank services, image of the bank, availability of electronic bank services and perceived service quality were the determinants of students’ bank loyalty.

Dimensions of relationship included obligation to the bank, dedication to the bank and involvement in banks’ events such as festivals. Others were issuing loan with small interest rate and best wishes to customers during the Ramadan, X-mass and New Year. From Table 5, since the coefficient of latent variable relationship is 0.732, which is very effective, it is concluded that customers’ relationship has a positive influence on their retention with
commercial banks. Therefore, H3 which states, “There is a positive relationship between customers’ relationship and their retention with commercial banks in Tanzania”, is accepted. This finding is consistent with (Reichheld et al., 2000) who did a study on the effect of relationship approach strategy on customer retention in retail shops and suggested that personal relationships between sales persons and customers contribute to customer retention. Thus, without good relationship among banks’ employees and their respective banks’ customers, no customer retention and if any that cannot last longer.

8. Implications of the Study for Practice and Policy

The managerial implication is that organizations must learn from their customers and implement all activities directed towards establishing, improving and maintaining successful rational exchanges. They must constantly be in touch with their customers so as to build the strong networks as a strategy of marketing their products/services beyond the limited scope. Also, the government departments which engage in service industry, have to establish the policies requiring all service firms to practice principles of customer relationship philosophy in their daily operations. For example, the ministry of finance in collaboration with the central bank of Tanzania has to establish the policies which will require all commercial banks to have and practice principles of customer relationship philosophy in their operations. To academicians, all business schools have to establish departments of customer relationship marketing. This will instill the knowledge of customer relationship marketing in students who are the prospective business stakeholders.

9. Study Limitations and Areas for Further Research

The study concentrated on actual external customers that had been with the banks for a longer time which could have had a different result if internal and potential customers were also involved in the study. Also, there was undue confidentiality by the banks management by thinking that conducting research at their bank halls had a negative impact to their customers. Additional research needs to focus on providing greater understanding of the antecedents of the customer relationship marketing processes. For example, research could examine how organizations bring “value” to a relationship and discourage turnover. Variables such as volatility of the environment and organizations have to be considered. Finally, additional research needs to focus on internal customer relationship marketing and its influence on customer retention.

References


