CHRISTIAN SERVICE UNIVERSITY COLLEGE, KUMASI

CUSTOMER RELATIONSHIP MARKETING AND ITS EFFECT ON CUSTOMER RETENTION IN THE GHANAIAN BANKING SECTOR: A CASE OF PROCREDIT SAVINGS AND LOANS LIMITED

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APPENDIX I: Interview Guide

SCHOOL OF BUSINESS STUDIES

SCHOOL OF BUSINESS

MARKETING DEPARTMENT

We are undergraduate students of Christian Service University College (CSUC) pursuing

Bachelor of Business Administration, Marketing option.

We are conducting a research on "the effect of customer relationship marketing on customer

retention" using the financial service - ProCredit Savings and Loans Limited as a case study.

This work is in partial fulfillment of requirements leading to the award of a BBA degree in

Marketing. Information provided for the purposes of this research will be treated confidentially

and used for academic purposes only.

Aguideto interview the Customer Relationship Marketing Officer of ProCredit Savings Loans

Limited, Kumasi.

General Information

Name of the bank

Name of the respondent

The respondent's position

The first year of practicing relationship marketing as a formal strategy

What are the number of customers who have been with the bank for over 1 year, and then percentage of that to the total number of customers?

Q1. What is the initial motivation for adopting the practice of relationship marketing?

Q2. Can you provide some information about your relationship marketing activities?

Q3. How does relationship marketing help your bank in establishing long-term relationshipwith your customers?

Q4.What is the role of data and database in your relationship marketing activities?

Q5. Regarding customer data and information: Do you collect;

• Personal and transactional information, if yes, How, if not, why?

• Product, service and organisation information. If yes how, if not, why?

• Non- transactional customer feedback information.If yes, How.If no, why?

• Relationship marketing activities.If yes, how.If no, why?

Q6. How do you reach your customers, (CRM touch points)? (Marketing services, advertising, sales, branches, telephone)?

Q7. What applications do you use to analyse customer data? How do you manage customerdata which is non-technological (e.g. face to face interactions?)

Q8. How do you strategically categorize your customers?

• High lifetime value customer.

- Early adopters of new products.

- Loyal customers.

- Customers with new ideas who find ways to improve quality or reduce cost.

Q9. Do you regularly monitor and analyse customers' behaviour and characteristics (that is Customers' details, historical records, demographics, preferences, lifestyle and personalhabits)

Q10. How do you use relationship marketing to identify and prevent your defectingcustomers to switch to competitors?

Q11. Do you provide core customers with additional personalised services and extra controlover their interaction while you know they are ready to pay additional charges for thoseservices? If yes how? If no: why?

APPENDIX II: Questionnaire

CHRISTIAN SERVICE UNIVERSITY COLLEGE

SCHOOL OF BUSINESS

MARKETING DEPARTMENT

We are undergraduate students of Christian Service University College (CSUC) pursuing Bachelor Business Administration, Marketing option.

We are conducting a research on the effect of customer relationship marketing on customer retention using the financial service - ProCredit Savings and Loans Limited as a case study. This researchwork is in partial fulfillment of requirements leading to the award of a BBA degree in Marketing. Information provided for the purposes of this research will be treated confidentially and used for academic purposes only. Please take some time to fill out this questionnaire.

Section A: General Information about Respondent

1. Gender: Male [ ]   Female [   ]

2. Age: 18-25 [ ]   26-35 [ ]   36-45 [ ] 46-55 [ ] 55-above [ ]

3. Educational Level: No Education [ ]   Non formal [ ]   Basic Education [ ]

Secondary Education [ ] University [ ]

4. Occupation: Farmer [ ] Trader [ ] Civil Servant [ ] Business Executive [ ]

Others ....

Section B: Customer Relationship Marketing

5. How did your relationship with the bank begin?

Joined on your own [ ]

Introduced by a friend [ ]

Contacted by the bank [ ]

Others...

6. Has there been any conscious effort by the bank to maintain the relationship?

Yes [ ] No [ ]

7. If yes, what form of effort has it been?

Weekly contact [ ]

Monthly contact   [ ]

Once a while   [ ]

Others...

8. Does your bank relate to you electronically?

  Yes [ ]   No [ ]

9. If yes, which of these forms does it take?

  Internet [ ]   Telephone [ ] SMS [ ] Others ....

10. Does the electronic relationship enhance the relationship?

    Yes [ ] No [ ]

11. How long have you worked with the bank? State …………………

12. Do you make your concerns known to thebank?

    Yes [ ] No [ ]

13. If yes, how has the response of the bank been?

    Quick [ ]   Delayed [ ] No Response [ ]

14. Does your bank relate to you differently because of the type of your account?

  Yes [ ]   No [ ]

15. Have you ever considered leaving the bank?

      Yes [ ]   No [   ]

16.If yes what must have informed your decision?

      Unconcerned attitude of staff [ ]

      Delayed transaction   [ ]

      Show of rudeness from staff [ ]

      Others...

17. Will you recommend the bank to any other person?

      Yes [ ]   No [   ]

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CHAPTER ONE

INTRODUCTION

1.0 Background of the Study

The banking industry in Ghana is constantly changing in terms of service delivery with the purpose of improving the quality of customer service and satisfaction. Trade liberalization has intensified the competition, with banks not only competing among each other; but also with non-banks and other financial institutions (Kaynak and Kucukemiroglu, 1992; Hull, 2002). Production of identical services due to imitation of product development has necessitated banks to differentiate themselves on quality and price. Customer retention is another potentially effective tool that banks can use to gain strategic advantage and survive in this increasing banking competitive environment.

The Ghana Banking Survey (2008) has shown that the traditional banks are losing out as competition in the industry deepens, triggered by aggressive new entrants.

Banks are now increasingly adopting a relationship-based approach to marketing to increase customer loyalty and retention due to increased competition, changing trends of customer demand and advancement in Information Technology (Gronroos, 1997; Chen &Popovich (2003). The basic philosophy underlying this move is that it costs more to attract new customers than to nurture and develop existing ones. Numerous studies have confirmed this assertion. For example, (Ndubisi, 2003;Rosenberg and Czepiel, 1983) have shown that the cost of serving one loyal customer is five to six times less than the cost of attracting and serving one new customer.

Also, Reichheld and Sasser (1990) found that when a company retains just 5percent more of its customers, profits could increase by 25 per cent to 125 per cent. Furthermore, Kim

and Cha (2002) assert that by reducing customer defections by 15 percent firms can improve their profitability by 25 to 85 percent.

1.1 Statement of Problem

Customer relationship marketing is concerned with establishing, maintaining and enhancing relationships with customers and other partners in an effort to sustain and improve an organization's customer base and profitability (Gronroos, 1994). Although the concept of relationship marketing is not new, organizations have recently started to focus on identifying and retaining long-term customers. Managers profess to do it in new and better ways every day (Fournier, Dobscha, and Mick 1998).

Research has shown that an organization's level of relationship marketing activities is positively correlated to its performance and customer satisfaction. To continue to be successful in the corporate sector, small banks must invest in the long-term relationship marketing infrastructure to support a customer orientated approach (Adamson et al., 2003).

Most of the studies have focused on the complexities of CRM (Ward and Dagger, 2007), the barriers to CRM (Pressey and Mathews, 2000) and CRM as a process (Gronroos, 2004). There has been little emphasis on the relationship between CRM and customer retention.

1.2 Objectives of the Study

The purpose of this research is to understand the customer relationship marketing strategies of banks in a developing country like Ghana using ProCredit Savings and

Loans Limited as a case. The research seeks to understand the Customer Relationship Marketing (CRM) strategies in the light of the following objectives;

a) To find out how financial service sectors practice customer relationship marketing.

b) To identify the causes of customer attrition.

c) To find out how electronic relationship enhances customer retention.

1.3 Research Questions

To achieve the set objectives of this research further questions are being asked to guide the literature review, information gathering and the rest of the research activities. The following questions are therefore being asked:

a) How do financial service sectors practice customer relationship marketing?

b) Why do customers switch from one bank to another?

c) Does electronic relationship enhance customer retention?

1.4 Significance of the Study

The study primarily serves as a springboard for other studies into the field of CRM in Ghana, especially the banking and financial sector that has seen intense competition with the introduction of the universal banking by the Bank of Ghana. It is hoped that the information we will gather from this research would be of benefit to corporate bodies, academia and researchers in general.

The study looked at the CRM practices among retail banking clients of ProCredit Savings and Loans Limited and its effect on customer retention. This study therefore provides

practitioners with the necessary factors necessary to implement a successful CRM programme in order to maintain its clients and be profitable.

The research affords the management ProCredit another opportunity to critically evaluate their CRM strategy and make the necessary changes to it. Again it also affords the customers the opportunity to see themselves as partners of the bank.

1.5 Scope of the Study

This research is envisaged to have its unique constraints and limitations which are as enumerated below.

First, there are several banks that engage in CRM in the country hence the case of ProCredit might not be necessarily representative of all the overall population of banks.

Secondly, the study is also constrained in terms of time. We are also constrained by the limitedness of time in which this project is supposed to be presented. This may not allow us to critically assess large numbers of the bank's clients in all its branches in Kumasi. We are therefore constrained to limit our research to the Adum Business Centre Branch where 135 respondents were assessed.

However, in the face all of these limitations, we believe that the core objective of assessing CRM practices can be achieved with a high degree of confidence.

1.6 Organization of the Study

The final report of the study is organized into five chapters. Chapter one looks at the introduction, the statement of problem, objectives of the study, significant of the study, research question, methodology and the scope and limitation of the study while the second chapter reviews the various literatures on customer relationship marketing. The third chapter discusses the methodology to be used in this project. Fourth chapter will

discuss the analysis of data, presentation of findings, and chapter five will take care of recommendations and conclusion of this research project.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

Relationship marketing is the establishment and maintenance of long-term buyer–seller relationships which has profound influence on marketing theory and practice. Although the concept of relationship marketing is not new, organizations have recently started to focus on identifying and retaining long-term customers. Managers profess to do it in new and better ways every day (Fournier, Dobscha, and Mick 1998). Considering the following example:

Before the 1990s, AT&T spent hundreds of millions of dollars per year trying to attract prospects to use its long distance telephone service. Most prospects received similar offerings regardless of their specific needs. As a result, AT&T sent out millions of pieces of largely undifferentiated direct mail solicitations several times a year. In spite of this, less than 5% of the cases resulted in conversions, and even worse, many of these conversions were lost because of a high rate of churn (Grant and Schlesinger 1995). Today, AT&T analyzes its relationships with its customers and tracks in particular retention and termination characteristics. In 1994, through conscientious modelling efforts, AT&T attracted seven times as many customers as it did in 1990. Even more important, these customers have a different quality in their retention behaviour. By analyzing the factors that drive retention, AT&T is much more efficient in (1) keeping customers who are at risk of defection and (2) better pinpointing the customers who are likely to be long-life customers in its acquisition campaigns (Li 1995). Thus, AT&T has embraced the core of relationship marketing: It is considerably more profitable to keep and satisfy existing customers than to renew a strongly churning customer base constantly. To make relationship marketing work, marketers have started to adopt a

customer management orientation, which emphasizes the importance of customer lifetime analysis, retention, and the dynamic nature of a person's customer–firm relationship over time (Kotler 1994).

2.1 Customer Relationship Management (CRM)

In the past, companies had close relationships with their customers. They knew each customer individually and offered them personal customized service. As a result, they earned loyalty and a large share of their customers' business. Over the years, through increased competition and mass marketing, customers interchanged personalized service for anonymity, reduced variety and lower prices (Peppard, 2000). The current business environment is characterized by intense competition and saturated markets. Mutanen (2006) remarks that the mass marketing approach, where each customer gets the same treatment of the company, cannot succeed in the diversity of consumer business today. Therefore, companies are practicing an approach to marketing that uses continuously refined information about current and potential customers to anticipate and respond to their needs. This marketing strategy is called Customer Relationship Management (CRM) (Peppard, 2000).

CRM is about structuring and managing the relationships with customers (Kim, Suh and Hwang, 2003). CRM covers all the processes related to customer acquisition, customer cultivation, customer retention and the reactivation of defected customers. The goal of CRM is to identify the customers with a high churn probability in order to target them with appropriate actions and consequently try to keep them within the company. These actions may include targeting these customers with appropriate "next-product-to-buy" (NPTB) as shown in Prinzie & Van den Poel (2006) for financial services.

As most definitions imply, CRM is first and foremost a process. All activities that are used in marketing have to be geared towards the management of this process.

Hence, no marketing variables are explicitly mentioned in these definitions. According to Gronroos' definition, the process moves from identifying potential customers to establishing a relationship with them, and then to maintaining the relationship that has been established and to enhance it so that more business as well as good references and favourable word of mouth are generated.

According to Boulding (2005, p. 156) and Dimitriadis and Stevens (2008), CRM is the result of integration and evolution of marketing ideas and technological resources, and organizational information.

"Not only does CRM build relationships and use systems to collect and analyze data, but it also includes the integration of all these activities across the firm, linking these activities to both firm and customer value, extending this integration along the value chain, and developing the capability of integrating these activities across the network of firms that collaborate to generate customer value, while creating shareholder value for the firm."

Dimitriadis and Stevens (2008) argue that all of the definitions stated underline that the firm's operations and processes are affected by the implementation and design of customer relationship management (CRM).

In the study done by Kassanoff (2000), he also points out that CRM application help companies assess the profitability and loyalty of their customers by some metrics like the number of repeated purchases and help to answer questions such as: Which products or services do the customers want? And how should the companies communicate with them?

Also by these applications, customers save time and money as well as receiving better treatment, information, and efficient service regardless of the channel to contact the firm such as call and centres Internet.

However, these strategies and applications are effective if possible risks such as inadequate ROI and budgets are well thought out and the outcome is creating competitive value for the customers and better quality of services and improved profitability with more reasonable price in comparison with the ones competitors offer. In this situation, one can say the organization is moving on the right path and is capable to be in a better position of the market (Zineldin, 2006).

A shift of focus in marketing decision making from the transaction toward a process where a relationship is built and maintained has important effects on central marketing areas, such as organizational planning, organizational development and the measurement of success in the marketplace (Gronroos, 1999; Brodie et al., 1997).

As this process becomes important for the customers they do not only look for goods or services, they demand a much more holistic offering including everything from information about how to best and safest use a product to delivering, installing, repairing, maintaining and updating solutions they have brought. And they demand all this and much more, in a friendly, trustworthy and timely manner. Moreover, the core product is less seldom than the elements surrounding the core reason for dissatisfaction.

In any form of relationship between customer and service provider the attitude of the customer towards such a relationship is likely to be of importance, thus the stronger the customer perceives the importance of relationships in general, the more likely the

customer is to develop a stronger relationship with the service provider (Ward 1997). While there are many potential dimensions to such a relationship, the importance of these dimensions to customers may impact on the strength of the relationship developed between the service provider and customer. We suggest that developing, maintaining and strengthening a relationship will depend on the customer's perception of the importance of key relationship dimensions, namely, friendship, recognition, thoughtfulness, understanding of time and time to listen. Thus, we suggest that perceptions of the importance of these relationship dimensions will impact on the strength of the relationship.

Relationship marketing also stresses what it calls internal marketing. This refers to using a marketing orientation within the organization itself. It is claimed that many of the relationship marketing attributes like collaboration, loyalty and trust determine what "internal customers" say and do.

According to this theory, every employee, team, or department in the company is simultaneously a supplier and a customer of services and products. An employee obtains a service at a point in the value chain and then provides a service to another employee further along the value chain. If internal marketing is effective, every employee will both provide and receive exceptional service from and to other employees. It also helps employees understand the significance of their roles and how their roles relate to others'. If implemented well, it can also encourage every employee to see the process in terms of the customer's perception of value added, and the organization's strategic mission.

Further, it is claimed that an effective internal marketing program is a prerequisite for effective external marketing efforts. (George, W. 1990)

According to Adrian Payne (1991) from Cranfield University, six markets are central to customer relationship marketing. They are: internal markets, supplier markets, recruitment markets, referral markets, influence markets, and customer markets.

Referral marketing is developing and implementing a marketing plan to stimulate referrals. Although it may take months before you see the effect of referral marketing, this is often the most effective part of an overall marketing plan and the best use of resources.

Marketing to suppliers is aimed at ensuring a long-term conflict-free relationship in which all parties understand each other's needs and exceed each other's' expectations. Such a strategy can reduce costs and improve quality.

Influence marketing involve a wide range of sub-markets including: government regulators, standards bodies, lobbyists, stockholders, bankers, venture capitalists, financial analysts, stockbrokers, consumer associations, environmental associations, and labour associations. These activities are typically carried out by the public relations department, but relationship marketers feel that marketing to all six markets is the responsibility of everyone in the organization. Each market may require its own explicit strategies and a separate marketing mixes.

2.2 Customer Retention (CR)

For financial services firms, customer care and retention processes are even more vital in the present economic environment where customers willingly switch among providers for a better rate or easier access to services. Technology innovations have reduced the barriers to entry for financial services offerings, resulting in a flood of non-traditional competitors slowly eating away at the market share of existing firms. More competitors means, pricing pressure on product and service offerings, which have detrimental effect

on customer loyalty and barriers to switching, making customer care and retention a priority concern.

Customer retention involves the steps taken by a selling organisation in order to reduce customer defection. Successful customer retention starts with the first contact an organization has with a customer and continues throughout the entire lifetime of a relationship. Customer retention is important to most companies because the cost of acquiring a new customer is far greater than the cost of maintaining a relationship with a current customer (Ro King, 2005). Several studies put emphasis on the significance of customer retention in the banking industry (Dawkins and Reichheld, 1990; Fisher, 2001; Marple and Zimmerman, 1999; Page, Pitt, and Berthon, 1996; Reichheld and Kenny, 1990). The argument for customer retention is relatively straightforward. It is more economical to keep customers than to acquire new ones. The costs of acquiring customers to "replace" those who have been lost are high. This is because the expense of acquiring customers is incurred only in the beginning stages of the commercial relationship (Reichheld and Kenny, 1990).

As customers remain loyal, volumes of purchased items will grow and the costs of relationship maintenance reduces because both suppliers and customers know each other better than past. Also, these loyal customers pay higher prices than the new ones, and are less likely to claim for discounts which we should offer to new customers in order to acquire them. However, to increase the net present value of these customers, all of the necessary conditions for CRM programs should be combined effectively (Ang & Buttle, 2006).

In addition, as customers buy more and are satisfied, a positive word-of-mouth promotion may be generated for the company. Additionally, long-term customers also take less of the company's time and are less sensitive to price changes (Healy, 1999). These findings highlight the opportunity for management to acquire referral business, as it is often of superior quality and inexpensive to obtain. Thus, it is believed that reducing customer defections by as little as five percent can double the profits (Healy, 1999).

However, some organizational processes which can be associated with retaining the customers include the processes for: planning, customer satisfaction measurement, complaints-handling and quality assurance processes (Ang & Buttle, 2006). Finally, to be successful in implementing this program, any company should consider the related issues such as type of customers to be retained and the nature of product or services sold (Ahmad & Buttle, 2002).

2.3 Goals of CRM

Based on the study done by Swift (2001), Persson (2004, p.11), firms implement CRM strategies, achieve goals such as: Reducing costs of sales and acquiring new customers, increasing customer satisfaction and profitability, decreasing the need to acquire new customers, evaluating profitability of customers and retaining profitable customers.

The practice of CRM enables firms to know customer needs through customer data analysis. Meeting these needs leads to satisfying customers who at times act as partial employers and seldom request for discounts. Again the number of loyal customers increase, therefore reduces the need to gain so many new customers.

As customer loyalty and retention increases, customers stay longer and generate more profit for firms. Based on Newell (2000), Persson (2004) discusses that a real value to a firm is the value it creates for the customers as well as the value its customers deliver back to that firm.

If CRM is applied in the right way, it can be an efficient tool that generates profits for firms. By transforming customer data into knowledge intended to build better relationships with profitable customers, CRM creates more customer loyalty and therefore more profits for companies. Ultimately, CRM is about creating mutual and collaborative satisfying relationships between the company and its customers to increase customer loyalty and satisfaction.

2.4 Customer Attrition

There are many terms used to describe the loss of customers, which can occur due to a wide range of factors. One of the most commonly used terms is customer attrition, also called turnover or customer churn. While businesses often spend a good deal of their time working to acquire new customers, retaining current customers is critical as well. If a business cannot retain a significant percentage of its customers, it is unlikely to enjoy sustained success. For this reason, customer attrition rates are usually very important.

There are many factors that can affect customer attrition. One of the most common is dissatisfaction with the business. For example, customers may stop purchasing from a business because they feel unappreciated by the business owner or because of poor customer service. Sometimes they leave a business because the product or service no longer meets their needs. For example, if a business only sells small-sized clothing and a

customer eventually comes to need larger sizes, the customer may move on to a business that is capable of serving his needs.

2.4.1 Causes of Customer Attrition

(i)   Inability to identify Customer needs

When companies institute a systematic process for "listening" to customers and the market, they are less likely to have serious loyalty problems. Customers are not shy; they openly share their concerns and problems directly or indirectly letting an organization know when they are considering defecting. For example, when customers repeatedly call a credit card company to ask about what annual percentage rate (APR) they are paying on their credit card, they are communicating that they are shopping for a better rate. Some customers directly ask for a lower APR and tell an agent that they have a better offer. Other customers call three or four times to inquire about the APR. In both situations the customer is letting the organization know that they are shopping for a better rate. Unfortunately, the vast majority of companies do not have a customer relationship management (CRM) application or analytics solutions that are tuned to proactively identify "at-risk" customers before it is too late.

(ii)   Inadequate knowledge about the customer

The contact centre plays a crucial role in retaining customers throughout the customer life cycle, particularly at the pivotal point when a customer is reconsidering the value proposition of the company's products and services. If agents are well trained, empowered to act, and have the necessary systems and data to determine the right actions, they will be able to retain at-risk customers by meeting or exceeding their expectations.

(iii)   Inability to meet customer's changing needs

There is a misconception that price is the primary cause for customer attrition. While price is a contributing factor, particularly in our current environment where most consumers or businesses perceive the majority of products and services to be commoditized, service is the primary differentiator. But the term "service" encompasses all aspects of a customer's relationship with a company – from the initial touch, through the sale, product performance, ongoing support and replacement. If nothing goes wrong at any point in a relationship, most customers continue to do business with a company. However, if a consumer has a negative experience or a change in their lifestyle, they may be "forced" to reconsider the relationship. If the company performs well at the "moment of truth," they retain the customer; if not, the company usually loses the customer.

2.5 Effects of CRM on Customer Retention

A firm can reduce cost significantly (through customer retention) by building a good relationship with customers. For example, it has been shown that it is cheaper to serve an existing customer than to attract and serve a new one (Ndubisi, 2006; Rosenberg and Czepiel, 1983). Firms can also reduce uncertainty of demand by building relationship with customers.

Prior studies have suggested that effective marketing relationship will be more critical when: the service is complex, customized, and delivered over a continuous stream of transactions (Berry, 1983); many buyers are relatively unsophisticated about the service (Ghingold and Maier, 1986); and the environment is dynamic and uncertain in ways that affect future needs (demand) and offerings (supply) (Zeithaml, 1981; Crosby et al., 1990).

According to Crosby et al. (1990), these characteristics apply to professional services such as accounting and many financial services such as banking.

The social penetration theory states that partners will continue to deepen a relationship as long as anticipated benefits exceed anticipated costs (Altman and Taylor, 1973). Since a high quality firm-customer relationship can reduce customers' uncertainty or perceived risk, and trust, commitment, communication, and conflict-handling ability can enhance relationship quality. It is logical to expect an association between these variables, and the overall firm-customer relationship quality.

The development of effective customer relationships is widely advocated as a key element of marketing strategies in the service sector. The advantages associated with the development of such relationships are thought to be particularly relevant in the case of services for which credence qualities are high. However, a key feature of most services is customer participation in the production and the delivery of the service. The ability of an organization to develop and maintain a relationship with its customers will be dependent on their willingness to participate. For participation to be worthwhile, customers must perceive that it yields benefits which are greater than those which accrue from non-participation.

If the relationship is to remain successful the customer should be at the hub of it and so it is important to have the customers' best interest at heart. Related to this issue is co-developing products and service augmentation. These will, in many instances, be employed by organizations adding extra service to differentiate from its competitors' offerings. In this context the "extras" must be valued by the consumer, and not readily available elsewhere (i.e. "adaptation", Wilson, 1995). A high emphasis on enhanced

service and service quality is further cited as an essential element within relationship marketing (Christopher et al., 1991).

The above factors constitute an attempt to favourably lock-in or retain the customer and many academics advocate the significance of customer retention regarding relationship marketing theory (Wright et al., 1998; Ward et al., 1998). Barnes (1994) observes that tactics such as frequent-buyer schemes, where the customer has to return to the same company to accumulate "points", develops a barrier to exit. Irish grocery chain, Super-quinn, differentiate their loyalty scheme by introducing "both frequency marketing and targeted direct marketing, which so many so-called loyalty schemes neglect to include" (Conneran, 1996). Loyalty is a complex variable to quantify; however, Hawkes (1996) reemphasized the concept of the loyalty ladder, with the lowest rung being suspect and the highest rung advocate.

2.6 How firms practice C R M

Considering customer retention, any firm needs to improve the relationships with its customers in a way that results in more customer satisfaction and therefore increased profits (Dwyer et al., 1987; Beckeret al., 2009). CRM tries to retain the customers by its relationship programs whose final goal is to deliver a high level of customer satisfaction. Therefore, if firms want to retain their customers, they must develop and proficiently implement a comprehensive set of relationship programs to deliver a targeted performance customers expect. These programs include customization, customer service, community building, and loyalty programs (Winer, 2001).

2.6.1 The Practice of CRM: the case of First European Bank

According to Dr. Adam Lindgreen and Michael Antioco's work (Customer Relationship Management: One European Bank's Experience),

First European Bank is part of a global financial group that is active in over 60 countries with more than 100,000 employees. It achieves stable growth and excellent profitability by focusing attention on the source of its international success, the individual client and not just the clients as a group. First European Bank reinforces its position and diversifies its activities to the insurance sector as well. Tough competition and the massive and rapid changes in media and communications technology guided the bank in offering a wider range of products and services through a better-designed communications and distributions network adapted to individual needs.

The first two phases of the CRM program will be considered but before doing that First European Bank's definition of CRM is a marketing strategy that allows the bank to:
Focus on profitable clients through discriminated segmentation; understand different combinations of clients, products, and volumes.

Indeed, information about who buys what and how much enables the bank to have a commercial approach based on the client and no longer solely on the product.
First European Bank has a proactive approach, which consists in creating the demand as a result of better information instead of just experiencing it. The bank has set up a mix of distribution channels with standardized or specialized services according to the individual client's importance for the bank.

The bank via the consulting company adopted the Boston Consulting Group's approach to CRM, which rests on a five-pillar approach (Figure 2.1). These five pillars, which are segmentation, information network, algorithms, IT systems, and sales a client support, represent the basic issues that are to be tackled and managed by companies wanting to implement relationships with their clients.
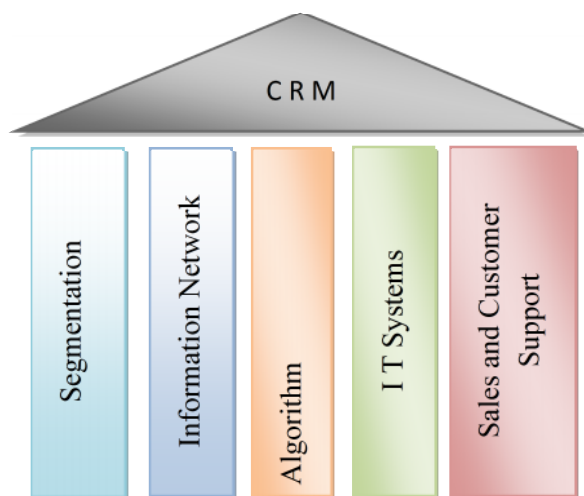
Figure 2.1: The BCG's five pillars supporting CRM implementation

(Source: Dr. Adam Lindgreen and Michael Antioco's work)

(i)   The Design Phase

In order to understand the design phase, please refer to Figure 2.2. First European Bank consider it key to develop a real-time database as a means to know and understand which types of clients it was dealing with. Clients interact with the sales services and the client support services through the distribution network, which carries every possible channel to contact the bank (e.g., agencies, call centres, self-banking, home banking, client service, etc.). The interactions between First European Bank and its clients provide transparent information, which is used by the bank's back office for better marketing, peripheral services (e.g., the presence of a particular employee to serve a particular client because they always interact together), and cross selling. The database enables First European

Bank to segment its clients more efficiently, but also to better satisfy and thus retain them.

Since the appearance of databases and new IT technologies, the bank is able to segment its client base according to individual behaviour and not solely on socio-demographics, as was the case before. In analyzing past client behaviour using the information collected and integrated in the database, the bank directs its offerings more effectively and efficiently, and anticipates the potential future needs of its clients.

Indeed, with people's financial behaviour being linked with their life cycle and cash availability, the bank is in possession of the required information in order to anticipate and propose 'fit-to-situation' products.
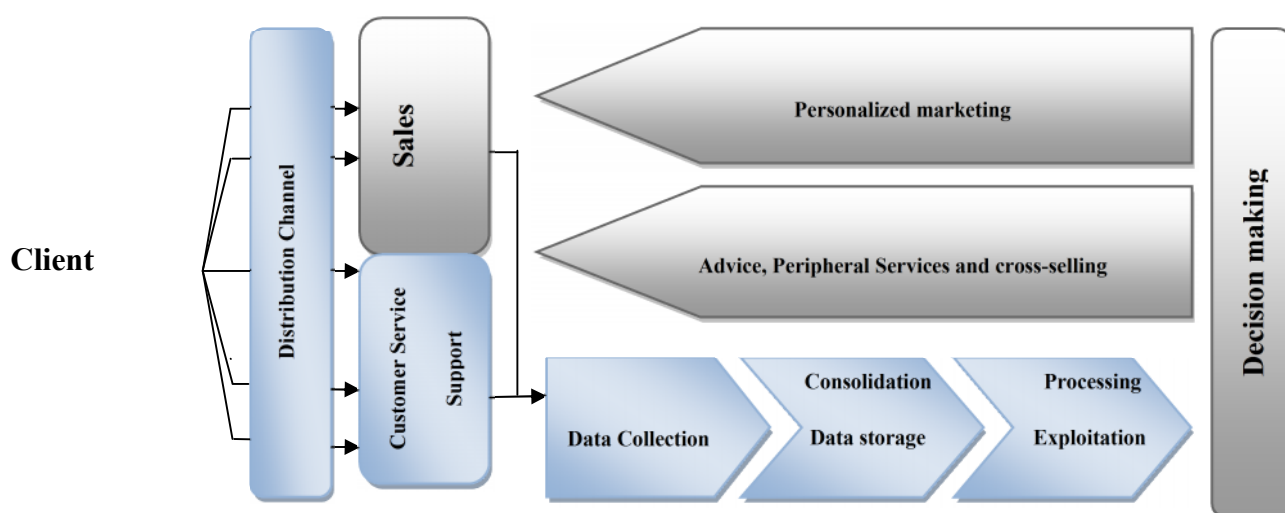
Figure 2.2: client information and business flows

(Source: Dr. Adam Lindgreen and Michael Antioco's work)

The identification of the clients' profiles also allows First European Bank, firstly, to identify the profitable and less profitable clients and, secondly, to direct the less profitable clients to the less costly distribution channel. Interestingly, the bank has experienced, however, that the less costly channel, which is the Internet, is preferred by the more profitable clients for its ease of use and its real-time access.

(ii)   The Implementation Phase

The bank has established an implementation procedure consisting of 18 actions grouped in five large categories (Figure 2.3). Every action has an impact on every business unit and, naturally, on the IT systems. Such a program will have to fit the company's mission and, therefore, be implemented at every level of action.

The first group of actions, testing, concerns the marketing and sales procedures in a given environment, as well as the general fluidity of correct and up-to-date information within the bank. Therefore, First European Bank has focused its attention on two major affiliates each responsible for ten branches. The manager of each branch provided their head office with a list of their best clients. These clients prefer a "face-to-face" interaction with their bank and have, as a result, been invited for a meeting with their bank to discuss their needs and determine their general satisfaction level. All the information collected is subsequently integrated into the affiliate's database and the back office responsible for the country as to make sure of the procedures well-functioning.

Testing	Founding	Building	Doing	Ongoing
Sales	Job recruiting	Framework building	Campaign management	Constant update
General fluidity	Data wash	Task distribution	Home banking	Change management
Data collection	Data completion	Data-mart building	Customer intelligence	IT upgrading
			Self-banking	
			Effective help service	
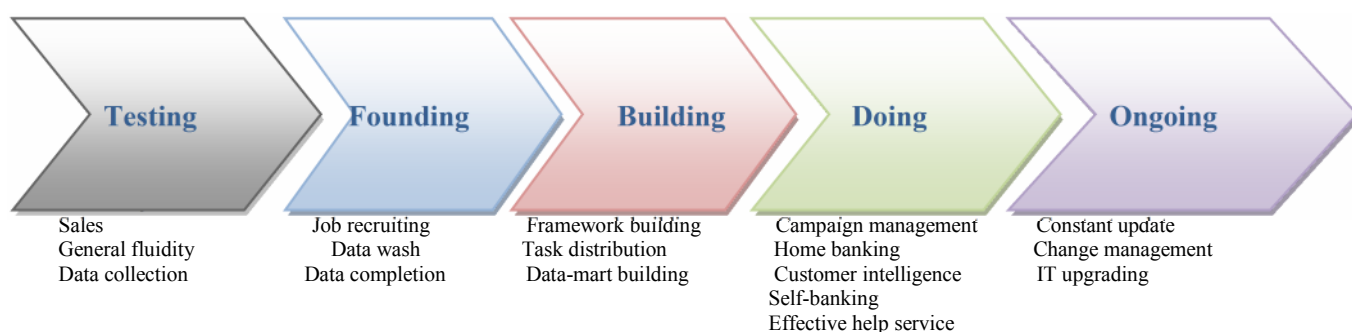
Figure 2.3: Implementation Procedure

(Source: Dr. Adam Lindgreen and Michael Antioco's work)

The second group of actions, founding, consists of two major functions. The first one is the CRM program task force, which has the objective of defining the different job

descriptions within the organization and recruiting the qualified people for them. The second one is getting the existing data clean and involves checking the existing data and completing it as far as possible.

The next group of actions, building, is set around three projects. As the bank wants to reach a clear knowledge of their clients, the first project is to build, with the IT department, a framework that will contain all the information the bank holds on individual clients.

Essentially, this step is a software-designing phase. In the second project, which consists of the automatic distribution of integrated tasks, the bank builds a data-mart that is similar to a data warehouse except being smaller and containing more detailed and precise information on the clients. This information helps First European Bank in their data mining process.

The fourth group of actions, doing, is composed of all the necessary factors required to correctly implement the CRM strategy. That is, to create client intelligence, which is a database enabling the bank to develop selection programs and client loyalty. This program helps distinguish the most profitable clients. This data available in the different departments provides the sales department with precious information for its campaign management in order to automate their selling forces. Further in the process, home banking and self-banking will be part of the CRM program. Finally, in order to completely satisfy and retain their clients, First European Bank intends to create a help service responsible for complaints handling or specific questions, which will deal with the clients much faster than the actual response time at this time. The bank will also pay

particular attention to predictive leavers to try and retain them by further focusing on their needs.

The fifth group of actions deals with those tasks that must be performed during and after the CRM implementation phase. That is the constant update of the data, the change management to keep all units focus on the new business, and a constant upgrade of the IT tools in order to manage more clients with constantly better information.

The rest of the article will examine in more depth the bank's segmentation, client systems information programs, IT system, sales support and client service, and change management.

(iii)   Segmentation

This process is important as it permits First European Bank to better understand the type of clients it is dealing with, and to better adapt its marketing communication. The bank has chosen to follow Mercer Management Consultant's method, which combines external and internal information in order to build an effective and efficient segmentation. The important elements to consider for segmentation are the clients' attitude and needs; socio-demographic situation; actual and potential profitability; and behaviour in terms of distribution channel use and products. An excellent segmentation enables the bank to find and focus on clients who will be considered as referrals by others. Their recommendations of the bank will be taken seriously, and the potential future client base widens. The bank has identified five groups according to their risk level, distribution use, revenues, interest in insurance, and socio-demographics (Table 2.1)

Segment	Important criteria to adapt CRM relationships
First segment (18 percent)	❖ Enjoy high risk level ❖ Frequent use of self-banking, telephone, e-mail, etc. ❖ Keen to buy insurance with their bank
Second segment (18 percent)	❖ Enjoy low risk levels ❖ Most frequent use of self-banking, telephone, e-mail, fax, etc ❖ Not keen on buying insurance with their bank
Third segment (23 percent)	❖ Enjoy low risk levels ❖ Most frequent agency visions: no telephone, etc; very seldom in the use self-banking ❖ Do not consider bank as good insurance provider
Fourth (32 percent)	❖ Enjoy low risk levels ❖ Most frequent agency visions, no telephone, etc: very seldom in the use of self-banking ❖ Not opposed to buying insurance with their bank
Fifth segment (9 percent)	❖ Enjoy medium risk levels ❖ Frequent agency visitors and frequent use of self-banking: no telephone or e-mail, etc ❖ Particularly opposed to buying insurance with their bank

Table 2.1: First European Bank: segmentation

(Source: Dr. Adam Lindgreen and Michael Antioco's work)

(iv)   The Client Systems Information Programs

These programs are primarily used to stock, extract, and analyze data in order to identify

a behaviour tendency and adapt marketing. Every time a client contacts the bank through

any distribution channel, the operation and data collected are transferred to large central

data warehouses where they are classified, treated, and submitted to sophisticated

algorithms, which establish a general tendency and use correlation, causation, and

regression calculations in order to predict the client's next move.

(v)   The Information Technology (IT) System

The launch of the IT final architecture is the last step in the implementation of the CRM

strategy. Naturally, as mentioned in the above sections, this department has a clear and

important role in all the other actions taken for an efficient implementation of the

program. IT is playing a key role in creating the client database, but also in the selling

process, in the development of home and self-banking, and in the elaboration of an easy to use complaint and question interface for the clients.

(vi)   The Sales Support and Client Service

The sales support and the client service are important to the clients, as it makes possible for First European Bank to support and service its clients when they need it. Moreover, these client-bank interactions enable the bank to gather more information through questionnaires and feedback from the clients. The final aim of the CRM strategy, as a manager of the bank explained, is to create an interaction between all the distribution channels.

There are seven distribution channels (contact points) with the organization which are: agents, call centres, self banks, home banking, technical support, communication advertising and client service.

Even though all these channels have their particular attributes and importance in the general communication process, the call centre has received special attention. Using IT enables a specific and immediate recognition of the clients and provides the employee with the right data straight away. This is a gain in time and prevents the clients from dealing with the wrong department before they can get the information they require.

However, it is vital for the bank to quickly change the call centre from a cost centre to a profit centre. Therefore, these call centres have to encourage clients to purchase new products, orientate them to the less expensive distribution channels, and help the bank cross-sell.

Regarding e-mails, these have to be dealt with through a powerful artificial intelligence system to enable the bank to send out standardized replies. It is important to send the right

reply to a request, and therefore an individual answer should be provided to the client if there is any doubt. Indeed, if the artificial intelligence system does not have the capacity to reply to an e-mail, it is directed towards an employee who will be able to individualize the response the client requires.

(Vii) Change Management

Great importance has been put on the human resources, and the general understanding of the organization's new mission. First European Bank has also built trust with their employees and clients, as well as with the investors. That is a long-term project and most probably the hardest one.

The five-year long program is time and capital consuming. It is thus, key that the bank succeeds. An evaluation of the implementation will be made using the so-called 'balanced score card' technique (Kaplan and Norton 1992, 1993). Moreover, financial tools is used to calculate client value and other measures to try and evaluate client retention throughout the program thus achieving the final goals of more revenue, less costs, more retention, more efficient sales, and a multi-channel, well-integrated, distribution.

2.6.2 The Seven avoidable "pits" in the practice of CRM

Firms usually engage themselves in practices which usually end up affecting their businesses adversely. There may be apparently good reasons why some firms engage themselves in such practices which can be avoided if firms anticipate customer retention as they practice CRM. We have named these mistakes "the seven avoidable pits". It would be difficult for customers to let firms down when they avoid the following mistakes:

(i)   **Non existence of a customer complaint procedure**: Whenever there is a complain, firms are not to keep their company's reputation and their chance of getting good referrals in jeopardy by not having a documented procedure which has been used to train customer service people. It is of the greatest necessity that every employee knows what is expected from customer service in resolving complaints, even with difficult customers. This will make it less likely that customers will be totally unhappy. Kind and competent explanation of the process to even a difficult customer means that there will be a good chance of a successful resolution. The customers will know their responsibilities as well the firm's.

(ii)   **Cutting down the customer service department in the name of cost cutting:** Having too few customer service agents means that many complaints may not get a fair hearing and may not be resolved. Unresolved customer complaints mean no referrals and worse, negative word of mouth. Customer service can be an "insurance policy" to keep customers happy so they will give referrals.

(iii)   **Losing touch with how customer service functions**: Taking time to examine company's correspondence files and service department records will reveal the current customer attitude toward the organization. Complaints will probably highlight principal problem areas. In fact, if records are analyzed regularly, it may be found that some of the complaints received are actually doing the firm a favour, pointing out areas that need immediate improvement.

(iv)   **Neglecting customer service people**: If customer service people know they are cared about and how they treat customers, they can become the biggest source of referrals. Firms benefit greatly when customer service people

successfully resolve problem, asks a now-happy customer for a referral and gets rewarded for each referral they make.

(v) **Believing that out of sight is out of mind**: Establishing a customer complaint procedure of checking back with the customer 30 or 60 days after a complaint, asking how the customer felt after the service was provided, and if further assistance would be needed. That is not just fixing the problem, but making sure the relationship stays fixed.

(vi) **Taking short cuts**: Firms must stick to the available written procedure of dealing with customer complaints. Customers will get used to the fact that, there is an organized approach that gives them a fair chance to state their case. Refraining from quoting "Policy" to customers will calm them even when they are so angry.

(vii) **Delay response to complaints**: Here the saying "Justice delayed, Justice denied" may hold if customers' complains do not receive a prompt response leading to early resolution. It can be surprising by how fast and courteous attention can defuse most of the complaints before they become major problems. All a customer who is complaining wants to know is that someone cares and that there will be responds as close to instantly as possible. Even if there is a problem, speedy resolution means that the company spent a few minutes solving that customer's problems. For the quick resolution, the customer will actually want to talk up the operation and the company's ability to stand behind its product or service.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter is made up of four sections; Section 3.0 introduces the content of the chapter. Section 3.1 discusses the overall research design, including the research approach, sample method, population and sample size. Section 3.2 describes data collection procedures employed in this study. The research questionnaire administering and the description of the data-collecting instrument are discussed. Section 3.3 discusses the methods by which the raw survey data will be prepared for data analysis that will be found in chapter four.

3.1. Research Design

3.1.1 Unit of Analysis

The unit of analysis for this research is customer relationship marketing. However, this study uses survey to assess the impact of customer relationship marketing (CRM) on customer retention among retail clients of ProCredit Savings and Loans Limited.

3.1.2 Research Approach

In planning a research, the following question is important 'is this research done in a particular time or it is done over a given period'. According to Sounders et al. (2009, p. 155), a study of particular phenomena taken at a particular time is a cross sectional research. On the other hand, those studies taking place over time are called longitudinal studies.

This research is conducted in a limited period of time, so we conclude that this study is a cross-sectional research.

The advantage of this method is that it is cheaper and less time consuming than a longitudinal design. It is also representative and less response biased. In fact, the majority of studies have employed cross-sectional design.

Several studies use the survey strategy which is employed in qualitative and quantitative approaches. Their main strength is their capacity in studying change and development (Saunders et al., 2009, p. 155).

This study also employed the survey method, which makes use of questionnaires and interview. There are many types of survey methods but in this case personally administered questionnaire is used as means of data collection. Personal administration of questionnaire makes it flexible in terms of probing and use of physical stimuli, and it is also quicker than mail surveys and other survey methods (Hinson 2004).

Nevertheless, the personal administered questionnaire and interview methods have some drawbacks too. The most obvious drawback is the problem of high cost in relation to training interviewers, transport, etc.; it is in this light that we have stated it as a constraint. It is also relatively high in terms of interviewer unfairness, since it is based on the recall rate of the interviewee.

According to Hair et al. (2007, pp. 151–153), quantitative and qualitative research are other two types of research approaches available to researchers.

The data in quantitative approach are numbers and lends itself to statistical analysis in order to imply the characteristics of a phenomenon. An important point to consider is that structure, representativeness, and providing objectivity are important strengths of

quantitative research. This approach provides objectivity because the respondents are the ones who provide the numbers; therefore researcher's opinion does not have any impact. In a general sense, this approach is used in explanatory researches.

The data in qualitative approach is generally collected by observation or unstructured interviews. They are usually in the form of words, phrases and pictures. It is important to say that this approach provides a deeper understanding of the phenomenon the researcher wants to find and therefore furnishes a holistic view. Also, because judgment has an important role in this approach, it is difficult to replicate the findings.

From the above discussion and since the results of this research are presented by describing how ProCredit practices CRM as well as presenting the effects of CRM on customers with digits which were analyzed by statistical methods, we conclude that both quantitative and qualitative approaches were used for this research.

3.1.3 Sampling Method

In research of this nature, there are several approaches to collecting a sample from the population, but no matter what method is used, one concern is supreme. The sample collected must be as representative of the target population as possible. Obtaining a representative sample means all significant subgroups of the population must be represented in the sample. A convenient sampling method is considered for this particular project. Care was however taken to ensure that the data collected represented a fair balance of the retail clients of ProCredit Savings and Loans Limited.

Convenient sampling is a non-probability sampling technique used to select samples because of their convenience to the researcher in terms of proximity and time where there

is an unequal chance of selection. This method was used because it was impossible to gather the entire clients of ProCredit at a time and randomly pick samples. Clients who visited the bank on the days of questionnaire administration were selected as samples. Thus, the samples selected were convenient to us in terms of proximity.

3.1.4 Population

Population is the total number of people or things from which a sample is selected. The population for this research is the 204 clients of the Adum Business Centre of ProCredit Savings and Loans Ghana Limited.

Clients in both the upper and lower brackets of the portfolio are used for this research. Upper bracket portfolio clients are key account holders whereas lower bracket portfolio clients are normal clients.

3.1.5 Sample Size

Sample size (n) $= \dfrac{N}{1 + N (e^2)}$

[Source: Rev. Prof. Samuel N. Boapeah, (2012)]

Where N is the population from which is sample is taken, e is the acceptable error and n is the sample size. The total population is the 204 retail clients of the Adum Business Centre of ProCredit Savings and Loans Limited. A confidence level selected for this sample is 95% with an acceptable error (e) of 5%.

$$n = \dfrac{204}{1 + 204 (0.05^2)}$$

n= 135 clients

From the above calculation, this research project hopes to consider in total one hundred and thirty-five (135) retail clients of ProCredit Savings and Loans Limited due to the constraints stated above. Retail clients will be selected from Adum Business Centre of ProCredit Savings and Loans Limited for this project.

3.2 Sources of Data

In this section, the description of sources of data for this work is discussed.

Zikmund (2000) and Sounders et al. (2009, p. 256) say there are two sources where data can be collected for research work and these are primary and secondary sources.

Primary data (original data collected for the first time) can be collected for instance through interview, observation, and questionnaire.

On the other hand, secondary data is the information collected from the studies done before and can be collected from the Internet or libraries.

For this study, both primary and secondary data sources were used because our data was collected from clients of the bank as well as the Client Relationship Manager, we used the questionnaire and interview as instruments to collect the primary data in this research.

Again our work cites other previous works which represent secondary source of data.

3.2.1 Instruments for Data Collection

Data was collected through the use of both structured questionnaires and unstructured interview. The questionnaire was responded by 135 clients of ProCredit and this sought to know the effect of CRM on the customers. The Client Relationship Manager of ProCredit was interviewed to know how ProCredit practices CRM.

Researchers administer questionnaire personally such that the possibility of clarifying issues with the respondents could be done instantly. However, respondents can be given the opportunity to self-administer the questionnaire whenever they demanded where there is no doubt about their potential of doing it.

3.3 Data Processing

This section addresses how the raw data was processed. The raw data from the personally administered questionnaire was first edited for non-answered questions. The raw data of consumers with code was entered into different data files. The coded database was analysed with SPSS (statistical package for social sciences) 16.0 for window. The frequencies command in SPSS was used to detect any coding error. Re-coding and transformation of data into different variables was done.

CHAPTER FOUR

FINDINGS AND DISCUSSIONS

4.0 Introduction

This chapter presents the profile of ProCredit, data collected from one hundred and thirty-five clients and the Client Relationship Manager of ProCredit Savings and Loans Ghana Limited, on customer relationship marketing and its impact on customer retention. The analysis was performed around the objectives for this study; however, other relevant details were added for better presentation of findings. Tables and graphs were used with their appropriate figures and explanations.

The data collected was analysed under the following key areas;

    a. How financial services practice CRM (This is in the case of ProCredit).

    b. Why customers defect from one bank to another.

    c. Does electronic relationship enhance customer retention?

These areas will help address the specified objectives for this research project.

4.1 Profile of ProCredit Savings and Loans Limited

By way of profiling ProCredit Savings and Loans Company Limited as the case for this research work - this section focuses on a brief history of ProCredit, mission statement and focus in Ghana, products and services, HR and Management team, business model and development.

4.1.1 Brief History of ProCredit Savings and Loans Company Limited

ProCredit Savings and Loans Company Limited (formerly known as Sikaman Savings and Loans Company Limited), a non-bank financial institution providing financial services to very small, small and medium sized enterprises and individual in Ghana. It is a joint investment between ProCredit Holding (Germany) and Stichting DOEN (The Netherlands).

ProCredit was registered as a company limited by shares with registration number 97,519 and obtained the operating license from the Bank of Ghana in June 2002. Subsequently ProCredit went into business and has so far opened Twenty - seven (27) branches in Accra, Tema, Ashaiman, Takoradi, Kumasi, Kasoa, Cape Coast, Ashanti Mampong, Techiman and Sunyani, serving well over 170,000 customers.

ProCredit is a member of the ProCredit group of 22 financial institutions operating in twenty-one countries across Eastern Europe, Latin America and Africa with the main objective of providing adapted financial services to very small, small and medium sized enterprises.

The launch of ProCredit's Agro-loans more than one and a half years ago has been rewarded by immediate success and acceptance by the target group. Agro loans currently represent more than 15% of ProCredit's total outstanding loan portfolio, including larger loans up to 150,000 USD.

Currently, ProCredit is developing a range of product and services directed at SME businesses (with loans above 15,000 USD). The creation of services fully dedicated to SMEs gives a more complete meaning to ProCredit's philosophy ***"better banking for everyone"***.

ProCredit's strong shareholders, the ProCredit Holding (Germany) and the DOEN Foundation (Netherlands) are continuously renewing their commitment to the institution.

4.1.2 Mission Statement

ProCredit Savings and Loans Company Limited is a development-oriented full-service financial institution. We offer excellent customer service to private individuals and enterprises. In operations, we adhere to a number of core principles: we value transparency in our communication with customers do not promote consumer lending and we provide services which are based both on an understanding of each client's situation and on sound financial analysis. This responsible approach to banking allows us to build long-term partnership based on trust.

In our credit operations, we focus on lending to very small, small and medium-sized enterprises as we are convinced that these businesses create jobs and make a vital contribution to the economies in which they operate.

By offering simple and accessible deposit facilities to our private customers and by investing substantial resources in financial education, we aim to promote a savings culture which can bring greater stability and security to ordinary households.

Our shareholders expect a sustainable return on investment over the long term, rather than being focused on short-term profit maximization. We invest extensively in the training of our staff in order to create an open and efficient working atmosphere, and provide a friendly and competent service for our customers.

4.1.3 ProCredit's Focus in Ghana

After ten years of operating in the Ghanaian market, ProCredit Savings and Loans Company Limited remain true to its commitment to building a strong savings culture in the communities in which it operates, supporting the growth of very small, small and medium sized business, as well as extending its services to reach many more agricultural and manufacturing businesses in Ghana.

The company's aim is to offer customer-centred products and services in a one-stop-shop approach, easily accessible to all clients. In this way ProCredit is able to supply comprehensive financial solutions to everyone.

4.1.4 Products and Services

ProCredit Savings and Loans Company Limited has designed four products and service packages to suit the needs of different client groups.

(i)   Red Banking

For a flat monthly charge, the Red Banking package is best suited to SME clients who require huge capital investment to meet their business expansion needs. Among other services, the package gives client access to an unlimited amount of credit, depending on their business needs. Each client of this offer is assigned to a dedicated client Relationship Manager to ensure that they receive the best financial solution for their business.

(ii)   **Business-Plus Banking**

This is an everyday banking package for every business, where clients get to pick and choose between a bouquet of twelve products and services, and only pay for the services they select. Products available under this package include current and savings accounts, various credit facilities including business and agro loans, trade financing options and electronic banking services.

(iii)   Private-Plus Banking

In this package, clients have the chance to pick and choose between a bouquet of fifteen products and services, and only pay for what they use. Products available under this package include various current and savings account options, a personal loan facility and electronic banking services.

(iv)   Prime Banking

This is a value packed package designed to today's private individual. Subscribers have access to a bouquet to nine products which include a current account, various savings accounts, a personal loan facility, and electronic banking services. All these are available for a flat monthly charge.

4.1.5 Human Resource (HR) Policy

ProCredit Ghana is a beneficiary of ProCredit Holding's support in terms of recruitment, human resources policy and technical training. It invests in the training and professional development of its staff, and provide a friendly working environment, since the sustained success depends on the quality of its employees. Intensive training takes place locally in the individual banks, regionally at the Holding's regional academies, and centrally at its

Academy in Germany. The ProCredit Academy provides a high quality three-year part-time training programme for high-potential managers from all the twenty-one banks around the world. The institution also upholds certain values that have shaped the character of its employees.

These values involve a commitment not only to serve the economically weaker segments of the population, but also to adopt a certain work ethic and an open, transparent and professional style of communication with one another and with our customers. ProCredit engages in intensive dialogue with its employees at all levels. In addition, its codes of conduct and employment contracts require all employees to behave in a responsible, non-discriminatory, professional and team-oriented manner at all times, and to provide friendly service to its customers. It also conducts regular seminars and discussions with employees to ensure that its standards and approach are understood and 'lived'.

4.1.6 Business Model and Development

ProCredit was established in Ghana in the wake of the 'Piram's' scandal, when a number of Ghanaians had lost their deposits to a fraudulent and unsustainable pyramid deposit scheme, thereby engendering mistrust in the financial sector; especially for non-bank financial institutions. Very few of the traditional commercial banks met the needs of individual entrepreneurs and small businesses, because serving these clients requires highly trained staff and a good understanding of the realities that small, often informal, enterprises face and the conditions under which they operate. The shareholders of ProCredit had confidence in the investment climate that existed and believed that their business model would survive in the environment; to provide financial intermediation for the vast informal sector that needed credit and a glimmer of hope to develop their businesses.

Since its inception, ProCredit has operated a socially responsible business model that is not only developmentally relevant, but also profitable, sustainable and very fast-growing. It places premium on understanding the needs of its prospective borrowers, their debt capacity and providing sound financial advice and support, using the case-by-case approach to lending; while promoting a savings culture among its clientele by offering them with innovative deposit products. It has not encouraged consumer loans, as it believes that it is not a priority for the development of a country with a transition economy. ProCredit focuses its work, rather, on helping to develop very small, small and medium businesses, which have the capacity to create jobs and eventually develop the economy.

Over the years, the institution has expanded its scope from supporting the very smallest businesses to financing larger enterprises, securing its position as a trusted partner to SMEs. ProCredit now has twenty-seven branches across six of the country's ten regions, including three Business Centres; specializing in meeting the needs of small and medium-sized enterprises.

4.2 Data Analysis

4.2.1 How Financial Services practice C R M

The Client Relationship Manager of ProCredit was interviewed to assess how CRM is practiced by the firm and the summary of the interview as well as cross tabulation of response from clients are used in this section.

The main activities involve in the practice of CRM are:

(i)   Client Acquisition

ProCredit acquire its clients through advertising, referrals and personal selling.

	Frequency	Percentage	Valid Percentage	Cumulative Percentage
Joined on your own	38	28.1	28.1	28.1
Introduced by a friend	66	48.9	48.9	77.0
Contacted by the bank	31	23.0	23.0	100.0
Total	135	100.0	100.0	

Table 4.1: How relationship with the bank begun

Source: Field survey, 2013

When clients were asked how their relationship with the bank begun, 28.1% responded that they joined the bank by their own, 48.9% were introduced by friends and 23% were contacted by the bank.

There are several marketing communication tools that firms use to propagate their products and services to the public. Among these tools are advertising, personal selling, direct marketing, sponsorship, etc. The choice of marketing communication tool used depends on the target market as well as resources available to the firm. To ensure effectiveness and achieve a synergy, firms integrate their chosen communication tools in propagating their product offerings thereby facilitating a good relationship.

Previous studies (Blattberg & Deighton, 1991; Hoffman & Novak, 1996; Newell, 1997; Peppers & Rogers, 1993) show that many seemed to believe that firms that use communication tools truly want to develop relationships with customers and that the various media of communication used would facilitate these relationships.

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(ii)   Clients' Data Analysis

Analysis of clients data provide information that enable the bank to predict clients behaviour, help the bank to design an appropriate product to meet clients' needs which may lead to cross-selling of products and follow up on clients. This also helps to make reasonable proposal for decision making concerning allocation of resources for the practice of customer relationship marketing.

To make relationship marketing work, marketers have started to adopt a customer management orientation, which emphasizes the importance of customer lifetime analysis, retention, and the dynamic nature of a person's customer–firm relationship over time (Kotler 1994).

There are programs used by firms to primarily stock, extract, and analyze data in order to identify a behaviour tendency and adapt marketing technique. Every time a client contacts the bank through any distribution channel, the operation and data collected are transferred to large central data warehouses where they are classified, treated, and submitted to sophisticated algorithms, which establish a general tendency and use correlation, causation, and regression calculations in order to predict the client's next move.
(Dr. Adam Lindgreen and Michael Antioco's: C R M, one European Bank)

(iii)   Grouping and Classification of Customers

ProCredit uses ProsSME which is a CRM application to analyze daily information on deposit, turnover and loan repayment transactions of clients. Based on the outcome of the analysis, clients are grouped into top depositors, top loan clients, high turnover clients and arrears clients. These classifications enable the firm to best design the appropriate products for the different clients.

In the study done by Kassanoff (2000), he points out that CRM application help companies assess the profitability and loyalty of their customers by some metrics like the number of repeated purchases and help to answer questions such as: Which products or services do the customers want?

Firms usually have different relationship with different clients, depending on their level of profitability and prospects. Usually, firms spend greater resources in maintaining close relationship with profitable customers and vice versa.

(iv)   Client Retention

Clients are retained through resolution of complaints, determination of clients' needs and extension of all products and services relevant to the clients. One of the several ways clients' needs are determined is by personal interaction to ascertain competitors' products which are of interest to clients.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	105	77.78	77.78	77.78
	No	30	22.22	22.2	100.0
	Total	135	100.0	100.0	

Table 4.2: Concerns of clients made known to the bank

Source: Field survey, 2013

	Frequency	Percentage	Valid Percentage	Cumulative Percentage
Quick response	82	60.7	60.7	60.7
Delay response	11	8.1	8.1	68.9
No response	12	8.9	8.9	77.8
Not Applicable	30	22.2	22.2	100.0
Total	135	100.0	100.0	

Table 4.3: How ProCredit respond to clients' concern

Source: Field survey, 2013

When clients were asked whether they make their concerns known to the bank, out of the 77.78% clients who make their concern known, 60.7% said their concerns are quickly responded to whiles 17% represent those whose concerns receives delayed or no response as can be seen in table 4.2 and 4.3 respectively. Retention of clients also depends on the level of satisfaction clients derive from using a product or service. ProCredit's ability to offer a wide variety of products from which clients can make a flexible selection that suits their needs is another means of ensuring retention.

Mutanen (2006) remarks that the mass marketing approach, where each customer gets the same treatment of the company, cannot succeed in the diversity of consumer business today. Therefore, companies are practicing an approach to marketing that uses continuously refined information about current and potential customers to anticipate and respond to their needs.

Again Grant and Schlesinger (1995) asserts that offering the same product to a wide range of prospective customers in spite of their individual needs will lead to less than 5% conversions, and even worse, many of these conversions will be lost because of a high rate of churn.

This suggests that, the incapability of firms to meet the needs of its customers does not encourage retention and a long term business success.

Again, how a firm handles customer complaints and the availability of avenues through which concerns can be channelled is of great importance to keep at risk customers from defecting.

4.2.2 Why Do Customers Defect From One Bank to Another?

This section emphasises on why customers defect from one bank to another in spite of the practice of CRM. When the one hundred and thirty-five questionnaires were administered, respondent who are clients of ProCredit expressed their intentions about why they will leave the bank as a result of their experience with the bank.

Have you considered leaving the bank? * What informed your decision to leave the bank? Cross tabulation

Count

		What informed your decision to leave the bank?					
		Unconcerned attitude of staff	Delayed transaction	Staff ruddiness	Expensive transactions	Unavailable facility	Total
Have you considered leaving the bank?	Yes	7	22	8	3	2	43
	No	0	0	1	0	0	92
Total		7	22	9	3	2	135

Table 4.4: Why customers leave bank
Source: Field Survey, 2013

The factors that lead to customer defection as shown by this research include unconcerned attitude of staff, delayed transaction, staff ruddiness, expensive transaction and unavailable facility.

Out of the forty-three respondent who said they will leave ProCredit, twenty-two respondent said they are leaving the bank because of delay in transaction, staff ruddiness and unconcern attitude of staff accounted for why sixteen respondents will leave the bank. For banks to retain their customers, it is of prodigious importance to use the most effective process to speed up transaction. Staff handling of clients should be done tactfully.

Organizational processes which can be associated with retaining customers include complaints-handling and quality assurance processes (Ang & Buttle, 2006)

Collaboration of employees' efforts and the understanding of the interrelationship of individual employee's role and its effect on other roles will ensure the creation of synergy

that can put a delay in transaction to the minimal at worse. This can be practiced when employees relate with each other as internal customers in a quest to practicing internal marketing.

According to theory (George, W. 1990), every employee or team in a company is simultaneously a supplier and a customer of services and products. An employee obtains a service at a point in the value chain and then provides a service to another employee further along the value chain. By practicing effective internal marketing, every employee both provide and receive exceptional service from and to other employees. It also helps employees understand the significance of their roles and how their roles relate to others.

4.2.3 Does Electronic Relationship Enhance Customer Retention?

Information communication technology is fast becoming one of the key media for firms, especially those in the banking sector to build relationships with their customers. This study found out the medium of electronic relationship used by ProCredit and how it enhances retention.

A Cross tabulation of electronic relationship against customer retention

Count				
		Have you considered leaving the bank?		
		Yes	No	Total
Does the electronic relationship enhance the relationship	Yes	19	77	96
	No	15	13	28
	Not Applicable	9	2	11
Total		43	92	135

Table 4.5: How electronic relationship enhances customer retention
Source: Field survey, 2013

The medium of electronic relationship used by ProCredit include telephone, internet and SMS. The use of telephone dominates the medium of electronic relationship used by the bank.

Traders are in the majority of clients of the bank which makes the choice of telephone as the core electronic medium suitable and appropriate because most traders are not conversant with the use of SMS and internet.

Among the ninety-six clients who responded that electronic relationship enhances customer relationship, seventy-seven said they will not leave the bank as oppose to thirteen respondents who will defect from the bank.

CHAPTER FIVE

SUMMARY OF FINDINGS , CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter provides a summary of findings by this research work which includes findings from how firms practice Customer Relationship Marketing, causes of customer attrition and whether electronic relationship enhances customer retention.

5.1 Summary of Findings

This research was conducted to address the subject of customer relationship marketing and its effect on customer retention in the banking industry in Ghana; ProCredit Savings and Loans Company Limited was the place where the research was conducted.

This research showed that the practice of Customer Relationship Marketing by ProCredit Savings and Loans Company Limited involves four stages which are; client acquisition, client data analysis, classification and grouping of customers and client retention.

The means by which ProCredit acquire customers include advertising, personal selling and referrals which represent the means by which clients are acquired.

ProCredit analyzes the data of its clients to predict their behaviour as well as designing the most appropriate products for its heterogeneous customers. Based on the outcome of the analysis, ProCredit group and classify its customers as top loan clients, high turnover clients, top depositors clients and arrears clients.

Some the bank's customer retaining efforts include resolution of complaints, determination of clients' need and extension of all products and services relevant to the clients.

It was also found from this research that unconcern attitude of staff, delayed transactions, staff ruddiness, expensive transactions and unavailable facility were identified as the causes of customer attrition. Among these, delayed transaction represented the major cause of customer defection whiles unavailable facility was found as the least cause of why customers are leaving ProCredit.

The medium of electronic relationship used by ProCredit include telephone, internet and SMS. It was found that traders (who represent the majority of the bank's client) are not conversant with the use of other electronic medium and as such the bank uses telephone the most in ensuring electronic relationship. A majority of seventy-seven out of ninety-six respondents said they will not leave the bank because electronic relationship enhances their relationship with the bank, as against thirteen respondents out of twenty-eight people who said that they are leaving the bank because their relationship with the bank is not enhanced by electronic relationship. This clearly shows that electronic relationship enhances customer retention from this research.

5.2 Conclusions

As the study shows, the bank acquires its customers basically through referrals by positive word of mouth, advertising and personal selling. ProCredit benefits greatly from positive word of mouth. This is because customer acquisition through recommendation by friends represented 48.9% which is the highest among how the bank acquires its customers.

The firm's advertisement is the reasons why people joined the bank on their own. Among the 135 respondents, 45.9% of clients represent traders who are the dominant clients in the bank. Customer acquisition through advertisement represents 28.1% of the bank's acquisition of clients.

Clients who joined the bank as a result of contact by the bank were through personal selling.

The bank has a laid down procedure through which customer complaints are addressed. Prompt and quick response to complaints by the bank forms part of its value chain that reduces the rate of dissatisfaction with a consequential defection. Thus quick response by the bank which represents 60.7% of how the bank respond to concerns is one of the ways the bank ensures customer retention.

The cardinal reason for customer defection as shown by this study is delayed in transaction. The reason can be improper coordination of bank's effort in meeting customers' need. Unconcern attitude of staff may be due to reasons like lack of staff motivation, inability of staff to handle clients' concern as a result of poor product knowledge or inappropriate use of bank procedures and process.

The bank's level of adoption of e-CRM is very high as the statistics indicate. It is obvious from this study that electronic relationship enhances customer retention. The medium of electronic relationship used by ProCredit is contingent on the type of customer. The reason why the use of telephone dominates the medium of electronic relationship is due to the fact that traders (who are dominant clients of the bank) are not conversant with the other electronic medium. Appropriation of electronic relationship to a particular type of client enhances customer retention. This confirms the above assertion because out the 96 respondents who agreed that electronic relationship enhances customer relationship, 77 of them said they will stay with the bank.

5.3 Recommendations

On the grounds of findings, discussions and the conclusions of this study, we make the following recommendations:

Most clients indicated that if they will consider leaving the bank it will be because of delayed transactions. The Bank should therefore try to improve upon the speed with which they complete their banking processes. This can be done through coordination of interrelated processes and procedures that facilitates service delivery.

Most people also join the bank as a result of positive word-of-mouth by the bank's clients to their friends. The bank should not overlook the 17% of clients whose concerns received delayed or no response since a little spark of a negative word of mouth from them can adversely affect clients' referral and acquisition.

The Bank must also work on how fast they deal with customer complaints and respond aptly to their concerns. Since a significant percentage of respondents did not make their concern known to the bank, it is necessary that further investigation is conducted as to why clients hesitate to express their concerns.

The adoption of customer relationship marketing practices at ProCredit Savings and Loans Limited is encouraging as the bank employs CRM media that enhance its relationship with its clients. However continuous investment in the long-term relationship marketing infrastructure to support a customer orientated approach will ensure continuous success of the bank.

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APPENDIX ONE

We are undergraduate students of Christian Service University College (CSUC) pursuing Bachelor of Business Administration, Marketing option.

We are conducting a research on "the effect of customer relationship marketing on customer retention" using the financial service - ProCredit Savings and Loans Limited as a case study. This work is in partial fulfillment of requirements leading to the award of a BBA degree in Marketing. Information provided for the purposes of this research will be treated confidentially and used for academic purposes only.

Aguideto interview the Customer Relationship Marketing Officer of ProCredit Savings Loans Limited, Kumasi.

General Information

Name of the bank

Name of the respondent

The respondent's position

The first year of practicing relationship marketing as a formal strategy

What are the number of customers who have been with the bank for over 1 year, and then percentage of that to the total number of customers?

Q1. What is the initial motivation for adopting the practice of relationship marketing?

Q2. Can you provide some information about your relationship marketing activities?

Q3. How does relationship marketing help your bank in establishing long-term relationshipwith your customers?

Q4.What is the role of data and database in your relationship marketing activities?

Q5. Regarding customer data and information: Do you collect;

- Personal and transactional information, if yes, How, if not, why?
- Product, service and organisation information. If yes how, if not, why?
- Non- transactional customer feedback information.If yes, How.If no, why?
- Relationship marketing activities.If yes, how.If no, why?

Q6. How do you reach your customers, (CRM touch points)? (Marketing services, advertising, sales, branches, telephone)?

Q7. What applications do you use to analyse customer data? How do you manage customerdata which is non-technological (e.g. face to face interactions?)

Q8. How do you strategically categorize your customers?

• High lifetime value customer.

• Early adopters of new products.

• Loyal customers.

• Customers with new ideas who find ways to improve quality or reduce cost.

Q9.How do you group your customers on the basis of historical records and other relateddetails (that is customer retention, satisfaction, loyalty and profitability)? How does thisgrouping improve banks" performance?

Q10. In what other ways do you categorise your customers?

• Revenue side (e.g. usage intensity and behaviour)

• Cost side (e.g. product purchased, Channel used, intensity of customer care usageand service levels).

Q11. Do you regularly monitor and analyse customers'behaviour and characteristics (that is

Customers' details, historical records, demographics, preferences, lifestyle and personalhabits)

Q12. How do you use relationship marketing to identify and prevent your defectingcustomers to switch to competitors?

Q13. Do you provide core customers with additional personalised services and extra controlover their interaction while you know they are ready to pay additional charges for thoseservices? If yes how? If no: why?

APPENDIX TWO

We are undergraduate students of Christian Service University College (CSUC) pursuing Bachelor Business Administration, Marketing option.

We are conducting a research on the effect of customer relationship marketing on customer retention using the financial service - ProCredit Savings and Loans Limited as a case study. This researchwork is in partial fulfillment of requirements leading to the award of a BBA degree in Marketing. Information provided for the purposes of this research will be treated confidentially and used for academic purposes only. Please take some time to fill out this questionnaire.

Section A: General Information about Respondent

1. Gender: Male [ ]   Female [   ]

2. Age: 18-25 [ ]   26-35 [   ]   36-45 [   ] 46-55 [   ] 55-above [   ]

4. Educational Level: No Education [   ]   Non formal [   ]   Primary Education [   ]
                  Secondary Education [   ] University [   ]   PostUniversity [   ]

5. Occupation: Farmer [   ] Trader [   ] Civil Servant [ ] Business Executive [   ]
                  Others ....

Section B: Customer Relationship Marketing

6. How did your relationship with the bank begin?
          Joined on your own   [ ]
          Introduced by a friend   [ ]
          Contacted by the bank   [ ]
          Others...

7. Has there been any conscious effort by the bank to maintain the relationship?
          Yes [ ]   No [ ]

8. If yes, what form of effort has it been?
          Weekly contact   [ ]
          Monthly contact   [ ]
          Once a while   [ ]
          Others...

9. Does your bank relate to you electronically?
   Yes [ ]   No [ ]

10. If yes, which of these forms does it take?
    Internet [ ]   Telephone [ ]   SMS [ ]   Others ....

11. Does the electronic relationship enhance the relationship?
        Yes [ ]   No [ ]

12. How long have you worked with the bank? State …………………

13. Do you make your concerns known to thebank?
        Yes [ ]   No [ ]

14. If yes, how has the response of the bank been?
        Quick [ ]   Delayed [ ]   No Response [ ]

15. Does your bank relate to you differently because of the type of your account?
    Yes [ ]   No [ ]

16. Have you ever considered leaving the bank?
        Yes [ ]   No [   ]

17.If yes what must have informed your decision?
        Unconcerned attitude of staff [ ]
        Delayed transaction   [ ]
        Show of rudeness from staff [ ]
        Others...

18. Will you recommend the bank to any other person?
        Yes [ ]   No [   ]