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

Chacha Magasi,
Department of Marketing,
College of Business Education,
Adjacent to URT Parliament Building,
Dodoma, Tanzania-East Africa.
E-mail: magasitz@yahoo.co.uk

Abstract
This study investigated the extent to which customer relationship marketing influences customer retention with their commercial banks in Tanzania. It assessed how the antecedents of relationship marketing (RM) notably customers’ trust, commitment, satisfaction and relationship influence customers’ retention with their commercial banks. The research aimed at contributing to a theoretical knowledge and also guiding marketing practitioners with the strategies and programs to use in order to retain their customers. Cross-sectional survey method was used to collect data by using the questionnaires. The Chi-Square method and multiple regression models were used in the data analysis. The former was used to judge the variation of observed variables in explaining the latent variables while the latter giving the conclusion of the stated hypotheses. From the study, a satisfied customer will not always enter into a long-term relationship with the bank. However, the committed customer with degree of trust enters into a long-term relationship with the bank. The results suggest that, a long-term customer-organization relationship is crucial in creating longer-term customer retention. Banks have to plan and design strategies to capture the needs and expectations of customers as a way of creating a continuous long-term relationship with them over time.

Key Words: Customer relationship marketing (CRM), trust, commitment, satisfaction, customer retention
1. Introduction

Many commercial banks have been facing severe competition and major customers’ switch off. This has attracted the customers to switch from one bank to another something which is not profitable for both the banks and their clients. In the past, many companies took their customers for granted. Customers often did not have any alternative suppliers because the market was growing so fast and competition was very low such that the company did not 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 with other financial institutions. Most banks’ product developments are easy to duplicate and they provide nearly identical services (Caroline et al., 2014). Therefore a customer who has not been satisfied with the bank’s services can easily switch to another bank. 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. Hence the strategic focus for the banks to remain competitive would be to retain existing customers. Therefore, 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 ). RM is should not only practiced 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 RM may result in lowering the 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 bank and hence leads to customer satisfaction (Rootman et al., 2011).

Several studies have been done on customer retention (Rootman, 2011; Ondieki, 2012; Anani, 2013; Nwankwo, 2013; Msoka, 2014; Jemaa, 2014; Tarokh 2015). The study by Ondieki (2012), on the factors determining bank selection and retention in Tanzania, revealed that the ownership of the bank and newness of the bank were not determining 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 RM and customer retention for South African banks (Rootman et al., 2011), found that six banking service delivery variables influence banks’ customer retention including fee structures and the ethical behaviour of banks. On the other hand (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 to 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. Jemaa et al., (2014), states that there is a positive relationship between customer’s commitment and relationship value, while customer’s trust is only positively associated to direct relationship value. The results suggest that the satisfaction is neither linked to direct nor to indirect relationship value. Also, Tarokh et al., (2015), found that the company competes and enjoys the competitive advantages, and a company can be a winner if it is able to create a positive long-term relationship with its customers and tries to enhance the customer satisfaction and loyalty. Satisfied and loyal customers are regarded as the best advertising channels and the best competitive advantages for the company.

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 (Abrahman, 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 their 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). Banks have been thus facing the challenges on the best way of retaining the customers. Many of the traditional marketing approaches are used to build awareness about the company’s offerings as a tool for attracting more customers. A little attention has been given on developing the marketing strategies and programs which could retain the existing customers (Wanzagi, 2014). With the growing number of commercial banks in Tanzania and stiff competition, the banks’ managements are struggling to look for the alternative marketing strategies and programs that will not only attract the customers but also retain them in order to maximize shareholders wealth and make profit. The purpose of marketing is to build and maintain the strong relationships between the company and the customers. This study intended to fill this gap by investigating the extent to which customer RM influences customer retention with their commercial banks in Tanzania.

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 Meaning of Relationship Marketing

There are numerous published definitions on the concept of RM and further other terms have been frequently used either as substitutes for RM, or to describe similar concepts. These include direct marketing, customer relationship management, micromarketing, one-to-one marketing, loyalty marketing and interactive marketing, to name but a few. As RM is a descendant of traditional marketing, a good starting point in developing its definition is first to define the term marketing. Marketing is the management process of identifying, anticipating and satisfying customer requirements profitably (CIM, 2005). This definition makes no explicit recognition of the long-term value of the customer. Relationship marketing” refers to attracting, maintaining and enhancing consumer relationships (Berry, 1983). In that case, RM can also be defined as all activities directed towards establishing, developing, and maintaining successful relational exchanges. Hence, RM has three major traits. The first trait of RM is that relationship is a long term relational; the second trait of RM
is that it is an interactive process; and the third trait of RM is that this relational aspect can benefit both parties.

3.2 Theoretical Foundation

3.2.1 Relationship Quality Theory

Relationship quality captures multiple aspects or dimensions of a relationship (e.g., trust, commitment, relationship satisfaction) and has a stronger impact on objective performance than any single dimension. Thus, Palmatier and colleagues (2006) suggest that “different aspects or dimensions of a relationship may be synergistic, and performance is optimized only when the relationship is sufficiently strong on all critical aspects”.

3.2.2 The Commitment-Trust Theory

Morgan and Hunt (1994), in “The Commitment-Trust Theory of Relationship Marketing” (perhaps the most influential RM paper to date), posit that “presence of relationship commitment and trust is central to successful relationship marketing, not power.” They argued that trust and relationship commitment are the key mediators in exchange between participants, which essentially lead to building a relational co-operation. They insist that relationship commitment, “an enduring desire to maintain a valued relationship” (Moorma, 1992), and trust, the “confidence in an exchange partner’s reliability and integrity” (Morgan and Hunt 1994), represent the key elements that explain a relationship’s impact on performance. Thus, relationship partners who are committed expend extra effort and work to maintain and strengthen relational bonds, which positively influences cooperation, financial performance, and other positive outcomes (Kumar, 1994; Morgan 1994).

3.3 Antecedents of Relationship Marketing

From the theories discussed, variables that could possibly influence RM and customer retention include trust, commitment, satisfaction and strong relationship.

3.3.1 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). Thus, trust exists if a customer believes that 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. Prior studies indicate that trust is 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).

### 3.3.2 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. Besides, customer satisfaction influences the customer commitment and thus enhances customer loyalty (Zafar, 2012).

### 3.3.3 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 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).

### 3.3.4 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. Reichheld at al., (1990), 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). Behavioral intentions are very important to understand whether customers will remain or defect from a company (Anani, 2013) and will be influenced by service quality dimensions.
Customers are retained if customer service quality and satisfaction are improved (Parasuraman et al., 2002). Service quality can increase customer loyalty, retention and improved business performance (Ennew et al., 1996). An empirical study 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 by (Caroline et al., 2014) in Tanzanian banks discovered that academics in need to incorporate quality of products provided by the banks in customer retention models and that customer retention is extremely vital for business to remain competitive.

### 3.4 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). This model was empirically applied to examine the potential constructs in customer retention in New Zealand banking industry by investigating the chain of effects of retention from customer satisfaction, customer value, corporate image, switching barriers to competitive advantage as indicated in figure 1.

**Figure 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, did not touch RM 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 $C = f(CI, P, S, I)$: Where: $C =$ Customer retention, $CI =$ 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 twenty years and in Hanover.

### 3.5 Cited Empirical Studies on Customer Retention

The study conducted by Morgan and Hunt (1994) on *Influence of Customer Trust and Commitment on Long-term Relationship*, found that successful RM requires relationship commitment and trust. Furthermore, Cohen *et al.*, (2006) examined empirically the potential constructs in customer retention in the New Zealand banking industry found that consumers can be highly satisfied but still leave their service providers. Jemaa (2014) in the study of “*Relationship Marketing Key Concepts as Relationship Value Determinant*”, and found that there is a positive relationship between customer’s commitment and relationship value, while customer’s trust is only positively associated to direct relationship value. The results reveal that the satisfaction is neither linked to direct nor to indirect relationship value. The study suggested that commitment is often based on specific investments related to a specific customer / supplier relationship and that trust is mainly based on partner credibility and benevolence. The research thus, suggested that it is inevitable for the managers to adopt relational approach to maintain valued relationships with their customers. 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 ; Elly, 2010). Tarokh (2015) found that the company competes and enjoys the competitive advantages, and can be a winner if it is able to create a positive long-term relationship with its customers and tries to enhance the customer satisfaction and loyalty. Satisfied and loyal customers are regarded as the best advertising channels and the best competitive advantages for the company. Therefore, recognizing relationship marketing dimensions and planning strategies in order to strengthen these dimensions are important requirements which should be paid attention by all the marketers and experts.
In view of the theoretical, competing models and empirical studies above, the question of CRM has received the great attention in both developed countries. However, despite all scholarly attention in the developing countries like Tanzania, there appears to be a continuing gap between what has been written in the literature and empirical studies on customer retention. This research focused on filling the knowledge gap on the role of CRM on customer retention in commercial banking industry.

3.6 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 researcher proposed the model in figure 2 to predict how the antecedents of customer RM influence each other and the overall effect on customer retention.

Figure 2: CRM and its influence on customer retention

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’.

**H₂**: 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).

**H₃**: 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 CRM 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 Table1).
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

Primary data were collected by using the structured questionnaires with both closed and open ended questions. Questionnaires were designed by including both dependent and independent and 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 while getting different services such as depositing and withdrawing and were 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 $Y=B_1X_1 + B_2X_2 + \ldots + B_kX_k + A$, 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: $y_i = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \ldots + \beta_nX_n + \epsilon$ Where: $y$ is the dependent variable, $\beta_0$ 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.  Crobanch’s alpha, which is the common form of internal consistency reliability coefficient, was used in this study 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>

Source: Researcher 2015

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. On the other hand the issue of validity was carefully considered. Validity refers to ability of an instrument or research study to measure what it claims to measure (Alreck et al., 2004). In the course of obtaining the validity and reliable measures of the variables, previously validated scales were used for all of the constructs involved in this study. 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 $H_1$, $H_2$ and $H_3$ 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>Influence of Customers’ Trust on their Commitment to the bank</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>
</tbody>
</table>

Pearson Chi-square=9.582, df=2, p=.008

<table>
<thead>
<tr>
<th>Influence of customers’ Satisfaction on their commitment to using bank’s services</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>26 (40%)</td>
<td>39 (60%)</td>
<td>65 (36.31%)</td>
</tr>
<tr>
<td>Moderate</td>
<td>30 (56%)</td>
<td>24 (44%)</td>
<td>54 (30.16%)</td>
</tr>
<tr>
<td>High</td>
<td>39 (65%)</td>
<td>21 (35%)</td>
<td>60 (33.51%)</td>
</tr>
<tr>
<td>Total Respondents Based on Gender</td>
<td>95 (53.07%)</td>
<td>84 (46.92%)</td>
<td>179 (100%)</td>
</tr>
</tbody>
</table>

Pearson Chi-square=8.02, df=2, p=.018

<table>
<thead>
<tr>
<th>Influence of Customers’ Commitment on their Relationship with the bank</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>25 (41%)</td>
<td>36 (59%)</td>
<td>61 (34.07%)</td>
</tr>
<tr>
<td>Moderate</td>
<td>38 (55%)</td>
<td>32 (45%)</td>
<td>70 (39.10%)</td>
</tr>
<tr>
<td>High</td>
<td>32 (67%)</td>
<td>16 (33%)</td>
<td>48 (26.81%)</td>
</tr>
<tr>
<td>Total Respondents Based on Gender</td>
<td>95 (53.07%)</td>
<td>84 (46.92%)</td>
<td>179 (100%)</td>
</tr>
</tbody>
</table>

Pearson Chi-square=7.182, df=2, p=.028

**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. 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. 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>
<thead>
<tr>
<th>Table 4: Source, Researcher 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Variables</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>Influence of Customers’ Satisfaction on their retention with the bank</strong></td>
</tr>
<tr>
<td>Low</td>
</tr>
<tr>
<td>Moderate</td>
</tr>
<tr>
<td>High</td>
</tr>
<tr>
<td><strong>Total Respondents Based on Gender</strong></td>
</tr>
<tr>
<td><strong>Pearson Chi-Square=5.850, df=2, p=.054</strong></td>
</tr>
</tbody>
</table>
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. 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. 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%, 32.4% and 49.16% argued that building a relationship with customers have low, moderate and high customer retention respectively. 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>H₂: Trust → Commitment</td>
<td>0.522</td>
<td>0.884</td>
</tr>
<tr>
<td>H₂: Satisfaction → Commitment</td>
<td>0.809</td>
<td>0.864</td>
</tr>
<tr>
<td>H₃: Commitment → Relationship</td>
<td>1.078</td>
<td>0.762</td>
</tr>
<tr>
<td>H₄: Satisfaction → Retention</td>
<td>0.871</td>
<td>0.223</td>
</tr>
<tr>
<td>H₅: Relationship → Retention</td>
<td>0.590</td>
<td>0.732</td>
</tr>
</tbody>
</table>

7. Discussion of the Findings

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 their commitment to using 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). The 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. The 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. The 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, H5 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.

8. Conclusion

The findings suggest that, a long-term customer-organization relationship is crucial in creating longer-term customer retention. Thus, without good relationship among banks and their customers, no customer retention and if any that cannot last longer. Banks should plan and design strategies to capture needs and expectations of customers in order to create continuous long-term relationships with them instead of using a lot of resources for searching new ones. Recognizing relationship marketing dimensions and then planning strategies to
strengthen these dimensions are important requirements for customer retention. Specifically commercial banks must learn from their customers and implement all activities directed towards establishing, improving and maintaining successful rational exchanges.

9. 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. To academicians, all business schools have to establish departments of customer relationship marketing. This will instill the knowledge of customer RM in students who are the prospective business stakeholders.

10. 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 CRM 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 and customers’ culture have to be considered in the further research. Finally, additional research needs to focus on internal CRM and its influence on customer retention.

References


CIM (2005). Marketing and the 7Ps, Cookham, Chartered Institute of Marketing.


Ro-King. (2005). *Customer Retention Programs*. Quaero LLC.


