EMPLOYEES' COMMITMENT AND CUSTOMER RETENTION: A CURSORY LOOK AT DEPOSIT MONEY BANKS IN LAGOS

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Abstract

This study focused on the effect of employees' commitment on customer retention with reference to three deposit money banks (Access Bank Plc., Union Bank Plc. and GT Bank Plc.) in Lagos State. The narrative has shifted from transaction-based model to relationship-based to curtail customer attrition. The objectives were to determine the main influence of commitment, empathy and trust on customer retention. Survey research design was used by the researchers. The population of the study is 19.2m customers of the banks according to www.relbanks.com, (8m-GTB, 7.7m-Union Bank and 3,5m- Access bank). Data were collected via online questionnaire using 6 points Likert scale and sample size of 384 using Krejcie and Morgan sample size table. 38 online respondents of customers of the three banks in Ilaro and Papalanto in Ogun State were drawn from several online platforms which represent about 10% of the sample size for reliability test using Cronbach Alpha model. Data were analyzed using frequency tables while hypotheses were tested using Simple Linear Regression Analysis aided by (SPSS -v23). The findings revealed that all the independent variables are significant with p-values less than zero 5%.level of significance. Conclusively, the researchers asserted that employees' commitment, empathy and trust go a long way in attracting and retaining customers in the banks within the localities under review. The researchers concluded that the management of the banks should lay more emphasis on staff welfare, train them on how to handle irate customers to forestall customer attrition.

Keywords: Banking, Commitment, Customer Empathy, Retention, Trust

Introduction

Globally, the paradigm has shifted from a transaction-based model to a relationship-based one with emphasis on acquisition, development and retention of profitable relationships. Building customer confidence is the foundation of retention and enhancement which invariably presents valued customers with personalized services built on Customers Relationship Management (CRM) (Noel, 2016).

Employees' commitment concerns willingness between partners to forfeit short-term benefits in order to profit from the relationship over the long term (Anderson & Weitz 1992; Soliman 2011). Customer commitment then relates to a 'lasting or enduring intention to build and maintain an ongoing relationship with the firm (Izogo 2017). Usually, customers who are at ease in their relationships with the service firms can be expected to display advocacy behaviour and to promote the firm's interest (Fullerton 2003). Hollensen (2010) argued that in the new marketplace, customers are seen as the reason for the existence of businesses; therefore the need to develop strategies in attempt to retain customers. However, Kotler and Keller (2011) observed that customers are now harder to please, smarter, price conscious, demanding, less forgiving and they are approached by many more with equal or better offers. This led to the majority of banking firms losing customers at an alarming rate (Springer, Kim, Azzarello & Melton 2014).

Customer retention is a key building block of a customer engagement strategy. It focuses on preventing customer attrition or churn, that is, the termination of the contractual or non-contractual relationship between the customer and the company. The new marketing reality requires managers to analyze their customers not only in the latter's role as buyers, but also in their role as business partners. The partnership between the customers and the company is expressed in their contribution to the development of businesses as observers, promoters, participants and cocreators who interact not only with the brand, but also with other consumers and the media. Customer retention has been a significant theme by many scholars since the mid 90's and has remained a major concern to forward looking managers in the last decade (Bergamo, Guiliani & Galli 2011; Kumar, Pozza & Ganesh 2013). Notably, the elimination of efficient banking services in today's world and Nigeria in particular would spell doom to the system. According to Alirez (2011), in order to create loyal consumers and to retain the existing ones, there is need for implementation of a successful system of customer relationship platform in an organization for greater commitment.

The Nigerian banking sector has undergone rapid changes in the last few years arising from reform policies set by government to address the debilitating state of banks, described as weak and fragile because of persistent illiquidity, unprofitable operations, poor asset base, gross insider abuse and poor corporate governance (CBN 2006; Ikeora, Igbodika & Andabai 2016). This adverse development occurred in spite of the existence of two codes of corporate governance which aim at promoting best practices in the private sector (Adekoya 2011). The consequence of the reform that was implemented to address this situation was that banks had to satisfy the requirement of a specified capital base, merge with other banks, be acquired by other healthy banks or face outright liquidation. This exercise placed structural pressure on the banking industry, especially in the area of retail banking in Nigeria. In addition to a general loss of confidence in the banking system by customers, demonstrated by increased activism and switching of banks in search of more reliable options.

The global financial market is becoming very competitive by the day due to technological advancement. In the absence of significant customer relationship management strategies, banks cannot achieve their objectives of broadening customer base. Besides, effective customer relations would reduce the possibility of bank runs which invariably boost confidence in the banking industry and the economy at large (Carsemar 2018)

Nigeria can boast of intelligent and robust workforce. However, the level of the employees' commitment considering their display of empathy and trust may as well vary from institution to institution. Due to inability of the company to extent employee commitment, empathy and handle complaint to customers has led to decrease in the level of satisfaction which will make customer retention difficult. Based on the identified gaps, the current study sought to determine the interplay between employees' commitment as a component of customer relationship management and customer retention in Nigeria banks. This study examines the effect of commitment, empathy trust to ascertain the level of customers' retention in selected money banks in Lagos. The geographical scope would focus on Abule Egba and Ikeja metropolis with reference to three banks: Access Bank, Union and GTBank. The choice of the locations is necessitated to compare and contrast the influence of these variables on semi-urban (Abule Egba) and highbrow Ikeja metropolis.

Literature Review

Customer Relationship management (CRM) strategy is based on customer strategy, customer-interaction strategy, brand strategy and value-creation strategy (Lindgreen, Roger, Joelle & Joost 2016). Well-defined value-creation strategy offers superior value to individual customers and at the same time maximizes profitability from each relationship

Commitment

Commitment results when customer perceives the cost of terminating the relationship to be high, or when the benefits received from the relationship are high. From a service provider's perspective, commitment can be seen as a higher obligation to make a relationship succeed and to make it mutually satisfying and beneficial (Morgan & Hunt 1994). Similarly, Nguyen and Mutun (2012) stated that commitment is the most important variable used in a buyer- seller relationship and an imperative element of ensuring successful, long term relationships

According to Gummesson (2017), if the relationship is important and parties rely on it, commitment is crucial for it to work. He further argues that if the parties continue to pool resources, then they are committed to making the relationship work. Commitment refers to the belief by both parties that the relationship is worth working on to ensure it endures indefinitely (Robert-Lombard, 2011). Tu, Liu and Chang (2015) postulate that committed customers have a more positive impression of their relationship with the company and denote intentions to remain in the relationship.

Empathy

Empathy consists of cognitive empathy, emotional empathy, and somatic empathy (Reichheld & Dawkins 1990). Empathy has several views that covers a range of emotional states, that comprise of caring for other people and having a desire to help them; experiencing emotions that match another person's emotions; discerning what another person is feeling and making less distinct the differences between the self and the other. Past experiences have an influence on the decision making by customer through empathy show-case to them. And with this, it leads to satisfaction with the service provider which automatically would lead to retention of such customer (Onobrakpeya 2018).

The relationship between empathy and customer retention goes a long way in the banking sectors. In the banking sector, the customer's feelings are considered by the organization or employees of the organization which will make the customers to be satisfied with the services rendered which can leads to repeats purchase or being an advocate of the bank. (Akintunde & Akaigbe 2016).

Empathy as an important determinant of customer retention that suggest employees commitment to deliver service, skillfully handling of service which will make them to be satisfied with whatever services rendered and feeling with them in term of their desires or needs which leads to satisfaction and retention of customer (Chen & Xie 2007).

Empathy has several views that covers a range of emotional states, that comprise of caring for other people and having a desire to help them; experiencing emotions that match another person's emotions; discerning what another person is feeling(Pynenborg, Spikman, Jeronimus & Aleman 2012) and making less distinct the differences between the self and the other (Hodges & Klien 2001). Past experiences have an influence on the decision making by customer through empathy show-case to them. And with this lead to satisfied with the service provider which automatically led to retenion of such customer (Onobrakpeya, 2018).

Trust

Trust has been identified in a number of studies as an imperative in developing relationships with customers (Robert –Lombard 2011). They also identified that most conceptualization of trust involves the belief that one relationship partner will act in the best interest of the other partner. Buttle (2009) associates trust with partner's consistency, honesty, fairness, responsibility, helpfulness and benevolence. Based on this definition, Buttle (2009) however, defines trust as one party believing that the other party will act in his best interest, that the other party is credible and that the other party has the necessary experience. Wong and Sohal (2002) further explain the role of trust in relationship by arguing that trust indicates the extent to which each party in a relationship can consider the other persons promise.

Customer Retention

Ramakrishnan (2017) defined customer retention as the marketing objective of preventing Customers front going to the competitors. Customer retention is the way in which firms concentrate their efforts on existing customers with the aim to continually do business with them (Mostert & Nkemkiafu 2015). Customer retention is a key component in determining the success of firms today. It is therefore crucial that firms maintain customers in order to prevent them switching to competitors. In fact customer retention is seen as a mirror image of customer defection.

White and Yanamandram (2007) concluded that commitment has a role in determining customer retention. Commitment was found to mediate five major factors reduces customer switching behavior which was switching cost, service recovery interpersonal relationship, attractively alternatives and inertia. The relationship between empathy and customer retention goes a long way in the banking sectors. In the banking sector, the customer's feelings are considered by the organization or employees of the organization which will make the customers to be satisfied with the services rendered which can leads to repeats purchase or advertising with the use of mouth to others (Akintunde & Akaigbe, 2016). Ndubisi (2007) argues that trust is an underpinning of relationship marketing and has a positive influence on customer loyalty leading to customer retention. Customer retention is exhibited by set behaviors that indicate a desire to maintain the relationship with the organization which include repeat patronage, engaging in positive word of mouth and recommending service providers to others.

Theoretical and Empirical Framework

Commitment-Trust Theory

This theory was developed by Stan Mack. The commitment-trust theory of relationship says that two fundamental factors, trust and commitment must exist for a relationship to be successful. Relationship management involves forming bonds with customers by meeting their need honoring commitment rather than chasing short term profits, business following the principle of relationship management forges long-lasting bonds with their customers. As a result, customers trust these businesses, and the mutual loyalty helps both parties fulfill their needs.

Crosby's Theory (Quality Conformity)

Crosby theory, in Ngambi (2015) stated that quality is conformance to requirement measured by the cost of non-conformance. The author proposes four "absolutes" and fourteen steps for quality improvement process. The four *absolutes* include Quality (adherence to requirement), Prevention (best way to ensure quality), Zero Defects (No mistakes allowed) and Quality (Price of non-conformance). While for continuous quality improvement, fourteen steps must be followed: *Management Commitment:* Management standing on quality, *Quality improvement teams*: Running quality improvement process, *Measurement*: Displaying both current and potential non-conformance problems in a way that allows objectives, *Cost of quality*: Stating clearly the cost of quality and its uses as a management tool, *Quality awareness*: By raising personal concern to all employees, *Corrective action*: Putting in place a systematic method for resolving problems identified previously, *Zero defects*:

Gardner (2004) supported the theory noting that organization that formally launch a zero defect day, *Employee education*: Training all employees towards playing their role of quality improvement process, *Planning zero defect day*: Planning and creating an event of personal experience, *Goal setting*: Encouraging employees on goal setting and strife toward achievement, *Error-cause removal*: Communicating difficult situation to management, *Recognition*:

This theory is well connected to employees' commitment as it is applicable to commitment, trust and empathy as a tool used for modern day banking and the competence and patience of the employees to satisfy the yearnings of savvy customers.

The effect of customer relationship management has attracted much attention in literature. For instance, Onobrakpeya (2018) concluded in his research work that interpersonal communication skills can take existing customers away from firms or helps them to attract new customers. This effective interpersonal communication and commitment can be a good strategy to build up customer retention in the banking sector and also recommended that effort should be made by banks to enhance the relational empathy of their employees in order for them to attend to customers in an efficient and effective way. The study made use of a sample size of 207 employees from some selected banks in Warri Metropolis in Delta State, Nigeria. Cross-Sectional survey research design method was used for the study and stratified random sampling technique was adopted.

Akintunde and Akaighe (2016) examined customer relationship management and customer retention in Nigeria Banking Industry. This study examine five banks which are Access bank plc, G.T banks plc, FBN plc, UBA plc and Zenith bank plc as representative in banking industry. A sample size of 500 bank marketers was selected for the study. The selection was done through stratified random sampling technique. The result establishes positive significant relationship between customer relationship management and customer retention.

Methodology

For the purpose of this study, survey research design was used owing to the fact that the study attempts to identify or clarify the relationship between the effects of employees' commitment on customer retention. The population is the entire customers of the selected banks in Lagos. The researchers concentrated ob (Union Bank, GTBank and Access Bank within Ebule Egba and Ikeja metropolis). These banks were selected across board to arrive at a fair analysis by looking at first generation (Union Bank), second and third generation GTBank and Access Bank respectively. The choice of these locations is necessitated by the high density and metropolitan nature of both locations owing to the volume of transactions as a result to its proximity to the State's seat of power. According to www.relbanks.com, there are about 8million customers of Guaranty Trust Bank, 7.7million customers for Union Bank and 3.5million customers for Access bank. Therefore, the entire 19.2million customers constitute the population of this study. The sample size from a given populations developed by Krejcie and Morgan was adopted. With a study population of 19.2 million customers, considering the table our sample size is derived from the table to be 384 customers. Simple random technique was adopted based on an online first come first served basis. The questionnaire would be administered in real time and online to ensure adequate coverage. A (6) points Likert Scale- Strongly Disagree (SD), Disagree (D), Partially Disagree (PD), Partially Agree (PA), Agree (A) and Strongly Agree. (SA) were used. The adoption of this scale was necessitated to ensure more accurate and precise responses in order to avoid respondents' biases. 38 online respondents of customers of the three banks in Ilaro and Papalanto in Ogun State drawn from several online platforms were taken and analyzed. This represents about 10% of the sample size to ascertain the reliability and validity of the research instrument as shown in the Cronbach Alpha Value table on the reliability of instrument column.

Table 1: Reliability Test Table

Variable	Cronbach's value
Commitment	0.912
Empathy	0.885
Trust	0.832
Customer Retention	0.758

The result of the analysis shows that the Cronbach's Alpha value for Commitment is 0.912, 0.885 for Empathy, 0.832 for trust and 0.758 for customer retention. These values are high and it can be concluded that the questionnaire is reliable and can be used for the research work. Simple Linear Regression Analysis method would be used to analyze each variable with the aid of Statistical Package for Social Sciences (SPSS -23 edition).

Discussion of Findings

Table 2: Model Summary Table

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.990[a]	.981	.981	.788

Source: Researcher's Field Survey, 2020

The result of the analysis as presented in table 2 (model summary table) shows that there exists strong positive relationship between the joint effects of the independent variables (Commitment, Empathy and Trust) and the dependent variable (Customer Retention) with correlation coefficient of 0.990 and coefficient of determination of

0.981 which indicates that about 98.1% variation in customer retention could be attributed to joint effect of the independent variables. The adjusted R-square is 0.981 and the standard error of the estimate is 0.788.

Table 3: ANOVA Table

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12102.347	3	4034.116	6493.192	.000[b]
	Residual	236.088	380	.621		
	Total	12338.435	383			

Source: Researcher's Field Survey, 2020

Moreover, the result in the ANOVA table shows the sum of squares regression of 12102.347 and sum of square residual of 236.088 with respective mean squares of 4034.116 and 0.621. The F-value is 6498.192 and the p-value is 0.000. The p-value is less than 5% significance value which is an indication that the model is adequate and sufficient in relating the dependent variable and the independent variables under consideration.

Table 4: Coefficient table

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.573	.489		1.171	.242
	Commitment	1.076	.126	.137	8.507	.000
	Empathy	2.125	.057	.618	37.303	.000
	Trust	3.866	.105	.537	36.759	.000

Source: Researcher's Field Survey, 2020

However, on the contribution of each of the independent variables as presented in table 4, the result shows that in the absence of commitment, empathy and trust the customer retention stands at 57.3% and it is not significant with the p-value (0.242) > 0.05.

In addition, keeping other independent variables constant, every unit increase in commitment will results in about 7.6% unit increase in customer retention with regression coefficient of 1.076. The p-value for commitment stands at 0.000 < 0.05 significance level. Moreover, every unit increase in empathy will result in about 12.5% unit increase in customer retention keeping other independent variables constant. The regression coefficient stands at 2.125 with p-value (0.000) less than significance value of 0.05. More so, keeping other independent variables constant, a unit increase in trust will result in about 86.6% unit increase in customer retention. The regression coefficient is 3.866 with p-value of 0.000. Lastly, the result of the analysis shows that all the independent variables (commitment, empathy and trust) are significant with p-values less than the significance level of 5%. However, Trust is having more effect on customer retention, followed by empathy and commitment is having least effect on customer retention.

Conclusion

Results of the three hypotheses showed that the variables are significant with trust having the highest effect. Therefore, the alternative hypotheses are accepted and we then conclude that commitment empathy and trust have significant effect on Customer Retention. It is noteworthy from the results to assert that employees' commitment, empathy and trust go a long way in attracting and retaining customers in the banks within the localities under review.

Recommendations

The researchers therefore, recommended as follows:
Since the study has proven that commitment has the least significant level, the management of the banks under review should lay more emphasis on staff welfare and constant training to boost staff commitment. Employees of these banks should as well make themselves available particularly in handling of irate customers. The banks should consolidate on background checks of their employees as the customers agree wholeheartedly that they are trustworthy with over 86% confidence level without much consideration to location.

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