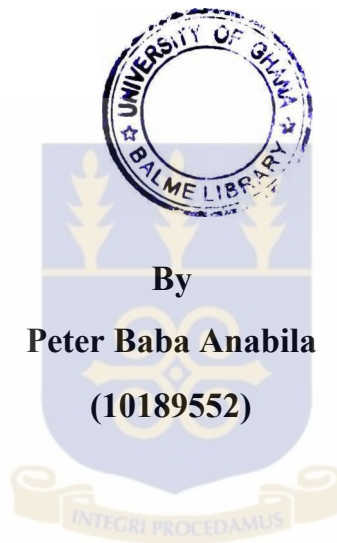


university of Ghana

University Of Ghana, Legon

**Customer Relationship Management (CRM): A Study of Ghana's
Banking Industry**



By

Peter Baba Anabila

(10189552)

**This Thesis is Submitted to University of Ghana, Legon, in Partial
Fulfilment of the Requirement for the Award Master of
Philosophy (MPhil) Marketing Degree**

June, 2010

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BY

Peter Baba Anabila

(10189552)



University of Ghana Business School

University of Ghana, Legon

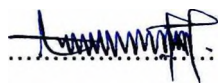
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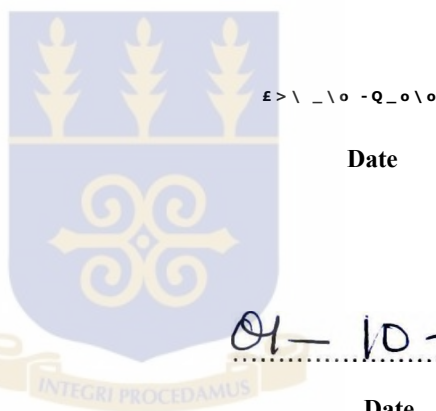
I hereby declare that this study is the product of my own original research work conducted during 2009/2010 academic year under the supervision of Dr Bedman Narteh and Mr Ernest Yaw Tweneboah-Koduah of the University of Ghana Business School (UGBS), University of Ghana, Legon.

In places where other people's works have been cited or their views adopted, full acknowledgements have been provided. No part of this project work has either been submitted in whole or in part to any other institution for the award of a similar degree or any other kind of degree.



PETER BABA ANABILA

(STUDENT)



Date



(DR BEDMAN NARTEH)

(SUPERVISOR)

01-10-2010

Date

UNIVERSITY OF

To my beloved mum Apegyine Anabila whose training and upbringing has brought me this far. Mun I say your love is priceless. God richly bless you. I also dedicate this work to my dear wife Janet Anome whose encouragement has spurred me on to accomplish to work.



The successful completion of this thesis would not have been possible without the guidance, co-operation and support of several special people.

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The customer has become the centrepiece of business strategy due to the growing realization of the importance of the customer to businesses. The principal driving force behind this trend is competition. The present competitive landscape in Ghana's, banking industry has accentuated the need for effective management of relationships as a customer retention strategy. The major focus of this study was to explore the relationship between CRM practice and customer loyalty and also examine the effect of mediating variables between CRM and customer loyalty in Ghana's banking industry.

Data was collected using questionnaires from 247 relationship staff of various universal banks in Ghana. The study found that the six CRM constructs (trust, commitment, communication, 'social and financial bonds', competence, conflict handling) cumulatively had significant positive effect on customer loyalty. Individually, Competence, commitment and communication were found to be significant drivers of customer loyalty. Similarly, the study also revealed that the mediating variables together are essential co-determinants of customer loyalty in that they together boost the potential of CRM to enhance customer loyalty.

The study recommends that if banks desire to achieve high customer loyalty then CRM has to be considered as a strategy. Banks must recruit qualified relationship staff. Relevant and continuous staff training should also be given the highest premium since competence has been found to be the chief driver of customer loyalty. Finally, Top management must demonstrate genuine commitment and active involvement in relationship management issues through regular supervision, leadership, participation while providing vision and shaping values towards building a customer-centric culture in the entire organization.

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Bog: Bank of Ghana

BSC: Balanced Score Card

CRM : Customer Relationship Management

JIT: Just- in -Time

RM : Relationship Marketing

SPSS: Statistical Package for Social Science

TQM: Total Quality Management

www: World Wide Web

CHAPTER ONE

1.1 CRM and Ghana's Banking Industry

As products and services are losing their emphasis as key differentiators in the Ghanaian banking industry due to the existence of brand parity, increased competition in the global marketplace, changing trends in patterns of consumer demand, the advancement of information technology and the internet, banks are moving to adopt relationship based approach to marketing to increase customer loyalty and retention. The basic philosophy underlying this viewpoint is that it cost more to attract new customers than to nurture and develop existing ones. CRM systems therefore act as an enabler, synthesizing relevant customer information and making them readily available to various touch points. This fosters close targeting for the effective delivery of customer value-laden proposition.

From a customer perspective, well implemented CRM systems can offer a unified customer interface that delivers customization and personalization. This means that at each transaction, the relevant account details, knowledge of customer preferences and past transaction, or history of a service problem are at the fingertips of the person serving the customer. This can result in a vast service improvement and increased customer value. From a company's perspective, CRM allows a company to better understand, segment and tier its customer base, better target promotions and cross-selling and even implement alert systems that signal if a customer is in danger of defection. (Lovelock and Wirtz 2007).

The financial services sector has often been touted as a fertile ground for the adoption of relationship marketing strategy because most financial services are classified as high-risk and long term purchase requiring relationship participation for effective service delivery (Ennew and Binks, 1996). Furthermore, scholars have argued that because some financial decisions persists throughout their life, financial decisions turn to be oriented towards the long term and customers prefer to stay with their service providers over a period of time (Colgate and Stewart, 1998). Other reasons mentioned for the adoption of relational marketing in the banking sector includes competition which calls for the effective management of relationship to ensure lasting and fruitful relationship.

The banking industry in Ghana has witnessed significant changes over the past two decades following the liberalization of the financial services sector. The intense competitive pressures in the banking industry have raised the competitive bar to unimaginable heights. The number of major banks as at December 2008 stood at twenty-six banks. With all the banks set on expanding their branch networks, the competitive landscape is becoming more alarming every passing moment. In order for the banks to stay ahead of the competition to achieve competitive advantage as well as maintain and retain their customers, they need to incorporate CRM strategies as part of the organisational process. CRM works well where there is an organization-wide customer-centric philosophy, a comprehensive CRM strategy, well differentiated customer needs, an effective IT infrastructure or a databases system, mass customization systems and finally a well focused management commitment.

1.2 Problem statement

Following the liberalization of the banking industry, competition has assumed such alarming dimension that the very survival of individual banks has come under serious threat. What is more, with growing customer acquisition costs, increased customer expectations and high rate of customer defection, banks have realised the need to foster closer relationships with their customers in order to ensure customer loyalty and retention. However, among the many journals, articles, long essays, thesis available to this researcher, it is rare to find studies done to show how relationship management practices could lead to customer loyalty in the banking industry. Furthermore, most studies in CRM have tended to focus on opinions of customers in order to determine customer loyalty. None of the studies have investigated the underpinnings of CRM from the perspective of the banks and solicited their view of how such practices engender customer loyal given the mediating variables. This study therefore seeks to fill this gap by exploring the extent of CRM practice in the Ghanaian banking industry and whether its implementation leads to increased customer loyalty.

1.3 Objective of the study

The principal aim of this study is to explore the application of CRM by banks in Ghana so as to ascertain whether its practices and implementation helps to achieve customer satisfaction and customer loyalty.

The following are the main objectives of the study: To ascertain the underpinnings of CRM

1. To establish the extent of the practice of CRM in the banking industry

2. To ascertain the relationship between CRM practices and customer loyalty
3. To understand the effect of mediating variables between CRM and customer loyalty

1.4 Research questions

From the literature available on CRM, the researcher will set about to find answers to the following questions:

1. What are the underpinnings of CRM?
2. Do banks in Ghana practice CRM?
3. What is the relationship between CRM and customer loyalty?
4. Does the practice of CRM in lead to customer loyalty?
5. What are the mediating variables between the practice of CRM and customer loyalty?



1.5 Significance and justification of the study

Significantly, this study will contribute to existing knowledge in the area of CRM. It must be observed, that CRM has come to mean so many things to different scholars. This lack of clarity and consistency by most scholars partly accounts for confusion in CRM implementation.

This study also comes at a time when competition in the banking industry is extremely high due to the presence of foreign banks, notably the Nigerian banks. This has triggered a growing concern about how individual banks can retain their customers to ensure long-term profitability and survival. CRM has been identified as a strategic competitive

weapon to ensure customer loyalty and retention. However there has not been any research conducted in Ghana that explores the underpinning of CRM in the banking industry and the effect of their practice on customer loyalty in the banking industry. This study contributes to ongoing research in the area of CRM implementation and therefore serves as a useful guide to banks that intend to implement CRM as a strategy. It will also serve as reference material for further research and finally as a guide to practitioners in the development of CRM programmes.

1.6 Scope of the study

Ideally, research of this nature is expected to cut across the entire banking industry. However, this study will focus only on the major banks excluding rural banks. Of the major banks that were selected for the study, 15 of the 26 major banks registered by Bank of Ghana as at the end of 2008 agreed to participate in the study. Additionally, ARP Apex bank was also excluded since it is a specialized bank established to oversee the operations of rural banks. The focus of the study will be limited to the end of 2008 since data for 2009 was not readily available at the time of this study. The geographical coverage for this research will be Greater Accra Region since the head offices of the respective banks are in this region and CRM as practiced in Accra is replicated in the other regions.



1.7 Organization of the Study

The study is organised into six chapters.

Chapter one (1): Introduction

This chapter introduces the study and includes the following: Background to the study, problem statement, objectives of the study, significance and justification of the study, and limitation of the study.

Chapter two (2): Review of Related Literature

This chapter extensively reviews various literatures existing on customer relationship management practices and strategies.

Chapter three (3): Banking Industry Profile

This chapter provides a comprehensive overview of the banking industry on which this study is based.

Chapter four (4): Research Methodology

This chapter discusses the methodology used for this research. It consists of the Research Design, Sampling Plan, Sample Population, Sampling method, Instrumentation, Mode of data collection, the unit of analysis and limitations.

Chapter five (5): Analysis and Discussion of Empirical Findings

This section presents the findings of the study. The empirical evidence on the practices of CRM by banks in Ghana is analyzed and presented in both qualitative and quantitative manner. This chapter also gives a brief description of the banking industry in Ghana.

Chapter Five (6): Summary, Conclusions and Recommendations

This is the final chapter and it presents major findings, implications for management, future research directions and contributions to existing literature on CRM. Useful recommendations are also made for marketing managers and decision makers in the banking industry based on the findings.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.0 INTRODUCTION

This chapter focuses on the theoretical underpinnings of the study. In view of the objectives and theoretical parameters of this study, the chapter reviews relevant and contemporary literature on the evolution of relationship marketing; growth of relationship marketing; definitions of relationship marketing; and characteristics of relationship marketing. The chapter further discusses related literature on the benefits and challenges of implementing relationship marketing.

Next, a discussion is made on customer loyalty (proposed in this thesis as the consequence of effective implementation of CRM) in the context of the banking industry. Finally, the conceptual framework for the current study and the elements that constitute the model have been examined.

2.1 EVOLUTION OF CUSTOMER RELATIONSHIP MANAGEMENT

While there appears to be no specific date, book or article marking the introduction of the customer relationship concept in business and academic thinking, relationship management/marketing was already a hot topic in services by the mid 1980s. Scholars such as Len Berry, Evert Gummerson, Tedd Levitt, Robert Dwyer, Christian Gronros, John Czepiel, and others were writing about and conducting research on this topic by that time. In financial services, the idea of relationship banking was receiving considerable

attention as a means of acquiring, retaining and improving the profitability of customers. Customer Relationship Management (CRM) has become one of the most dynamic technology topics of this present age of marketing evolution. According to Chen and Popovich (2003), CRM is not a concept that is really new but rather due to current developments and advances in information and enterprise software technology, it has assumed practical importance.

According to Eiriz and Wilson (2006), the study of relationships and networks is not a new area of research. It was however in the 1970s that the literature on management started to emphasize its importance, there are many previous works in disciplines such as economics, political sciences, sociology, social psychology and law.

Relationship marketing as a subject emerged in business and management research about a decade ago as a new paradigm of the marketing discipline for some people; and for others as just another fad of the marketing practice (Sanjose, 2003). What is commonly understood by the buzzword CRM has been more recently promoted by some academics and practitioners, as a practical way to implementing the concept of relationship marketing successfully on the customer sphere (Sanjose, *ibid*).

The development of relationships has historical antecedents reaching back into the pre-industrial era (Seth and Parvatiyar 1995). Much of it was due to direct interaction between producers of agricultural products and consumers. Similarly, artisans often developed customised products for each customer. Such direct interaction led to

relational bonding between the producer and consumer. It was only after the advent of mass production in the industrial era and the advent of middlemen that interaction between producers and consumers became less frequent leading to transaction oriented marketing. In other words, the production and consumption functions became separated, leading to marketing functions being performed by middlemen, and middlemen, in general, are oriented towards economic aspect of buying since cost of goods sold constitutes their major cost (Seth and Parvatiyar, 2001).

2.2 THE NATURE OF CUSTOMER RELATIONSHIP MANAGEMENT

CRM derives its roots from relationship marketing which has the objective of improving the long term profitability of customers by moving away from product-centric marketing. Bose (2002) noted that CRM was invented because customers differ in their preferences and purchasing habits. If all customers were alike, there will be no need for CRM. Consequently, understanding customer drivers and customer profitability, firms can better tailor their marketing offerings to maximise the overall value of their customer portfolio (Chen and Popovich, 2003). The attention CRM is currently receiving across businesses is due to the fact that the marketing environment of today is highly saturated and more competitive (Chou et al 2002).

As a result of globalization of businesses and the growing recognition of the importance of customer retention, market economies, and customer relationship economics, there has been a change in mainstream marketing (Gronross, 1997). Since the 1960s the marketing mix management approach, with its 4P model dominated marketing literature, research

and practice (Gronroos 1996). Today however, this paradigm is beginning to lose its position because the focus is shifting from just attracting customers to activities which concern having customers and maintaining them for life (Gronroos 1996; Gummesson 1994). Kelvin and Yen (2002) explains that over the past few years, there has been a shift in relationship literature from focusing on the benefits of long term relationships for companies to the benefits that accrue to customers. Consequently, it is becoming evident that companies fundamentally have had to change the way in which marketing is done that is a fundamental shift from managing a market, to managing a specific customer (Bose, 2003). The basic rationale for establishing relationship with a customer is to attract the customer and to build the relationship with the customer so that the economic goals of the relationships are maintained (Gronroos, 1997).

Customer Relationship Management (CRM) has become a dominant subject and a major focus in modern marketing and strategic thinking especially in the realm of services marketing. In this regard, the customer has become the centrepiece of business strategy due to the growing realization of the importance of the customer to the survival, growth and profitability of the business. Delivering customer value has become a major weapon in attracting and retaining customers and has become one of the most significant success drivers of both manufacturing businesses and service providers. With the ever increasing intense business competition and the strong trend towards globalization, the role of the customer has changed from that of a mere consumer to a multi-faceted one as consumer, co-creator of value, and co-developer of knowledge and competencies, which implies a much more important position of the customer than ever. It against this backdrop that

CRM emerged as a subject of great interest to academics and practitioners in the 1990's due to its potential to build collaborative symbiotic relationships that will ensure customer loyalty and retention.

Increasingly a number of companies are adopting customer-centric strategies, programs, tools, and technology for efficient and effective CRM. Companies are increasingly realizing the utility of in-depth and integrated customer knowledge in building close and collaborative relationships with customers. The appearance of new technologies is drastically changing how companies interface with their customers; a development that has brought about some degree of partnership between marketing and its immediate cousins such as sales and customer service. For most practitioners however, CRM represents an enterprise approach to developing full knowledge about customer behaviour and preferences and to develop programs and strategies that encourage customers to continually enhance their business relationships with companies (Parvatiyar and Sheth 2001). Kotler (2000) maintained that it has been the practice by firms to devote a greater attention of marketing effort to attracting new customers rather than retaining existing ones. This establishes the basis for relationship marketing which came as an answer to the traditional transactional marketing approaches. Transactional marketing focuses essentially on the 4Ps of marketing: product, price, place and promotion that dwelt mainly on attracting businesses, but very little on retention (Gumemesson, 1999). Consequently relational approaches to marketing emerged on the basis that customers vary in their needs, preferences and buyer behaviour. (Chen and Popovich (2003)

established that it has been well acknowledged and recognized that retaining a firm's existing customers is more profitable than attracting new ones.

Kotorov 2003 mentioned that in the past many speculated that CRM would turn out to be just another buzzword; one more term to add to the managerial dictionary that will soon fade away. Bull (2003) adds to this thought by stating that it is no longer good enough to claim that one is customer focused, but it matters what one does. CRM is of vital importance to organizations and it requires customer-centric business approach to support effective marketing, sales and service processes (Chen and Popovich (2003).

According to Greenberg (2004), CRM generally is an enterprise -focused endeavour encompassing all departments in a business. Chen and Popovich (2003) argued that CRM is a complicated application which mines customer data retrieved from all touch points which then creates and enable the organizations to have a complete view of the customers. The result is that firms are able to uncover and determine the right type of customers and predicting trends that determine their future purchasing behaviour. CRM is also defined as an all-embracing approach that seamlessly integrates sales, customer service, marketing, field support and other functions that touch customers (Chou et al 2002). They further stated that CRM is a notion regarding how an organization can keep their best and most profitable and at the same time reduce cost, increase in value of interaction which then leads to high profits.

The modern customer relationship management concept was influenced by the theories of total quality management (Gumemesson 1997) and by new technological paradigms

(Zineldin 2000). There is however a perceived lack of clarity in the definition of CRM, although all accepted definitions are approximately the basic concept: customer relationship, customer management, marketing strategy, customer retention, personalisation (Zineldin 2000). However, while academics debate the subtitles of various definitions, the practitioners have developed a wealth of applicative papers analysing the concrete challenges and opportunities of implementing the systems.

CRM in some organizations is considered a technological solution, consisting of individual databases and sales force automation tool and sales and marketing functions so as to improve targeting effort. Peppers and Rogers (1999) argued that other organizations view CRM as a tool, which has been particularly designed for one to one customer communications, which is the function of sales, call centres or the marketing departments. Accordingly, Payne and Frown (2004) added that CRM stresses two way communications from the supplier to customer and customer to suppliers to build the customer over time. The two-way communication has been enhanced greatly by advances in information technology and especially the internet.

In terms of information technology (IT), CRM means an enterprise-wide integration of technologies working together such as data warehouse, web site, intranet/extranet, phone, support systems, accounting, sales, marketing and production. Kotler (2000) assures that CRM uses IT which is used to develop information acquired to create a more personal interaction with the customer. In the long term, it produces a method of continuous analysis and refinement in order to enhance customer lifetime value with the firm.

Goldenberg (2002) believes that CRM is not merely technology applications for marketing, sales and service but rather when it is successfully implemented, it enables the firm to have a cross-functional, customer-driven, technology integrated business process management strategy that maximise relationships. Chin et al (2003) stated that due to many technological solutions available for CRM automation, it is widely misconstrued as a piece of technology. They however insist that in recent times many firms have realised the strategic importance of CRM, and as result, it is becoming a business value-effort rather than technology-centric effort.

Using IT as an enabler, CRM strategy leverages key functional areas to maximise profitability of customer interactions (Chen and Popovich, 2003). It has been recognised that the technological advancements and innovations, keen competitive marketing environment, coupled with the internet are the main drivers that promote one-to-one initiative. Through CRM, firms are able to understand the drivers of present and future customer profitability which makes it possible to appropriately and proportionately allocate firms resources to all functional areas that affect customer relationship (Chou et al, 2003).

For customers, CRM offers customisation, simplicity and convenience for completing transactions irrespective of the kind of channel of interaction used (Gulati and Garino, 2000). Many businesses today realise the potential of CRM as its potential to help them achieve and sustain competitive edge (Peppard 2000). This view was accentuated by Bose (2002) that as a result of changing nature of the global environment and

competition, firms cannot compete favourably with minor advantages and tricks that can easily be copied by competing firms. The implementation of CRM is an enabled opportunity to rise above minor advantages with a real focus on developing actual relationship with customers. Firms that are most successful at delivering what each customer want are likely to be the leaders of the future.

2.2.1 CRM and Relationship Marketing (RM)

In the academic community, relationship marketing and CRM are often used interchangeably (Parvatiyar and Sheth 2001); (Pickton and Broderick 2005). However, CRM is more commonly used in the context of technology solutions and has been described as ‘information enabled relationship marketing’ (Ryals and Payne 2001). Zablah et al (2004) suggest that CRM is a philosophically-related offspring to relationship marketing which is for most part neglected in the literature, and they suggest that further exploration of CRM and its related phenomena is not only warranted but also desperately needed. It must be noted that, CRM derives its roots from relationship marketing which is aimed at improving long run profitability by shifting from transaction based marketing, with its emphasis on winning new customers, to customer retention through effective management of customer relationships (Christopher et al., 1991). Thus CRM is more complex and sophisticated application that mines customer data that has been pulled from all customer touch points, creating a single and comprehensive view of the customer while uncovering profiles of key customers and predicting their purchase patterns (Chen and Popovich, 2003).

According to Payne and Frow (2004), CRM build on the philosophy of relationship marketing that aims to create, develop and enhance relationships with carefully targeted customers to maximise customer value, corporate profitability and thus shareholders value. The goal is to improve customer's experience of how they interact with the company, which hopefully will turn into more satisfaction, which can lead to customer loyalty and ultimately an increase in customer profitability. This study will draw upon the literature on relationship marketing, as CRM and relationship marketing are not distinguished from each other in the marketing literature (Seth and Parvatiyar, 2003). Significantly, literature from relationship marketing will be employed to review literature in this study in accordance with the approach used by most scholars. The technology factor that has been used to distinguish CRM from RM functions only as an enabler which is not inconsistent with RM. Hence one can argue that the two concepts explain the same practice and are only separable to an imperceptible degree in principle but remain one and the same in practice since the effective practice of RM in this modern age cannot dispense with technology solutions.

2.2.2 CRM and Technology

As stated earlier in this thesis, the philosophical foundation of CRM is largely drawn on RM. It must be established that the most significant distinguishing factor is mainly the extensive use of IT as a basic enabler to facilitate the relational marketing/ management in modern CRM practices. Viewed from customer-centric perspective, technology is essentially an enabler. This implies over-reliance on IT solutions alone will not ensure success in CRM practices. Along with people and process, IT has to be aligned with

business goals of building, maintaining and enhancing customer relationships. A vivid understanding of how technology interacts with people and process is crucially important in bringing about the synergy that can ensure success in relationship outcomes.

IT assists with the redesign of business process and facilitating changes to work practices and establishing innovative methods to link a company with customers, suppliers and internal stakeholders. CRM applications take full advantage of technology innovations with their ability to collect and analyse data on customer patterns, interpret customer behaviour, develop predictive models, respond with timely and effective customised communications and deliver product and service value to individual customers. By using technology to optimise interactions with customers, companies can create a 360 degree view of customers to learn from past interactions to optimize future ones (Eckerson and Watson, 2000).

Innovation in network infrastructure, client/server computing, and business intelligence applications are leading factors in CRM development. CRM systems accumulate, store, maintain, and distribute customer knowledge throughout the organization. The effective management of information is of supreme importance so far as success in CRM is concerned. Information is critical to product tailoring, service innovation, consolidated view of customers, and calculating customer lifetime value (Peppers and Rogers, 2000). Among others, data warehousing, enterprise resource planning (ERP) systems, and the internet are the central infrastructures to CRM applications (Chen and Popovich 2003).

2.3 PRINCIPAL DRIVERS OF CRM GROWTH

The development of customer relationship has historical antecedents reaching back to the pre-industrial era (Seth and Parvatiyar 1995). Much of it was due to direct interaction between producers of agricultural products and their consumers. Similarly artisans often developed customised solutions for each customer. Such direct interaction led to relational bonding between the producer and the consumer. It was only after the advent of mass production in the industrial era and the advent of middlemen that interaction between producers and consumers became less frequent leading to transaction oriented marketing (Sheth and Parvatiyar,2001). In recent years, however, several factors have contributed to the rapid development of CRM. The growth of CRM has been described by Seth and Parvatiyar (2000) as the rebirth of direct marketing between producers and consumers and he further identifies several environmental as well as organizational development factors responsible for the rebirth. They accordingly identified the following factors as largely responsible for the growth and evolution of CRM.

- **Rapid technological advancements due to progress in information technology;**
- **The adoption of Total Quality Management Programmes by organizations;**
- **The growth of the service sector;**
- **Increase in competitive pressure (hyper-competition) driving firms to focus on customer retention;**
- **Organizational development process leading to empowerment of individuals and teams;**



These forces as discussed below foster direct interaction between producer and consumers thereby encouraging closer collaboration between the two parties with is the hallmark of CRM practices.

2.3.1 Rapid technological advancements

According to Seth and Parvatiyar (2000), the impact of technological revolution is changing the nature and activities of modern marketing institutions. The advent of sophisticated electronic and computerized communication systems in this age has facilitated direct interaction between producers and consumers. Producers are also becoming more knowledgeable about their customers by maintaining and accessing sophisticated databases which capture information at all levels of customer interaction with relative ease and much lower cost. This makes one-to-one marketing possible thus creating an inevitable redundancy in the role of middlemen who are oriented toward profit and opportunistic behaviour. Producers are putting in place systems that enable them to undertake rapid responses with regard to manufacturing, delivery and customer service, eliminating the need for inventory management, financing and order processing through middlemen. Also the pressure of modern life does not allow customers to go to the shopping centres to purchase every single item. Against this backdrop, consumers are more inclined to dealing with producers directly thereby eliminating middlemen in the chain.

Hence given the recent technological breakthroughs and increasing consumer sophistication, some functions of middlemen may entirely be eliminated. For example, the just in time (JIT) inventory system, made possible by real time inventory system

made possible by real transportation and communication systems now available, allows a producer to eliminate the need for an intermediate inventory holding institutions between itself and the consumers and suppliers (Seth et al., 1988). Other technological systems, such as flexible manufacturing systems are used by firms to mass-customise their offerings to individual consumers.

2.3.2 Adoption of Total Quality Management Programmes

From the viewpoint of Seth and Parvatiyar (2001), another force driving the adoption of CRM has been the total quality movement. When firms embrace the Total Quality Management (TQM) philosophy to improve quality and reduce costs, it became necessary to involve suppliers and customers in implementing the programme at all levels of the value chain. This created the need for closer working relationship with customers, suppliers, and other members of the marketing infrastructure. Thus several members such as Motorola, IBM, General Motors, Xerox, Ford, and Toyota, formed partnering relationships with suppliers and customers to practice TQM (Seth and Parvatiyar, 2001).

2.3.3 Growth of the Service Economy

Another strong force that is driving the growth of CRM is the growth of the service sector.

Services marketing have gained significance in recent times due to the growth and contribution of the service sector to the economic development of modern economies. The role of services in the world's economy is growing and will continue this way in the medium to long term. The economies of advanced countries are dominated by the

services sector comprising nearly 80% of the United States' economy (Hinson 2006). The underlying reasons for the current interest in relationship marketing are especially relevant to the financial services context. First, services marketing has matured and continues to grow in importance (Berry, 1995; Gummesson, 1999). The relative intangibility of the products has emphasised the need to build differential advantage through improved service quality (Perrien and Ricard, 1995). Second, as deregulation has heightened competitiveness in the financial services sector, relationship marketing's ability to protect the customer base has come to the fore (Reichheld and Sasser, 1990; Turnbull and Valla, 1990). Third, there are clear customer benefits linked to a relationship marketing approach. By engaging with suppliers in a kind of 'learning relationship' (Peppers and Rogers, 1993, 1999), customers are more likely to be able to achieve suitable service delivery. This is a key consideration in a sector which is increasingly orientated to the life-time value of the customer. Finally, rapid and far-reaching technological change is improving businesses' understanding of customers' needs and buying behaviour. For financial services companies which have been at the forefront of implementing data capture and management systems, these insights enable the delivery of more tailored product and service offerings (Zielinski, 1994).

These challenges increase the importance of identifying the specific competencies needed to manage a service organization must include the ability to manage the real time service encounter. It is within this context that banks find themselves. As the competition in the banking industry is becoming more and more intense to move from transactional marketing to relations base approach is now inevitable.

2.3.4 Competition

In this era of hyper-competition, marketers have to become more concerned with customer retention and loyalty (Dick and Basu, 1994; Reichheld, 1996). Several studies have indicated that retaining customers is less expensive and more sustainable competitive advantage than acquiring new customers. Marketers have realised that it cost less to retain customers than to compete for new ones (Rosenberg and Czepiel, 1984). It therefore makes sense for marketers to focus on keeping customers for life, with opportunity for cross-selling, deep-selling and up-selling rather than making a one-time sale. Naidu et al. (1999) found that relational intensity increased in hospitals with higher degree of competitive intensity.

This is the stage reached by the banking industry of Ghana, which has come about as a result of increased competitive intensity due to the influx of foreign banks notably the Nigerian banks. In this regard most banks are drifting away from product-based or branch-based banking to the preferred one of building business around customers, who are classified according to their banking needs.

2.3.5 Organizational Development Process and empowerment of individuals and teams

Another factor leading to the rapid growth and acceptance of relationship marketing concept as described by Seth et al. (1988) is the empowerment of individuals and teams as a result of certain organizational developments. According to them, these organizational changes have facilitated the growth of relationship management.

Significantly the role definition of members of the organization has contributed to this state of affair. Owing to a variety of changes in organizational processes, companies are now directly involving users of products and services in the purchase and acquisition decisions of the company. For a long time, these functions were managed by the procurement department as a specialised function without the involvement of users of these products and services. Hence the separation that existed between producers and users due to the existence of middlemen, acting as gatekeepers is bridged.

Also, customer expectations have been changing rapidly over the last two decades bolstered mainly new technology and the growing availability of innovative products and services. Consumers are less willing to make compromises or trade-offs in product and service quality. With the ever changing customer expectation, building co-operative and collaborative relationships with customers appears to be the most prudent way to keep track of customers' changing expectation and appropriately influencing them (Seth and Sisodia, 1995).

Finally, many large internationally oriented companies are trying to become global by integrating their worldwide operations. To achieve this, they are seeking cooperative and collaborative solutions for global operations from their vendors instead of merely engaging in transactional activities with them (Seth and Parvativar, 2001).

2.4 THE CONCEPT OF CUSTOMER RELATIONSHIP MARKETING

The concept of relational marketing has emerged within the field of service marketing and industrial marketing (Berry, 1983; Jackson, 1985; Gummesson, 1987; Christopher *et al.*, 1991; Gummesson, 1991). The phenomenon described by this concept is strongly supported by on-going trends in modern business (Webster, 1992). Berry (1983) viewed relationship marketing as a strategy to attract, maintain and enhance customer relationships. Rapp and Collins (1990) argued that the goals of relationship marketing are to create and maintain lasting relationships between the firm and its customers that are rewarding for both sides, while Blomqvist *et al.* (1993) offered the following key characteristics of relationship marketing: every customer is considered an individual person or unit, activities of the firm are predominantly directed towards existing customers, it is based on interactions and dialogues, and the firm is trying to achieve profitability through the decrease of customer turnover and the strengthening of customer relationships. Gummesson (1993) concluded that relationship marketing is a strategy where the management of interactions, relationships and networks are fundamental issues.

Relationship marketing is to establish, maintain, and enhance relationships with customers and other partners, at a profit, so that the objectives of the parties involved are met (Gronroos, 1994). This is achieved by a mutual symbiosis and fulfillment of promises (Ndubisi, 2003). The interaction and network approach of industrial marketing and modern service marketing approaches, clearly views marketing as an interactive

process in a social context where relationship building and management are a vital underpinning (Bagozzi, 1975; Webster, 1992).

Marketing studies have theorized a number of key underpinnings of relationship marketing namely, trust (Morgan and Hunt, 1994; Ndubisi *et al.*, 2004), equity (Gundlach and Murphy, 1993; Ndubisi, 2004), benevolence (Buttle, 1996), empathy (Ndubisi, 2004), commitment (Morgan and Hunt, 1994; Ndubisi, 2004), conflict handling (Ndubisi *et al.*, 2004), communication or sharing of secrets (Crosby *et al.*, 1990; Morgan and Hunt, 1994; Ndubisi *et al.*, 2004) and competence (Ndubisi *et al.*, 2004). This study empirically examines the relationship among these constructs namely, commitment, competence, communication conflict handling, trust and customer loyalty.

In less than a decade, relationship marketing has risen into a topic of major significance. Although the term only came into use to a great extent in the latter part of the 1990s, the principles on which it has been based have existed for much longer. CRM is founded especially on the principles of relationship marketing; the formal study of which goes back 20 years (Berry, 1983). However, its origins which involve building relationships of mutual value between suppliers and customers have existed since the start of commerce (Gronroos, 1994 and Gronroos, 1996). What has changed over the past decade is a number of significant trends that collectively enable better customer relationships through the application of information-enabled relationship marketing (Ryals & Payne, 2001) or CRM.

Several recent trends have impacted organizations' ability to build more enduring relationships, especially for those businesses with a large customer base. Amongst the

most important ones are the following: the increasing power of computers; the decreasing cost of computers, in real terms; the increased storage capacity of computers; the significant reduction in the cost of storage of a megabyte of data; the availability of increasingly sophisticated tools to undertake data mining and data analysis; the rise of e-commerce and the ability to be able to target customers via the Internet at a much lower cost; an increased recognition of the importance of customer retention and customer lifetime value; and an increased sophistication in marketing approaches and the development of better ways of targeting customers, including one-to-one marketing (Peppers & Rogers, 1993), permission marketing (Godin, 1999), and mass customisation (Pine, 1993). For the industrial marketer, these trends provide special opportunities to develop closer relationships with customers.

Relationship marketing is a management approach that seeks to create, develop, and enhance relationships with carefully targeted customers to maximise customer value, corporate profitability, and thus, shareholder value. CRM is often associated with utilising information technology to implement relationship marketing strategies. As such, CRM unites the potential of new technologies and new marketing thinking to deliver profitable, long-term relationships. Customers today have an increased range of channel options. At the heart of successful CRM is the need to more effectively manage customer relationships within a multichannel environment. It is within this channel environment that much of the customer experience occurs.

However, as companies seek to introduce such cost savings, it is essential that there is not a significant reduction in customer value as the result of the introduction of a new

channel. The dramatic decline of the technology stocks listed on stock exchanges at the start of this decade has caused an increased focus on electronic channel solutions. These solutions must address real customer needs and create significant customer value based on sound business models. Thus, a more sophisticated approach to using electronic channels is emerging—one that seeks increases in customer satisfaction and increases in sales and profits, as well as reducing the cost of sale.

In the marketing literature the terms customer relationship management and relationship marketing are used interchangeably. As Nevin (1995) points out, these terms have been used to reflect a variety of themes and perspectives. Some of these themes offer a narrow functional marketing perspective while others offer a perspective that is broad and somewhat paradigmatic in approach and orientation. A narrow perspective of customer relationship management is database marketing emphasizing the promotional aspects of marketing linked to database efforts (Bickert, 1992).

Another narrow, yet relevant, viewpoint is to consider CRM only as seeking customer retention by using a variety of after marketing tactics that lead to customer bonding or staying in touch with the customer after a sale is made (Vavra, 1992). A more popular approach with the recent application of information technology is to focus on individual or one-to-one relationships with customers that integrate database knowledge with a long-term customer retention and growth strategy (Peppers & Rogers, 1993). Thus, Shani and Chalasani (1992) have defined relationship marketing as “an integrated effort to identify, maintain, and build up a network with individual consumers and to continuously strengthen the network for the mutual benefit of both sides, through interactive,

individualized and value-added contacts over a long period of time". Jackson (1985) applies the individual account concept in industrial markets to suggest CRM to mean, "Marketing oriented toward strong, lasting relationships with individual accounts". In other business contexts, Doyle and Roth (1992), O'Neal (1989), and Paul (1988) have proposed similar views of customer relationship management. McKenna (1991) has professed a more strategic view by putting the customer first and shifting the role of marketing from manipulating the customer (telling and selling) to genuine involvement with the customer (communicating and sharing knowledge). Berry (1995), in somewhat broader terms, also has a strategic viewpoint concerned with CRM. He has stressed that attracting new customers should be viewed only as an intermediate step in the marketing process and that developing closer relationship with these customers and turning them into loyal ones should be equally important aspects of marketing. Thus, he proposed that relationship marketing be seen as "attracting, maintaining, and - in multi-service organizations - enhancing customer relationships".

Berry's notion of customer relationship management resembles that of other scholars studying services marketing, such as Gronroos (1990), Gummesson (1987), and Levitt (1983). Although each one of them has espoused the value of interactions in marketing and its consequent impact on customer relationships, Gronroos and Gummesson take a broader perspective and advocate that relationships with customers be the focus and dominant paradigm of marketing. For example, Gronroos (1990) states: "Marketing is to establish, maintain, and enhance relationships with customers and other partners, at a profit, so that the objectives of the parties involved are met. This is achieved by a mutual

exchange and fulfilment of promises”. The implication of Gronroos’ definition is that forming relationships with customers is the "raison de etre" of the firm and marketing should be devoted to building and enhancing such relationships. Similarly, Morgan and Hunt (1994) draw upon the distinction made between transactional exchanges and relational exchanges by Dwyer, Schurr, and Oh (1987) to suggest that relationship marketing “refers to all marketing activities directed toward establishing, developing, and maintaining successful relationships.” The core theme of all CRM and relationship marketing perspectives is its focus on a cooperative and collaborative relationship between the firm and its customers, and/or other marketing actors. Dwyer, Schurr, and Oh (1987) have characterized such cooperative relationships as being interdependent and long-term orientated rather than being concerned with short-term discrete transactions. The long-term orientation is often emphasized because it is believed that marketing actors will not engage in opportunistic behaviour if they have a long-term orientation and that such relationships will be anchored in mutual gains and cooperation (Ganesan, 1994).

Another important facet of CRM is “customer selectivity.” As several research studies have shown, not all customers are equally profitable for an individual company (Storbacka, 2000). The company therefore must be selective in tailoring its program and marketing efforts by segmenting and selecting appropriate customers for individual marketing programs. In some cases, the “outsourcing of some customers” could be called for so that a company allocates its resources to those customers it can serve the best in order to create mutual value. However, the objective of a company is not really to prune its customer base but to identify the programs and methods that would be the most

profitable as it creates value for the firm and the customer. Hence, the definition of CRM is that 'Customer Relationship Management is a comprehensive strategy and process of acquiring, retaining, and partnering with selective customers to create superior value for the company and the customer. It involves the integration of marketing, sales, customer service, and the supply-chain functions of the organization to achieve greater efficiencies and effectiveness in delivering customer value (Seth and Parvatiyar, 2001).

As is implicit in the above definition, the purpose of CRM is to improve marketing productivity. Marketing productivity is achieved by increasing marketing efficiency and by enhancing marketing effectiveness (Sheth & Sisodia, 1995). In CRM, marketing efficiency is achieved because cooperative and collaborative processes help in reducing transaction costs and overall development costs for the company. Two important processes of CRM include proactive customer business development and building partnering relationships with the most important customers. These lead to superior mutual value creation.

Definitions of various scholars have been summarized in the table below.

Table 2.1 Definitions of RM adapted from Shammout (2007, p 18)

Authors	Definition	Context	Key elements
Berry (1983)	Attracting, maintaining and enhancing customer relationships	Services	Attracting, maintaining, and enhancing
Gronroos (1990)	To establish, maintain, and enhance relationships with customers and other partners, at profit, so that the objectives of the parties involved are met. This is achieved by a mutual exchange and fulfillment of Promises	Valid to be used in all contexts	Non-customer partnership, mutual benefit, promise keeping, and profitability
Christopher et al. (1991)	Concerns the dual focus of getting and keeping customers	Services	Keeping customers
Gronroos (1994)	Identify and establish, maintain and enhance, and when necessary, also terminate relationships with customers and other stakeholders, at a profit, so that the objectives of all parties involved are met. This is done by a mutual exchange and fulfillment of promises	Valid to be used in all contexts	This is slightly different to Gronroos's (1990) definition, which includes identifying and terminating relationships with customers and stakeholders
Morgan and Hunt (1994)	All marketing activities directed toward establishing, developing and maintaining successful relational exchange	Business-business	All types of ongoing relationship as a process in relational exchange
Palmer (1994)	Strategies that enhance profitability through a focus on the value of buyer-seller relationships over time	Marketing Education	Mutual value between buyer and seller
(Gummesson, 1996)	Relationships, networks, and interaction	Network marketing	Relationships, networks, and interaction
Parvatiyar and Sheth (2000)	Ongoing process of engaging in cooperative and collectivized activities and programs with immediate and end-user customers to create or enhance mutual economic value at reduced cost	Business-to-customer	Cooperative and collaborative
Kim and Cha (2002)	A set of marketing activities that attract, maintain, and enhance customer relationships for the benefit of both sides, emphasizing retaining existing customers	Hotels	Mutual benefits emphasized for existing customers

Berry (1983) was perhaps the first to put concept of relationship marketing into perspective. Hence he defined RM as “attracting, maintaining, and - in multi-service organisations - enhancing customer relationships”, acknowledging the idea that attracting new customers is not an end in itself but can be regarded only as an intermediate step in marketing processes. Some authorities have developed their conception of RM on Berry’s definition. However, Gronroos, (1990) added the perspective of non-customer partnership, mutual benefit, promise keeping, and profitability, while viewing relationship marketing “to establish, maintain, enhance with customers and other partners, at a profit, so that the objectives of the parties involved are met. This is achieved by a mutual exchange and fulfilment of promises.”

Christopher et al. (1991) viewed relationship marketing as the integration of marketing, customer service and quality management. Christopher et al. (1991) stated that relationship marketing has the twin focus of acquiring and keeping customers. This definition ties in with the one by Kotler (1992) which specified that relationships are a series of stakeholders or markets extending beyond the basic customer-supplier (Gummesson, 1994). Others such as (Palmer, 1994) view relationship marketing in terms of strategies that enhance profitability through a focus on the value of the buyer-seller relationship over time.

Gummesson (1996) also views relationship marketing as comprising three key elements namely, relationships, networks, and interaction. In his definition, relationships refer to a contact between two or more people, which could also exist between people and objects,



whereas a network refers to a set of relationships. Interaction refers to activities performed within relationships and networks. In support of Gronroos (1990), Morgan and Hunt (1994) provide a broadened scope through inclusion of the term 'relational exchange' to cover the processes of all types of ongoing relationships. They defined relationship marketing as "all marketing activities directed toward establishing, developing, and maintaining successful relational exchange".

This definition has however come under serious criticisms by some authors (Parvatiyar and Sheth 2000). Peterson (1995) for example, acknowledges that the definition is guilty of an error of commission, and states that if their "definition is true, then relationship marketing and marketing are redundant terms and one is unnecessary and should be stricken from the literature because having both only leads to confusion". It has been argued that the definition only focuses on the ultimate goal of relationship marketing, but not on what it actually entails (Too et al., 2001). In contrast, Kim and Cha (2002) conducted research in the context of hospitality industry, and considered Morgan and Hunt's definition as a major shift in marketing theory and practice. Kim and Cha seem to have adopted Morgan and Hunt's definition, making minor changes when they focused on mutual benefits with targeted customers to make the definition more suited to the hospitality context. They defined relationship marketing as "a set of marketing activities that attract, maintain, and enhance customer relationships for the benefit of both sides, emphasizing on retaining existing customers".

Parvatiyar and Sheth (2000) found that the definitions of Berry (1983), Gronroos (1990), and Morgan and Hunt (1994) take the process aspects of relationship development and maintenance into account. Parvatiyar and Sheth (2000) further suggest that relationship marketing is concerned with supportive and joint relationships between the firm and customers. These customers could be one or many, including end customers, distributors or channel members, and business-to-business customers. They define relationship marketing as “the ongoing process of engaging in cooperative and collectivize activities and programs with immediate and end-user customers to create or enhance mutual economic value at reduced cost”.

Most recently however, Herington (2002) found that the definitions of Gronroos (1990), Morgan and Hunt (1994), and Gummesson (1996), are seen as most favored by relationship marketing authors due to their frequency of adoption and concludes that “the definition presented by Gronroos (1995) is the “best” in terms of its coverage of the underlying conceptualizations of relationship marketing and its acceptability through the RM community”. Gronroos (1994) sees relationship marketing as “... to identify and establish, maintain and enhance and when necessary also to terminate relationships with customers and other stakeholders, at a profit, so that the objectives of all parties involved are met, and this is done by a mutual exchange and fulfillment of promises”. Gronroos’s (1995) definition was found to be appropriate for the needs of this thesis. This is because not only is it commonly used in the literature; it also includes all aspect of long-term relationships between service providers and customers (see Shammout, 2007 pp. 18-20)

In conclusion, although coined many years ago, relationship marketing still remains an ambiguous concept (Lindgreen 2001) and it is characterized by rhetoric and still without clear empirical support (Collins 1999). There is no consensus among authors on one accepted definition for relationship marketing, however Harwood and Garry (2006), are of the view that this may be due to the debate between academics and .The main characteristics of relationship marketing are briefly discussed below.

2.5 CHARACTERISTICS OF RELATIONAL MARKETING

Based on Gronroos's (1994) definition, the following are the main characteristics of relationship marketing. For the purpose of this study, the various characteristics of relationship marketing have been categorized under the following headings:

- **Long-term orientation,**
- **Commitment and fulfilment of promises,**
- **Customer share, not market share,**
- **Customer lifetime value,**
- **Two-way dialogue, and**
- **Customization.**

Subsequently, these characteristics are briefly discussed below. However, it must be noted that the categorization is made this way to suit the context of this thesis.

2.5.1 Long-term orientation

Long-term orientation is a key feature of relationship marketing. It assesses success in terms of how long a customer is kept in the relationship and the share of the customer in the relationship. Relationship marketing involves estimating customer lifetime value and engaging in relationships based on the value of those relationships over a number of years. Gummesson (1999) highlights long-term collaboration and *win-win* as a key feature of relationship marketing. This means viewing suppliers, customer and others as partners rather than opposite parties. This view promotes collaboration and the creation of mutual value, and relationship marketing should bring about a *win-win* rather than a *win-lose* situation created by the adversarial nature of transactional marketing (Gummesson, 1999)

2.5.2 Commitment and fulfilment of promises

Relationship marketing implies a long-term relationship and forsaking of other suppliers by the customer, as well as mutual exchange of information. This suggests that there ought to be trust between the parties; that each party believes in the integrity of the other to keep their promise and to deliver on promises; and also that each party believes the relationship to be valuable enough to invest in and to commit to. Nurturing of trust and commitment is particularly important as it is clear now that satisfaction alone does not necessarily lead to customer loyalty. Satisfied customers may still wish to look elsewhere for bargains, change/novelty, and etcetera. Relationship marketing relies on fostering a bond between the customer and the supplier which is glued with empathy. Bonding is the result of the customer and the supplier acting in a unified way towards the achievement

of desired goals (Callaghan et al., 1995) and empathy is the dimension of a business relationship that enables the two parties to see the situation from the other's perspective and to understand their desires and goals (Yau et al., 2000).

2.5.3 Customer share, not market share

Relationship marketing shifts the emphasis from concentrating on gaining share of the market and rewarding its employees for the new business which they bring in. Instead, it concentrates on keeping customers and attempting to gain a bigger share of their 'wallet' by selling more of the same product or by cross-selling to them. This is a very important shift because traditional marketing puts the emphasis on market share and success is usually measured in a short timescale, i.e. growth in market share per annum (Gummerson, 1999). For instance, Day (1969), from a traditional platform, said that share of market is a crucial tool for the evaluation of performance and for using as a guide for advertising, sales force and other budget allocations.

Concentrating on customer share implies a long-term orientation and requires that success is measured and rewarded differently. According to Peppers and Rogers (1995), this approach implies that a customer with high potential is treated as an individual whose needs are addressed and an attempt is made to persuade him to buy more of the company's products during the lifetime of the relationship.

2.5.4 Customer lifetime value

The lifetime value of a customer is a key element in the practice of relationship marketing. It is not economical for a supplier to invest in long-term relationships with all customers - not that all customers would necessarily want such a relationship. The supplier has to identify those customers who are willing to enter a long-term relationship with his company, forecast their lifetime with the company, and then calculate those customers' lifetime values in order to identify the ones with whom it will be profitable for the company to have a relationship. Relationship marketing costs money and maintaining a customer can be expensive, hence long-term customers should be selected carefully. Calculating a customer's lifetime value is not a precise science, and each company will need to experiment and improve those techniques that are used to predict how much business a customer is likely to do with them (Gummerson, 1999; Morgan and Hunt, 1994; Gronroos, 1994)

Generally, a customer's purchase profile, as well as the purchase profile of the segment to which the customer belongs, is studied and an estimate is made of the amount of purchases which the customer is likely to make over a given period and therefore the profit the company can expect from the customer. An estimate of the possible referral business by the customer is added to that figure. Then on the minus side, the cost of products to be sold to the customer as well as the cost of keeping him in the relationship is calculated. This is subtracted from the first figure to show if the lifetime value will be attractive to the company (Little and Marandi, 2003)

2.5.5 Two-way dialogue

A further requirement of relationship marketing is the facilitation of a two-way dialogue between the supplier and the customer in order to identify needs and to find solutions. Indeed, relationship marketing is ultimately about partnering and partnerships are built on, and maintained by, dialogue and communication. A properly designed relationship marketing system should provide ample opportunity for the customer to initiate communication with the supplier. The flow of information must be a two-way process. While this happens frequently in industrial and business-to-business sectors, it ought to be a part of relationship marketing in mass consumer goods and services markets too (Little and Marandi, 2003). This is now possible with the continuous improvements in technology. Gummesson (1999), viewing relationship marketing as relationships, networks, and interactions, proposes that ‘this initiative to action cannot be left to a supplier or a single party of the network; everyone in a network can, and should be active’.

Wolfe (1998) has argued that if dialogue is not to ring hollow, but to be fully satisfying to all parties involved, there are three conditions which must be fulfilled:

- *Conversational reciprocity*: each party allowing the other to condition his/her responses, i.e. ‘I influence you; you influence me.’
- *Reciprocal empathy*: each party reaches out to identify with and understand the other party’s circumstances, feelings, and motives.

- *Reciprocal vulnerability*: both sides in a relationship let down their guard to some level that remains safe and comfortable, and yet allows information to flow and trust to build.

The conditions set out above are in line with Berry's (1983) writings, and show that database and direct marketing, with their characteristic one-way flow of communication from supplier to customer, are not relationship marketing, even though 'relationship building' has now become a business phrase for the practitioners in those fields.

2.5.6 Customization

Berry (1995) asserts that through relationship marketing, service providers can gain a better knowledge of the customer's requirements and needs. This knowledge can then be combined with social rapport built over a number of service encounters to tailor and customize the service to the customer's specifications. An important requirement or feature of relationship marketing is that of customization of product and communication for each customer. Customization in mass markets, however, is rarely a totally unique offering for one customer and no other. Often, it takes the form of using basic designs both for products and communication and adapting them to the requirements of individual customers, or micro-segments of the markets. Hence, the term mass-customization is often used (Berry, 1995). Mass customization is a recognition of the fact that today, increasing competition and customer power is fragmenting mass markets into smaller markets, and that the 'one size fits all' strategy of traditional marketing no longer applies. It is an attempt to create added value, and many companies, utilizing

improvements in technology and flexible processes are able to engage in the practice profitably. Mass customization is an important advantage of relationship marketing to customers and one of the rewards they can expect in return for their commitment to the supplier.

2.6 BENEFITS OF CUSTOMER RELATIONSHIP MANAGEMENT

The concept of relationship marketing has been viewed in term of its benefits to both parties involved in the relationship; thus the service provider (banks) and customer. Despite the fact that, there still remains some ambiguity as to whether the implementation of relationship marketing leads to benefits for both customers and service providers (Parvatiyar and Sheth, 2000), research has established that several benefits accrue to both parties (Palmer, 1994).

In today's business environment, many outstanding companies are going all out to retain their existing customers. Retaining customers for the long-term offers many benefits. Both parties in the customer/firm relationship can benefit from customer retention. That is, it is not only in the best interest of the organization to build and maintain a loyal customer base, but customers themselves also benefit from long-term associations. (Sheth and Parvatiyar 2000; Reichheld, 1996b; Kim and Cha, 2002; Zeithaml et al. 1996; Kotler et al. 1999; Bejou, 1997; Gronroos, 1994, Zineldin, 2006) have discussed in various ways, some of the benefits of relationship marketing.

2.6.1 Organizational benefits

There are numerous benefits accruing to the organization for developing and maintaining effective relationships with their customers. Some of these benefits are briefly discussed below.

• Increased referrals and word-of-mouth communications

Research has shown that, relationship marketing enables both customers and service providers to work together in determining ways to satisfy customer needs. This contributes to a “we feeling” amongst customers who in turn reward the service provider with their loyalty (Bejou, 1997). Due to complexities involved in the evaluation of services before final purchase, a lot of consumers often look to others for advice on which providers to be considered. This is where satisfied and loyal customers provide a firm with strong word-of-mouth endorsements and approvals thereby reducing the cost of attracting and recruiting new customers (Zeithaml et al. 1996). Referrals are a vital source of new customers, and customers who show up on the strength of a personal recommendation tend to stay longer (Zineldin, 2006).

• Increased purchases and continues profit

Research has also shown that, where a service provider engages in long term relationships with a group of profitable customers, customer spending will increase over time (Gronroos, 1994). This is because when consumers get to know a firm and are satisfied with the quality of its services relative to that of its competitors, they will tend to give more of their business to the firm. Loyal customers are also willing to try some of

the firm's new products first, no matter the cost, because they trust the firm (Sheth and Parvatiyar 2000). This will ultimately lead to increased sales and market share dominance. For example, a customer who repeatedly stays at the same hotel becomes more familiar with the hotel's full product line, such as gift shops and banquet rooms. That customer is likely to sample other product lines of the company.

- **Reduction in operational cost**

It is an established fact that it is cheaper to retain and serve existing customers than attracting new ones. Most often the initial cost of attracting and maintaining new customers can outweigh the revenue expected from new customers in the interim. However as times go by, the customer tends to have a few doubts and question which will lead to the service provider incurring lesser cost in serving the customer (Kim and Cha, 2002).

- **High customer retention and feedback**

The ultimate benefit of relationship marketing is increased customer loyalty. Empirical evidence also suggests that reducing customer defections by just 15 percent, companies can improve their profits by 25 percent to 85 percent (Kim and Cha, 2002). Loyal customers will also tell service providers about problems with their products and services enabling the firm to improve its products and services.

Lower employee turnover rate

One usually ignored benefit of relationship marketing is its ability to retain employees (Zeithaml et al. 1996). This is because most employees love to work for firms whose customers are delighted, satisfied, and loyal. As such, a firm is able to retain employees when it has a stable base of satisfied customers.

2.6.2 Benefits accruing to customers

Research has uncovered specific types of relational benefits accruing to the customers. These include confidence benefits, social benefits, and special treatment benefits.

• Confidence Benefits

These benefits comprise feelings of trust or confidence in the provider, along with a sense of reduced anxiety and comfort in knowing what to expect (Reichheld, 1996b). Customers have the sense of well being and quality of life as they have long term relationship with the service provider and because customers become part of the value creation process, it gives them some amount of security and some sense of trust and commitment from the service providers (Gronroos, 1994). Most consumers have many competing demands for their time and money and are continually searching for ways to balance and simplify decision making to improve the quality of their lives. When they can maintain a relationship with a service provider, they free up time for other concerns and priorities.

- **Social Benefits**

In some long-term customer-firm relationship a service provider may actually become part of the consumer's social support system (Zeithaml et al. 1996). For example, some relationship managers grow to even become personal confidants of the customer. The social support benefits resulting from these relationships are important to the consumer's quality of life both above and beyond the technical benefits of the service provided.

- **Special Treatment Benefits**

Special treatment includes such things as getting the benefit of the doubt, being given a special deal or price, getting preferential treatment, and etcetera (Kotler et al. 1999). Here customers think that the service provider knows their preferences and have tailored services to suit their needs over a period of time and because they do not want to change this arrangement, they remain loyal and the firm receives more value compared to competitors.

- **Savings on cost**

A major benefit of relationship marketing to the customer can be expressed in terms of reduced cost of the service to the customer (Bejou, 1997; Gronroos, 1994). Thus, with programmes such as frequent stay programmes by hotels, membership and loyalty cards, discount cards, and club cards, a customer is able to make a lot of savings as a result of the relationship built between themselves and service providers (Lovelock and Wirtz, 2007).

Having discussed the benefits of relationship marketing at the instance of both service providers and customers, it is also imperative to shed some light on the barriers which can impede the effective implementation of relationship marketing. The next section therefore discusses briefly, some of the challenges to successful relationship marketing.

2.7 BARRIERS TO EFFECTIVE RELATIONSHIP MANAGEMENT

This section focuses on the potential difficulties in implementing a relationship marketing strategy. The researcher suggests that a number of attributes characterize the nature of the service and market structure, and are influential in an organization's ability to implement relationship marketing. Specifically, these are the absence of mutual cooperation; low level of involvement with the purchase; lack of professionalism of the service provider; and low level of personal contact.

• Absence of mutual cooperation

"Successful marketing relationships involve co-operative partners, not power-conscious adversaries", (Hunt and Morgan, 1994). One antecedent of relationship marketing is the theory on buyer-seller relationships, often in industrial markets. In some instances, one organization uses a significant coercive power over the other party to force the partner into compliance (see, for example, Wilson, 1995; Hunt and Morgan, 1994). Relationships typically require mutual co-operation or partnership rather than just acquiescence. Such co-operation is not encouraged where one party (particularly the seller) dominates in the process of relationship building.

- **Low level of involvement with the purchase**

An increase in customer involvement (psychological, rather than just activity based) can be seen as an axiom for relationship marketing. Gummesson (1994) maintained that “production and delivery of services involve the customer in an interactive relationship with the service provider's personnel”. The level of contact between the customer and organization is a key issue. For example, Lamming (1992) identified that information will very often need to be transferred between both parties in order to facilitate relationship marketing. An increased level of involvement can also lead to mutual relationship commitment, without a high level of involvement by both parties it is hard to give high commitment and 'forsake others'.

Christy et al. (1996) claim that “a retailer of do-it-yourself supplies operates in a product-market where marketing relationships are less likely to emerge natural”, as “the products themselves often command only low involvement from buyers.”

- **Lack of professionalism from the service provider**

It is often argued that professionalism is drawn from relationships between professional buyers and sellers in organizations and is difficult to draw a parallel between. Therefore, a service provider that has professionalism, in the sense that they are able to provide expert advice, or effectively handle complaints, for example, will serve to engender trust (see, for example, Cumby and Barnes, 1998). Further, reciprocal information transfer and other relationship facilitators will be essential to the conduct of business (See, for example, Dwyer et al., 1987; Gronhaug et al., 1998). However a lack of these could spark

mistrust especially from customers thereby ruining the possibility of a long lasting relationship with a service provider.

• **Low level of personal contact**

The more personal the service the greater the inclination towards increased communication, thus, giving a higher potential for the use of relationship marketing. Gummesson (1994) described his sixteenth relationship type "personal and social networks" as often a determinant of business networks. In some cultures, even, business is solely conducted between friends and friends-of-friends. "Personal involvement can be seen as being of great importance in services marketing (and RM in general) allowing interaction between both parties to take place in the service delivery process (see, for example, Gronhaug et al., 1998; Wilson, 1995) A further perspective is provided by Perrien et al., (1995), they maintain that "the role of front-line people is a major issue" that should be taken into account to prevent losing an existing (good) customer. Thus, personal service also facilitates customer retention and the lack of it could frustrate the building of an effective relationship between a service provider and a customer.

Having discussed the nature of relationship marketing, the next section discusses literature on the consequence of relationship marketing (customer loyalty). It shows that a firm appreciation customer value can enhance a firms chance of achieving customer satisfaction and loyalty.

2.8 CUSTOMER LOYALTY

Customer loyalty is defined as: . . . a deeply held commitment to re-buy or re-patronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviour (Oliver, 1999, p. 34). Loyalty has both an attitudinal and behavioural dimension (Dick and Basu, 1994). It is assumed that customers who are behaviourally loyal to a firm display more favourable attitudes towards the firm, in comparison to competitors. However, in some cases behavioural loyalty does not necessarily reflect attitudinal loyalty, since there might exist other factors that prevent customers from defecting (Aldlaigan and Buttle, 2005; Liljander and Roos, 2002; Reinartz and Kumar, 2002). Customer satisfaction and loyalty are highly correlated (Athanasopoulos et al., 2001; Hallowell, 1996; Silvestro and Cross, 2000), but form two distinct constructs (Oliver, 1999). Customer satisfaction with a bank relationship is a good basis for loyalty (Bloemer et al., 1998; Pont and McQuilken, 2005), although it does not guarantee it, because even satisfied customers switch banks (Nordman, 2004). One important reason for switching is pricing (Colgate and Hedge, 2001; Ennew and Binks, 1999). Hence, banks have launched customer loyalty programmes that provide economic incentives. Although the effectiveness of loyalty programmes has been questioned (Dowling and Uncles, 1997; Sharp and Sharp, 1997; Stauss et al., 2005), research has shown that they have a significant, positive impact on customer retention, service usage, and/or share of customer purchases (Bolton et al., 2000; Verhoef, 2003).

It is commonly known that there is a positive relationship between customer loyalty and profitability. Reichheld and Sasser (1990) found that when a company retains just 5 percent more of its customers, profits increase by 25 percent to 125 percent. Their study caught the attention of both practitioners and researchers, arousing a great interest in customer loyalty. Gould (1995) helped consolidate the interest in loyalty through his research that supported Reichheld and Sasser's work. Today, marketers are seeking information on how to build customer loyalty. The increased profit from loyalty comes from reduced marketing costs, increased sales and reduced operational costs. Loyal customers are less likely to switch because of price and they make more purchases than similar non-loyal customers (Reichheld and Sasser, 1990). Loyal customers will also help promote your bank. They will provide strong word-of-mouth, create business referrals, provide references, and serve on advisory boards. Raman (1999) states, loyal customers serve as a "fantastic marketing force" by providing recommendations and spreading positive word-of-mouth; those partnership like activities are the best available advertising a company can get. Loyal customers increase sales by purchasing a wider variety of the bank's products and by making more frequent purchases. Finally, loyal customers cost less to serve, in part because they know the product and require less information.

2.8.1 The link between loyalty and profitability

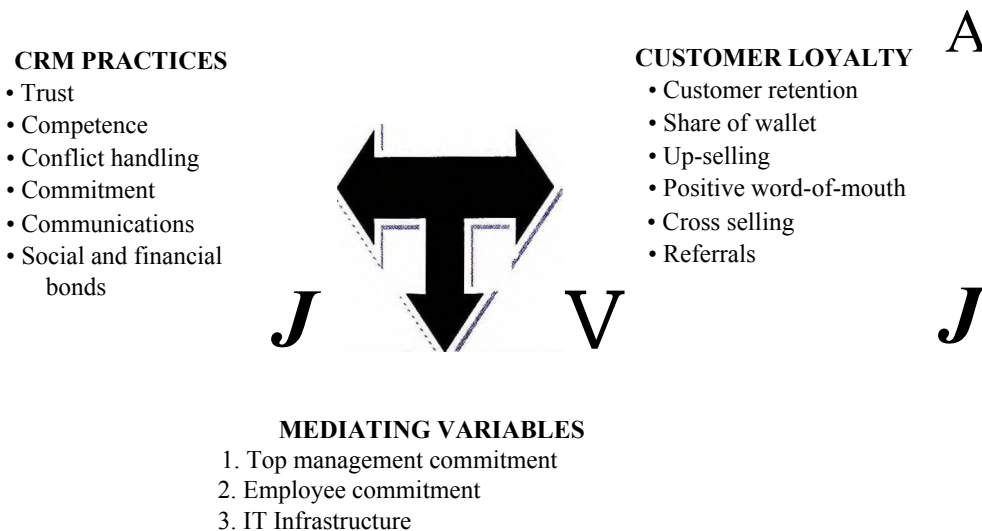
Numerous studies have shown positive links between loyalty and firm profitability (Anderson et al., 1994; Hallowell, 1996; Reichheld, 1996; Silvestro and Cross, 2000). Nonetheless, not all loyal customers are profitable (Storbacka, 1994, 1997). According to Reinartz and Kumar (2002), the overall link between loyalty and profitability in many

industries is questionable for two reasons: (1) a relatively large percentage of long-term customers are only marginally profitable; and (2) a relatively large percentage of short-term customers are highly profitable. It is noteworthy, however, that Reinartz and Kumar's (2002) findings from four industries (high technology, postal service, retail food and direct brokerage) still indicate that a larger proportion of the long-term customers than of the short-term customers exhibit high profitability, and a larger proportion of the high-profitability customers than of the low-profitability customers are long-term customers. Thus, the theory of an overall positive connection between customer loyalty and profitability cannot be rejected. As noted by Anderson and Mittal (2000), customer relationship profitability arises through the acquisition and retention of "high quality" customers with low maintenance costs and high revenue. In the context of retail banking, Storbacka (1994) describes relationship costs as comprising direct variable costs, such as transaction related costs and costs related to specific services, in addition to overhead costs that may or may not be attributable to particular relationships. Relationship revenue, meanwhile, is split into volume-based revenue that is derived from interest margins, and fee-based revenue. Customers' patronage concentration (Storbacka, 1994), or share-of-wallet (Keiningham et al., 2003; Perkins-Munn et al., 2005), and pricing policies are important aspects of relationship revenue in banking. Since, a large part of banks' revenues are received from interest margins, customers' volume of business has a major impact on profitability. If relationship costs are minimized and relationship revenue is maximized over time, long-term customers should generate greater profitability than short-term customers.

CONCEPTUAL FRAMEWORK FOR THIS STUDY

As discussed earlier, this study is concerned with understanding Relationship Marketing, Customer Satisfaction, and Customer Loyalty. The previous chapters have discussed these constructs. However, bonds.

Figure 2.1-Conceptual Framework



As discussed earlier, this study is concerned with understanding Relationship Marketing and Customer Loyalty. The previous chapters have discussed these constructs. However, their linkages have not been well developed. This section integrates the discussions in the previous sections to provide a broader perspective of Relationship Marketing and Customer Loyalty. In this direction, a model of Relationship Marketing and the variables of Customer Loyalty is first presented. A third dimension is the intervening variables that should co-exist to ensure success in CRM practices. The literature review has been silent

on the practices of relationship marketing. However these practices as discussed in various literatures are critically examined in this section. A review of current literature has clearly established that there seem to be a consensus that relationship marketing practices is multi-faceted (Claycomb and Martin, 2002). In their empirical investigations, the authors identified eighteen practices that lead to effective relationship marketing. For example, Morgan and Hunt have proposed commitment and trust as key antecedents for success of a relationship management strategy (Narteh, 2009). However, (Ndubisi and Wah, 2005) identified six variable. These practices have been adopted by (Ndubisi and Wah, 2005) as a blueprint for effective practice of RM. The framework assumes that Relationship Marketing has certain core practices which are clearly delineated as trust, commitment, communication, conflict handling, competence, and relational bonds. The study will adopt the framework proposed by Ndubisi and Wah (2005) because the concepts have been individually been widely discussed in the literature as either pre-conditions or practices of relationship marketing. This study proceeds to link the RM practices with relational outcomes and finally the effect of mediating variables on customer loyalty.

2.9 RELATIONSHIP MARKETING PRACTICES

• Trust

A review of current literature on relationship marketing has clearly established that trust has often been mentioned as one of the important underpinnings of relationship marketing. Relationship marketing thrive in an atmosphere where there is mutual trust among the parties involved. Moorman (et al., 1993) defined trust as ‘...a willingness to

rely on an exchange partner in whom one has confidence. Morgan and Hunt (1994) conceptualised trust as a partner's confidence in an exchange partner's reliability and integrity. It is frequently argued that an abuse of this trust by a service provider will lead to customer dissatisfaction and defection (Ndubisi and Wah, 2008). Claycom and Martin (2002), argues that in a service sector, because customers buy promises and not tangible goods, they must trust service providers to ensure sustained relationship. Morgan and Hunt (1994) also argues that trust helps to build confidence, foster cooperation, and facilitate service recovery when things go wrong in the service delivery process. Schurr and Ozanne (1985) defined the term as the belief that a partner's word or promise is reliable and a party will fulfil his/her obligations in the relationship. Other authors have defined trust in terms of opportunistic behaviour (Dwyer et al., 1987), shared values (Morgan and Hunt, 1994), mutual goals (Wilson, 1995), uncertainty (Crosby et al., 1990), actions with positive outcomes (Anderson and Narus, 1984) and making and keeping promises (Bitner, 1995). Calonijs (1988) emphasized that an integral element of the relationship marketing approach is the promise concept. He argued that the responsibilities of marketing do not only, or predominantly, include giving promises and thus persuading customers as passive counterparts in the marketplace to act in a given way, but also in keeping promises, which maintain and enhances evolving relationship. Fulfilling promises that have been given is equally important as a means of achieving customer satisfaction, retaining the customer base, and securing long-term profitability (Reichheld and Sasser, 1990). Indeed, one would expect a positive outcome from a partner on whose integrity one could confidently rely (Morgan and Hunt, 1994). Gronroos (1990) believed that the resources of the seller - personnel, technology and

systems - have to be used in such a manner that the customer's trust in them, and thereby in the firm itself, is maintained and strengthened. Within the banking industry, one could argue that building a trusting relationship will require delivering core services efficiently and effectively in addition to ensuring honesty, reliability, and integrity in dealing with customers. In contrast, transactional relationship is often fraught with opportunistic behaviours (Narteh 2009).

• **Commitment**

Like trust, commitment is another important variable for understanding the strength of a marketing relationship, and it is a useful construct for measuring the likelihood of customer loyalty and predicting future purchase frequency (Gundlach et al., 1995; Morgan and Hunt, 1994; Dwyer et al., 1987). Wilson (1995) observed that commitment was the most common dependent variable used in buyer-seller relationship studies. In sociology, the concept of commitment is used to analyze both individual and organizational behaviour (Becker, 1960) and mark out forms of action characteristic of particular kinds of people or groups (Wong and Sohal, 2002), while psychologists define it in terms of decisions or cognitions that fix or bind an individual to a behavioral disposition (Kiesler, 1971). In the marketing literature, Moorman et al. (1992) have defined commitment as an enduring desire to maintain a valued relationship. This implies a higher level of obligation to make a relationship succeed and to make it mutually satisfying and beneficial (Gundlach et al., 1995; Morgan and Hunt, 1994). Since, commitment is higher among individuals who believe that they receive more value from a relationship, highly committed customers should be willing to reciprocate effort on

behalf of a firm due to past benefits received (Mowday et al., 1982) and highly committed firms will continue to enjoy the benefits of such reciprocity.

• **Communication**

The role of communication in business has been demonstrated over the years (Belch and Belch, 1998; Schiffman and Kanuk, 2007). Communication is seen as the process through which a communicator transmits stimuli to modify behaviour of other persons.) In this context, communication refers to the ability to provide timely and trustworthy information. Today, there is a new view of communications as an interactive dialogue between the company and its customers, which takes place during the pre-selling, selling, consuming and post-consuming stages (Anderson and Narus, 1990). According to Ndubisi and Wah (2005), communication in relationship marketing means providing information that can be trusted, providing information when delivery problems occur, providing information on quality problems and fulfilling promises. The frequency of communication between the parties indicates the strength of the relationship. To be effective, astute communicators argue that organizations must integrate all their communication tools to provide consistency, persuasive and timely information to the customers (Kotler and Keller, 2006).

• **Conflict Handling**

Service failures are bound to occur in normal course service delivery. In the course of delivering a service, there are bound to be occasional service failures in spite of all the efforts put in by a service provider (Lovelock and Wirtz, 2007). It is almost impossible to

imagine a flawless service delivery, and occasional service failures could occur in the service delivery chain (Narteh 2009). According to Zeithaml and Bitner, (2000), 'Service failure is inevitable even for the best firms with the best of intentions and even for those with world class systems'. Dwyer et al. (1987) viewed conflict handling as a suppliers ability to avoid potential conflict, solve manifest conflicts before they create problems, and discuss solutions openly when problem do arise. Poorly handled conflicts could also lead to negative word -of -mouth and eventually customer exit. Morgan and Hunt (1994) referred to properly handled conflicts as functional conflicts because they provide the firm with information on customer expectations and how to meet them. The Bank of Ghana (2006) reported that conflicts between banks and their clients are becoming common in the Ghanaian banking industry such that a department has been set up to mediate and settle such conflicts. Moreover, at the 2007 Ghanaian banking awards ceremony, the chief justice stated that there are currently 500 cases pending in the courts between banks and their customers. It is argued that an effective conflict resolution mechanism by banks can enhance customer satisfaction significantly.

- **Competence**

Competence is defined as the buyer's perception of the supplier's technological and commercial competence (Anderson and Weitz, 1989). They operationalised competence in four ways: the supplier's knowledge about the market for the buyer, the ability to give good advice on the operating business, the ability to help the buyer plan purchases and the ability to provide effective sales promotion materials. According to Rakstis (1996), the National Retail Merchants Association, USA, reported that businesses lose

approximately 20 percent of their customers each year, most of which arise from issues relating to incompetent service delivery. Of customers who switch financial institutions in the USA, 40 percent do so because of service quality problems (Raddon, 1987). Such organizations are yet to recognize the following: that customer retention has a significant impact on bank profitability (Newman and Crowling, 1996); a 5 percent increase in customer retention adds 25-150 percent in bottom line (Rosenberg and Czepiel, 1983); 65 percent of the average company's business comes from its present customers (Vavra, 1992); small increases in customer retention rates can lead to dramatic increases in profits (Reichheld, 1996); it costs six times more to attract a new customer than to retain an existing one (Rosenberg and Czepiel, 1983), and the whole idea of CRM which is the ability to effectively identify, acquire, foster, and retain loyal profitable customers (Marketing Week, 2001).

- **Relationship quality**

Relationship quality has been discussed as a bundle of intangible values, which augments products or services and results in an expected interchange between buyers and sellers (Levitt, 1986). The more general concept of relationship quality describes the overall depth and climate of a relationship (Johnson, 1999). The term also refers to a customer's perceptions of how well the whole relationship fulfils expectations, predictions, goals and desires the customer has concerning the whole relationship (Jarvelin and Lehtinen, 1996). Consequently, it forms the overall impression that a customer has concerning the whole relationship including different transactions. Gummesson (1987) identifies two dimensions of relationship quality in the service interface. He defines them as

professional relations and social relations. The former relationship is grounded on the service provider's demonstration of competence; while the latter is based on the efficacy of the service provider's social interaction with the customer. Crosby et al. (1990) examined various aspects of relationship quality and perceive it as a buyer's trust in a salesperson and satisfaction in the relationship. Therefore, high relationship quality means that the customer is able to rely on the service provider's integrity and has confidence in the service provider's future performance because the level of past performance has been consistently satisfactory. Besides, research conducted by Bejou et al. (1996) concluded that customer-salesperson relationship quality is an important prerequisite to a successful long-term relationship

- **Social and financial bonds**

Social bonding refers to the 'the degree of mutual personal friendship and liking shared by the buyer and seller' (Wilson 1995). In relationship management, the root of this type of bond is derived from business-to-business literature, where it was used to indicate good personal relations (Smith, 1998; Williams et al., 1998). In conceptualizing social bonds, Han (1991), p.61) describe these as 'the degree to which certain ties link and hold buyer and seller together closely in a personal (emotional) sense. Other studies expanded on this definition and included buyer-seller interactions. For example, Smith (1998), and Ling and Wang (2005) define social bonds personal ties or linkages that are forge during interaction at work. Their view was adapted from the earlier work of Tuner (1970), who saw personal bonding as similar to the social bonds. Thus, social bonds include linking of

identities through self-disclosure, closeness, providing support or advice, being empathetic and responsive, feelings of affiliation, attachment, or connectedness, and shared experience. Lin et al. (2003) and Hseish et al. (2005) provide a more complete view by defining social bonds as personal ties that relate to service dimensions that offer interpersonal exchanges, friendship and identifications.

This view is included in the thesis, as it includes all aspects of personal treatment that loyal customers may experience during their interaction with banks. Berry and Parasuraman (1991) and Berry (1995) referred to social bond as level two (intermediate level) of relationship marketing in securing customer loyalty. At this level, the service provider goes further than price incentive than price incentives to build lasting relationship by building social bridges with customers without neglecting the price competition. They maintain that customers who are treated personally should have stronger reason not to switch companies, although social bonds do not overcome price differences or any weakness in service delivery (Berry and Parasuraman, 1991). Liang and Wang (2005) supported this view when they argued that ‘although social bonds cannot replace price attraction, social; social bonding provide customized services that develops independent relationships, allows the customers to trust and be satisfied with the retailers’ service, and assists understanding and learning about the customer’s needs and expectations’.

In general, social bonds consists of many aspects, including familiarity, friendship, social support, keep in touch, self-disclosure, or any interpersonal interaction (Price and

Armould, 1999). According to Han (1991), these aspects measure the strength of personal relationship between two parties, buyer and seller. This type of relationship is likely to range from a business relationship to a social relationship. Social bonds develop through subjective social interaction (Wilson, 1995). Zeithaml and Bitner (1996) maintain that these bonds can be derived from both customer-customer and customer-provider interactions. Thus repeated interpersonal interactions foster the development of familiarity toward one's exchange partner, and attraction not only toward the relationship but also toward the partner (Han, 1991).

On the other hand, financial bonds have been described as frequency marketing or retention marketing, where the service provided uses economic benefits, such as price, discount or other financial incentives to secure customer loyalty (Berry and Parasuraman, 1991). Airlines may design financial programs enabling frequent travellers to accumulate mileage redeemable for free or upgrade travel is another example (Lin et al., 2003).

Berry and Parasuraman, (1991) and Berry (1995) suggested that financial bonds are the easiest type of bonds for competitors to imitate. This type of bond does not offer long-term competitive advantage leading Berry and Parasuraman, (1991), Berry (1995) to refer to this type of as level one, which is considered the weakest or the lowest level of relationship marketing building. Dwyer et al.(1987) supported this view when they reiterated that economic rewards could be used in the exploration phase of the relationship development process. More recent empirical research has found that financial bonds need to be modelled in addition to other relational bonds, such as social

bonds (Smith, 1998; Lin et al., 2003; Hsieh et al., 2005, Liang and Wang, 2005). Researchers agree that saving money is one motivation for engaging in relationship with service providers (Berry, 1995); Lin et al., 2003; Hsieh et al., 2005, Liang and Wang, 2005. The researcher thus stresses the importance of bonds between service providers and customers are an important factor in the achievement of higher level of customer satisfaction and long term loyalty of the customer and thus prevent customers from switching to another competitor.

2.10 MEDIATING VARIABLES

According to Chen and Popovich, 2003, CRM combines three principal elements in order to understand and manage relationships effectively. These are people, process and technology. However for these elements to yield the expected relational outcomes they must function within a certain framework

• Top Management commitment

Top management commitment is an essential element for bringing an innovation online and ensuring delivery of promised benefits. Top management commitment, however, is much more than a CEO giving his or her blessing to the CRM project. Customer-centric management requires top management support and commitment to CRM throughout the entire CRM implementation. Without it, momentum quickly dies out. Furthermore, top management should set the stage in CRM initiatives for leadership, strategic direction and alignment of vision and business goals (Herington and Peterson, 2000). This view was reinforced in a recent META Group Report (1998) that singled out top management

support and involvement as a key success factor for CRM implementations (Chen and Popovich, 2003).

As in most major change efforts, objections and disagreement among various functional departments that arise in the process of business reengineering and CRM implementation can only be solved through personal intervention by top management, usually resulting in changes to corporate culture. The META Group Report (1998) concluded that investing in CRM technology without a customer oriented cultural mindset is like throwing money into a black hole. Dickie (1999) also warns against starting a CRM project if senior management does not fundamentally believe in re-engineering a customer-centric business model.

- **Employee motivational issues**

CRM initiatives require vision and each and every employee must understand the purpose and changes that CRM will bring. Re-engineering a customer-centric business model requires cultural change and the participation of all employees within the organization. Some employees may opt to leave; others will have positions eliminated in the new business model. Successful implementation of CRM means that some jobs will be significantly changed. Management must show its commitment to an ongoing company-wide education and training program. In addition to enhancing employee skills and

knowledge, education boosts motivation and commitment of employee and reduces employee resistance. (Chen and Popovich, 2003)

After all, how people are measured will determine their behaviour. The personnel of the organization have to be well trained to understand the basis of CRM and how it should be practiced. They must be well trained and equipped with the necessary tools required to work efficiently and effectively. They must be made to imbibe a customer-centric culture that will provide the enabling environment for CRM to thrive. In addition, they must be well motivated in terms of remuneration and other incentives so that they will be motivated enough to want to give off their best. A de-motivated workforce will not help the cause of effective CRM practice. (Chen and Popovich, 2003)

Employee turnover

One natural outcome of lack of incentive is low employee morale that could culminate in their eventually their exit. In the vibrant and competitive Ghanaian banking industry, poaching of skilled employees is prevalent. The exit of relationship employees is not measured only in terms of the expertise lost but also the customers who have developed some bonds with such employee and are moving along. As matter of fact, new banks coming into the system target skilled relationship officers with high net worth accounts as a means to boost their deposit mobilization drive.

Number of employee under each relationship officer

Another issue which affects employee morale is the number to customers assigned to each relationship officer or workload. A consistently heavy workload increases job stress and job burnout, which in same way, workload may increase the likelihood of turnover intentions (Watfield et al.,2008). Empirical evidence suggests that workload associates with increased job burnout and turnover(Iverson, Olekalns and Erwin, 1998). Similarly, some studies have indicated that workload (hours worked) effects to job burnout for public accountants prior to the start of busy season (Sweeney and summers, 2002). Some studies refer to workload as enhancing turnover intentions (Hayes et al., 2006). Although many studies consider the direct impact of workload on turnover intentions; these consistently indicate that high workload have high turnover intentions. Investigation of these relationships is limited to a few studies (Watfield et al., 2008). It stands to reason that when relationship officer are overburdened, it could result in staff turnover which will affect consistency in service quality. At the worst end, it is possible that relationship officers may walk away with loyal valued customers to their new employers.

Employee motivation

Management must ensure that job evaluations, compensation programs, and reward systems are modified on a basis that facilitate and reward customer orientation. Successful implementation of CRM means that some jobs will be significantly changed. Management must show its commitment to an ongoing company-wide education and training program. In addition to enhancing employee skills and knowledge, education boosts motivation and commitment of employee and reduces employee resistance (Chen

and Popovich, 2003). Additionally, management must ensure that job evaluations, compensation programs, and reward systems are modified on a basis that facilitate and reward customer orientation. After all, how people are measured will determine their behaviour (Chen and Popovich, 2003).

These days some banks such as Stanbic and The Trust Bank bank use the balanced scorecard developed by Harvard Business School professors, Robert Kaplan and David Norton as their basis for performance appraisal. The four perspectives identified in this monumental work are financial perspective, learning and growth perspective, customer perspective and the business process perspective. In a bid to tamper financial measures with other equally important measures, Kaplan and Norton describe the innovation of the Balanced Scorecard as follows:

“The balance scorecard retains traditional financial measures. But financial measures tell the story of past events, an adequate story for industrial age companies for which investments in long term capabilities and customer relationships were not critical for success. These financial measures are inadequate, however, for guiding and evaluating the journey information age companies must make to create value through investment in customers, suppliers, employees, processes, technology, and innovation” (as quoted by Pearce and Robinson, 2009)

The above quote appears to corroborate the fact that banks using the balanced scorecard approach for performance measurement are on their way to achieving the customer orientation requirement as a basis for CRM success recognised by Chen and Popovich, (2003).

• IT infrastructure

As stated earlier in this thesis, IT acts as an enabler. Information technology (IT) has long been recognized as an enabler to radically redesign business processes in order to achieve dramatic improvements in organizational performance (Davenport and Short, 1990; Porter, 1987). IT assists with the re-design of a business process by facilitating changes to work practices and establishing innovative methods to link a company with customers, suppliers and internal stakeholders (Hammer and Champy, 1993). CRM applications take full advantage of technology innovations with their ability to collect and analyze data on customer patterns, interpret customer behaviour, develop predictive models, respond with timely and effective customized communications, and deliver product and service value to individual customers. Using technology to “optimize interactions” with customers, companies can create a 360 degree view of customers to learn from past interactions to optimize future ones (Eckerson and Watson, 2000). In the banking industry, technology is a major tool for competitive advantage. Branch networking is an integral part of this phenomenon. This allows customers to access their accounts away from their branches of domiciliation. ATMs have also made it possible for customers to interact with their banks through the respective ATM terminals of other banks. Banks these days are able to communicate with their customers via text messaging. Internet banking is now a common scene in Ghana’s banking industry. The list is endless. Superior technology is therefore a great competitive weapon in this fierce competitive arena.

2.11 EVALUATING CUSTOMER LOYALTY WITH RESPECT TO THE CONCEPTUAL FRAMEWORK

Customer loyalty is of vital importance to a firm if it has to retain and grow its customer base there are however, many arguments around what customer loyalty actually is, as Majumdar (2005) states, “Customer loyalty is a complex, multidimensional concept”. The complexity of customer loyalty is substantiated by the wide range of definitions within academic literature. In his study on consumer attitudes, Oliver (1997) defined loyalty as “A deeply held commitment to rebuy or repatronize a preferred product or service consistently in the future, despite situational influences and marketing efforts having the potential to cause switching behaviour”. Other definitions of customer loyalty dwelt on the pattern of past purchasing activity. A wealth of data suggests that most consumers are polygamous and are loyal to a portfolio of brands within a product category (Uncles et al., 2003). This has led to another definition of customer loyalty as “an ongoing propensity to buy the brand, usually as one of several” (Uncles et al., 2003). In a review of 50 operational definitions, Jacoby and Chesnut (1978) report a central theme that runs through all the definitions. Specifically, that loyalty is related to the proportion of expenditure devoted to a specific brand or store.

The lack of a generally accepted definition of customer loyalty is also reflected in the academic work that attempts to understand the key factors that engender customer loyalty. Infact, Dick and Basu (1994) note the need for a more in-depth assessment of the variables that generate customer loyalty and retention. Furthermore, to leverage the greatest benefits available from customer loyalty it is imperative to understand the

antecedent drivers of loyalty (Terblanche and Boshoff, 2006). To do this, Crosby and Johnson (2004) recommend that a causal model of customer loyalty is produced, linking together the chain of events from touch points with customers through to inducing examples of loyal behaviour.

Terblanche and Boshoff (2006) cite empirical and anecdotal evidence to support the notion that loyalty is a both a long-term attitude and a long-term behavioural pattern, which is reinforced by multiple experiences over time. Overall, customer satisfaction becomes important because these multiple experiences need to be satisfactory to lead to the positive predisposition of long-term loyalty. In a similar concept, Gustafsson et al. (2005) note three drivers of customer loyalty; calculative commitment, affective commitment and overall customer satisfaction. Calculative commitment is the rational and economic decision making, reviewing costs and benefits. Commitment to the current brand or service may be due to a lack of choice for similar products or services or high-switching costs (Anderson and Weitz, 1992). Affective commitment is a warmer and emotional factor, based on trust and commitment. Indeed, Muthuraman et al. (2006) and McMahan-Beattie (2005) comment on the need for customer trust in building sustainable and loyal relationships with a brand or service.

Commitment dimensions are described by Gustafsson et al. (2005) as “forward looking” and capture the strength of the relationship and the resulting commitment for the future. Empirical data from Gustafsson et al. (2005) suggest that calculative commitment has a consistent reduction in customer churn rates. This is interesting as the calculative

commitment reflects the viability of the company's offerings, thus demonstrating that consumers actively review the company's products and services against those of its competitors. Overall, satisfaction is described as a "post consumption experience which compares perceived quality with expected quality" (Sivadas and Baker-Prewitt, 2000). Gustafsson et al. (2005) report that "when satisfaction is measured as an overall evaluation of performance, it indeed predicts churn". Furthermore, the results provide recommendations for customer relationship managers when reviewing customer retention. To maintain the competitive advantage the company holds, managers should consider both the overall satisfaction of its customers and the competitiveness of the company's products and services.

The importance of overall customer satisfaction in inducing loyalty is noted earlier. The problem associated with this is that a consumer's level of satisfaction is constantly changing. Dahlsten (2003) supports this concept: "It is widely acknowledged that customer satisfaction is a function of the relationship between customer expectations and experience, that it is dependent upon value and that it is formed continuously". With this evidence in mind, satisfaction is considered an "inherently unstable and temporary mental state" (Reichheld et al., 2000). In an attempt to further understand those factors that induce customer satisfaction, the notion of service quality becomes increasingly prevalent within the academic literature (Oliver et al., 1997). Seth et al.(2005) suggest that many studies have found a "direct positive link between service quality and customer behavioural intentions". One assumption sometimes made is that strong service leads to satisfaction, which in turn leads to loyal behaviour. However, Venkateswaran (2003)

highlights the need for caution, “An assumption that exists amongst companies that a satisfied customer is a retained customer may not be valid in the current context”. In a review of customer defecting patterns, Reichheld et al. (2000) found “60-80% of customers who defect to a competitor said they were satisfied or very satisfied on the survey just prior to their defection”.

Some of the differences between empirical results focusing on satisfaction and customer loyalty may be due to the different definitions adopted by the authors. As such, there is clearly a requirement to understand how the positive effects of satisfaction can be made less transient and yield a more stable loyalty effect. To achieve this, Sivadas and Baker-Prewitt (2000) suggest that it is, “not merely enough to satisfy a customer”. Dahlsten (2003) believes there is the need to avoid the “satisfaction rut” and notes that, “many companies have fallen into a self-perpetuating pattern in which practices that are not truly customer-orientated are reinforced”. To rectify this situation, managers move past the measurement of quality and satisfaction and realign their practices on the actual customer experience (Crosby and Johnson, 2006).

According to Dahlsten (2003), to drive customer satisfaction managers must move out of the satisfaction rut and have a more extrinsic focus. This requires “an organic shift from focusing on today’s problem in a reactive and cost-conscious way to concentrating on longer-term opportunities”. To achieve this, the manager must gain an intrinsic knowledge of the customers’ needs and be able to deliver on these expectations

(Lindquist, 2006; Bland, 2004). Gelb and McKeever (2006) support this idea and suggest that, “organisations must strive to understand and manage expectations”.

However, Berman (2005) suggests that organisations must do even more than delivering on expectations and recommends delighting customers rather than merely satisfy them. It is suggested that customer delight is a construct related to, but separate from, satisfaction. This is in the same way that dissatisfaction is related to, but distinct from, satisfaction. Satisfaction is generally based on meeting or exceeding one’s expectations, customer delight requires that “customers receive a positive surprise that is beyond their expectations” (Berman, 2005). When compared to satisfaction, delight, “is a more positive and emotional response”. Given the emotional response resulting from delight, it is suggested that satisfaction has a weaker memory trace than delight. The weaker memory trace resulting from mere satisfaction may offer an explanation to the unstable and temporary nature of satisfaction reported by Reichheld et al. (2000). If customer delight can be achieved then maybe this can provide the more stable loyalty that companies actively seek.

Keiningham and Vavra (2001) provide empirical support for this notion. The study reviewed the effect of customer satisfaction levels on customer loyalty to Mercedes-Benz USA. The results found that there was only a 10 per cent chance of a dissatisfied customer bringing return business. If the customer was satisfied with the product and service, the likelihood of re-buy or re-leasing rose to 29 per cent. However, the likelihood of return business from those customers that were delighted was found to be 86 per cent.

Berman (2005) employs the Kano (1984) model as an underpinning for explaining how customer delight may be achieved. Kano's model cites three levels of requirements:

- (1) Must be requirements;
- (2) Satisfier requirements; and
- (3) Attractive requirements.

A must-be requirement is taken for granted by the consumer. If this requirement is not fulfilled by the product or service then customer dissatisfaction will result. A satisfier requirement, as suggested by the name, has the ability to induce customer satisfaction. It is proposed that the more satisfier requirements that are fulfilled, the higher the level of resulting satisfaction. The third requirement is attractive requirements; these are neither explicitly expressed nor expected by the customer. If these attractive requirements can be met, it is suggested that the result will be customer delight. To successfully compete, organisations must ensure they fulfil all must-be requirements, while also offering the satisfiers available through key competitors. To generate competitive advantage an organisation must go above and beyond their competitors on those variables that generate delight.

There is however, one final complexity with regard customer satisfaction. Mittal and Katrichis (2000) report that the attributes viewed as important for newly acquired customers are different compared to customers who are already loyal. As they comment, "Often the attributes that enable a firm to acquire a customer differ from those that help the firm retain the same customer". These findings would suggest that it is important for a firm to understand and explore those factors that elicit satisfaction and delight for

different segments of its customer database. By doing this, a company can move towards the customer centric vision that Kale (2004) holds as imperative for true CRM.

CHAPTER THREE

REVIEW OF GHANA'S BANKING INDUSTRY

3.0 Introduction

This chapter takes a review at the historical background, evolution, trends and outlook of the banking industry today. This sector analysis provides the context upon which this thesis is based.

3.1 Historical Background

Ghana is a nation in West Africa, sandwiched in between the Ivory Coast to the west and Togo to the east. It's bordered by Burkina to the north and the Gulf of Guinea to the south. Like many African nations, Ghana has seen its share of political and economic turmoil, and its banking system has been affected by these difficult times. The first banking institutions were set up in British West Africa in the late 19th century. Backed by the London-run African Banking Corporation, the Bank of British West Africa was opened in 1894. West Africa and its banking institutions were controlled by the British until 1957.

In 1957, the Gold Coast gained its independence from British colonial rule and officially adopted the name of Ghana. After independence, Ghana was then free to establish its own banking system and introduced a new national currency called the cedi.

In the early 1960s, Ghana suffered a serious economic crisis due to its socialist policies, including strict exchange control, trade deficits and import/export issues. This crisis

continued until 1983 when a shift from economic socialism to a market economy occurred.

Ghana had a well-developed banking system that was used extensively by previous governments to finance attempts to develop the local economy. By the late 1980s, the banks had suffered substantial losses from a number of bad loans in their portfolios. In addition, cedi depreciation had increased the banks' external liabilities. In order to strengthen the banking sector, the government in 1988 initiated comprehensive reforms. In particular, the amended banking law of August 1989 required banks to maintain a minimum capital base equivalent to 6 percent of net assets adjusted for risk and to establish uniform accounting and auditing standards. The law also introduced limits on risk exposure to single borrowers and sectors. These measures strengthened central bank supervision, improved the regulatory framework, and gradually improved resource mobilization and credit allocation (<http://country.studies/ghana/74.htm>).

Other efforts were made to ease the increased burden of bad loans on the banks in the late 1980s. In 1989 the Bank of Ghana issued temporary promissory notes to replace non-performing loans and other government-guaranteed obligations to state-owned enterprises as of the end of 1988 and on private-sector loans in 1989. The latter were then replaced by interest-bearing bonds from the Bank of Ghana or were offset against debts to the bank. Effectively, the government stepped in and repaid the loans. By late 1989, some 062 billion worth of non-performing assets had been offset or replaced by central bank bonds totaling about £47 billion.

In the early 1990s, the banking system included the central bank (the Bank of Ghana), three large commercial banks (Ghana Commercial Bank, Barclays Bank of Ghana, and Standard Chartered Bank of Ghana), and seven secondary banks. Three merchant banks specialized in corporate finance, advisory services, and money and capital market activities: Merchant Bank, Ecobank Ghana, and Continental Acceptances; the latter two were both established in 1990. These and the commercial banks placed short-term deposits with two discount houses set up to enhance the development of Ghana's domestic money market: Consolidated Discount House and Securities Discount House, established in November 1987 and June 1991, respectively.

By the end of 1990, banks were able to meet the new capital adequacy requirements. In addition, the government announced the establishment of the First Finance Company in 1991 to help distressed but potentially viable companies to recapitalize. The company was established as part of the financial sector adjustment program in response to requests for easier access to credit for companies hit by ERP policies. The company was a joint venture between the Bank of Ghana and the Social Security and National Insurance Trust.

Foreign bank accounts, which were frozen shortly after the PNDC came to power, have been permitted since mid-1985, in a move to increase local supplies of foreign exchange. Foreign currency accounts may be held in any of seven authorized banks, with interest exempt from Ghanaian tax and with transfers abroad free from foreign exchange control restrictions.

3.1.1 The Financial Sector Reform

The period from about the mid-1970s up to about 1988 was an era of crisis in the financial system in Ghana. High default rates had rendered most bank assets non-performing, the high rates of inflation had wiped out the capital base of most banks, and the weakened confidence in the financial system had adversely affected bank deposits. These affected the ability of the banks to perform their intermediation function properly. This also affected the recovery effort initiated under the ERP. Thus, in 1988, a comprehensive Financial Sector Adjustment Programme (FINSAP) was launched. The FINSAP was financed with an adjustment credit from the World Bank, with co-financing from Japan and Switzerland. The Government of Ghana also contributed by converting its loans to the banks into equity and by paying government guaranteed loans to the State-owned Enterprises. The financial reform involve institutional restructuring, enhancement of the legal and regulatory framework for banking operations, and liberalizing interest rates. These were carried out in phases. FINSAP-1 covered the period 1988-91; FINSAP-2 was from 1992-95; and FINSAP-3 started in 1995. The major objectives of FINSAP-1 were: (i) to review the legal and regulatory environment and amend the existing Banking Acts and Laws; (ii) restructuring the banking sector to make the banks viable and efficient; and (iii) revitalize the financial sector by creating new institutions. FINSAP-2 and 3 were to continue with the restructuring of the financial sector and also liberalize interest rates (<http://country.studies/ghana/74.htm>).

3.1.2 Regulatory and Legal Reforms

The Banking Law (PNDCL 225) was revised in 1989. The innovations in the new law included (i) the tightening of risk exposure limits, (ii) establishment of tighter capital adequacy ratios, (iii) strengthening of accounting standards and making them uniform for all banks, (iv) broadening the scope for audits of the banks, (v) imposition of stringent reporting requirements, and (vi) improvement of on-site and off-site supervision of banks by the Bank of Ghana. A revised Bank of Ghana Law (PNDCL 291) was also enacted in 1992 to give more supervisory powers to the central bank. These two laws together provided the legal and regulatory framework for the banking business in Ghana. In order to bring more financial institutions under the purview of the Bank of Ghana a Financial Institutions (Non-Banking) Law (PNDCL 328) was also enacted in 1993. This law covered the activities of discount houses, finance houses, acceptance houses, building societies, leasing and hire-purchase companies, venture capital funding companies, mortgage financing companies, savings and loans companies, and credit unions.

3.1.3 Financial Restructuring

The reforms also involved management and financial restructuring of the banks. New boards were created for most of the banks and there were shake-ups in the top management positions as well. Financial restructuring involved in the main the recapitalization of the banks with equity injection where liquidity was low, and the cleaning up of their balance sheet of non-performing assets.

Under the financial reform interest rates have been deregulated. This move was in part to encourage competition among the banks. But, the deregulation of the interest rate was also to conform to the new form of financial programming Ghana was following under the Structural Adjustment Programme (SAP). Under the SAP, Ghana was using the money supply as the nominal anchor. This implied that the price of money (the rate of interest) should be allowed to be determined by market forces. The move towards interest rate liberalization was gradual. The first distinctive move was the abolition, in September 1987, of the maximum and minimum deposits, except the minimum saving deposit rate which was temporarily maintained. In February, 1988 minimum lending rates for commercial banks were also abolished and by March of 1989 commercial banks were given the right to determine their own rates and display them in their banking halls. In November 1990, there was further liberalization of the financial sector by the abolition of 20 per cent mandatory lending to agriculture. Thus by the beginning of 1991 the financial sector was almost liberalized. Since the liberalization, both real lending and real treasury bill rates have been positive. Saving rates have been struggling to stay positive. This is reflective of the weak mobilization efforts by the banks since most savers would rather hold their idle balances in the form of the relatively risk-free but high yielding government bills.

3.2 Bank Response to Liberalized Policies

The relationship between financial structure and economic activities has long been established (McKinnon (1973), Shaw (1973)). This relationship hinges, on the one hand, on the importance of saving and investment in the determination of a nation's output; and

on the other, in the role of financial intermediaries in the saving- Copyright # 1999 John Wiley & Sons, Ltd. *J. Int. Dev.* 11, 385-409 (1999). A collapse in the confidence of either borrowers or lenders can break the link between saving and investment and may lead to decline in economic activity. The link between financial structure and real activity cannot be overstated in any economy in particular in relation to the role of financial intermediaries in the credit supply process. Ghana has one of the lowest domestic savings rates in sub-Saharan Africa. For example, total savings as a percentage of GNP fell from about 17 per cent in 1960 to about 1 per cent in 1982. The corollary to this was that investment in the country also fell. From a level of 14.2 per cent of GDP in 1970, investment also dropped to about 1.3 per cent of GDP by 1982. After years of structural adjustment, the ratio of domestic savings to GDP in 1995 stood at just about 12 per cent. Whereas governmental policies have not done much to encourage savings by Ghanaians, the banks themselves have not done much by way of mobilizing funds. After years of controlled interest rates which culminated in a regime of financial repression, interest rates were deregulated and allowed to be influenced by market forces. Unfortunately, interest rate movements since the liberalization have not produced the advantages envisaged. For example, the essential argument in favour of abandoning direct controls is that, where the controls are enforced and are effective, they force banks and other financial institutions to adopt portfolio positions (patterns of lending and borrowing) which are different from those which the banks would choose if they were left entirely to their own devices. In particular, the risk-return configuration of bank lending was distorted by the administrative direct controls of interest rates. Thus through interest rate liberalization, the banks were expected to optimize their portfolio management. However,

since the liberalization, as if by collusion, the banks display similar rates with an ever widening gap between lending rates and deposit rates. The lending rates closely follow the hikes in the discount rates while the saving rates remain either the same or even fall. Since 1990, saving rates have hovered between 9 per cent and 24 per cent while lending rates have been in the range 17.5-39 per cent. This gives a spread of over 10 per cent between the lending and the saving rates. Such wide spreads coupled with safe investments provided to the banks through the sale of Treasury bills lead to a weakening in the intermediation function of the banks (Risk-free Copyright # 1999 John Wiley & Sons, Ltd. J. Int. Dev. 11, 385-409 (1999) 398 N. Sowa and I. K. Acquaye)

3.2 Recent Developments

Table 3.1 Universal Banks in Ghana as of 2008

BANK	TYPE
Ghana Commercial Bank	Universal Bank
Barclays Bank of Ghana Ltd	Universal and Offshore Bank
Standard Chartered Bank Ltd	Universal Bank
Guanramtee Trust Bank	Universal Bank
Stanbic Bank Ghana Ltd	Universal Bank
Zenith Bank Ghana Ltd	Universal Bank
The Trust Bank LTD	Universal Bank
Amalgamated Bank L TD	Universal Bank
SG-SSB LTD	Universal Bank
Agricultural Development Bank	Universal Bank
National Investment Bank	Universal Bank
Ecobank Ghana Ltd	Universal Bank
Fidelity Bank Ltd	Universal Bank
United Bank for Africa	Universal Bank
Sahel Sahara Bank	Universal Bank
Unibank Ghana Ltd	Universal Bank
Prudential Bank Ltd	Universal Bank
Merchant Bank Ltd	Universal Bank
Metropolitan and Allied Bank Ltd	Universal Bank
Intercontinental Bank Ltd	Universal Bank
CAL Bank Ltd	Universal Bank
HFC bank	Universal Bank
International Commercial Bank	Universal Bank
First Atlantic Merchant Bank	Universal Bank
Bank of Baroda Ltd	Universal Bank
ARP Apex Bank	Universal Bank



Table 3.2 -Growth of Banking and Non-Bank Financial System

Year	2004	2005	2006	2007	2008
Major Banks	20	21	24	24	26
Branches	360	392	450	595	640
Rural Banks	119	121	125	127	129
Agencies	-		-		486
Non-Banks		-	36	41	45

Source: BoG Annual Report 2008

The past few years have seen a steady growth in the Ghanaian banking sector as depicted by table 3.1. As illustrated on table 3.1, the number of banks has grown from 20 in 2004 to 26 in 2008. Within the same period, bank branches have increased progressively from 360 in 2004 to 640 in 2008. Ghana's financial sector according to the Bank of Ghana (BoG) is well capitalised, very liquid, profitable and recording strong asset growth. The total banking system assets at the end of October 2006 were 048,353.0 billion, representing an annual growth of 35.5 per cent, as against 16.6 per cent as of the end of October 2005(Daily Graphic, December 19, 2006).The banking sector has emerged from severe financial and reputational damage resulting from economic recession and government debt in the 1980s and 90s, when Ghanaian banks and other financial institutions stopped lending to the private sector. The banking sector has seen major capital injection partly because of the political stability, attainment of micro and macro-economic stability and the government's desire to make Ghana the "financial hub" of the

Sub-region. The Central bank has promoted the enforcement of statutory requirements, more stringent supervision and increasing capital requirements. A distinguishing feature of the sector is the level of ownership by the private sector, directly or through the capital market when compared with the level of state ownership seen in the financial sector in other African countries. The new banks are trying to revolutionize access to banking services, denied the population by the imperialist banks. Several banks have already made determined effort to roll out the use of internet banking, smartcard technology, mobile phone banking and the use of biometric technology to cover some of their operation areas.

More recently, there is growing introduction of new products by the banks onto the market. Hitherto, banks that served the interest of the few elite and concentrated on investment banking, now facing an increasing competition from these new banks are now opening their doors to the poor in the Ghanaian society. The new banks are now serving all sectors of the Ghanaian society and not an elite few.

3.3 The New face of banking in Ghana

Most banks now employ cutting edge technologies to roll out their products to their Ghanaian customers. Banking halls are housed in ultra modern buildings, staffed with well trained smart looking ladies and gentlemen. Ghanaians living in the big commercial towns are now spoilt for choice. Nigerian banks are well represented in the new banking sector in Ghana According to the African Business Magazine, Nigerian banks make up five of the top twenty banks in Sub-Saharan Africa by capital. Against this brief background, the entry of the number one bank in Africa, Standard Bank of South Africa

(Stanbic Bank Ghana) and the Nigerian banks - Guaranty Trust Bank, Zenith Bank, Intercontinental Bank, United Bank for Africa, etc - into the Ghanaian financial sector should be welcome.

Because of the very fierce competition in the banking sector, daily newspapers are adorned with catchy adverts of re-branded or new products all in an attempt to lure new customers to their products and services. Many banks in the commercial centres now work half day on Saturdays, thus making it possible for busy workers to access banking services at the weekend. The Home Finance Company (HFC Bank) has introduced the “Homesave Account”, a product which offers prospective homeowners the opportunity to save, in return for a down payment on a new house. In addition, HFC bank also grants long-term mortgage loan to its customers. This means that in the new Ghana one does not need to “burger” (no need to travel to Germany, UK, Italy, Canada or US) before one can own their dream home. There is an adage that says that “catch them young” and true to this adage CAL Bank invited tertiary students to a job fair. All participants were promised “zero accounts opened at CAL Bank, free ATM cards and SMS sign up”. Barclays Bank has introduced a new product called "Aba Pa" savings and current accounts to encourage more Ghanaians to access bank services. The product advert in the Daily Graphic newspaper read like this; “Aba Pa you can also bank with us”. The product, which targets the employed with low-income levels below GH050.00 and the agricultural sector, offers customers low initial deposits, transaction costs and free bank statements to grow their savings balance on a graduated scale. "Aba Pa", which required a minimum opening balance of GH040.00, would also provide funeral insurance cover, a



Visa Electronic Debit card and access to loans for all its customers (GNA, April 16,2007). ECOBANK's Auto Leasing promotion says that "walks in with an invoice for a new car from any car dealer of your choice and drive your dream car away at the Ecobank base rate" (Daily Graphic, April 17, 2007). Stanbic bank is also offering car loans, Standard Chartered, ADB and others are all introducing new products for the benefit of Ghanaians. The most significant thing is that whereas African politicians have failed in integrating African economies on the political front, the financial sector is moving closer to full integration. The banks are leading in the economic integration of Africa.

3.4. Major recent challenge in the industry

The global financial meltdown: This financial crisis started in the US mortgage market, but the fallout from the collapse of the subprime lending bubble has spread across the globe. What began as crisis for individual markets and institutions has now undermined the foundations of the entire global financial system. Credit markets were the first to be engulfed, but the contagion has subsequently reached all asset classes that were reliant on a combination of cheap money and high leverage, bringing the demise of the independent US investment banking model and sending countries from Iceland to Hungary cap-in-hand to the IMF. The full extent of the interconnected nature of the world's financial markets has been revealed, as has the need to address the underlying global imbalances that underpinned investment flows before the crisis (Pricewaterhouse Coopers 2009, Ghana Banking Survey).

Financial institutions and governments have attempted desperately to contain the crisis with fresh capital from state coffers and sovereign wealth fund investors, with governments providing liquidity and financial guarantees and in some cases holding major or controlling stakes in banks. Hoping to ensure that a crisis on this scale is never repeated, governments and regulators are pursuing “zero risk” regulation. Their influence in the financial system will be far-reaching and long-term. The result will be a banking system under a new stricter governance model, in which risks and returns will be lower, operating in a global economy that will look very different from the pre-crisis world order (ibid).

Its effects on Ghana

Emerging markets with relatively developed financial systems have been affected by their integration with global financial market. Through their global financial links, Ghana, Nigeria, Kenya and South Africa are suffering falling equity markets, reversal of capital flows, rising inflation and pressures on exchange rates more acutely in 2009. Ghana relies heavily on the European Union (EU), US and Asia for its export markets. There is growing uncertainty as to how long Ghana can sustain a strong pace of economic growth in the face of sluggish demand in the major developed markets emanating from the rapidly evolving global downturn. In the 2009 budget, the Government of Ghana (GOG) recognised the impact of the global downturn and projected a GDP growth rate of 5.9% for 2009 as compared to 7.3% achieved in 2008. The most damaging potential effect of this crisis may come from reduced remittances and capital flows. Inward remittances into the country constitute an important source of inflow to the Ghanaian

economy. Private inward transfers through the banks in the first quarter of 2009 was US\$1.98 billion, 7.3% decline from those for the same period in 2008 (Monetary Policy Committee Press Release - May 2009). Most bankers anticipate a further tightening of donor flows and expect drops in foreign direct investment in 2009. To allay some of these fears, the G20 at the London Summit pledged more funds to developing countries through its multilateral agencies.

Impact on the industry

The limited participation in global market disintermediation and lack of integration with the global financial markets appear to shield the Ghana banking industry from a direct impact of the crisis. The global downturn however still has an impact on Ghana's financial market. According to BOG's Financial Stability Report (Volume 5 No. 1/2009), the possible direct links to the global financial crisis by Ghanaian banks continue to remain their exposure to counterparties abroad in the form of nostro balances and placements. At 31 st December 2008, nostro balances and placements constituted 82% of the industry's net worth. Borrowings from foreign banks constitute a key source of funding for local banks. Stress analyses conducted by BOG show that only a significant default or recall of borrowings in excess of 50% could pose threat to the financial system. Placements, nostro balances and borrowings are concentrated with few international banks and thus require close monitoring of their performance. Another threat to banks is their vulnerability to a substantial weakening in customers' incomes and debt servicing capabilities in an economic slowdown. The deterioration in asset quality of Ghana banks from 1.5% to 2.2% is an indication of the adverse impact of the global meltdown. A

potential effect of the global crisis is the risk of contagion from distressed foreign banks to local banks. Parent banks could withdraw funds from subsidiaries by distributing profits, calling in loans to their subsidiaries and cutting back investments in local subsidiaries in emerging markets (Pricewaterhouse Coopers 2009, Ghana Banking Survey)

BOG has indicated that in 2008 a number of measures have been introduced that should re-enforce the ability of banks in Ghana to withstand shocks and protect the soundness of the financial system. This includes strengthening the regulatory and supervisory framework with the passage of the Borrowers and Lenders Act, 2008 (Act773), the Non-Bank Financial Institution Act, 2008 (Act 774), Home Mortgage Finance Act, 2008 (Act 770) and the Anti-Money Laundering Act, 2008 (Act 749). The growth of the industry in 2008 suggests that global financial crisis did not have severe impact on the Ghana banking industry in 2008. However, analysts predict that the effects of the crisis for a developing country like Ghana would be more significant in 2009. However, the timing and quantum remains uncertain.

Branch expansion programmes continued to be part of the growth strategy of banks in 2008 with a view to extending banking to the door step of customers. In response to competitive pressure, banks continued to make significant investments in Upgrading IT platforms by automating and centralising various back office activities to enhance the quality of service delivery to their customers. In 2008, SCB, EBG and GCB upgraded their banking application software. In response to the increasing role of ICT in banks'

service delivery, BOG published guidelines on branchless banking in August 2008 to allow collaboration between banks, telecommunication companies and merchants to provide greater access to banking and financial services to the wider public. Also in 2008, a common electronic platform (the e-zwich) was established to further develop the payment and settlement system by making it possible to link all banking institutions with a biometric smartcard as a vehicle for inclusion of all segments of the population.

In conclusion, Ghana's banking industry has witnessed its ups and down at various stages of its evolution, growth and development. From a humble beginning, Ghana's banking industry has passed through the flames of banking doldrums marked huge losses and non performing assets to the dawn of a new day. Thanks to various reforms instituted by government and the BoG which have resulted in systematic progressive transformation of the banking systems as we have it today. The culmination of the implementation of progressive, structural, institutional, legal/regulatory reforms is the vibrant banking industry as we have today. In spite of the negative consequences of the global economic meltdown, Ghana's banking industry remains resilient and continues to post tremendous gains/growth from year to year. To the customer this era can best be described as the 'Gold Age of Banking'- a direct consequence of stiff competition resulting from the liberalization of the financial services sector.

CHAPTER FOUR

METHODOLOGY

4.0 Overview of methodology

This chapter outlines in a systematic manner the details of the methodology used for the research. The chapter is organized into six (6) main sections. Section (4.0) discusses the overall methodological overview; section (4.1) further discusses the research design and provides justification for the choice of survey research design adopting the use of both quantitative method of data collection. This is followed by section (4.2) which discusses the sampling design including the sample population, sampling frame and sample size. Section (4.3) then describes the method of data collection. Steps taken in the development of questionnaire, the unit of analysis, field work data collection and other preliminary activities preceding data collection are all discussed in this section. Section (4.4) further discusses the processes involved in the preparation of empirical data for analysis. Section (4.5) then talks about the limitations, practical challenges and ethical issues considered in the study.

4.1 Research Design

A research methodology refers to the procedural framework within which a research is conducted (Malhotra and Birks, 2007). In order to draw meaningful conclusion from any piece of research, the procedural framework of data collection must be appropriate and relevant. The research is quantitative and adopts the survey approach in collecting the data; specifically, through the use of a questionnaire. A survey is a means of information about the characteristics, actions, or opinions of a large group of people, referred to as a

population (Malhotra and Birks, 2007). This study adopted the survey strategy because this thesis used cross-sectional data from the banking industry and cross-sectional studies usually employ the survey strategy (Easterby-Smith et. al., 1991; Robson, 1993). The choice for this research design therefore became necessary not only due to the exploratory nature of the study but also because it has been found to be suitable for analyzing a phenomenon, situation, problem, attitude or issues by considering a cross-section of the population at one point in time (Robson, 1993). Again the suitability of using the survey strategy in this study is to help the researcher identify and explain statistically, the factors that explain banks' relationship employee's expectations, experiences and perceptions of CRM in the banking industry in Ghana. It employed the use of quantitative methods of data collection. This is because quantitative research has been used to measure how people feel, think or act in a particular way and it is a research technique that seeks to quantify data and apply some statistical analysis. It is often formalized and well structured and data is usually obtained from large samples - anything from 50 upwards (Tull & Hawkings, 1990). It also involves the use of structured questionnaires usually incorporating mainly closed ended questions with set response (Bums, 2000). The choice of quantitative methodology can also be justified based on the fact that it is concise, it describes and examines relationships, and determines causality among variables, where possible, sample is usually representative of a large population, reliability and validity of the instruments are crucial, and also provides an accurate account of characteristics of particular individuals, situations, or groups. The researcher was however mindful of the disadvantages associated with the use of quantitative method

of data collection which is that, knowledge produced may be too abstract and general for direct application to specific local situations, contexts, and individuals (Yin, 1994).

4.2 Sampling Design (Sample Population, Sample Frame, and Size)

For the purposes of generalization, the research population for this study comprises all banks in Ghana. The sampling frame is all licenced major banks also referred to as universal banks. This is in agreement with Salant & Dillman, (1994), who observed that a prerequisite to sample selection is to define the target population as narrowly as possible and that sample selection depends only on the population size, its homogeneity, the sample media, its cost of use, and the degree of precision required. Since it may not always be possible to know the true population, researchers have suggested that a theoretical (purposeful) sample may be used (Attewell and Rule, 1991). Theoretical samples purposively select organizations that exhibit the desired features of prime focus to the researcher. Hence the sampling frame for the study comprised 26 banks as at the end of 2009 as provided by the bank of Ghana website. Following a clear definition of the research population, a complete list of licensed universal banks in Ghana was obtained to constitute the sampling frame. The purpose was to determine the extent of CRM practices on customer loyalty subject to mediating variables underlying the practice of CRM among various banks.

4.2.1 Determination of sample size

Fifteen major banks were eventually settled upon from the sampling frame to constitute the sample from which 400 relationship employees were purposively selected to

constitute a final sample size for the current study. The sampling technique used to determine the final 26 licensed banks was the stratified random sampling technique. One very important factor in determining sample size is whether the random sample can be stratified, for example according to sector, size, or technology level (Attewell & Rule, 1991).

With the sample frame clearly defined, the researcher ensured that the various selected banks are universal banks within Accra as bank policies tend to affect practices across all branches. The choice of universal banks is to ensure homogeneity, relatedness, and heterogeneity and thus satisfying the assertion that the elements within a stratum should be as homogeneous as possible, but the elements in different strata should be as heterogeneous as possible and must be closely related to the characteristic of interest (Malhotra and Birks, 2007).

It must be mentioned that selecting relationship staff from 15 banks is justified by the fact that they are banks which duly gave the approval to survey their banks. A lot of studies in this area have concentrated on the views of customers in determining and drawing conclusions on CRM research. This research however takes a different turn by adopting a 'firm-view' perspective of how CRM generates customer loyalty subject to mediating variables. Additionally, the universal banks represent banks well placed and in good standing as compared to rural banks which are ill-equipped unit banks for which CRM is not principally their hallmark. In this regard, the selected banks appear to be well endowed with modern facilities, finance and qualified personnel to bolster effective CRM practice. Furthermore, the major banks have the greatest number of clients in the country

at the moment, and therefore their choice gives a fair representation of the entire banking industry. It must be admitted, however, that, there is obvious variation in the ratings of the banks and definitely not all have the same capacity to deliver quality CRM.

In all a total of 400 relationship officers/managers were purposively selected from the 15 sampled banks. The number of relationship staff surveyed as per the individual selected banks varies to the extent of the level of co-operation obtained from the respective banks and the size of the relationship staff. Hence there is a wide variation in terms of the number of respondents representing each bank. (Bums, 2000), advises novice researchers to use large sample sizes as much as possible for the following reasons. First it maximizes the possibility that the mean, percentages and other statistics reflects the true estimates of the population. Again large sample sizes give the effects of randomness the chance to work (Malhotra and Birks, 2007). Finally, the chances of errors are reduced as the sample size increases. Thus to achieve accuracy, it is important to use a large sample size in a survey study and this issue is captured in this current research.

4.3 Method of data collection (Questionnaire design)

The researcher designed only one set of questionnaire for relationship officers/managers of the selected banks in the Greater Accra region. The questionnaire consisted of both open-ended and close-ended questions. The questions sought to establish the extent of CRM practices and customer loyalty, and also to identify the factors that may impact on bank expectations, experiences and perceptions of the quality of relationship delivered by Ghanaian banks. The close-ended questions were developed on a five point Likert scales

ranging from 5 (strongly agree) to 1 (strongly disagree). The open ended questions elicited information about the background of the personnel.

The questionnaire was divided into two main sections I and II. Section one (I) is divided into three (3) parts of A, B, C representing Relationship Management Practices, Customer Loyalty and Mediating Variables respectively. The A part of section one (I) is subdivided into six parts and contains questions relating to the various practices of relationship management as depicted by the conceptual framework namely commitment (four statements), conflict handling (four statements), communications (four statements), relational bonds i.e. social/financial (eight statements), competence (five statements) and trust (five statements). The B part of section one (I) contains questions relating to customer loyalty and the questions point to relational outcomes that depict customer loyalty. The C part of section one (I) contains questions relating Mediating Variable and seeks to examine how these fundamental enablers of CRM tamper with CRM practices to derive customer loyalty. A synthesis of the various literatures available to the study has established at least three principal mediating variables between CRM and customer loyalty. These variables are top management commitment, employee motivation and IT infrastructure. Sixteen (16) questions in all sought to examine how these mediating variables affect CRM practices to determine the resultant customer loyalty.

Section two (II) sought information on the characteristics of target respondents and other demographic features such as age, gender and number of years of experience. This background information was kept at the bottom of the questionnaire to avert the

possibility of potential sensitivity to the questions thus discouraging respondents and occasioning loss of interest with its attendant low response rate. According to Malhotra and Birks, (2007), sensitive questions may be embarrassing to respondents especially when it begins a survey instrument and may also create dissatisfaction and disinterest. The entire questionnaire covered a total of three pages. In line with Malhotra and Birks, (2007), the wording and language used in the questionnaire was kept as simple as possible.

It must be emphasized that written questionnaires were used to collect data from relationship staff rather than personal (face -to -face) interviews. The basic difference between a written questionnaire and a face- to -face interview is the presence of the interviewer and interviewee during face- to -face interviews. The advantages of written questionnaires are many and include the fact that it is likely to be less cumbersome in terms of data collection and analysis than face-to-face interviews. Secondly, written questionnaires can be distributed to a large number of respondents in a large geographical area at a relatively low cost. Another advantage is that questions in written questionnaires can be standardized and presented in a simplified form and therefore responses are less susceptible to the ambiguities that the expressions of various interviewees may pose. And also based on the literature available on CRM, it was realized that most authors such as (Chen and Popovich, 2003; Ndubisi and Wah, 2005; Morgan and Hunt, 1994) have used this method to study large samples.

The researcher was however aware of the potential shortfalls associated with written questionnaires. There is the possibility that written questionnaires may be misunderstood and interpreted differently by different people. To overcome this problem, the researcher carried out an initial pre-testing of questionnaires to evaluate respondents understanding of the research area. To further minimize the errors associated with written questionnaires, respondents were given the opportunity to request for any further explanations regarding the questionnaire via a mobile phone number stated in the questionnaire. This was helpful in achieving content validity; a self-evident measure which relies on the assurance that the researcher demonstrates an adequate coverage of the known field, after critically reviewing the literature and constructing questions or instruments to cover the known content represented in the literature (Malhotra and Birks, 2007).

4.3.1 Unit of Analysis

The unit of analysis for the study is the relationship officers/managers and in some cases branch managers who work hand in hand with relationship staff in the practice of CRM. The objective for including such branch managers was that they are reasonably involved in customer relationship management issues and have appreciable knowledge to understand and provide accurate answers to the issues raised in the questionnaire. It is worth noting that the relationship staffs being the people who manage relationships are well placed to determine relationship management practices from the firm's point of view. Most research works on relationship marketing in the banking industry have focused on customers as the unit of analysis (Olsen, 1995). The present study however

adopts a different approach which surveys relationship staffs directly involve in managing relationships to determine relationship outcomes from the banks' perspective. Therefore, using relationship employees as the unit of analysis can be justified on grounds that they are in the position to speak to the factors that determine CRM practices, basic derivatives of customer loyalty such increased patronage, longevity, repeat purchase, cross selling, word-of-mouth, referrals etc and finally mediating variables.

4.3.2 Data collection

One major phase of the survey process is the execution, or use, of the survey instrument. The Semi-structured questionnaires designed were purposively distributed among the relationship employees of the banks which took part in the study. Purposive used here refers to “selecting certain respondents for participation in the study presumably because they are representative of the population of interest and/or meet the specific needs of the research study” (Dillon et al. 1993). Consequently, rural banks and ARP Apex bank were excluded since the practice of CRM is not well developed in the rural banks which are unit banks and geographically disperse throughout the country in such a manner as to render them relatively inaccessible to this researcher. This would have constituted a major financial strain on the budget of this researcher and thereby serve as a major limitation to this study. Similarly, ARP Apex bank though categorised as one of the major banks is charged with the responsibility to oversee the operations of rural banks and hence its highly specialised nature renders it inconsistent with the population of interest for this study.



Having obtained permission from management of the respective banks, the questionnaires were left with the human resource/ marketing departments of the respective banks, who distributed the questionnaires to relationship employees. For the purpose of this study, relationship employees included some branch managers who were directly involved with relationship officers in managing relationships. The researcher used this mode of data collection due to the fact that, it was easy for staff of the banks to complete the questionnaires as cited by Zikmund (2003).

It must however be mentioned that a lot of preliminary activities preceded the actual data collection targeted at getting the support of respondents. The first step towards this was to obtain a letter of introduction from the University of Ghana Business School (UGBS), specifically the Marketing Department. This letter was addressed to the heads of the HR departments of all the major banks in Ghana. The letter was meant to obtain permission of the management of the respective banks to allow the researcher unimpeded access to their bank premises and to assist the researcher to administer the questionnaires. The introductory letter explained the aims and objectives of the study. The letter further affirmed the commitment of the researcher to the banks that information obtained from them will be treated with utmost confidentiality and not for any purpose other than for purely academic purpose. This is consistent with Salant and Dillman (1994), who stressed the importance of maintaining the confidentiality of individual responses and reporting survey results only in the aggregate whilst considering and recognizing ethical issues requiring the researcher to only encourage participation without undue pressure or coercion of the participants.

15 out of the 26 banks gave their consent to participate in the study. Subsequently, questionnaires were distributed to the relationship marketing staff of the banks.

On the whole, data collection lasted a total of four (4) weeks (between March and April 2010). At the end of the four weeks, 255 out of the 400 questionnaires administered to the relationship staff of the sampled banks representing 63.75% (percent) response rate were retrieved. 8 questionnaires were grossly incomplete and thus 247 completed questionnaires were processed for analysis.

4.4 Data Analysis Techniques

To test the relationship between CRM and Customer Loyalty, a regression model was estimated using Customer Loyalty as the dependent variable and CRM and Mediating Variables as the independent variable. The model is stated as follows:

Let: Customer loyalty= Y_i , Trust= X_1 , Communication= X_2 , Conflict handling= X_3 , Social and financial bond = X_4 , Communication X_5 , Competence= X_6 , , Top Management issues= M_1 , Employee Issues= M_2 , IT Issues= M_3 and Error term= E

Where:

A = coefficients which show the direction of relation between dependent and independent variables

M= Mean score of various variable of the Mediating Variables of CRM

X = mean scores of the various variables of CRM

$$\text{Then: } Y_i = \text{Constant} + A_1X_1 + A_2X_2 + A_3X_3 + A_4X_4 + A_5X_5 + A_6X_6 + (A_7M_1 + A_8M_2 + A_9M_3) + E$$

A good number of studies on CRM in the banking industry have used structured questionnaires as an instrument for data collection. Hence, these research studies have employed purely quantitative research techniques in their data analysis. This approach which employs standardised structured research format is more convenient when dealing with respondents who have busy schedules and limited time at their disposal. The analytical instrument for this study is the Statistical Package for Social Science (SPSS) version 16.0 using multiple linear regression model and descriptive statistics. This software has been widely used by researchers as a data analysis technique (Zikmund, 2003).

4.5 Research Limitations, Practical Challenges and Ethical Considerations

There are about 28 major banks (as at December 2009) with branches scattered throughout the country. However, this thesis surveyed banks in Greater Accra Region regarding the practice of CRM. In this regard, the scope of the study is limited geographically since findings relate to banks in Greater Accra and the results used to generalize for banks throughout the country. It is worthy of note that, although CRM is normally governed by standard bank policies and practices across branches by the banks in Ghana, one cannot overlook the possibility of some variation in content due to specific local/cultural diversities that may engender a tailored approach to especially the ‘relational bonding’ aspect of the CRM practices. Finally, the study is limited in terms of

industry scope. The study was restricted to major or universal banks only in the broad industry of financial services. As a result, the generalizability of its findings to the entire banking industry may be flawed in terms of scope which was limited to only major banks in the Ghanaian banking sector. This excludes rural banks and highly specialised regulatory banks such as ARP Apex bank and even the BoG itself. One main practical challenge encountered by the research was financial. Much of this resulting from follow-ups on questionnaires as location of the banks are not easily accessible by public transport hence one had to use taxi cabs for most of the visits. Another factor contributing to this was the huge cost of printing the questionnaires. One principal challenge faced by the researcher is herculean task of getting respondents to fill in the questionnaires because bank employees are usually very busy and it requires multiple follow-ups to have them co-operate and complete the questionnaires.

4.5.1 Ethical considerations

One very important consideration a researcher must not overlook is the issue of ethics in research (Malhotra and Birks 2007). The researcher in accordance with this took steps to make sure that no respondent or any participant in this research work was offended in any way. First of all, the researcher avoided contacting respondents on the blind side of the banks. The researcher made sure that permission was sought and the aims and objectives of the study made known to respective banks through the use introductory letters to solicit prior approval. The banks and respondents were also assured of the fact that the study is only for the purposes of academics and not for any other purpose that will conflict with their interest. In some cases, participants had to be encouraged to complete

the questionnaire due to their tight busy schedule. In the end some completed the questionnaires others could not for want of time.

CHAPTER FIVE

DATA ANALYSIS AND DISCUSSIONS

5.0 INTRODUCTION

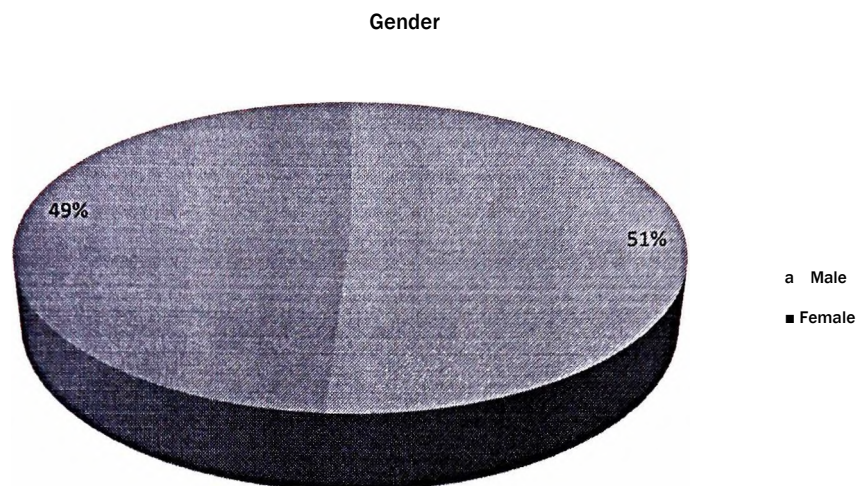
This chapter presents and discusses the findings of a study conducted using 247 relationship employees of banks in Ghana to assess the impact of CRM practices and mediating variables on customer loyalty. The variables on CRM practices (trust, communication, conflict handling, social and financial bonds, commitment, competence), mediating variables (top management issues, IT Issues, employee issues) and Customer loyalty variables (customer retention rate, share of customer, cross selling, word-of-mouth, up-selling, referrals) were coded using a scale (1-5), where 5=strongly agree and 1= strongly disagree.

The study tested the hypothesis that the relationship marketing practices lead to customer loyalty. In addition it also assesses whether Top Management commitment, IT infrastructure and Employee motivation mediate between CRM practices and customer loyalty.

5.1 BACKGROUND INFORMATION

5.1.1 Gender of respondent:

More than half (51%) of the staff interviewed were males and the rest (49%) were females. This is illustrated on figure 5.1.

Figure 5.1: Gender of the respondents

Source: Field study 2010

5.1.2 Age of respondents

From the result presented in table 1 majority (65.8%) of the respondents were between 26 and 35 years of age. This is followed by those who were between 18 and 25 years (16.5%), 36 and 45 years (13.5%) and 46 and 60 years (4.2%) respectively. In general 82.8% of the respondents fall in the youthful age (18-35 years)

Table 5.1: AGE OF RESPONDENTS

		Frequency	Percent
Valid	18-25	39	15.8
	26-35	156	63.2
	36-45	32	13.0
	46-60	10	4.0
	Total	237	96.0
Missing	No response	10	4.0
Total		247	100.0

Source: Field study 2010

5.1.3 Qualification of respondents:

Most of the respondents representing 60.7% had first degree. 15.8% of them had postgraduate degrees and 8.5% of the respondent had professional qualification. These qualifications are in various disciplines (table 2)

Table 5.2: QUALIFICATION OF RESPONDENTS

		Frequency	Percent
Valid	SSCE	4	1.6
	HND	18	7.3
	FIRST DEGREE	150	60.7
	POSTGRADUATE	39	15.8
	PROFESSIONAL	21	8.5
	OTHERS	8	3.2
	Total	240	97.2
Missing	No response	7	2.8
Total		247	100.0

Source: Field study 2010

5.1.4 Proportion of Bank Representation

Most of the respondents representing 19% were staff of TTB. Others include STANBIC (14.2%), ECOBANK (10.5%), UNIBANK (9.3%) and UBA (8.1%). See table 5.3 for details.

Table 5.3: PERCENTAGE REPRESENTATION OF BANKS SURVEYED

BANKS	Frequency	Percent
STANBIC	35	14.2
FIRST ATLANTIC MERCHANT BANK	9	3.6
SSB	15	6.1
SCB	15	6.1
ECOBANK	26	10.5
NIB	10	4.0
BSIC	6	2.4
FIDELITY	12	4.9
UNIBANK	23	9.3
UBA	20	8.1
TTB	47	19.0
CAL BANK	5	2.0
AMAL BANK	17	6.9
ZENITH BANK	2	.8
MERCHANT BANK	5	2.0
Total	247	100.0

Source: Field study 2010

5.1.5 Number of years of experience

Majority (67.7%) of the respondents had been working in the banking industry for a period between 1 and 5 years. 19.1% of them had worked for a period between 6 and 10 years and the rest (13.2%) had worked for more than 10 years. See table 5.4 for details.

TABLE 5.4: NUMBER OF YEARS

Years of experience	Frequency	Percent
Valid 1-5	149	60.3
6-10	42	17.0
OVER 10 YEARS	29	11.7
Total	220	89.1
Missing No response	27	10.9
Total	247	100.0

Source: Field study 2010

5.2 Extent of CRM practices in the banking industry

Responses obtained on CRM practices were found to be very reliable based on the Cronbach Alpha values obtained. Trust, Communication, Conflict Handling, Social and Financial Bonds, Commitment and Competence all obtained cronbach alpha values of at least 0.70. A mean of approximately 4 was obtained for Trust, Communication, Conflict Handling, Social and Financial Bonds, Commitment and Competence. This means on the average, the respondents “agree” that Trust, Communication, Conflict Handling, Social and Financial Bonds, Commitment and Competence are factored in the CRM practices of the banks. This is clearly consistent with what scholars have proposed as the underpinnings of successful relationship management practice (Morgan and Hunt, 1994; Ndubisi and Wah, 2005; Narteh, 2009; Claycom and Martins, 2002). Although other conceptualizations include other variables such as Mutual Goals (Wilson, 1995); Share Values (Morgan and Hunt, 1994) etc, there is a general concurrence in the literature regarding the validity of these variables due to the frequency in which they have been mentioned by scholars as CRM practices.

The least standard deviation of 0.55 was obtained for Social and Financial Bonds. This means the respondents (irrespective of the type of bank) have the most related views as far as ‘Social and Financial Bonds’ as a component of CRM practices is concerned. The highest standard deviation of 0.703 was obtained for commitment. This means the respondents have more diverse views with regards to the issue of commitment (perhaps commitment depends on the type of bank).

Table 5.5: Extent of CRM practices

CRM practices	N	Cronbach Alpha	Mean	Std. De.
Trust	235	0.79	4.1515	.57426
Communication	244	0.79	3.8514	.68547
Conflict Handling	244	0.80	3.9139	.67531
Social and Financial Bonds	229	0.75	3.6479	.55014
Commitment	229	0.84	3.8046	.70343
Competence	234	0.85	3.7590	.70170
Valid N (listwise)	206			

Source: Field study 2010

Comparatively, the banks pay the biggest attention to Trust in CRM practices. This is followed by Conflict Handling, Communication, Commitment, Competence and Social and Financial Bonds respectively. The emphasis on trust is probably due to the fact that the entire spectrum of the banker-customer relationship is governed by the banker’s secrecy/confidentiality a breach of which gives rise to legal action. Since people by nature prefer to keep their financial affairs secret, trust can be derived from assurance of confidentiality. The literature on CRM even postulates that some relationship employees serve as private confidants of their customers. See table 5.5.

5.3 Mediating Variables

Responses obtained on the mediating variables were also found to be very reliable. Top management issues, I.T. issues and employee issues all obtained cronbach alpha values of

at least 0.70. A mean of approximately 4 was obtained for Top Management Commitment and I.T. infrastructure. This means on the average, the respondents “agree” that Top Management issues and I.T. issues are among the mediating variables that co-exist and work in synch with CRM practices by banks in Ghana to affect customer loyalty. A mean of approximately 3 was obtained for Employee issues. This means on the average, the respondents “are neutral” as to whether Employee issues are necessarily addressed by the various banks in the practice of CRM.

The least standard deviation of 0.62 was obtained for Employee issues. This means the respondents (irrespective of the type of bank) have the most similar views as far as Employee issues as a component of the mediating variables is concerned. This is possibly due the fact that motivational packages in the banking industry tend to be determined by industry benchmarks due mainly to competition for competent staff and also labour unions are quick to collate data across industry for purposes of negotiations.

Table 5.6: Extent of practices of the antecedents

practices of the antecedents	N	Cronbach Alpha	Mean	Std. Dev
Top Management Commitment	226	0.79	4.0243	.63637
I.T. Infrastructure	226	0.79	3.9991	.70842
Employee Motivation	223	0.75	3.4234	.62076
Valid N (listwise)	201			

Source: Field study 2010

The highest standard deviation of 0.708 was obtained for I.T. infrastructure. This means the respondents have more diverse views with regards to the issue of I.T. issues (perhaps commitment depends on the type of bank). This probably explains the variations in technological intensity and sophistication among banks in Ghana. Not all the banks have

the same capacity to employ modern technology to the same extent in relationship management practices.

Comparatively, the mediating variable the banks are most concerned about is Top Management Commitment. The existence of hyper-competition in Ghana's banking industry could probably explain the growing emphasis on top management commitment. Hence top management's keen involvement in relationship building, appointment of senior manager to oversee and closely supervise CRM issues and customer-centric ideals being emphasized as organizational core values have collectively been emphasized in the study outcome. Underlying this top management commitment is the growing realization that relationship management and service quality issues offer a competitive advantage. This is followed by I.T. infrastructure and Employee Motivation respectively. See table

5.4 CRM practices, mediating variables and customer loyalty

The variables under CRM practices (trust, communication, conflict handling, social and financial bonds, commitment and competence) and the mediating variables (top management commitment, I.T. issues and employee issues) all have significant positive correlation with customer loyalty ($P < 0.01$ for all). This means, an improvement in their practices would lead to improvement in customer loyalty. See table 5.7.

Table 5.7: CRM Practices, Mediating Variables and Customer Loyalty (Correlation matrix)

Variable	1	2	3	4	5	6	7	8	9	10
Trust	1									
Communication	0.695	1								
Conflict Handling	0.545	0.65	1							
Social and Financial bonds	0.488	0.56	0.461	1						
Commitment	0.628	0.64	0.493	0.665	1					
Competence	0.647	0.68	0.633	0.546	0.685	1				
Top Mgt Commitment	0.521	0.58	0.559	0.548	0.641	0.641	1			
I.T. Infrastructure	0.486	0.6	0.464	0.457	0.549	0.549	0.534	1		
Employee Motivation	0.375	0.49	0.408	0.412	0.475	0.545	0.494	0.506	1	
Customer Loyalty	0.53	0.62	0.542	0.524	0.666	0.693	0.657	0.512	0.575	1

Source: Field study 2010

Note: All coefficients are significant at 0.01 level of significance

5.5 CUSTOMER LOYALTY

Studies on CRM have established that CRM practices are highly correlated with customer loyalty (Ndubisi and Wah, 2005). This section tests the performance of the various elements of CRM practices against customer loyalty.

5.5.1 CRM practices and customer loyalty

There is a significant relationship between CRM Practices and customer loyalty ($F=40.1$, $p<0.01$). This means that trust, communication, conflict handling, social and financial bonds, commitment and competence jointly determine customer loyalty (Table 5.8). An adjusted R-Square of 0.549 shows that trust, communication, conflict handling, social

and financial bonds, commitment and competence jointly determine 54.9% of customer loyalty.

Table 5.8: Customer loyalty with regards to CRM practices (ANOVA)

	Sum of Sq	DF	Mean Sq.	F-Value	P-Value
Regression	30.285	6	5.048	40.106	.000(a)
Residual	23.535	187	.126		
Total	53.820	193			

Source: Field study 2010

Comparatively, the biggest determinant of customer loyalty is competence. This is followed by commitment, communication, social and financial bonds, conflict handling and trust respectively. Among the six determinants only competence, commitment and communication have significant effects on customer loyalty as their p-values are less than 0.05 ($p < 0.05$).

Table 5.9: Customer loyalty with regards to CRM practices (Coefficients)

	Unstandardized Coefficients		Standardized Coefficients t-statistics P-Values		
	Beta	Std. Error	Beta	t-statistics	P-Values
(Constant)	1.074	.215		4.998	.000
Trust	-.035	.069	-.038	-.516	.607
Communication	.127	.062	.161	2.034	.043
Conflict Handling	.055	.053	.070	1.036	.301
Social and Financial Bonds	.077	.066	.079	1.166	.245
Commitment	.174	.059	.235	2.941	.004
Competence	.276	.059	.364	4.692	.000

Source: Field study 2010

While, statistically, this argument may hold true, in reality trust and relationship bonds (social and financial) tend to have 'silent' but equally significant effect on loyalty and the effect may be more profoundly felt when they are absent from the equation. We can therefore conclude that competence, commitment and communication jointly determine customer loyalty to a great extent. Perhaps it may be prudent to argue that these factors

tend to operate as main customer loyalty ‘intensifies’ in the relationship building chain since they are conspicuously the ‘tools’ commonly at play in day-to-day transactions. It stands to reason that a unit change in these variables will affect customer loyalty to a significant degree than the ‘silent’ ones. Hence, an improvement in competence, commitment and communication will lead to a more than proportionate increase in customer loyalty (Table 5.9).

The regression (prediction) equation on the above model can be presented as follows:

If Customer loyalty= Y_i , trust= X_1 , Communication= X_2 , Conflict handling= X_3 , Social and Financial Bonds= X_4 , Commitment X_5 , Competence= X_6 , and Error term= E , then

$$Y_i = 1.074 - 0.035X_1 + 0.127X_2 + 0.055X_3 + 0.077X_4 + 0.174X_5 + 0.276X_6 + E$$

This model can be used to predict future customer loyalty once values/scores of trust,

communication, conflict handling, social and financial bonds, commitment and competence are known.

5.5.2 Trust and Customer Loyalty

A review of current literature on relationship marketing has clearly established that trust has often been mentioned as one of the important underpinnings of CRM. Relationship marketing thrives in an atmosphere where there is mutual trust among the parties involved. Moorman (et al., 1993) defined trust as ‘...a willingness to rely on an exchange partner in whom one has confidence. Morgan and Hunt (1994) conceptualised trust as a partner’s confidence in an exchange partner’s reliability and integrity. However a look at the regression model below appears to disconfirm the views in the scholarly literature.

Table 5.10: Trust and Customer Loyalty

Model	Unstandardized Coefficients		Standardized Coefficients	t-value P-Value
	B	Std. Error	Beta	
(Constant)	1.074	.215		4.998 .000
Trust	-.035	.069	-.038	-.516 .607

Source: Field study 2010

Dependant variable= Customer Loyalty

The coefficient (-0.35) of the result presented in table 5.10 above indicate a negative relationship between trust and customer loyalty, meaning that trust is inversely related to customer loyalty. However, the strength of the relationship judging from the t and p-values ($t=-0.516$, $P = 0.607 > 0.05$) indicate that though the relationship is negative, it is not statistically significant as ($P > 0.05$) at 5% level of significance. This means that though trust and customer loyalty affect each other negatively, the relationship is rather insignificant.

5.5.3 Communication and Customer Loyalty

The role of communication in business has been demonstrated over the years (Belch and Belch, 1998; Schiffman and Kanuk, 2007). Communication is seen as the process through which a communicator transmits stimuli to modify behaviour of other persons.)In this context, communication refers to the ability to provide timely and trustworthy information. Today, there is a new view of communications as an interactive dialogue between the company and its customers, which takes place during the pre-selling, selling, consuming and post-consuming stages (Anderson and Narus, 1990). The researcher therefore assumes that communication is positively correlated with customer

Table 5.11: Communication and Customer Loyalty

Model		Unstandardized Coefficients		Standardized Coefficients	t-value	P-Value
		Beta	Std. Error	Beta		
1	(Constant)	1.074	.215		4.998	.000
	Communication	.127	.062	.161	2.034	.043

Source: Field study 2010

In the above, customer loyalty was regressed against communication. It can be seen from the results (Table 5.11) that the coefficient (0.127) is positive with t and p-values of 2.034 and 0.043 respectively, indicating statistically strong significant relationship between banks' communication effectiveness and a customer loyalty with corresponding positive effect. This appears to suggest that banks in Ghana should consider the communication standard in their banks as positively correlated with customer loyalty. It stands to reason that respondents regard the provision of timely information, supplying information on new products, discussing with customers on ways to improve services and being approachable to customers as good reasons to be loyal to their respective banks. This finding thus shows that Ghanaian customers' loyalty to their banks is strongly dependent on how their respective banks communicate effectively with them in their relationship building efforts.

5.5.3 Conflict Handling and Customer Loyalty

It is an establish fact that service failures are bound to occur in the normal course of service delivery in any human institution. In the course of delivering a service, there are bound to be occasional service failures in spite of all the efforts put in by a service provider (Lovelock and Wirtz, 2007). It is almost impossible to imagine a flawless

service delivery, and occasional service failures could occur in the service delivery chain (Narteh 2009). According to Zeithaml and Bitner, (2000), ‘Service failure is inevitable even for the best firms with the best of intentions and even for those with world class systems’. The researcher therefore assumed that by handling conflicts amicably, it will create the avenue for increased customer loyalty.

Table 5.12: Conflict Handling and Customer Loyalty

Model	Unstandardized Coefficients		Standardized Coefficients		t-value	P-value
	Beta	Std. Error	Beta			
(Constant)	1.074	.215			4.998	.000
Conflict Handling	.055	.053	.070		1.036	.301

Source: Field study 2010

In line with the expectation of the researcher, the results of Table 5.12 above ($t = 1.036$, $P = 0.301 > 0.05$) indicate that there is positive coefficient (0.055) between the two variables. This result though indicating a positive relationship, yet still insignificant at the 5% level of significance ($P = 0.301 > 0.05$). This shows that the current finding agrees partially with earlier findings by Ndubisi, (2007) that there is a strong relationship between conflict handling and customer loyalty. By implication, conflict handling is not a major contributor to customer loyalty in Ghana’s banking industry. Thus, the loyalty of customers to their banks is influenced only to lesser degree by how effectively the banks handle conflicts with their customers. This could portray context specific differences in that bank customers in advanced society tend to have a lower zone of tolerance than their counterparts in less developed societies since Ndubisi, 2007 was done in Malaysia . Another possible angle to this finding is that banks in Ghana are meeting services

expectations by reducing conflicts situations and having in place effective conflict handling mechanisms that conflicts tend not to be issues of great concern to customers. Hence the statistical results indicate that most customers consider conflict handling to be not so relevant to their loyalty to their respective banks. In short, avoiding potential conflicts, solving manifest problems before they arise, openly and promptly discussing solutions when problems arises, and listening to customers grievances do not provide concrete grounds for the customer to decide whether to become loyal or not to a banks within the Ghanaian setting.

5.5.4 'Social and Financial Bonds' and Customer Loyalty

Social bonding refers to the 'the degree of mutual personal friendship and liking shared by the buyer and seller' (Wilson 19995). Lin et al. (2003) and Hseish et al. (2005) provide a more complete view by defining social bonds as personal ties that relate to service dimensions that offer interpersonal exchanges, friendship and identifications. In general, social bonds consists of many aspects, including familiarity, friendship, social support, keep in touch, self-disclosure, or any interpersonal interaction (Price and Armould, 1999). On the other hand, financial bonds have been described as frequency marketing or retention marketing, where the service provided uses economic benefits, such as price, discount or other financial incentives to secure customer loyalty (Berry and Parasuraman, 1991). The study therefore assumes that having strong social and financial bonds with customers will enhance customer loyalty.

Table 5.13: ‘Social and Financial Bonds’ and Customer Loyalty

	Unstandardized Coefficients		Standardized Coefficients	t	P-value
	Beta	Std. Error	Beta		
(Constant)	1.074	.215		4.998	.000
Social and Financial Bonds	.077	.066	.079	1.166	.245

Source: Field study 2010

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The results of table 5.13 above ($t=1.166$, $P = 0.245 > 0.05$) indicate that there is rather a positive coefficient (0.077) between, meaning that social and financial bonds have a positive relationship with customer loyalty. However, the relationship is insignificant as depicted by ($P = 0.245 > 0.05$). This shows that ‘social and financial bonds’ is not one of the major contributors of customer loyalty in Ghana’s banking industry. This finding shows that customers’ loyalty is not strongly dependent on how banks build ‘social and financial bonds’ with them. This therefore means that, regular checks on customers, sending gifts to customers on special occasions, charging concessionary rates, treating customers as friends and involving employees in family events of customers in themselves will not lead to any significant increase in customer loyalty though its impact will still be felt to a certain extent. This finding agree with earlier findings of Lin et al., 2003; and Hsieh et al., 2005; Ndubisi and Cha, 2005 and Narteh, 2009.

5.5.5 Commitment and Customer Loyalty

Like trust, commitment is another important variable for understanding the strength of a marketing relationship, and it is a useful construct for measuring the likelihood of customer loyalty and predicting future purchase frequency (Gundlach et al., 1995; Morgan and Hunt, 1994; Dwyer et al., 1987). Wilson (1995) observed that commitment



was the most common dependent variable used in buyer-seller relationship studies. Hence the researcher expects that commitment to customers will impact positively on customer loyalty.

Table 5.14: Commitment and Customer Loyalty

	Unstandardized Coefficients		Standardized Coefficients		
	Beta	Std. Error	Beta	t-value	P-value
(Constant)	1.074	.215		4.998	.000
Commitment	.174	.059	.235	2.941	.004

Source: Field study 2010

The results in the Table 5.14 above ($t = 2.941$, $P = 0.004 < 0.05$) indicates that the positive regression coefficient (0.172) shows a statistically strong significant ($P < 0.05$) relationship between commitment and customer loyalty such that the higher the commitment of banks towards the satisfaction of the needs of their customers, the higher the probability that these customers are going to become loyal to the bank. The strength of the relationship judging from the interpretation of the regression coefficient is very strong and this means customers' loyalty to their banks is greatly affected by the level of commitment that their banks demonstrate toward them. In consequence, where banks continuously make changes in line with customer needs, offer personalized services to meet customers' personal needs and show flexibility in serving customer needs, they are sure that customers will value their relationships with the banks and consequently become more loyal to their banks. The results of the present study suggest that customers expect their banks to be committed to ensure that they (customers) are really satisfied when transacting with them. The finding is therefore in agreement with the research

findings of some leading researchers who describe customer loyalty as a function of commitment at the instance of their service providers (Gronroos, 1994, Morgan and Hunt, 1994, Ndubisi, 2007)

5.5.6 Competence and Customer Loyalty

Competence is defined as the buyer's perception of the supplier's technological and commercial competence (Anderson and Weitz, 1989). They operationalised competence in four ways: the supplier's knowledge about the market for the buyer, the ability to give good advice on the operating business, the ability to help the buyer plan purchases and the ability to provide effective sales promotion materials. Competence has been mentioned in CRM literature as one of the underpinnings of CRM practice. This view has been seriously corroborated by this study and stands out as one factor that has the most significant impact on customer loyalty.

Table 5.15: **Competence and Customer Loyalty**

	Unstandardized Coefficients		Standardized Coefficients	t-value	P-value
	Beta	Std. Error	Beta		
(Constant)	1.074	.215		4.998	.000
Competence	.276	.059	.364	4.692	.000

Source: Field study 2010

It can be observed from the results of the Table 5.15 above ($t = 4.692$, $P = 0.000 < 0.05$) that the positive unstandardized coefficient (0.276) means a statistically strong significant relationship between bank competence and how it affects customer loyalty. This appears to suggest that respondents consider the competence levels of their banks as the most important factor in determining customer loyalty. This result corroborate earlier findings

by Cha and Ndubisi, 2004; Ndubisi, 2007 who also found that, competence played a key role in determining customer loyalty among Malaysian Banks. Hence, one can conclude that when a bank delivers excellent service, understands the nature of business, possess relationship building skills and partners with customers on new ways to improving service, the bank is on course to achieving high and sustainable customer loyalty.

5.6 MEDIATING FACTORS

Studies on CRM have shown that for CRM to be successful, certain mediating variables must exist to ensure effective implementation (Chen and Popovich, 2003). These variables are top management commitment, employee motivation and IT infrastructure. This section therefore tests the extent to which these mediating variables mediate between CRM and customer loyalty. In other words, what is the extent to which these variables enhance the potential of CRM practices to generate customer loyalty?

5.6.1 Top management commitment

The literatures on CRM emphasize top management commitment as an essential element for bringing an innovation online and ensuring delivery of promised benefits. Top management commitment, however, is much more than a CEO giving his or her blessing to the CRM project. Customer-centric management requires top management support and commitment to CRM throughout the entire CRM implementation (Chen and Popovich, 2003). Without it, momentum quickly dies out. Furthermore, top management should set the stage in CRM initiatives for leadership, strategic direction and alignment of vision and business goals (Herington and Peterson, 2000). This view was reinforced in a recent

META Group Report (1998) that singled out top management support and involvement as a key success factor for CRM implementations (Chen and Popovich, 2003). In this regard, the study expects top management commitment to affect CRM and consequently customer loyalty. This was highly supported by the findings. Both CRM and top management have significant partial relationships with customer loyalty. However from Table 16 below, CRM with ($\beta=.602$, $p<0.01$) more significantly influences customer loyalty than top management commitment which gives a ($\beta=.195$, $p<0.01$). See table 5.16.

Table 5.16: Relationship marketing, top management commitment and customer loyalty

	Unstandardized Coefficients		Standardized Coefficients	t-value	P-value
	Beta	Std. Error	Beta		
(Constant)	.621	.193		3.216	.002
Relationship Marketing	.606	.071	.602	8.560	.000
Top Management Commitment	.162	.058	.195	2.779	.006

Source: Field study 2010

MEDIATOR TEST

The results in table 5.17 indicate (for each of the error terms) a z of about 2.7 with a p -value of about .006 which shows that there is a strong evidence of mediation. Therefore the association between CRM and customer loyalty is significantly reduced by the inclusion top management commitment in the model.



Table 5.17: Top management commitment (Mediation Tests)

Tests	Z-value	P-value
Sobel	2.731	0.006
Aroian	2.725	0.006
Goodman	2.737	0.006

Source: Field study 2010

5.6.2 I.T. infrastructure

Though relationship marketing has a significant partial relationship with customer loyalty ($P=691$, $p<0.01$), I.T. infrastructure has no significantly partial relationship customer loyalty ($\beta=0.045$ $p>0.01$). See table 5.18

Table 5.18: Relationship marketing, I.T. infrastructure and customer loyalty

	Unstandardized Coefficients		Standardized Coefficients	t-value	P-value.
	Beta	Std. Error	Beta		
(Constant)	.835	.198		4.215	.000
Relationship Marketing	.685	.066	.691	10.304	.000
I.T. Infrastructure	.033	.048	.045	.676	.500

Source: Field study 2010

MEDIATOR TEST

The results in table 5.19 indicate (for each of the error terms) a *z value* of about 0.67 with a *p-value* of about .50 which shows that there is no strong evidence of mediation. Therefore the association between CRM and customer loyalty is not significantly reduced by the inclusion I.T. infrastructure in the model.

Table 5.19: I.T. Infrastructure (Mediation Tests)

Tests	Z-value	P-value
Sobel	0.674	0.499
Aroian	0.673	0.501
Goodman	0.677	0.498

Source: Field study 2010

5.6.3 Employee motivation

Both CRM and employee motivation have significant partial relationships with customer loyalty. However, relationship marketing with ((3=605, $p<0.01$) more significantly determines customer loyalty than employee motivation with (0=0.250 $p<0.01$)). See table

	Unstandardized Coefficients		Standardized Coefficients	t-value	P-Value
	Beta	Std. Error	Beta		
(Constant)	.585	.194		3.021	.003
Relationship Marketing practices	.598	.057	.605	10.562	.000
Employee Motivation	.212	.049	.250	4.361	.000

Source: Field study 2010

MEDIATOR TEST

The results in table 5.21 indicate (for each of the error terms) a z of about 3.99 with a p -value of about .000 shows that there is a strong evidence of mediation. Therefore the association between relationship marketing and customer loyalty is significantly reduced by the inclusion employee motivation in the model.

Table 5.21: Employee motivation (Mediation Tests)

Tests	Z	P
Sobel	3.905	0.000
Aroian	3.886	0.000
Goodman	3.926	0.000

Source: Field study 2010

In conclusion, it is evident that banks in Ghana employ the CRM practices such as Trust, Communication, Conflict Handling, Social and Financial Bonds, Commitment and Competence in relationships building efforts. This is evidenced by the fact that

Responses obtained on CRM practices recorded cronbach alpha values of at least 0.70 and a mean approximation of 4. This implies that on the average respondent agree that banks in Ghana factor these CRM elements in their relationship building efforts.

It is also clear that on the average, the banks in Ghana factor mediation variables in their CRM practices as complementary factors in the relationship building effort in order to facilitate positive relational outcomes.

CHAPTER SIX

CONCLUSIONS, IMPLICATIONS AND RECOMMENDATIONS

6.0 Introduction

This chapter concludes the study. It begins by restating the objectives of the research and the methodology that was employed in the data collection process. The chapter continues with the key findings of the research as well as the theoretical and practical implications and recommendations to banks in Ghana. The chapter ends by giving its conclusions and suggestions for further studies.

The major goal of this study was to examine the relationship between CRM practices and Customer Loyalty in Ghana's banking industry. Specifically, the study was meant to explore the impact of CRM on customer's decision to remain loyal to their banks. Thus the question that comes to the fore is whether the practice of CRM leads to increased customer loyalty in the Ghanaian banking industry. Finally, the study sought to understand how top management commitment, employee motivation and IT infrastructure mediate between CRM practice and customer loyalty. In order to answer the research questions posed in chapter one, the study adopts CRM practices as proposed by Ndubisi and Wah (2005) and Narteh,(2009). Those variables include, trust, commitment, 'social and financial bonds', conflict handling, competence and communications.

A survey methodology was used and the major data collection instrument was a questionnaire. Out of the 400 relationship staff of the participating banks that were

surveyed with questionnaires, Two hundred and forty-seven (247) respondents were collated for the final analysis.

6.1 Findings

The findings have been discussed in relation to the objectives of the study.

6.1.1 Ascertaining the underpinnings of CRM

A review of current literature has clearly established that there seem to be a consensus that relationship marketing practices is multi-faceted (Claycomb and Martin, 2002). In their empirical investigations, the authors identified eighteen practices that lead to effective relationship marketing. For example, Morgan and Hunt have proposed commitment and trust as key antecedents for success of a relationship management strategy (Narteh, 2009). However, (Ndubisi and Wah, 2005) and Narteh, (2009) identified six variable. These practices have been adopted as a blueprint for effective practice of RM. The framework assumes that Relationship Marketing has certain core practices which are clearly delineated as trust, commitment, communication, conflict handling, competence, and relational bonds (social and financial bonds). This study therefore adopted the framework proposed by Ndubisi and Wah (2005) and Narteh,(2009) because these concepts have individually been widely discussed in the literature as either pre-conditions or practices of relationship marketing. These variables have been tested in this study in the Ghanaian banking industry and found to be relatively consistent with CRM practice in Ghana's banking industry. Hence the underpinnings of

CRM are thus presented as trust, commitment, communication, conflict handling, competence, and relational bonds (social and financial bonds).

All banks surveyed give clear indication of evidence of CRM practices as the responses received from the various banks showed appreciable level of consistency with all the CRM practices. It is theorised that the adoption of the six CRM practices will constitute effective CRM practice since these elements together serve as ‘blueprint’ or ‘best practices’ due to their frequency of occurrence in CRM/relationship marketing literature (Ndubisi and Wah, 2005), Narteh 2009), (Agbemabiesi, 2009). According to Narteh, (2009), these concepts have individually been widely discussed in the literature as either pre-conditions or relationship marketing practices. Some respondents interviewed about the widespread adoption of CRM identified competition and as the primary reason for CRM practice in Ghana hence banks rely heavily on long-term relationship building in a bid to foster loyalty and retain their customers. With this in mind, the study sought to examine the extent of CRM practices from the ‘firm’ point of view based on the degree to which respondents agree with the statements on the CRM practices of their respective banks as presented in the questionnaire.

Responses obtained showed that the practice of the various CRM constructs tested in this study showed appreciable level of consistency. Thus banks in Ghana appear to be relying heavily on the use of CRM to achieve competitive advantage by increasing customer loyalty. The responses showed that trust, communication, conflict handling, ‘social and financial bonds’, commitment and competence all obtained a mean score of



approximately 4. This means that banks in Ghana show high levels of competence, communicate more often with their customers, avoid manifest conflicts situations and take steps to resolve any conflicts that may arise amicably, are committed to the needs of their customers, relates very well with their customers and maintain a high level of trust between themselves (banks) and their customers. Amongst all the practices however, the findings clearly established that banks pay the greatest attention to trust in their CRM practices which is closely followed by conflict handling, communication, commitment, competence and 'social and financial bonds'.

6.1.2 The relationship between CRM and customer loyalty in the Ghana's banking industry

One of main objectives of this study is to establish whether there is a positive correlation between CRM and customer loyalty. A regression model was used to determine how the six CRM practices impact on customers' decision to remain loyal to their banks. In other words, which of the practices of CRM have a significant effect on customer loyalty among Ghanaian banks? The results showed that there is a significant relationship between CRM and customer loyalty ($F=40.106$, $p<0.05$). This means competence, communication, conflict handling, commitment, relational bonds (social and financial), and trust jointly determine customer loyalty. An R-Square of 0.563 was obtained indicating that all six relationship marketing practices jointly determine 56.3 % of customer loyalty. An attempt made to estimate how the individual variables contribute to customer loyalty revealed that amongst all the six practices of CRM, competence is the biggest determinant of customer loyalty, followed by commitment, communication,

'social and financial bonds', conflict handling and trust. The findings also revealed that competence, commitment and communication have significant effects on customer loyalty ($p < 0.05$) hence they constitute the major determinants of customer loyalty in Ghana's banking industry. On the other hand 'social and financial bonds' and conflict handling showed a positive but insignificant relationship to customer loyalty. This means their contribution to customer loyalty is to a lesser degree. Contrary to expectation, trust showed a negative relationship with customer loyal. However, the strength of the relationship judging from the t and p -values ($t = -0.516$, $P = 0.607 > 0.05$) indicate that though the relationship is negative, it is not statistically significant as ($P > 0.05$) at 5% level of significance. This means that though trust and customer loyalty affect each other negatively, the relationship is rather insignificant.

6.1.3 The effect of mediating variables on CRM and customer loyalty

The mediation test conducted on the three elements namely top management commitment, employee issues and IT infrastructure showed evidence of partial relationships with customer loyalty.

• Relationship between CRM, Top Management Commitment and Customer

Loyalty

The mediation test conducted between CRM and top management commitment showed significant partial relationships with customer loyalty. The error margin tested using statistical mediation tests showed a significant reduction in margin of error that will affect the potential of CRM to generate customer loyalty. Hence there is clear indication that for CRM to accomplish the desired result of achieving customer loyalty top

management commitment is a co-existent variable for success in CRM implementation. Hence when top management is keenly involved in relationship building efforts, banks having a senior manager to oversee and champion the CRM project, adequate top management supervision of the process and championing a customer-centric focus, these issues will enhance the potential of CRM to achieving increased customer loyalty.

• **Relationship between CRM, IT Infrastructure and Customer Loyalty**

The mediation test conducted between CRM practices and IT infrastructure showed that there is no significant partial relationship with customer loyalty. The error margin tested using statistical mediation tests showed no significant reduction in margin of error that will affect the potential of CRM to generate customer loyalty. This stems from the fact that the banks have not developed comprehensive IT systems that provides customised database solutions to facilitate effective CRM practice. For instance, it is therefore not uncommon to find banks in Ghana address customers as ‘Dear Value Customer’ instead of the addressing them by their specific names. Hence there is clear indication that for CRM to attain the desired result of achieving customer loyalty IT infrastructure is necessary only as a ‘hygiene’ factor that does not directly contribute to customer loyalty. This implies, when a bank has excellent IT infrastructure that can facilitate prompt and efficient service, easy retrieval of customer information, provision of customised solutions and the provision of internet banking to facilitate customer interaction, these variable per se will not directly lead to customer loyalty although they are necessary. It has to be emphasised that IT infrastructure tend to support employee motivation, top management commitment and the other elements of CRM practices such as competence

and communication. This study therefore suggests that any IT introduction by management must be done with prior consultation with staff in order to ensure optimum results.

- Relationship between CRM, Employee Motivation and Customer Loyalty

Both CRM practices and employee motivation showed a significant partial relationship with customer loyalty. The mediation test conducted between CRM practices and employee motivation showed that there is strong evidence of mediation. The error margin tested using statistical mediation tests showed a significant reduction in margin of error that will affect the potential of CRM to generate customer loyalty. Hence there is clear indication that for CRM to attain the desired result of attaining customer loyalty employee motivation is necessary for CRM success. In this regard, when employees are well trained and given the necessary tools to serve customers, given extra incentive and adequate remuneration and staff are assessed based on customer-centric criteria; there is a greater chance that CRM will achieve the desired result of increased customer loyalty.

In conclusion, the mediating variable (top management commitment, employee motivation, IT infrastructure) altogether have a direct positive partial association with CRM practices and the resultant customer loyalty. Banks must therefore pay serious attention to employee issues, top management commitment and IT Infrastructure in their practice of CRM since they altogether have direct positive influence on customer loyalty. At the same time, while IT infrastructure is necessary for CRM success, management should not expect IT infrastructure to directly result in increased customer loyalty since

IT has a positive impact the other factors such competence, employee motivation, communication hence its impact on customer loyalty is diffuse.

6.2 Theoretical and Practical Implications for bankers

This study focused mainly on CRM practices and customer loyalty and proceeds to establish the effect of mediating variables on CRM practices and customer loyalty in the banking industry. Amongst the thirty relationship types proposed by Gummerson (1999), this study focused mainly on the relationship between banks and customers, thus business-to-customer relationships. Customer loyalty in the banking industry has become a central issue to both managers and researchers. The reason is that it costs more to attract new customers than retaining old customers (Uncles et al, 2002). The benefits of relationship marketing are enormous, such that it impacts heavily on customer's decision to be loyal, increase repeat purchases, and even lead to customers acting as agents of the service providers (Uncles et al., 2002). The literature pertaining to customer loyalty has also shown that loyal customers increase the overall profitability of service providers (banks) (Reichheld and Sasser, 1990; Reichheld, 1996; Narteh, 2009). In the light of this, this research provides managerial implications for bank managers as well as relationship marketers. The theoretical implication of this research is that the study provides empirical evidence within the Ghanaian context that the six practices of CRM namely: competence, trust, commitment, communication, relational bonds, and conflict handling collectively have positive impact on customer loyalty. This study thus adds value to the literature by empirically linking CRM practices to customer loyalty. It therefore builds on earlier works in the area of relationship marketing and customer loyalty (Ndubisi, 2007;

Ndubisi, 2004; Lee-Kelley et al., 2003; Leverin and Liljander, 2006; Guenzi and Pelloni, 2004) which linked CRM practices to customer loyalty. A critical dimension to this study is the effect of mediating variables on CRM practices and customer loyalty in Ghanaian banking industry.

The findings showed that, if a bank wants to achieve a high rate of customer loyalty, then CRM has to be adopted as a strategy. In other words banks must make continuous efforts to effectively manage their relationships with their customers because the way they build and maintain these relationships determines customer loyalty. Specifically, banks must take the necessary steps to improve upon their competence. In this instance, managers must have a greater understanding of the needs of their customers and envisage a customer's experience as satisfying a need rather than just selling a service. By improving competence levels, managers should take the necessary steps to deploy knowledgeable staff and equip them with the requisite skills in relationship management that will enable them provide accurate and timely services whilst being passionate about service quality. Therefore, intensive technical training programs are required to deliver services that are not only satisfactory but delightful. Training programs that are designed to give employees the skills to do their job must be made a minimum requirement. Continuous training and investment in customer service as well as training are needed to ensure consistency in quality service delivery. Employees in turn must display a desire to provide first class service to its customers to win their confidence. These factors in combination lead to customer loyalty.

Trust as revealed by the findings showed a rather negative relationship with customer loyalty but the relationship is insignificant. This means that respondents do not consider trust as a primary factor in determining customer loyalty. A possible explanation to this is that banks in Ghana are generally trustworthy perhaps due to the sound regulatory framework in the country that ensures that banks adopt sound banking practices in conformity to regulatory standards; hence customers have no reasons to worry about trust. Trust then acts as a 'hygiene' factor which is not readily recognised by customers but its absence could be catastrophic. Therefore while banks seeking to enhance customer loyalty should not focus too much on trust as a primary determinant of customer loyalty in Ghanaian banking industry, they should nonetheless pay heed to issues of trust since a breach of trust can lead to lack of confidence in the bank. Managers must therefore put in place measures that will lead to customers building trust in them. Managers must thus make efforts to keep promises made to customers, protect customers' information, and providing quality service in such a way that they win the customers' confidence. It must emphasised that negative publicity and scandals regarding staff fraud and other unprofessional conduct by banks should be avoided at all cost.

Commitment also proved to be a strong determinant of the strength of relationship marketing and thus a useful construct for measuring customer loyalty. The practical implication to managers is that, managers must place a lot more emphasis on the building and maintaining of valued relationships. By this, banks must be committed to the needs of the customers by making adjustments to suit customer's needs, offering personalized



services to meet customers' personal needs, showing genuine commitment to customer relations, clearly understanding customer needs and flexibly serving them.

Furthermore, if banks want to increase customer loyalty, they must encourage the building of strong relational bonds in the form of social bonds between their employees and customers. Employees must therefore regularly check on their customers, send customers' special gifts on special occasions such as surprise birthday cards and flowers. Not only must banks show concern for customer needs, they must take steps to also involve customers' in their social functions and treat them as real friends, not just customers. If possible, banks should go the extra mile to participate in family events of their customers. For example, with respect to financial bonds, banks must offer more discounts to customers and design special financial packages for their customers to bolster customer loyalty.

6.3 Conclusions and Suggestions for future studies

This research has clearly shown that relationship marketing practices jointly have a significant influence on customer loyalty within the Ghanaian banking industry. This means that, marketers aiming at building and maintaining long term beneficial relationships with their customers hoping to win their loyalty give special attention particularly to competence, commitment and communication.

This study was however limited to only 15 banks within the Greater Accra region of Ghana even though there are about 26 banks (BoG report 2008) with branches all over

the country. The study recommends that future research should include more banks so that the findings could be more generally applicable to the entire banking industry. The study also excluded the rural banks and highly specialised banks such as ARP Apex bank and the bank of Ghana itself. The study again was only limited to the banking industry which is only an aspect of the financial services industry. Future research on the topic could go beyond the banking industry and look at the financial services industry or other sections of it such as the insurance sector. This study assessed the impact of relationship marketing practices on customer loyalty in the banking industry but within the Ghanaian context. Therefore future research could extend this study to cover other African countries in order to explore the extent of relationship marketing practice in their banking industry and how it impacts on customer loyalty due to differences in macro-environmental factors and consumer behaviour.

Overall, this study provides a useful and practical model that can be used by managers to develop CRM strategies aimed at not only satisfying customers but also gaining customer loyalty within the banking industry.

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Webography

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SURVEY QUESTIONNAIRE**Thesis Topic: Customer Relationship Management (CRM) - A study of the Ghanaian Banking Industry**

This questionnaire relates to a research project being conducted on the above topic. The research is aimed at investigating whether the practice of customer relationship management in Ghana's banks necessarily lead to customer loyalty and improved bank performance. The researcher would therefore be grateful if you could provide answers to the questions below. Please be assured that this is purely for academic purposes so your answers will be treated with the strictest confidence.

The bank is primarily concerned with security for transactions	1	2	3	4	5
The bank observes absolute confidentiality in customer's affairs	1	2	3	4	5
The bank employees show respect to customers	1	2	3	4	5
The bank fulfils its obligation to customers	1	2	3	4	5
Customers have absolute confidence in bank's services	1	2	3	4	5
2.Communication					
The bank provides timely and trustworthy information	1	2	3	4	5
The bank provides information when new products are introduced	1	2	3	4	5
The bank provides accurate information always to our customers	1	2	3	4	5
The bank officials are easily approachable	1	2	3	4	5
3.Conflict Handling					
The bank tries to avoid potential conflicts	1	2	3	4	5
The bank tries to solve manifest conflict situations	1	2	3	4	5
The bank openly and promptly discusses solutions when problems arise	1	2	3	4	5
The bank listens well when problems arise	1	2	3	4	5
4. Social and Financial Bonds					
The bank regularly checks on customers	1	2	3	4	5
The bank sends customers gifts on special occasions	1	2	3	4	5
The bank involves customers in their social functions	1	2	3	4	5
The bank gives selected customers concessionary rate	1	2	3	4	5

The bank offers special packages to selected accounts	1	2	3	4	5
The bank treats the customer more as a friend and partner	1	2	3	4	5
The bank participates in client's family's social functions e.g. funerals	1	2	3	4	5
The bank delivers on its promise	1	2	3	4	5
5. Commitment					
The bank regularly makes adjustments to suit customers' needs	1	2	3	4	5
The bank provides personalised services to meet customer needs	1	2	3	4	5
The bank is flexible in serving customer needs	1	2	3	4	5
The bank values its relationship with customers	1	2	3	4	5
6. Competence					
The bank is excellent in service delivery	1	2	3	4	5
The bank staff fully understand the nature of competition in the banking industry	1	2	3	4	5
The bank always makes extra effort to understand customer needs and provides relevant solutions	1	2	3	4	5
The bank's staff possesses excellent relationship management skills	1	2	3	4	5
The bank discusses with customers new ways of improving service	1	2	3	4	5
The bank has very high customer retention rate	1	2	3	4	5
The bank is able to increase its share of customer's business with time	1	2	3	4	5
Customers willingly recommend the bank to others	1	2	3	4	5
Customers patronise new products when introduced	1	2	3	4	5
Customers patronise products of higher grade over time	1	2	3	4	5
The bank customers provide favourable word-of-mouth	1	2	3	4	5
The bank is successful in cross-selling to existing customers	1	2	3	4	5
1. Top Management Commitment					
Top management is keenly involved in building strong customer relationship	1	2	3	4	5
The bank has a senior manager responsible for relationship marketing	1	2	3	4	5
The leaders value and closely supervise the work of relationship staff	1	2	3	4	5
Excellent customer-centric focus is part of our core values	1	2	3	4	5
2. IT Infrastructure					
The bank has excellent IT infrastructure to provide customer solutions	1	2	3	4	5

(i.e. Internet, telephones, ATM's, fax machines, SWIFT etc.)					
The IT system is flexible enough to provide customised solutions	1	2	3	4	5
Customer information can easily be obtained from a central Database	1	2	3	4	5
The bank branches are fully networked	1	2	3	4	5
The bank practices internet banking to facilitate customer interaction	1	2	3	4	5
3. Employee Motivation					
Employee are given the necessary tools/resources to serve customers	1	2	3	4	5
Employees are well trained in relationship management skills	1	2	3	4	5
Employees are given extra incentive for excellent customer service	1	2	3	4	5
Employees are given adequate remuneration for work done	1	2	3	4	5
The number of customers relationship staff serve are not too many	1	2	3	4	5
The bank uses customer-centric criteria as key performance appraisal measures	1	2	3	4	5
The bank penalises staff for poor service to relationship customers	1	2	3	4	5
SECTION II					
Personal Information about respondent (Please tick the most appropriate answer)					
BACKGROUND INFORMATION:					
Gender (1) Male (2) Female					
Age (1) 18-25 (2)26-35 (3)36-45 (4)46-60					
Qualification (1) SSCE (2) HND (3) First Degree (4) Postgraduate (5) Professional (6) Others...					
Years of experience.....					

Contact: 024-7195952

UG | **p** | BS

University of Ghana Business School

01 -12-09

The Head, Human Resource Dept

Dear Sir/Madam

LETTER OF INTRODUCTION

This is to introduce to your bank, **Mr. Peter Anabila**, an MPHIL student at the University of Ghana Business School currently writing his thesis on the topic “**Customer Relationship Management (CRM): A study of the Ghanaian Banking Industry**”.

Your bank has been selected as one of the participants to be considered in the study. We would be very grateful if you could grant him permission to interview the relationship officers and relationship managers.

It must be noted that this exercise is purely for academic purposes and that every effort would be made to safeguard the interest of your bank in the process. Besides, absolute anonymity will be guaranteed since the study will focus on the entire industry.

Please find attached some of the possible questions that will be considered in the study. For further enquiries regarding this letter, you may contact the student directly on 0247195952. Thank you very much for your anticipated co-operation.

Yours faithfully,



Dr. Bedman Narteh (Lecturer and Supervisor)

Department of Marketing

P. O. Box LG 78, Legon, Accra, Ghana

Telephone: 233-24 211 7272 | Facsimile: 233-21-500024 | Email: bnarteh@ug.edu.gh