EVALUATING CUSTOMER RETENTION STRATEGIES AT GARDEN CITY SAVINGS AND LOANS LIMITED

by

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DECLARATION

I hereby declare that this submission is my own work towards the MBA and that to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for the award of any other Degree of the University, except where due acknowledgment has been made in the text.

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DEDICATION

This work is dedicated to the Almighty God for my creation, preservation and His guidance, throughout my academic life.

It is also dedicated to my wife Mrs. Theresa Nti for her unflinching support during my MBA programme.

ABSTRACT

In recent years, customer retention has gained attention among service providers. With the increasing competitive environment, firms are continually looking for innovative ways not only to acquire customers but to retain existing ones. The main objective of the study is to evaluate customer retention strategies at Garden City Savings and Loans Limited. The study revealed that, customer retention strategies used at G.C.S.L were consistent with literature reviewed on the subject. The study also showed that not all customers who switched to competitors informed management before leaving. Pricing, attraction by competitors, involuntary switching were the main factors mentioned as causes of switching at G.C.S.L. Lack of branch network and branches outside Kumasi were the major concerns of customers. Respondents also complained of bureaucratic/ cumbersome procedures in credit delivery system. Reduction in savings/deposits and hence, profit and dissemination of wrong information to the public by defectors came out as the effects of customer switch on the operations of G.C.S.L. It can be concluded that customers remain the primary focus of every business because without them there will be no reason for operation. The fact still remains that it is more economical to keep customers than to acquire new ones. Therefore it was recommended that G.C.S.L should improve upon its retention strategies to track defections by customers, understand their preferences and thereby making them more delighted instead of satisfied; improve credit delivery system; open branches outside Kumasi and network these branches to meet the needs of customers. Also it was recommended that future interested researchers in this area should study two or more firms so that there could be comparison and identification of most common retention strategies used by service providers.

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CONTENTS

CHAPTER TWO

CHAPTER THREE

RESEARCH METHODOLOGY ORGANISAITONAL PROFILE

CHAPTER FOUR

PRESENTATION OF FINDINGS AND ANALYSIS

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCULSIONS AND RECOMMENDATIONS

Appendix

LIST OF FIGURES

LIST OF TABLE

LIST OF ABBREVIATIONS

1. G.C.S.L – Garden City Saving and Loans Limited

2. SIC – Insurance Company Limited

3. NTHC – National Trust Holding Company

4. ERP – Economic Recovery Programme

5. SAP – Structural Adjustment Programme

6. PNDC – Provisional National Defense council

7. NBFI – Non-Bank Financial Institution

LIST OF APPENDIX

Appendix 1: Questionnaire for customers

Appendix 2: Interview guide for management staff

CHAPTER ONE

GENERAL INTRODUCTION

1.1 Background of Study

Losing customers to another competitor tends to worry business executives. Understanding the reasons customers switch help these executives plan their customer retention and customer acquisition strategies. The financial service industry is highly competitive, with banks not only competing with each other; but also with non-banks and other financial institutions (Kaynak and Kucukemiroglu, 1992; Hull, 2002).

Most financial products developments are easy to duplicate and when service providers provide nearly identical services, they can only distinguish themselves on the basis of price and quality of the services they provide. Therefore, customer retention is potentially an effective tool that firms can use to gain a strategic advantage and survive in today's ever-increasing competitive environment.

One strategic focus that firms can implement to remain competitive would be to retain as many customers as possible (Hull, 2002). Ahmad and Buttle (2001) defined customer retention as the systematic objective of striving to maintain long term relationships with customers. Customer retention according to them is the mirror image of customer defection. A high retention rate is equivalent to a low defective rate (Ahmad and Buttle, 2001).

Reichheld and Kenny, (1990) argue 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. In addition, longer-term customers buy more and, if satisfied, may generate positive word-of-mouth promotion for the company. Additionally, long-term customers also take less of the company's time and are less sensitive to price changes (Healy, 1999).

It is believed that reducing customer defections by as little as five percent can double the profits (Healy, 1999). Rust and Zahorik (1993) also argued the financial implications of attracting new customers may be five times as costly as keeping existing customers. Clearly, determining the causes of customer switch from one financial institution to the other and then developing cost effective strategies to persuade them stay thus becomes imperative.

Stewart (1998) in a review of what she called the "exit process in banking", mentioned four types of switching incidents: "charges and their implementation", "facilities and their availability", "provision of information and confidentiality" and "services issues relating to how customers are treated". Gerrard and Cunningham (2000) identified six incidents which they considered to be important in gaining an understanding of switching between banks.

These incidents were labeled inconvenience, service failures, pricing, unacceptable behavior, attitude or knowledge of staff, involuntary/seldom mentioned incidents and attraction by competitors. Abratt and Russell, (1999) argued that the key factors influencing customers' selection of a bank included the range of services, rates, fees and prices charged.

In Ghana, Savings and Loans Companies are described as Non –Bank Financial Institutions (NBFIs) and they are defined by Financial Institutions (Non-Banking) Law, 1993 PNDCL 328. According to the Law, Savings and Loans companies have the following core lines of business:

- Deposit-taking
- Lending to individuals, groups, business enterprises
- Consumer credit financing
- Hire-purchase financing.

Licensed NBFIs stand at forty four (44) in the country of which fifteen of them are savings and loans companies (www.bog.gov.gh). At present four (4) of the savings and loans companies, (Pacific Savings and Loans Co. Ltd., Union Savings & Loan Ltd., Garden City Savings, & Loans Ltd., & First Allied Savings and Loans Ltd) have their head offices in Kumasi.

Out of the eleven (11) whose head offices are outside Kumasi, seven (7) of them (ProCredit Savings & Loans Ltd., Ezi Savings & Loans Ltd., Women's World Banking, Express Savings and Loans Ltd., Opportunity International Savings and Loans Co. Ltd., First Ghana Building Company & First National Savings and Loans Co. Ltd.) have branches located in Kumasi whilst the remaining four (4), (Midland Savings & Loans, Unicredit Ghana Ltd., Adehyeman Savings and Loans Ltd., EB-Accion Savings and Loans Company Limited,) do not.

The purpose of this research is to evaluate customer retention strategies at Garden City Savings and Loans Company Limited in Kumasi and suggest ways of improving them.

1.2 Statement of the Problem

In today's competitive business environment, customer retention is one of the cornerstones of a firm's effort to manage its customers. Thus, customer retention as defined by Ramakrishnan (2006) is marketing goal of keeping your customers from going to competitor.

Customers are becoming ever more demanding; especially in the savings and loans industries where they have more options to choose from than ever before. In some cases, customers make their decision to terminate the relationship and officially communicate their intent to the company. In others, there is never a formal declaration of termination. Instead, the customer slips away, either by buying less and less over time or by terminating the relationship all at once. It has been suggested in literature that the costs of customer retention activities are less than the costs of acquiring new customer (Rust and Zahorik, 1993). Since replacing costs are high, customer defection (switch) should be a key performance gauge for senior management and a fundamental component of incentive programmes (Zeithaml et al., 1996). Customer defection again merits attention because of its association with profits. Reductions in defection are claimed to be cheaper to implement than corresponding increases in recruitment, and it is argued that customers who remain loyal for long periods are more likely to recruit other customers (Reichheld, 1996).

Garden City Savings and Loans Ltd. is faced with intense competition from many other competitors in Kumasi such as First Allied Savings and Loans Ltd., Procredit Savings and Loans Ltd. etc. The intense competition and similarity of products and services in the industry make it easy for customers of G.C.S.L to switch to these competitors. Consequently, G.C.S.L. is intensifying its service delivery and marketing strategies as a defensive way to counter the impact of heightening competition levels in the savings and loans industry.

It has, therefore, become imperative for management of G.C.S.L to evaluate its customer retention strategies to enable the company to optimally retain its existing customers and attract new ones in order to survive the ever growing competition among savings and loans companies in Kumasi.

1.3 Objectives of the Study

The objectives of the study are:

- To identify customer retention strategies used at Garden City Savings and Loans Ltd (G.C.S.L).

- To establish causes of customer switch at G.C.S.L
- To find out the effects of customer switch on G.C.S.L
- To identify factors that that influence customer retention at G.C.S.L
- To suggest ways of improving customer retention at G.C.S.L

1.4 Research Questions

To achieve the research objectives outlined above, the following research questions shall be addressed:

- What are the customer retention strategies used at G.C.S.L?
- What are the causes of customer switch at G.C.S.L?
- How can customer retention strategies at G.C.S.L be improved.
- What are the expectations of customers of G.C.S.L?

1.5 Research Method

The population of the study was two fold, namely, customers and management staff of G.C.S.L. Due to time and resource constraints as well as large number of the target population a sample size of 180; made up of 175 customers and 5 management staff was used. Both quota and purposive sampling techniques were used for the study. Research instrument used for the study included structured questionnaires and personal interview to collect the needed primary data. In addition to the primary data, secondary data which included articles, reports, journals and the internet were also used. For consistency, the primary data was edited to correct any errors which was then coded and analysed by the use of statistical package for the social science (SPSS) software. Descriptive statistics such as percentages were used to analyse the data gathered. The analysed data were presented in the form of bar charts and tables.

1.6 Significance of the study

- The study will serve as a guide for savings and loans companies to map up strategies that will help prevent the problem of Customer Switch and thus, survive the ever increasing competitive business environment in Ghana.

- Additionally, it will provide an evaluation of customer retention strategies at G.C.S.L. to ensure effective retention of existing and potential customers in today's fiercely competitive environment.

- The study will again add to the already existing knowledge on customer retention for future researches; it will be a source of reference materials for lecturers, students and researchers who wish to gain insight into customer retention strategies in the financial institutions.

- The study will also help the researcher to appreciate and understand customer retention strategies available for firms to retain their customers.

- Finally, the findings will offer opportunity for G.C.S.L to develop barriers for preventing customers from switching to competitors.

1.7 Scope of the study

The study focuses on savings and loans companies in Kumasi. Since all savings and loans companies provide almost the same services, G.C.S.L., which currently has the highest branches (5) in Kumasi, was selected for the study. The restriction became necessary due to time constraint.

1.8 Limitations of the study

Most companies/enterprises in Ghana feel reluctant when it comes to divulging information, especially in the financial institution where staff is made to swear oath of secrecy. The fear of not keeping the information confidential would lead to non-disclosure of certain vital information needed for the study.

The above limitation was addressed through assurance from the researcher to keep the data provided as confidential as possible and the assurance of using it purposely for academic research. The assurance made them gain higher interest in participating in the research work.

Again, one limitation encountered during the administration of the questionnaire was that some of the respondents were illiterates and therefore could not read and write. This was addressed by interpreting the questions to respondents in the local language and the answers, recorded by the researcher.

Time constraint was another factor as a lot of time was needed to search for information for the research. The researcher cut time spent on attending social activities such as weddings and funerals during the research period and, therefore, had enough time to concentrate on the research

1.9 Organisation of the Study

The study will be organised into five (5) chapters as follows: Chapter one will cover background of the study, statement of the problem, objective of the study and research questions, research method, significance of the study, scope of the study and limitation of the study. Chapter two will review literature on financial industry in Ghana and relevant views of authors relating to issues on customer switch and retention in the financial institutions. Chapter three will cover methodology used in the collection of data and organisational profile of Garden City Savings and Loans Ltd. whilst chapter four focuses on presentation of research findings and analysis of data. Chapter Five, which is the final chapter will cover summary of research findings, recommendations and conclusion of the study.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter gives an overview of the financial industry in Ghana and also reviews literature on customer switch and retention strategies. Key issues discussed were under the following main headings namely, overview of financial industry in Ghana, the non-bank financial sector, competitive analysis and market participants, customer retention, causes of customer switch, switching process, effects of customer switch, factors affecting customer retention, customer retention strategies and conceptual framework

2.1 Overview of the Financial Industry in Ghana

The financial industry is one of the few industries in the country that have undergone some major transformation since the colonial era (www.databankgroup.com). During the colonial period, banking services were geared towards the facilitation of trade between the British merchants and the colony. The financial system then transformed the colonial economy from a barter system to a modern currency system. At the time, there were virtually no non-bank financial institutions in the country except some insurance companies which provided commercial risk coverage for the trading houses.

According to Databank (www.databankgroup.com), the post independence era up to 1983 saw the adoption of a planned and closed economy with a wide range of restrictions on the financial sector and a complete domination and control of the banking industry by the government. The non-bank financial sector was relatively undeveloped except for the existence of State Insurance Corporation (now SIC Insurance Company Limited) and

National Trust Holding Company (now NTHC Limited). The control systems created serious distortions in the financial sector and also in the whole economy.

The serious distortions in the financial sector and general economic decline led to the adoption of the Economic Recovery Programme (ERP) in 1983 to liberalize the economy and therefore the financial sector. The government implemented a Structural Adjustment Programme (SAP) in the late 1986 to remove major structural bottlenecks in the economy and to lay a solid foundation for sustained growth.

These measures resulted in, among other things, a reasonable growth in the financial sector which is playing a crucial role in the financial intermediation in the economy. The financial sector underwent liberalization through, relaxation of interest rate controls, phasing out directed lending, establishment of forex bureaus, restructuring of financially distressed banks, enhanced supervisory framework of the banking system, improvement in the mobilization and allocation of financial resources including development of money and capital markets and, promotion of the development of non-bank financial institutions (www.databank.com.gh).

The banking sector is regulated under the Central Bank's authority with three (3) main laws:

- The Companies Code 1963 (Act 179) as amended ;
- The Banking Act 2004 (Act 673) as amended; and,
- The Foreign Exchange Act, 2006 (Act 723).

A new Banking Act 2004 (Act 673), and a new Bank of Ghana Act 2002, (Act 612), have been passed to replace the hitherto existing statutes. These new Acts, which have also seen further amendments, provide the legal and regulatory framework for operating banks in Ghana. The Bank of Ghana has been strengthened in its independence to effect monetary policy changes. The new legislation also sets minimum capital requirements and defines capital adequacy and prudential lending standards. In line with these developments, the nation has seen some stabilization in its macroeconomic indicators including inflation, exchange rate, and interest rates. (www.bog.gov.gh)

Moreover, a Credit Reporting Act, 2007 (Act 726) has recently been passed that is expected to further enhance Ghana's debt market. The Act will ensure that credit ratings are assigned to institutions and individuals to facilitate the appropriate assignment of risk and interest rate pricing to clients. The Institute of Chartered Accountants Ghana in conjunction with the Bank of Ghana and the Securities and Exchange Commission has adopted the International Financial Reporting Standards to be effective from January 2009 (www.bog.gov.gh).

Additionally, the Bank of Ghana has re-denominated the national currency with the rate of conversion being GH¢1 (new Ghana cedi) for ¢10,000 (old Ghana cedi). The motivation has been to facilitate transactions, to reduce cost of doing business and for convenience. (www.bog.gov.gh)

2.2 The Non-Bank Financial Sector

The non-bank financial sector plays a very critical role in the development and promotion of micro and small scale enterprises in the country. The sector is regulated by the Bank of Ghana under the Financial Institutions (Non-Banking) Law, 1993 (PNDCL 328) (the "NBFI Law").

Conscious efforts have over the years been made to promote the non-bank financial sector in the country through the promulgation of the NBFI Law, which formalizes and regulates the activities of players within the sector. Prior to that, the sector had been dominated by the informal systems. The promulgation of the NBFI Law has paved the way for the establishment of numerous non-banking financial institutions.

According to Bank of Ghana (www.bog.gov.gh), the categories of non-bank financial institutions (NBFIs) currently licensed in the country are Acceptance Houses, Finance Houses, Leasing and Hire Purchase Companies, Building Societies, Mortgage Financing Companies, Venture Capital Companies, Savings and Loans Companies and Credit Unions. Even though there is a significant overlap between these categories of NBFIs, a distinction is made between the deposit-taking NBFIs and the non-deposit-taking NBFIs.

The deposit-taking NBFIs include savings and loans companies, mortgage financing companies and credit unions which finance their lending activities through deposits from their clients. These deposit taking institutions except the credit unions must maintain a minimum paid up capital of GH¢1.5 million. The non deposit-taking NBFIs according to Bank of Ghana include finance houses, leasing companies, discount houses and venture capital companies, which exclusively finance their lending with their own funds or by means of financing obtained from investors in their financial products. Currently, the minimum paid up capital for non-deposit taking institutions must be GH¢1 million.

However, there are discussions going on to increase the capital base of the non-bank financial institutions to between GH¢5 million and GH¢8 million in the foreseeable future (www.bog.gov.gh).

2.3 Competitive Analysis and Market Participants

Competition within the financial sector in the country is very keen and is becoming keener and keener. The existing institutions are consolidating their positions within the industry through the churning out of new products, opening up of new branches and the improvement in their operations and services. These developments cut across both the traditional banks and the non-banking financial sectors.

New entrants to the NBFI sector are bringing new capacities represented by larger financial resources, better access to key skills/experience and competencies which pose a grave threat to NBFIs which have a small capital base and are therefore limited in their ability to build the necessary supporting infrastructure. Some of the commercial banks have recently launched their operations into the micro and small business sectors which are posing a threat to the NBFIs.

The increasing competition has given a sizeable proportion of the Ghanaian population access to financial services. It has also improved customer choices in terms of products offering. However it has engendered more aggressive new product development among the market participants and a high labour turnover through poaching by the commercial and merchant banks (www.databankgroup.com).

2.4 Register of licensed non-bank financial institutions (NBFIs) in Ghana

SN	NAME OF COMPANY	NATURE OF BUSINESS
1	• Securities Discount Co., Ltd	Discount House* (Finance House)
2	City Investments Co. Ltd.	Finance House
3	Ivory Finance Company Ltd.	Finance House
4	N.D.K. Financial Services Ltd.	Finance House
5	OAK Financial Services	Finance House
6	Sterling Financial Services	Finance House
7	Unique Trust Finance Company	Finance House
8	Ghana Financial Services Ltd.	Finance House
9	Eximguaranty Co. (Gh) Ltd	Finance House
10	1st African Financial Services Ltd.	Finance House (Inward Remittances)
11	Golden Link Financial Services	Finance House (Inward Remittances)
12	Express Funds International Ltd	Finance House (Inward Remittances)
13	Trans-Continental Financial Services Ltd.	Finance House (Inward Remittances)

14	Mondex Ghana Ltd	Finance House (Electronic Cash)
15	Export Finance Co. Ltd	Finance House/Export Financing
16	JISLAH Financial Services	Financial House
17	Horizon Leasing & Finance Co. Ltd.	Leasing
18	Ghana Leasing Co. Ltd	Leasing
19	Leasafric Ghana Ltd.	Leasing
20	• Ecobank Leasing Co., Ltd	Leasing Company
21	Midland Savings & Loans Co.,Ltd.	Savings and Loans
22	First Allied Savings and Loans Co. Ltd.	Savings and Loans
23	Garden City Savings & Loans Co. Ltd.	Savings and Loans
24	Ezi Savings Loans Ltd.	Savings and Loans
25	Unicredit Ghana Ltd.	Savings and Loans
26	Union Savings & Loan Ltd	Savings and Loans
27	Women's World Banking-MASU	Savings and Loans
28	ProCredit Savings & Loans Co. Ltd.	Savings and Loans
29	Pacific Savings & Loans Co. Ltd.	Savings and Loans
30	First Ghana Building Company	Savings and Loans
31	Opportunity International Savings and Loans Co. Ltd	Savings and Loans
32	Express Savings and Loans Co. Ltd	Savings and Loans
33	Adehyeman Savings and Loans Co. Ltd.	Savings and Loans
34	Dalex Finance and Leasing Company Ltd.	Finance and Leasing
35	Ghana Home Loans	Mortgage Finance

36	Utrak Financial Services	Finance House
37	First National Savings and Loans Co. Ltd.	Savings and Loans
38	Chrisline Financial Services Ltd.	Finance House
39	IFS Finance & Leasing Company Limited	Finance and Leasing
40	Crest Finance House Limited	Finance Company
41	F & D Finance and Leasing Co. Ltd.	Finance and Leasing
42	Bond Financial Services	Finance house
43	EB-Accion Savings and Loans Co. Ltd.	Savings and Loans
44	Forms Capital Limited	Finance House

Source: www.bog.gov.gh

- Securities Discount Co. Ltd has been granted provisional approval to change its status to a finance house
- Ecobank Leasing Co. Ltd Permissible activity under section 11 of the Banking Act, 673 (Act 2004). The activity has been merged with the main banking operations, though the license has not been revoked (www.bog.gov.gh).

2.5. Customer Retention

Customer retention is the act of keeping customers resulting from service quality and customer satisfaction (Ross 1995). Many studies have been conducted to identify the benefits that customer retention delivers to an organization (Page et al., 1996; Reichheld and Sasser, 1990; Colgate et al., 1996; Storbacka et al., 1994; O'Malley, 1998). The bulk of this research has concentrated on the justification and the financial benefits derived from retaining customers.

The longer a customer stays with an organisation the more profit the customer generates (Reichheld and Sasser, 1990). This is an outcome of a number of factors relating to the time the customer spends with the organisation, and includes: the effects of the higher initial costs of introducing and attracting a new customer, increases in value of purchases, increase in number of purchases, the customer's better understanding of the organisation and vice versa and positive word-of-mouth.

It was recognized by Colgate et al. (1996) and by Storbacka et al. (1994) that reduction in defection can contribute to increases in profits far more than increases in the market share. A figure that has been often cited is that profits of organisations can increase by 100 per cent through retaining 5 per cent more of their customers (Reichheld and Sasser, 1990; O'Malley, 1998).

However, this level of profits is not constant in the literature. For example, the reduction of defection of university students from a bank from 17.8 per cent to 15 per cent was shown to increase the profits by 105 per cent (Colgate et al., 1996), and in another study, Reichheld (1996) showed a reduction in defection from 15 per cent to 10 per cent per year to double the profits. Nonetheless there seems to be a consensus that reduction in defection significantly increases profits.

Apart from the benefits that longevity of customers brings, research findings also suggest that the costs of customer retention activities are less than the costs of acquiring new customers. Rust and Zahorik (1993) identify the financial implications of customer retention, citing US Office of Consumer Affairs research that estimates that attracting new customers may be five times as costly as keeping existing customers. This figure is supported in a number of research articles (Page et al., 1996; Colgate et al., 1996; Storbacka et al., 1994).

2.6 Causes of Customer Switch

According to Neslin et al. (2006), customer switch is the propensity of the customer to cease doing business with a company at a given period of time. Keaveney (1995) created a model which contained eight causes of customer switch. These are pricing, inconvenience, core service failures, service encounter failures; employee responses to service failures, attraction by competitors, ethical problems and involuntary switching plus seldom mentioned incidents.

These incidents, in overview, can be described as follows:

- Pricing: this category subdivides into high prices, price increases, unfair pricing practices and deceptive pricing practices;
- Inconvenience: this category subdivides into location, opening hours and waiting too
- long either for an appointment or for delivery;
- Core service failures: this category subdivides into mistakes, billing errors and service catastrophes;

- Service encounter failures: this category subdivides into uncaring, impolite, unresponsive or unknowledgeable staff;
- Employee responses to service failures: this category subdivides into reluctant responses, a failure to respond or patently negative responses;
- Attraction by competitors: this category subdivides into consumers whose responses focused on the pluses of the service provider they switched to as opposed to the negatives relating to the service provider they switched from;

- Ethical problems: this category subdivides into dishonest behavior, intimidating behavior,
- Unsafe or unhealthy practices or conflicts of interest; and
- Involuntary switching and seldom-mentioned incidents: this category subdivides into switching because the service provider or customer had shifted location or the service provider had changed alliance.

Gerrard and Cunningham (2000) also identified six incidents which they considered to be important in gaining an understanding of switching. These incidents were inconvenience, service failures, pricing, unacceptable behavior, attitude or knowledge of staff, involuntary/seldom mentioned incidents and attraction by competitors.

Hart et al., (1990) identified customer complaint handling as another cause. A major reason why customers switch service providers is unsatisfactory problem resolution. When customers face a problem, they may respond by exiting (switching to a new supplier), voicing (attempting to remedy the problem by complaining) or loyalty (staying with the supplier anticipating that "things will get better") (Hirschman, 1970).

Given that customers of retail banks have relatively high switching costs, it is likely that a dissatisfying experience will evoke a passive reaction (no complaint) or a complaint. Given that the customer complains, the bank's response can lead to customer states ranging from dissatisfaction to satisfaction.

In fact, anecdotal evidence suggests that when the service provider accepts responsibility and resolves the problem, the customer becomes "bonded" to the organization (Hart *et al.*, 1990).

When customers complain, they give the firm a chance to rectify the problem and, interestingly, if the firm recovers successfully, to increase loyalty and profits (Fornell and Wernerfelt, 1987). Thus, customer complaint handling can have an influence on customer satisfaction and retention.

2.7 Switching Process

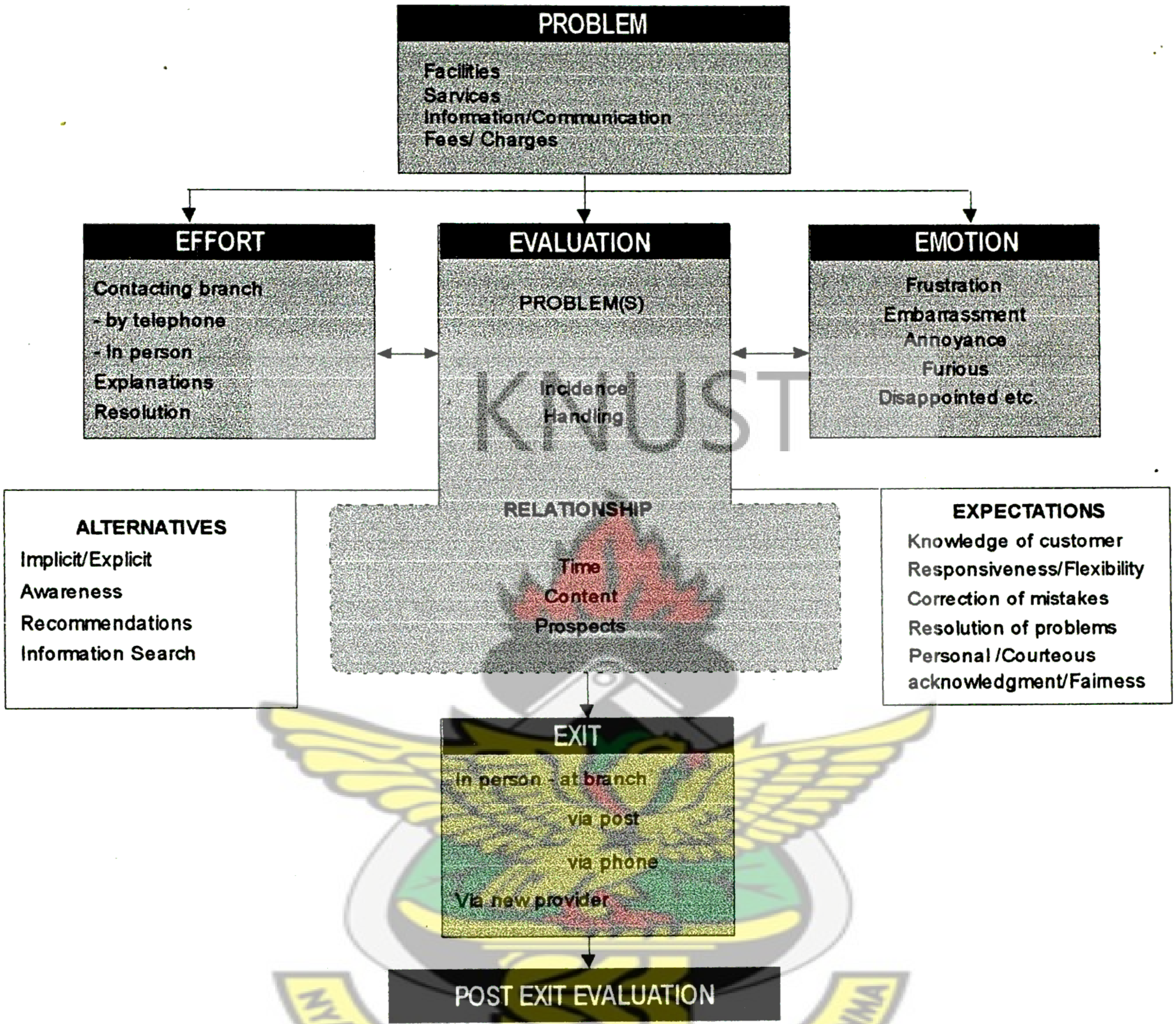
Stewart (1998), investigating customer exit or switch in the banking industry, suggests that customers who defect go through a four-stage process involving a problem, effort, emotion and evaluation.

The primary research findings on the process of customer exit from bank relationships are summarized in the form of Figure 1. This model of the customer exit process has been generated from the findings of the qualitative research with ex-customers and is the first time such a model has been developed.

(Stewart, 1998) argues that the exit process is precipitated by the customer experiencing a problem, as perceived or defined by them. On experiencing the problem, the customer usually engages in efforts to have it resolved and experiences emotions. Customer evaluation of the problem takes place, with the relationship with the bank forming the context of the evaluation and being evaluated itself.

Customer expectations and awareness of available alternatives influence the evaluation. In turn, evaluation considers the problem(s), its handling and the relationship. Exit is invoked and, possibly, post-exit evaluation. This has been shown on the figure 1 below.

Figure 1: Customer Switching Process



Adopted from Stewart (1998)

2.8 Effects of Customer Switch on Organization

According to Ahmad and Buttle (2001), customer retention is the mirror image of customer defection or switch, where a high retention rate has the same significance as low defection rate. Reichheld and Kenny (1990) argue it is more economical to keep customers than to acquire new ones.

According to them, costs of acquiring customers to replace lost ones are high. This is because the expense of acquiring customers is incurred only in the beginning stages of the commercial relationship. In addition, long - term customers buy more and if satisfied, may generate positive word -of- mouth promotion for the company.

Loosing customers according to Keaveney (1995) have a negative effect on a firm's market share and profit. Reichheld and Sassar (1990) argue that when a customer switches service providers, the potential for additional profits are lost, the initial investment costs are wasted (Colgate et al., 1996) and the firm faces the additional costs of acquiring a replacement customer (Fornell and Wernerfelt, 1987).

It is believed that reducing customer defections by as little as five percent can double profit of a firm (Healy, 1999). In the light of the above and in an environment of intense competition, what seems vital in order to avoid the harmful effects of customer switch is to make an extra effort to institute control devices that keep track of customer defection (Ahmad, 2002).

2.9. Factors Affecting Customer Retention

2.9.1 Customer Satisfaction

Rust and Zahorik (1993) explain that the retention rates are driven by customer satisfaction, which in turn increases market share. Fornell (1992) supports this and makes the connection between high quality service and customer retention, which is related to profitability.

Although customer satisfaction is thought to be an important issue, Reichheld (1993) estimated that between 65 per cent and 85 per cent of customers that defect in fact said that they were satisfied. Organisations need to know how to keep their customers even if they appear to be satisfied. Banwari and Walfried (1998) suggest that unsatisfied customers may choose not to defect, because they do not expect to receive better service elsewhere.

Additionally, satisfied customers may look for other suppliers because they can get an even better service level elsewhere. While customer satisfaction is an important indicator for customer retention, keeping customers is dependent on a number of other factors such as choice, price and income (Jones and Sasser 1995).

2.9.2 Service Quality

Service quality is the extent to which a service meets customers' needs or expectations (Lewis and Mitchell, 1990). According to Ranaweera and Neely (2003), service quality is an important driver of customer retention. There are strong linkages between service quality dimensions and overall customer satisfaction (Anderson and Sullivan, 1993). However, there has been considerable debate as to the basic dimensions of service quality.

Grönroos (1990) proposed that service quality consists of two dimensions: technical quality; and functional quality. According to Grönroos (1990), technical quality is the quality of what is delivered: e.g. the quality and effectiveness of diagnosis and medical procedures of a hospital, the effectiveness of car repair, the cleanliness of the room in a hotel, etc.

Functional quality is the quality of how the service is delivered – the care and manners of the delivery personnel. Parasuraman et. al. (1985) formulated a service-quality model that highlights the main requirements for delivering high service quality.

The model identifies five gaps that cause unsuccessful delivery as shown in figure 2 below:

1. Gap between consumer expectation and management perception

Management does not always correctly perceive what customers want. Hospital administrators may think that patients want better food, but patients may be more concerned with nurse responsiveness.

2. Gap between management perception and service-quality specification

Management might correctly perceive customer's wants but not set a performance standard. Hospital administrators may tell the nurses to give "fast" service without specifying it in minutes.

3. Gap between service-quality specification and service delivery

Personnel might be poorly trained, or incapable of or unwilling to meet the standard: are they may be held to conflicting standards, such as taking time to listen to customers and serving them fast.

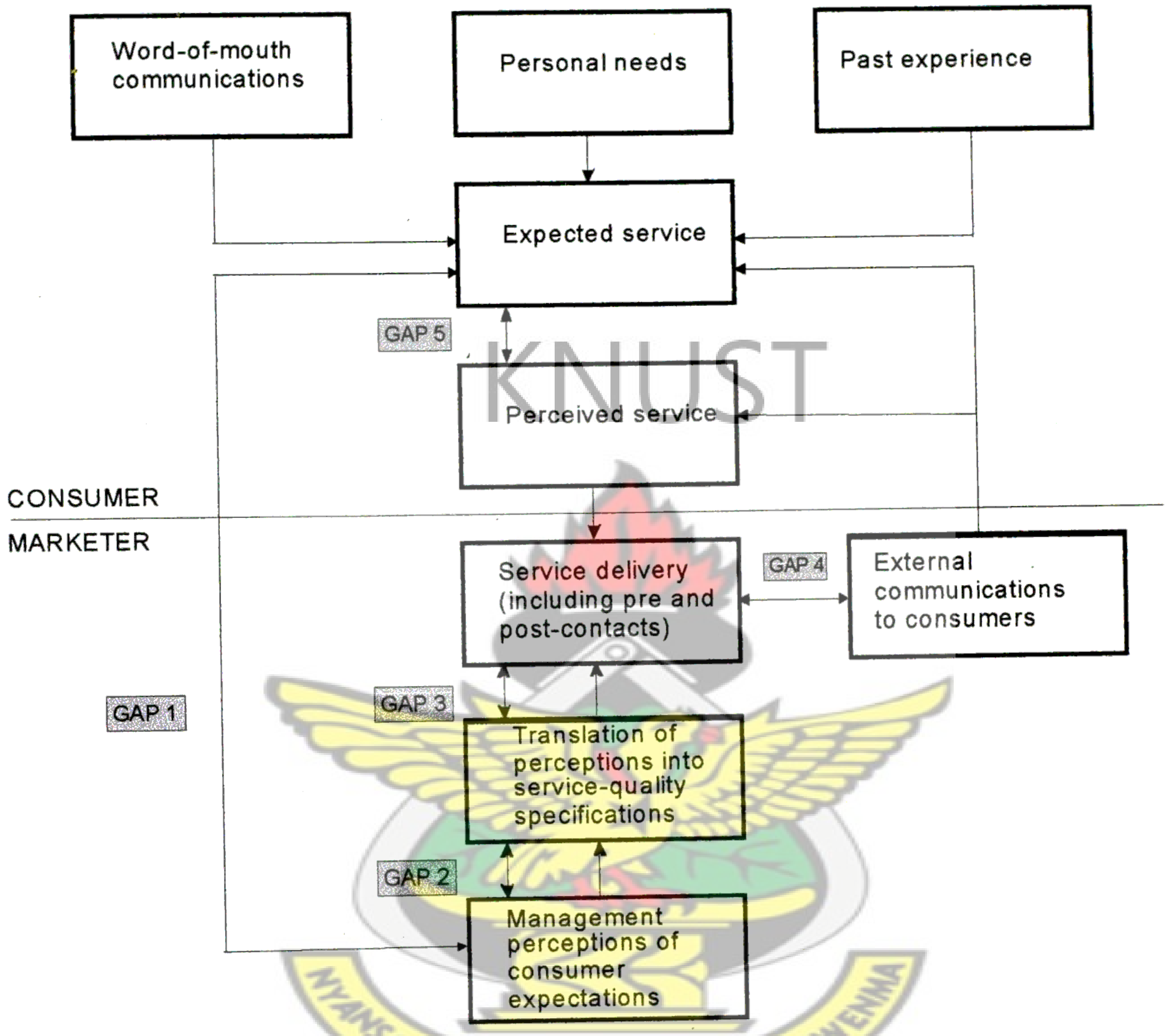
4. Gap between service delivery and external communications

Consumer expectations are affected by statements made by company representatives and ads. If a hospital brochure shows a beautiful room, but the patient arrives and finds the room to be cheap and tacky looking, external communications have distorted the customer's expectations.

5. Gap between perceived service and expected service

This gap occurs when the consumer misperceives the service quality. The physician may keep visiting the patient to show care, but the patient may interpret this as an indication that something really is wrong. The gaps are shown on figure 2 below.

Figure 2: Service quality Model



Source: Adopted from Kotler and Keller (2006)

Based on this service-quality model, these researchers identified the following five determinants of service quality, in order of importance:

1. **Reliability** – The ability to perform the promised service dependably and accurately.
2. **Responsiveness** – The willingness to help customers and to provide prompt service.
3. **Assurance** – The knowledge and courtesy of employees and their ability to convey trust and confidence.
4. **Empathy** – The provision of caring, individualized attention to customers
5. **Tangibles** – The appearance of physical facilities, equipment, personnel, and communication materials.

In most research studies done by SERVQUAL's authors, reliability has been found to be the most influential determinant of overall service quality or of customer satisfaction with the service (Mittal and Lassar, 1998).

2.9.3 Customer Trust

Researchers have established that trust is essential for building and maintaining long- term relationships (Rousseau et. al., 1998; Singh and Sirdeshmukh, 2000). It is conceptualized as existing when one party has confidence in the other party's reliability and integrity (Ranaweera and Pradhu, 2003). They argue that several studies have recognized that even though firms manage to properly satisfy their customers, they may be unable to retain them. Hence, satisfaction alone is inadequate to ensure long-term customer commitment to a single provider. Due to costs related to the termination of the relationship, once trust has been built, the probability of each party ending the relationship decreases.

Gounaris (2003) argues that trust is a vital element in any type of relationship. The more a customer trusts a supplier, the higher is the perceived value of the relationship and consequently, the greater the chances that the customer remains in the relationship. Furthermore, trust is an important factor in the perceived quality of service, especially in business to business services. Trust is developed successively as a result of gradual dependence on the relationship resulting from mutual adaptation to the other party's needs (Gounaris, 2003).

2.10 Customer Retention Strategies

2.10.1 Switching Barriers

Switching barriers have been used in marketing strategies to make it costly for the customer to switch to another organization (Trubik and Smith, 2000). Colgate and Lang (2001) mentioned relationship investment, switching cost, availability and attractiveness of alternative and service recovery as the reason customers stay with service organizations even though they have seriously considered switching.

These are explained below:

- **Relationship investment**

Relationship management has received attention from both academics and practitioners due to the potential benefits for both firms and customers (Colgate and Danaher, 2000).

Gwinner et al. (1998) argue that customers will commit themselves to establishing, developing, and maintaining relationships with the service provider that provides superior valued benefits. They discovered that customers received many benefits from developing relationships and that these benefits could be classified into confidence social and special treatment benefits. They found that even if a customer perceives to be the core service attributes as being less than optimal, they may remain in the relationship if they are receiving important relational benefits

Jones et al. (2000) also discovered an indirect empirical link between interpersonal relationships and repurchase intentions. This link suggested that in situations of low customer satisfaction, strong interpersonal relationships positively influence the extent to which customers intend to repurchase suggesting that relationships do act as a barrier to switching.

- **Switching Cost**

Dick and Basu (1994) defined switching cost as he cost of changing services in terms of time, monetary and psychological costs. Grohaug and Gilly (1991) suggest that a dissatisfied customer may remain "loyal" because of high switching costs. For instance, moving to a new service provider require investing effort time and money which acts as barrier to the customer when he becomes dissatisfied with the current service provider. Ping (1993) studied the relationship between switching costs and customer loyalty and found out that when customers perceived the switching costs associated with leaving the current relationship and establishing the alternative to high they tend to be loyal.

- **Availability and attractiveness of alternative**

The number of alternative providers, as perceived by customer, may also influence customer's decision to stay with a service provider. Customers may perceive that there are few alternatives in the market because of the fact that many of the alternatives are not in their evoked set. Bendapudi and Berry (1997) propose that customers may remain in a relationship because they perceived no other alternative.Anderson and Narus (1990) also suggest that a customer might be dependent on a service provider because of lack of superior competition in the industry. As a result, even if customers are not satisfied with the current providers they stay because it is still better than the alternatives.

- **Service recovery**

Gronroos (1988) defined service recovery to include all the activities and efforts employed by a service provider to rectified, amend and restore the loss experienced by the customer following a service failure. Customers may stay with a service provider after they have experienced a problem because they were satisfied with the service recovery process after complaining.

Customers who have experienced a problem will usually be dissatisfied and successful service recovery can reverse this dissatisfaction and can sometimes lead to the customer being more satisfied than prior to the problem, a phenomenon called the "service recovery paradox" (Smith and Bolton, 1998).In this way, good service recovery could lead to customers changing their minds about switching from their service provider

2.10.2 Formation of strong customer bonds

Berry and Parasuraman, (1991) identified three retention strategies namely financial benefits, social benefits and structural ties. They explain them as follows: They explained that adding financial benefits is achieved through financial incentive and this can be for instance customers wanting lower prices for high amount purchases or lower prices for those customers who have been with the firm for a longer time.

By adding social benefits, the customers are perceived as clients meaning that they are individuals whose needs, the firm tries to understand and serve on individual basis. The services provided by the firm are customized and marketers here find ways to stay in touch with their customers by personalizing and individualizing customer relationships. Other than financial and social bonds, the structural bonds are created by providing services that are highly customized and frequently designed right into the service delivery system for that client.

Structural bonds are established when firms and customers commit resources to the relationships For example, a company may supply customers with special equipment or computer links that help customers manage orders, payroll and inventory (Berry and Parasuraman, 1991).

2.10.3 Monitoring customer relationships

Zeithalm and Bitner (1996) state that monitoring and evaluating relationships is one of the basic strategies employed by firms to retain customers over time. They identified two basic ways of monitoring customer relationships in an organization: 'customer database' and 'relationship surveys''. Customer database is an organized collection of comprehensive information about individual customers or prospects that is current, accessible and actionable for such marketing purposes as lead generation, lead qualification, and sale of product or service and maintenance of customer relationships. (Kotler and Keller 2006). Zeithalm and Bitner (1996) argue that a well-established customer data base is a foundation to creating effective customer retention strategies.

According to Zeithalm and Bitner (1996), relationship survey is done on current customers to establish their perceptions on the perceived value, quality, satisfaction with services and satisfaction with the service provider as opposed to competitors. This enables the firm to meet the needs of its customers to keep them.

2.10.4 Loyalty programs and customer clubs

Yi and Jeon (2003) argue that loyalty programs aim to reward customers for repeated purchases thus building customer retention. Bolton et.al. (2000), also argue that generally, the aim of such programs has been to increase customer retention in profitable segments by providing increased satisfaction and value to certain customers. One argument used by managers for these programmes is that increased satisfaction and loyalty lead to increased profitability (Fornell, 1992; Reichheld, 1996). O'Brien and Jones (1995) state that managers usually believe that it is desirable as well as expected that the loyalty reward program is properly executed in order to increase retention rate.

Therefore, a firm needs to quantify the program's influence on future purchase behaviour.

Additionally, firms need to verify that the financial outcomes of the rewards programs exceed the investments made in the programs (O'Brien and Jones,1995). Research suggests that customer clubs are successful at promoting customer retention (Stauss et. al, 2001) They argue that customer clubs are one of the most important and cost-intensive elements of customer retention systems and continue to argue that by constantly offering specific advantages to club members, they are supposed to increase customer satisfaction and loyalty. The aim of a customer club is to offer club member different benefits and in that way increase customer satisfaction and loyalty.

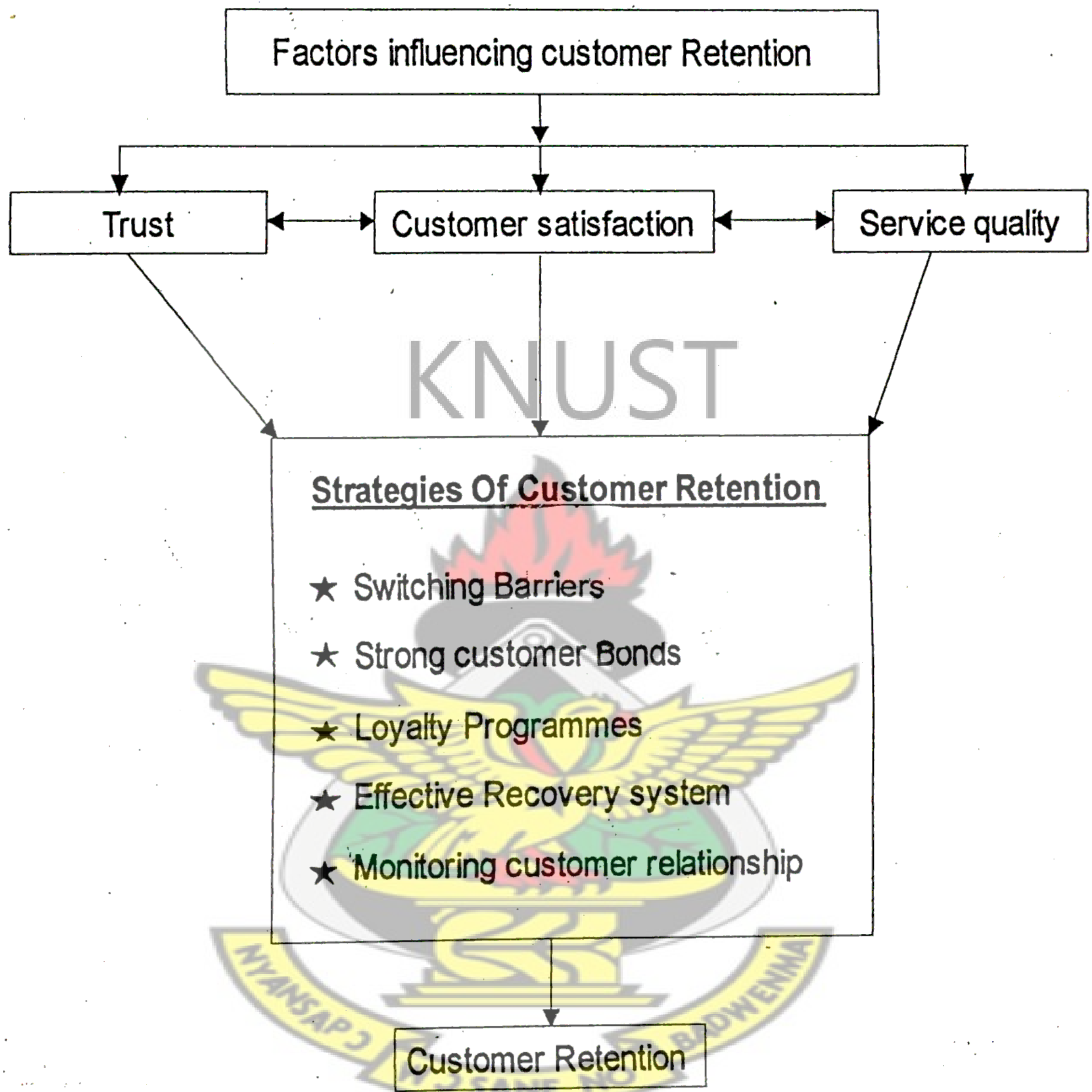
2.10.5 Effective recovery systems

Zeithalm and Bitner (1996) argue that even though firms need to 'do it right the first time' as it is what customers prefer; it is still quite inevitable for failures and mistakes to occur. It is when mistakes and failures occur that customers usually have a good reason to switch providers and also to tell others not to use the service. Therefore, effective recovery becomes essential in maintaining the relationship.

They argue that if firm fails in recovery, it will deceive the customer twice and therefore, some of the factors that are vital in creating an effective delivery are to: track and anticipate recovery opportunities, take care of customer problems on the front lines, solve problems quickly, empower the front line to solve problems and learn from recovery experience.

1.11 Conceptual framework

Figure 3: Conceptual framework



Source: Author, 2009

CHAPTER THREE

METHODOLOGY AND ORGANIZATIONAL PROFILE

3.0 Introduction

This chapter is organized under the following headings: population of study, sample size, sampling technique, research instrument, source of data collection and analysis of data.

3.1 Population of study

It is full set of cases from which a sample is taken (Saunders et al 2007). The population of this study was two fold, namely, customers and management staff of G.C.S.L. According to the marketing manager, G.C.S.L has 40, 000 customers and 12 management staff.

3.2 Sample size

Due to time and resource constraints as well as large number of the target population, a sample size of 180; made up of 175 customers and 5 management staff was used. The researcher believes a total sample size of 180 is representative of the population to answer the research questions and achieve the research objectives.

3.3 Sampling Technique

According to Saunders et. al. (2007), quota sampling is normally used for large populations and in this study since the population i.e. Customers is large, the quota method was used. The customers and the management staff were divided according to the five (5) branches of G.C.S.L and a quota of 36 at each branch was purposively selected to enable the researcher answer the research questions and meet the research objectives. The quota was made up of 35 customers and 1 management staff from each branch.

3.4 Research Instrument

The researcher used structured questionnaire and personal interview for the study. The questionnaire was designed for customers whilst personal interview was conducted for the management staff. Items on the questionnaire were structured to consist of close-ended and open ended questions. The open-ended questions were used to encourage the interviewees to provide an extensive answers and obtained facts about the research (Grummitt, 1980)

3.5 Sources of Data collection

Kotler and Keller (2006) identified two main sources of data collection namely, primary data and secondary data. The primary data are data freshly gathered for a specific purpose or for a specific research project. The secondary data are data that were collected for another purpose and already exist somewhere.(Kotler and Keller, 2006).

In this study both the secondary and primary data were used. The secondary data helped the researcher to examine variety of information already existed to see whether the problem could partly or wholly be solved; articles, reports, journals, and the internet were used.. The primary data was obtained based on questionnaire and personal interview.

The researcher used questionnaire and personal interviews to obtain information from respondents at the premises of G.C.S.L. The questionnaires were given to customers whilst personal interview was conducted for management staff to obtain the needed information. The information comprised of mainly demographics of respondents, effects of customer switch and customer retention strategies at G.C.S.L., impressions about operations of G.C.S.L and expectations of customers.

3.6 Analysis of data

The primary data collected were initially edited to detect and correct any omissions or errors to ensure consistency. Again the edited data were coded and analyzed by the use of Statistical Package for the Social Sciences (SPSS) software. Descriptive statistics such as percentages were used to analyse the data collected. The analysed data were presented in the form of mainly tables and bar charts.

3.7 Organizational profile

3.7.1 Establishment

Garden City Savings & Loans Limited (GCSL) was incorporated as a private limited liability company under the Companies Code 1963 (Act 179) on 17th September, 1998. GCSL was licensed by the Bank of Ghana on 5th July, 1999 and authorized to carry out the business of non-banking financial institutions under the Financial Institutions (Non-Banking) Law 1993 (PNDCL 328). Having complied with the provisions of Sections 7 and 28 of the Companies Code, it commenced business on 9th August, 1999.

The company is located in Kumasi and currently recognized as one of the best non-bank privately owned financial institutions in the country which have satisfied the minimum capital requirement set by the Bank of Ghana.

The company is owned by seventeen Ghanaians out of which four are members of the Board of Directors which is responsible for the formulation of policies, and provides the general direction for the management of the company.

3.7.2. Vision and Mission

The vision of GCSL is to maintain a high public image as the leading Savings and Loans Company in Ghana.

The mission of the company is to develop demand-driven financial products and services and make them easily accessible to its target market through:

- Comprehensive understanding of the market;

- Application of State of-the-art technology and systems;

- The use of innovative, flexibility and enthusiasm in meeting the needs of la

- changing environment and

- Presence and accessibility to products and services.

In this regard, the company is engaged in the following activities:-

- Provision of excellent and efficient customer service and a wide range of financial products and services that will ensure profitability and sustainability;

- Focusing on lending to individuals, micro, small and medium-sized enterprises and thereby contribute to the socio-economic development of its catchments area.

- Investment in the training of staff in order to create an enjoyable and efficient working atmosphere and;

- Provision of the friendliest and most competent services possible for customers.

3.7.3 Products and services

- **Deposit Service**

The main thrust of the company's business is the acceptance of micro deposits and provision of micro loans to economically active but poor individuals and groups in the society. As implied in its name, saving mobilization has been a very important integral part of the company's philosophy and strategy. Since most of the people tend to be savers rather than borrowers at any one time, the company has realized that providing better savings services is more effective in achieving an equitable distribution of financial services than providing cheap credit. It is the belief of the management of the company that the demand for loans could be largely financed through locally-mobilized savings. It is worthy of note that the emphasis on savings is not meant to keep surplus money away, but rather considered a desirable habit that must be acquired by the poor and sustained.

GCSL has focused on voluntary savings; however, it believes that compulsory savings and voluntary savings are incompatible. The deposit services which primarily differ in terms of liquidity and return include: Regular Savings Deposits, Time/Fixed Deposits, Susu Savings Deposits and Group Savings Deposits. In addition to savings deposits, the company provides demand deposit (Current Account) service.

On the credit side GCSL offers various products which address the needs of certain target groups like micro, small and medium entrepreneurs, co-operatives, solidarity groups, market vendors and salaried employees.

- **Characteristics of Deposits**

i) Savings Deposits

Traditionally, savings deposits earn interest and have limited withdrawal periods and therefore should not be operated as current account. GCSL operates a passbook system which allows all payment and withdrawal transactions to be entered in the book. A customer needs a minimum amount of GH¢5.00 to open a regular savings account.

However, only accounts with balances of at least GH¢50.00 earn interest. The interest rate on regular savings is 6% per annum, calculated monthly and credited to the accounts.

ii) **Time/Fixed Deposit Account**

Interest rates on time/fixed deposit accounts are higher than those on the regular savings accounts. These rates are competitive and fixed based on Treasury bill rates. Currently, interest rates on fixed deposits range from 18% to 26% per annum.

(iii) **Susu Savings Accounts**

The company launched a susu-savings scheme in 1999 by organizing traders and other customers mainly in the informal sector to enable them make regular daily savings in the company and qualify for loan facilities. Minimum daily contributions are collected by agents of the company.All contributors are issued with passbooks into which all contributions and withdrawals are recorded.

- **Short-Term Lending Services**

The company offers credit services, oriented primarily to the microfinance market. Loan sizes are mostly smaller and terms are shorter than traditional credit services due to its orientation to a target market. Credit is structured to require limited or no collateral in most cases using deposit as collateral.

Credit operations focus on both individual and group lending which include education. The short term lending services of the company include the following loans:-

- Emergency loans – loans requiring prompt attention.
- Special purpose loans – loans for financing supplies, contract works, general merchandise etc.
- Working capital loans – provision of additional funds
- Business loans – loans for traveling businessmen/women.
- Import/export finance loans – these are meant to cover payment of duties, freight charges, port charges etc; designed for importers and exporters.
- Yen Mma Daakye – education assistance for parent and guardians.
- Rent assistance – for the payment of rent advances mainly for salaries workers.
- Group Guarantee Loans – additional working capital loans designed for business groups and self help groups.

- **Characteristics of Credit Delivery Services**

(i) Overdraft Facility

Some of the current account holders of the company are given overdraft facilities on request. The facility enables the account holder to withdraw amounts over and above the balance in the account to a level approved by the company. Amounts granted are payable over a specified period, usually within 6 months. Credible customers are usually granted repeat facilities.

This facility is however, limited to very few, customers since the company's emphasis is more on savings.

(ii) Loan Facility

The company mainly offers consumer and micro enterprise credits. Consumer loans are for salaried workers and individuals with stable source of income. Micro enterprise loans on the other hand are for entrepreneurs and self-employed professionals who are customers of the company.

The credit process that the company uses varies slightly from that used in the traditional banks, in terms of requirements, customer service, application form and contract. In addition, the organization of human resources, credit application, evaluation and the authority for loan approval have been modified and simplified to suit the operation in the micro finance sector. The purpose of the reforms is to improve the quality and speed of customer service while allowing the company to improve on personnel efficiency and productivity and maintain portfolio growth and quality.

(iii) Susu Loans Scheme

Holders of Susu savings accounts with the company are permitted to withdraw from their savings. The amount in the account could also serve to avail a customer a loan using a factor announced by the company. Repayment of loans should be completed within six (6) months.

The following credit facilities are available under the scheme for repeat loans, depending on the number of times beneficiaries have taken loans and honoured their repayment obligations on schedule: Special Susu Loan, Golden Susu Loan and Golden Plus Susu Loan.

- **Branches**

G.C.S.L has five (5) branches namely, New Tafo, Adum, Suame Magazine, Bantama and Tanoso.

CHAPTER FOUR

PRESENTATION OF FINDINGS AND ANALYSIS

4.0 Introduction

This chapter focuses on presentation of findings and analysis of data obtained from respondents sampled. The chapter is in two fold; namely data from customers and management staff. Quota sampling method was used in selecting respondents. Purposive sampling was also used to allow the researcher select cases that will best answer the research questions in order to achieve the objectives of the study.

The questionnaires were given to customers who were willing and prepared to spend few minutes of their time to answer the question. That helped the researcher to achieve 100% responds rate.

4.1 Demographics of respondents

4.1.1 Sex Distribution of Respondents

Out of the total number of 175 customers, 105 were female representing 60% of the sampled respondents with the remaining 70 customers, being male (40%). The difference in number with respect to male and female confirmed what the marketing manager of G.C.S.L said that majority of the customers were females.

This is shown in table 1 below:

Table 1 : Sex Distribution of Respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
male	70	40	40	40
female	105	60	60	100
Total	175	100	100	

Source: Field study (2009)

4.1.2 Age Distribution of Respondents

Slightly more than half of the respondents fell within the age bracket of 25-39 years (50.9%). This implies people within these age group form the working class in Ghana. Those within 18-24 years constitute 20% of respondents interviewed. The remaining 29.1% of the respondents were 40 years and above as shown in table 2 below:

Table2: Age Distribution of Respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
18 - 24 years	35	20	20	20
25 -39 years	89	50.9	50.9	70.9
40 and above	51	29.1	29.1	100
Total	175	100	100	

Source: Field study (2009)

4.1.3 Educational background of Respondents

20% of the sampled population had tertiary level education. Those who had up to the SHS level, represented 29.7% whilst that of JHS constituted 10.3%. Seventy (70) respondents were illiterate, representing 40% of sampled population interviewed. These are shown in table 3 below:

Table 3: Educational background of Respondents

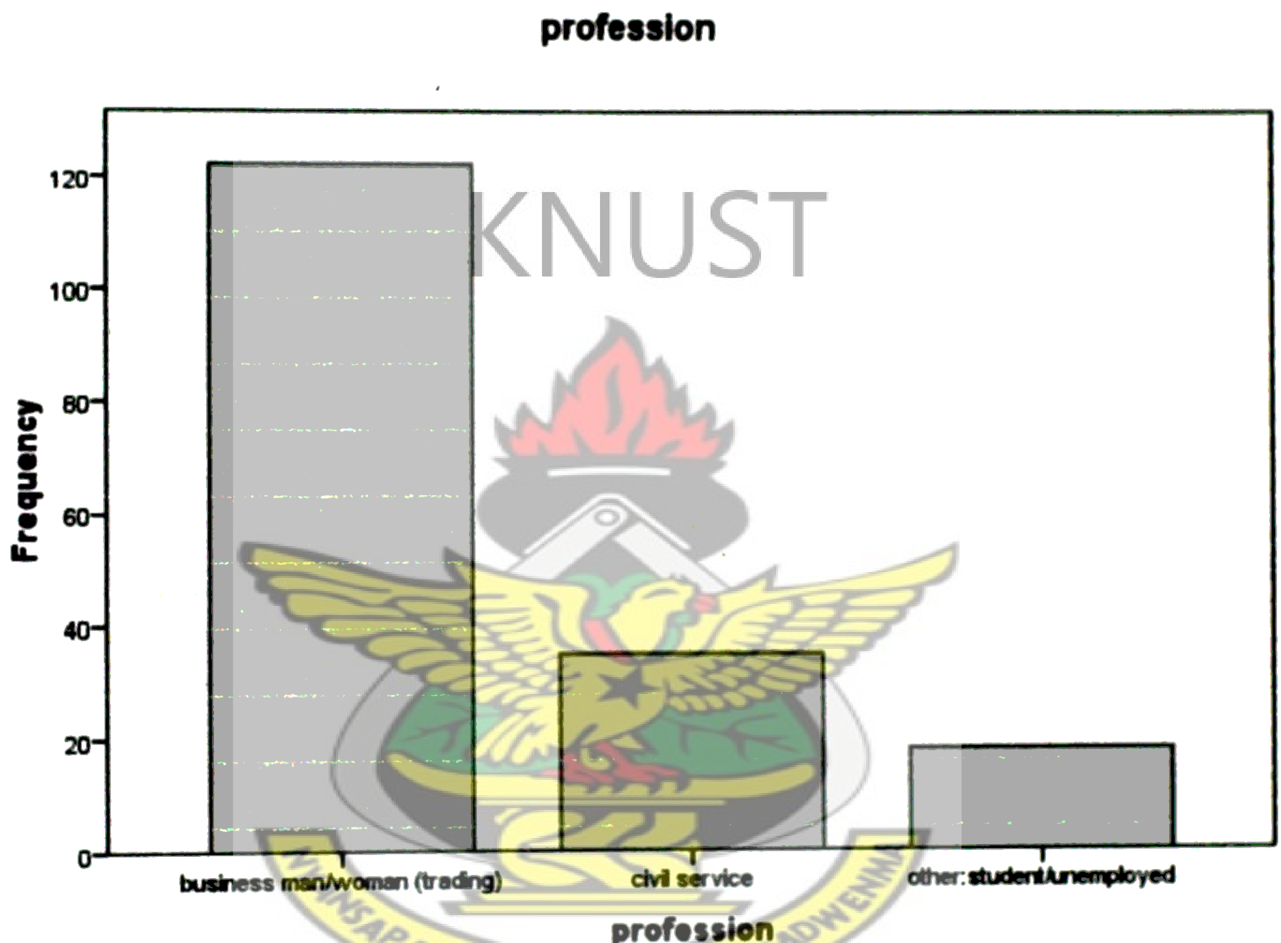
	Frequency	Percent	Valid Percent	Cumulative Percent
Tertiary	35	20	20	20
SHS	52	29.7	29.7	49.7
JHS	18	10.3	10.3	60
Illiterate	70	40	40	100
Total	175	100	100	

Source: Field study (2009)

4.1.4 Profession of Respondents

With regard to profession of respondents, majority were into trading (122 customers), representing 69.7% with the remaining, civil servants and students/unemployed representing 20% and 10.3% respectively. Results obtained confirmed what management of G.C.S.L. said during the interview; that most of its customers were into petty trading. Fig. 3 below gives a pictorial view of profession of respondents.

Figure 4: Profession of Respondents



Source: Field study (2009)

4.2 Length of time with G.C.S.L

Durability of customers' relationship with G.C.S.L was investigated and the findings revealed that 40% of respondents have been with G.C.S.L for more than 5 years. Nearly 30% have been doing business with G.C.S.L for about 3-5 years. Those below 3 years but more than 1 year represent 20%. The remaining, that is, below 1 year represent 18% of total interviewees.

Table 4: Length of time with G.C.S.L

	Frequency	Percent	Valid Percent	Cumulative Percent
below 1 year	18	10.3	10.3	10.3
less than 3 years more than 1year	35	20.0	20.0	30.3
3 to 5 years	52	29.7	29.7	60.0
more than 5 years	70	40.0	40.0	100.0
Total	175	100.0	100.0	

Source: Field study (2009)

4.3 Type of customers

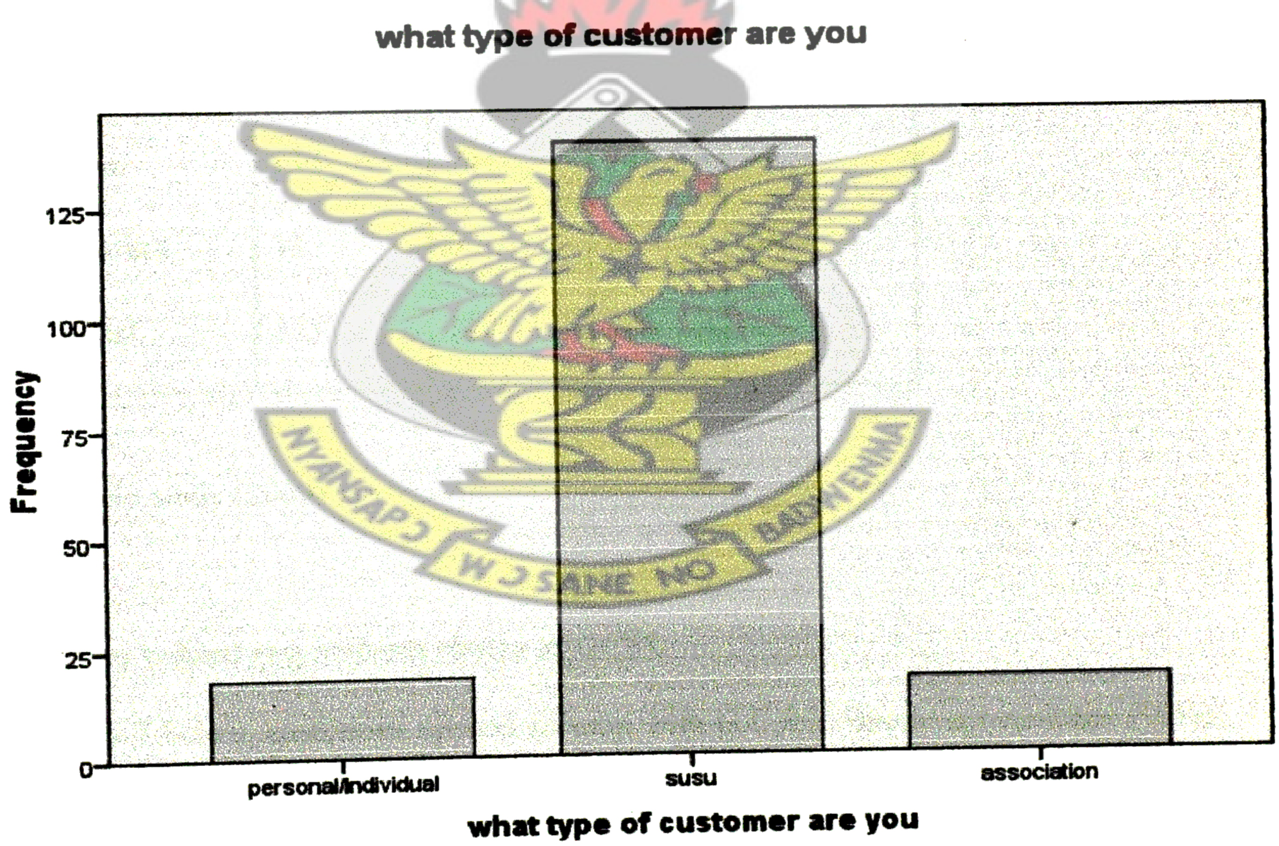
As shown in table 5 and fig. 5 below, majority of the respondents were Susu customers (80%). Personal/Individual and Association represent only 20% of G.C.S.L customers. This confirms the facts that most of respondents were into petty trading who find it difficult to leave their wares to transact business at the premises of G.C.S.L. They, therefore, made use of the services of G.C.S.L's mobile/sales clerks to transact business in the form of susu contribution. This special service might be one of the reasons they continue to do business with G.C.S.L.

Table 5 :Type of customers

	Frequency	Percent	Valid Percent	Cumulative Percent
personal/individual	18	10.3	10.3	10.3
Susu	140	80.0	80.0	90.3
Association	17	9.7	9.7	100.0
Total	175	100.0	100.0	

Source: Field study (2009)

Figure 5 **Type of customers**



Source: Field study (2009)

4.4 Type of accounts respondents operate

The results show that 130 customers out of the total of 175 operate the Susu account. Thus representing 74% of the total customers interviewed. This is followed by savings (20%) then current account representing only 10% of all accounts being operated at G.C.S.L. Current account operation recorded the lowest patronage as seen from the findings. It is very important management investigates to find out the root cause so that strategies could be employed to increase patronage. See table 6 below:

Table 6: Type of account respondents operate

	Frequency	Percent	Valid Percent	Cumulative Percent
Savings	35	20	20	20
Susu	130	74	74	94
Current	10	6	6	100
Total	175	100	100	

Source: Field study (2009)

4.5 Reasons behind respondents choice of GCSL

From table 7 below, customers opened account with G.C.S.L. due to convenience (90%) and physical structure (9.7%).This indicates that people save with financial institutions when the location or working hours fovour them. Few customers considered physical structure of service provider, especially in the savings and loans industries to decide on choosing a place to save. None of the respondents opened account with G.C.S.L because of pricing. Physical structure as revealed by this research also has some sort of influence when it comes to selecting a service provider. Out of the total 17 respondents who opened accounts with GCSL because of physical structure, 15 of them were female. This may be that naturally women appreciate glamorous things which might have influence their choice vis-a-vis men. Management therefore needs to ensure and maintain attractive physical structures at the present and future branches to be able to retain the existing customers and attract new ones especially women who usually are into petty trading.

Table 7: Reasons behind respondents' choice of GCSL

				Gender		
		Frequency	Percent	Male	Female	Total
	convenience	158	90.3	68	90	158
	physical structure	17	9.7	2	15	17
	Pricing	0	0	0	0	0
	Total	175	100	70	105	175

Source: Field study (2009)

4.6 Staff/Customer relationship

Staff/customer relationship was measured using a five-item index as shown in table 8 below. The results revealed that none of the customers had problem with staff of G.CS.L in terms of interpersonal relationship. On the average, the staff/customer relationship can be considered good, which needs to be improved upon to be able to retain existing customers and attract potential ones

Table 8:Staff/customer relationship

	Frequency	Percent	Valid Percent	Cumulative Percent
excellent	42	24	24	24
very good	52	30	30	54
good	62	35	35	89
satisfactory	19	11	11	100
unsatisfactory	0	0	0	100
Total	175	100	100	

Source: Field study (2009)

4.7 Level of satisfaction of customers

Three items as indicated in table 9 were used to assess the level of satisfaction with services provided by G.C.S.L. The results revealed that 60% of customers were satisfied with services being rendered and those that are delighted represent about 30.9% of respondents. Only 9.1% indicated they were not satisfied with the services provided by G.C.S.L.

Table 9: Level of satisfaction

	Frequency	Percent	Valid Percent	Cumulative Percent
delighted	54	30.9	30.9	30.9
satisfied	105	60.0	60.0	90.9
unsatisfied	16	9.1	9.1	100.0
Total	175	100.0	100.0	

Source: Field study (2009)

4.8 Beneficiaries of loans and overdraft

Out of the total respondents of 175, 70% had benefitted from loans and overdraft before. 30% said they had not accessed such facilities before as seen in table 10 below:

Table 10: Beneficiaries of loan/overdraft from GCSL

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	122	70	70	70
	no	53	30	30	100
	Total	175	100	100	

Source: Field study (2009)

4.9 Why some customers have not gone for loan or overdraft

From table 11 below, the 30% of the total respondents who had not benefited from such facility gave high interest rate, cumbersome procedure of loan processing and inadequate information about existence of loan as the main reasons. Only 15% of those who had not benefited from the credit facility indicated they did not need it at that moment.

Table 11: Why customers have not gone for loans and overdraft

	Frequency	Percent	Valid percent	Cumulative Percent
Interest rate too high	17	32	32	32
Procedures, too cumbersome/bureaucratic	18	34	34	66
Do not need such facility at the moment	8	15	15	81
Not aware of such facility	10	19	9	100
Total	53	100	100	

Source: Field study (2009)

4.10 Impression about credit delivery system

As seen in table 12 below, about 43% of loan beneficiaries were not impressed about the credit delivery system. They complained of very slow, cumbersome and bureaucratic nature of the loan processes. The remaining 57% said the credit delivery system of G.C.S.L. was very fast and simple.

Table 12: Impression about credit delivery system

	Frequency	Percent	Valid percent	Cumulative Percent
Very slow	35	29	29	29
Fast and simple	70	57	57	86
cumbersome/bureaucratic	17	14	14	100
Total	122	100	100	

Source: Field study (2009)

4.11 Decision to switch

The table 13 shows that 80% of respondents had never decided to switch to another service provider. However, 20% indicated they had one time or the other decided to cease doing business G.C.S.L. Out of the total number of 35 respondents who had intensions of switching, 94% fell within the age group of 18-39, 40 and above constituted only 6%. This may be as a result of the fact that younger people often adjust to economic and social changes such as looking for different jobs, moving away from family house to start new lives and others.

It can be deduced from the above that younger customers have higher propensity of switching to other service providers in the exploit of adventure than their older counterparts.

Table13 :Decision to stop doing business with GCSL

			Age of respondents			
	Frequency	Percent	18-24	25-39	40 and above	Total
Yes	35	20	3	30	2	35
No	140	80	32	59	49	140
Total	175	100	35	89	51	175

Source: Field study (2009)

4.12 Barriers to switching

Table 14 shows that 20% of the total respondents (as seen on table 13) who had one time decided to switch to another service provider mentioned service recovery and good staff/customer relationship as the main barriers to their decision.

Table 14: Switching Barriers

	Frequency	Percent	Valid percent	Cumulative Percent
Service recovery	15	43	43	43
Relationship development	20	57	57	100
Total	35	100	100	

Source: Field study (2009)

4.13 Factors that make customers loyal

The 80% of the total respondents who had never decided to switch to any service provider mentioned good customer service, good complain handling and good staff/customer relationship as factors that had made them loyal to G.C.S.L. as seen in table 15

Table 15: Factors that have made you loyal to G.C.S.L

	Frequency	Percent	Valid percent	Cumulative Percent
Good customer service	53	38	38	38
Good complain handling	16	11	11	49
Good relationship with Staff	71	51	51	100
Total	140	100	100	

Source: Field study (2009)

4.14 G.C.S.L's popularity among other savings and loans companies

Three items as shown table 16 were used by the researcher to rank G.C.S.L. in terms popularity among savings and loans companies. Majority of respondents (69.7%) rated G.S.C.L as popular whilst the rest rated it as very popular. None of the interviewees said it was not well known. The popularity gained could be as a result of the fact that G.C.S.L has the highest number of branches among savings and loans companies in Kumasi.

Table 16: Ranking GCSL in terms of popularity

	Frequency	Percent	Valid Percent	Cumulative Percent
very popular	53	30.3	30.3	30.3
popular	122	69.7	69.7	100
Not well known	0	0	0	100
Total	175	100	100	

Source: Field study (2009)

4.15 Expectations of customers

As indicated in the table 17, it is clear that customers (70.3%) expect G.C.S.L to network its branches. Opening of branches in other regions to facilitate easy transactions when customers are outside Kumasi (20%) and upward adjustment of savings account interest rate (9.7%) were also among the expectations of customers.

Table 17: Things customers expect G.C.S.L to do to make them more loyal

	Frequency	Percent	Valid Percent	Cumulative Percent
wide area networking	123	70.3	70.3	70.3
open branches at other regions	35	20.0	20.0	90.3
increase interest rate on Savings Accounts	17	9.7	9.7	100.0
Total	175	100.0	100.0	

Source: Field study (2009)

4.16 Recommendation of G.C.S.L's services to third party

About 90% of respondents indicated their readiness to recommend G.C.S.L to a third party. See table 18 below. This could mainly be as a result of good customer service, good interpersonal staff/customer relationship, and convenience since these were the main factors that informed their decision to open account and also remain loyal to G.C.S.L.

Table 18: GCSL's services to a third party

	Frequency	Percent	Valid Percent	Cumulative Percent
yes	158	90	90	90
no	17	10	10	100
Total	175	100	100	

Source: Field study (2009)

4.17 Reasons for not recommending G.C.S.L to others

The remaining 10(%) of the total respondents who said they will not recommend the institution to a third party made it clear that it was because G.C.S.L had not networked its branches and also operated only in Kumasi which make financial transactions difficult. This is shown in table 19 below.

Table 19: Reasons for not recommending G.C.S.L to others

	Frequency	Percent	Valid Percent	Cumulative Percent
no wide area networking	12	71	71	71
no branch outside Kumasi	5	29	29	100
Total	17	100	100	

Source: Field study (2009)

4.18 Future relationship with customers

Even though 20% of respondent had ever decided to stop doing business with G.C.S.L., all respondents intended to continue to transact business with G.C.S.L. as revealed in table 20. Only one (1) customer was not sure of whether to continue or stop doing business with G.C.S.L

Table 20:Intentions to transact business with GCSL

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	174	99	99	99
No	0	0	0	99
Do not know	1	1	1	100
Total	175	100	100	

Source: Field study (2009)

4.19 Information obtained from Management Staff

The researcher interviewed management staff at the various branches to find out retention strategies being used at G.C.S.L. and also to find out causes and effects of customer switch on the operations of G.C.S.L. The interview revealed the following:

4.19.1 Retention strategies used at .G.C.S.L.

The management through the interview revealed the following as the main strategies in retaining its customers:

- customer forum
- regular customer visitation to find out their needs
- introduction of innovative products/services,
- pro-active to customer needs, request and complains,
- good staff - customer relationship
- flexible loan repayment schedule
- good customer service

- strategic position of branches to make it convenience to customers
- Customers involvement in creating products or provision of services
- Business advisory seminars and
- Loyalty programmes such as end of year dinner/cocktail, end of year gifts etc.

4.19.2 Causes and effects of customer switch at G.C.S.L

Interaction with management staff by the researcher indicated that not all customers who switch to other service providers informed them before leaving. They indicated that those who informed them mentioned the following as their reasons:

- pricing
- attraction by competitors
- involuntary switching
- absence of branch network

They concluded by revealing the following as effects of switching on the operations of G.C.S.L:

- reduction in savings/deposits and hence, profit and
- dissemination of wrong information to the public thereby tarnishing the image of the institution

CHAPTER FIVE

SUMMARY OF FINDINGS, RECOMMENDATIONS AND CONCLUSION

5.0 Introduction

This section takes a general view of the entire study to cover research findings, recommendations and conclusion. Presentation and analysis of the data obtained from the field helped in arriving at the findings and recommendations.

5.1 Findings:

- **Customer satisfaction/staff customer relationship:**

i. On the average, Staff/customer relationship was rated as "good" by customers.

ii. None of the respondents rated G.C.S.L. as unsatisfactory in terms of staff/customer relationship.

iii. More than half (60%) of respondents were satisfied with the services provided by G.C.S.L., 30.9% delighted whilst 9.1% were unsatisfied.

iv. Very slow, bureaucratic and cumbersome procedure were some of the impressions revealed by respondents about credit delivery system at G.C.S.L

v. 90% of respondent indicated their readiness to recommend G.C.S.L to a third part with respect to the services it renders.

- **Factors of customer retention:**

i. Good customer service, good complain handling and good interpersonal relationship with customers by staff were some of the factors that made customers loyal to G.C.S.L

ii. About 90% decided to transact business with G.C.S.L. because of convenience. Physical structure was also a factor; 9.7% opened account with G.C.S.L. due to physical structure (beautiful).

iii. Younger customers (between age 18-39) have higher switching rate than their older counterparts.

- **Ways of improving customer retention:**

  Lack of area network and branches at other regions of the country were worrying issues raised by respondents. In fact 90.3% of respondents expect G.C.S.L. to network its branches and also open branches outside Kumasi to make it easy or flexible in transacting business.

- **Causes of customer switch:**

i. Pricing, attraction by competitors and involuntary switching were the main reasons customers switch to other competitors.

ii. 19% of respondents who did not benefit from credit facility from G.C.S.L. were not aware of the existence of such facility. This can lead to customer switching when a competitor makes it known that such a facility exists somewhere.

- **Effects of customer switch:**

  Reduction in savings/deposits and hence profit, as well as dissemination of wrong information about a firm were some of the effects experienced by G.C.S.L when some of its customers move to other service providers.

- **Customer retention strategies**:

  Introduction of innovative products, customer visitations, business advisory seminars, end of year dinner/cocktail were some of the strategies used at G.C.S.L. to make it difficult for its customers to switch.

5.2 Conclusion

With the increasing competitive environment, firms are continually looking for innovative ways not only to acquire but also to retain their customers. Loosing a valuable customer to a competitor can have significant impact on profitability and growth of an organization. As a result, firms have shifted their focus from attracting new customers to retaining existing ones. The challenge is continuous development of innovative strategies to retain customers.

As realized from the study, most of the findings confirm what had already been said in literature about customer retention. Customers remain the primary focus of every business because without them there will be no reason for operation. The fact still remains that it is more economical to keep customers than to acquire new ones. Therefore G.C.S.L needs to improve upon its retention strategies to track defections by customers, understand their preferences and thereby making them more delighted instead of satisfied. With this, G.C.S.L. would be in a better position to counter the impact of heightening competitive levels in the savings and loans industry.

It is hoped that the findings of this study will add to relatively limited research on customer retention in the savings and loans companies in Kumasi and Ghana as a whole.

5.3 Recommendations

Based on the findings and objectives of this research, the followings recommendations are made:

i. Some of the major concerns raised by most of the respondents were lack of branch network and branches outside Kumasi, which hinder smooth business transactions. G.C.S.L should consider the need to network its branches and if possible, open branches outside Kumasi to meet the needs of its customers.

ii. G.C.S.L should also consider the need to offer competitive price for its products and services. For example fees and interest rates. This can be achieved through benchmarking of its close competitors to be able to offer competitive prices which will keep the existing customers and attract new ones.

iii. Improve upon its credit delivery system by removing the bureaucratic and cumbersome procedures as expressed by respondents in the delivery system to be able to keep them. This could be achieved through the use of information technology to speed up processing of loans and overdraft.

iv. Regular training programmes should be organized for staff to upgrade their skills and knowledge to enable them to improve upon their service delivery activities not only to make customers satisfied but delighted.

v. Education of customers about its products and services is also being recommended. This will help create awareness of the existence of products and services being offered to prevent customer from seeking those products from elsewhere. The radio, leaflets and personal interactions with customers could be used.

vi. Since younger customers, as revealed by the study have higher propensity to switch, management needs to always come out with innovative products/services that are valuable to them (latest technology) in order to prevent them from switching to other competitors.

vii. The study revealed that not all customers who switch to other service providers informed management about their movement. As a result, it is being recommended that customer recovery team be established at the various branches to trace silent defectors .This will help find out reasons for the switching in order to map out strategies to prevent future occurrences.

5.4 Suggestions for Further research

It is recommended that future researchers who are interested in this area should study two or more firms so that comparison could be made and also to identify the most commonly retention strategies used by service providers.

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Appendix 1

RESEARCH QUESTIONNAIRE FOR CUSTOMERS

Dear Sir/Madam,

I am a final year student at KNUST conducting research on the topic: EVALUATING CUSTOMER RETENTION STRATEGIES AT GARDEN CITY SAVINGS AND LOANS LIMITED.

I will be grateful if you could take few minutes of your time to answer the following questions. All information you provide will be treated in the strictest confidence and will be used purposely for the research.

Thank you for your help.

Philip Nti

(MBA II – KNUST)

Tel.:0208186346

QUESTIONNAIRE FOR CUSTOMERS

Please, tick the appropriate answer(s)

1) Gender:

a. Male b. Female

2. Age:

a. 40 and above b. 39-25 c.24-18

3. Marital Status:

a. Married b. Single c. Widowed

4. Educational Background:

a. Tertiary b. S.S.S c. J.H.S d. Others--------------------

5. Profession

a. Businessman/woman b. Civil service

c. Other, please specify --------------------------

6. How long have you been a customer of G.C.S.L

a. over 5 years b. B/n 5-3 years c .less than 3 years -1 year

d. below 1 year

7. What type of customer are you?

a. Corporate b. Personal/individual c. Susu d. Association

e. other, please specify --

8. What type of account do you operate?

a. Current b. Savings c. Fixed deposit d. Susu

9. Why did you choose to open account with G.C.S.L instead of other savings and loan companies?

a. Pricing b. conveniencec. Physical structure

d. Other, please specify--

10. How do you rate G.C.S.L in terms of staff/customer relationship?

a. Excellent b. Very good c. Good d. Satisfactory e. Unsatisfactory

f. Other, please specify--

11. What is your level of satisfaction with services provided by G.C.S.L

a. Delighted b. Satisfied c. Unsatisfied

d. Other, please specified--

12. Have you benefited from loan/overdraft facility from G.C.S.L before?

a. Yes b. No

13. If yes, kindly give your impression about credit delivery system at G.C.S. L. Please, choose one or more where appropriate.

a. Very slow b. Fast and simple c. Bureaucratic and cumbersome

d. Other, please specified---

14. If no to Q.12, please indicate reason

a. Interest rate too high b. Procedures, too cumbersome/bureaucratic

c. Not aware of availability of such facility d. Do not need such facility at the moment

e. Other, please specify---

15. Have you ever decided to stop doing business with G.C.S.L.?

A. Yes b. No

16 If yes, kindly mention the factors that informed your decision.

a. Pricing b. Core service failure c .Inconvenience d. Attraction by competitors e. Service encounter failures f. Involuntary switching

g. Ethical problems h. Others, please specify--------------------------

17. Even though you decided to leave, what prevented you from leaving?

a. High switching cost b Service recovery c. Unavailability and unattractiveness of alternative d. Relationship development

e. Other, please specify---

18. If no to Q. 15, kindly mention some of the factors that have made you loyal to G.C.S.L

a. Good customer service b. Service Quality c. Good complain handling

d. Good relationship with staff e. Other, please specify-----------------

19. How do you rank G.C.S.L in terms popularity among savings and loan companies in Kumasi?

a. Very popular b. Popular c. Not well known d. Do not know

e. Other, please specify---

20. what are some of the things you expect GCSL to do to make you more loyal?..

....

....

21. Will you recommend G.C.S L's services to a third party?

a. Yes b. No

22. If no, kindly give reasons.

____

____

____

23.Do you intend to continue to transact business with G.C.S.L

a. Yes b. No

24.If no, please give reasons.

23.Do you intend to continue to transact business with G.C.S.L

a. Yes b. No

24.If no, please give reasons.

Appendix 2

INTERVIEW GUIDE FOR MANAGEMENT STAFF

1. Retention strategies at G.C.S.L.

2. Causes of customer switch

3. Effects of customer switch on operations

4. Customer population.

5. Percentage of male and female customers of the total customers

6.Close competitors

7. Products/services offered.