DEPARTMENT OF DISTANCE LEARNING

UNIVERSITY OF CAPE COAST

ANALYZING CUSTOMER RETENTION STRATEGIES AT OPPORTUNITY INTERNATIONAL SAVINGS AND LOANS LIMITED

BY

ANASTASIA SEREBOUR

SB/DMK/13/0013

FEBRUARY, 2016

DECLARATION

I hereby declare that, this thesis is my own work towards the degree of Master of Business Administration (Marketing-Option), and to the best of my knowledge, it contains no materials previously published by another person nor material which has been accepted for the award of any degree of the University or any other institution, except where due acknowledgement has been made in the text.

ANASTASIA SEREBOUR (SB/DMK/13/0013)	....	....
(Student Name & Index Number)	Signature	Date

Certified by:

DR. JOSEPH YENSU	....	....
(Supervisor)	Signature	Date

Certified by:

MR. DANIEL AGYAPONG	....	....
(Head, Department of Business Studies, Code)	Signature	Date

DEDICATION

This study is dedicated to my loving husband Owusu Acheampong for his support and encouragement towards the success of my course.

ACKNOWLEDGEMENT

I would like to give thanks and praise to the Almighty God for His guidance and protection throughout my life and education.

I wish to express my appreciation to Joseph Yensu (Dr.), my supervisor who took time to read and make the necessary criticisms, suggestions and corrections in the course of writing this thesis.

ABSTRACT

In recent years, customer retention has gained attention among savings and loans service providers. With the increasing competitive environment, firms are continually looking for innovative ways not only to attract customers but to retain existing ones. The main objective of the study is to analyze customer retention strategies at Opportunity International Savings and Loans Limited (OISL). The study revealed that, customer retention strategies used at OISL were consistent with literature reviewed on the subject. The study also showed that not all customers who switched to competitors informed management before leaving. Pricing, attraction by competitors, involuntary switching were the main factors mentioned as causes of switching at OISL. Respondents also complained of bureaucratic and cumbersome procedures in credit delivery system. Reduction in savings/deposits and hence, profit and dissemination of wrong information to the public by defectors came out as the effects of customer switch on the operations of OISL. It can be concluded that, customers remain the primary focus of every business because without them there will be no reason for operation. The fact still remains that, it is more economical to keep customers than to attract new ones. Therefore, it was recommended that, OISL should improve upon its retention strategies to track defections by customers, understand their preferences and thereby making them more delighted instead of satisfied and improve credit delivery system.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

CHAPTER ONE

INTRODUCTION

Background to the Study

Losing customers to another competitor tends to worry business executives financial institutions. Understanding the reasons why customers switch from one financial institution to another help these executives to plan their customer retention and customer acquisition strategies. The financial service industry is highly competitive, with banks not only competing with each other, but also with non-banking and other financial institutions.

According to Armstrong and Kotler (2008), it is important for firms to implement the right marketing strategies in order to succeed. Traditionally, firms have focused their marketing strategies around attracting new customers and increasing their market share.

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

In order to retain customers in industries characterized by high competition, firms need to meet each individual customer's needs and expectations. Gumesson (2002) argues that it is the value of the customers' experiences with the product/service that is important, therefore, customers' needs are important to consider when developing products and services.

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

Reichheld and Kenny (1990) argue it is more economical to keep customers than to attractnew ones. The costs of attracting customers to ‘’replace’’ those who have been lost are high. This is because the expense on attracting customers is incurred only in the early stages of the commercial relationship. In addition, current or existing customers buy more and, if satisfied, may generate positive word-of-mouth promotion for the company. Additionally, such customers also take less of the company’s time and are less sensitive to price changes.

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

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

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

The academic literature available today recognizes the existence of a shift in firms' orientation to their customers, from a transactional to a more relational approach (Erikson &Vaghult, 2000). Morgan and Hunt (1994), argue that this change has led to an increase in studies focusing on the factors and mechanism determining the establishment, development and maintenance of successful relational exchanges.

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

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

At present four (4) of the savings and loans companies, (Pacific Savings and Loans Co. Ltd., Union Savings and Loans Ltd., Multicredit Savings and Loans Ltd., and First Allied Savings and Loans Limited) have their head offices in Kumasi.

The purpose of this research is to evaluate customer retention strategies at Opportunity International Savings and Loans Ltd in Kumasi and suggest ways of improving them.

Statement of the Problem

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

Customers are becoming ever more demanding, especially in savings and loans industries where they have more options to choose from than ever before. In some cases, customers make their decision to terminate the relationship and officially communicate their intent to their company. In others, there is never a formal declaration of termination. Instead, the customers slip away, either by buying less and less over time or by terminating the relationship all at once. It has been suggested in literature cited in the "Background to the Study" (see p.3) that the costs of customer retention activities are less than the costs of acquiring new customer. Since replacing costs are high, customer defection (switch) should be a key performance gauge for senior management and a fundamental component of incentive programmes (Zeithaml, 1996). Customer defection again merits attention because of its association with profits. Reductions in defection are claimed to be cheaper to implement than corresponding increases in recruitment, and it is argued that customers who remain loyal for long periods are more likely to recruit other customers (Reichheld, 1996).

Opportunity International Savings and Loans Limited is faced with intense competition from many other competitors in Kumasi such as First Allied Savings and Loans Ltd., ProCredit Savings and Loans Ltd., etc. The intense competition and similarity of products and services in the industry make it easy for customer of OISL to switch to these competitors. Consequently, OISL is intensifying its service delivery and marketing strategies as a defensive way to counter the impact of heightening competition levels in the savings and loans industry.

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

As far as the author of the present research work is concerned, no previous researcher has researched into the retention strategies used by companies to retain the kind of clients that OISL serve thus: i.e., the economically active and poor. This gap in literature availability has informed the present researcher's investigation into the area.

Research Objectives

The main objective of this research is to analyze the customer retention strategies at OISL.

The specific objectives of the study are:

1. To examine the customer retention strategies used at Opportunity International Savings and Loans Ltd (OISL).
2. To analyze the effects of customer switch on OISL performance.
3. To examine the factors that influence customer retention at OISL.

Research Questions

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

1. What are the customer retention strategies used at OISL?
2. Why do customers switch from OISL?
3. How does customer switch affect OISL?
4. What are the ways of improving customer retention at OISL?
5. To what extent would improved customer retention strategies influence customer retention rate at OISL?

Significance of the study

1. The study will serve as a guide for Savings and Loans Companies to map out strategies that will help prevent the problem of customer switch and thus survive the ever increasing competitive business environment in Ghana.
2. Additionally, it will provide an evaluation of customer retention strategies at OISL to ensure effective retention of existing and potential customers in today's fiercely competitive environment.
3. The study will again add to the already existing knowledge on customer retention for future researches; it will be a source of materials for lectures, students and researchers who wish to gain insight into customer retention strategies in the institutions.
4. The study will also help the researcher to appreciate and understand customer retention strategies available for firms to retain their customers
5. Finally, the findings will offer opportunity for OISL to develop barriers for preventing customers from switching to competitors.

Delimitations of the Study

The study focuses on savings and loans companies in the Ashanti Region. Since all savings and loans companies provide almost the same services, OISL, which is currently performing well in the Ashanti Region, is selected for the study. OISL currently has five (5) branches in Kumasi, namely, Asafo, Suame, Kejetia, Offinso and Abuakwa. Sample of clients and management members from these branches can be a good representation of OISL's thirty-six (36) branches in Ghana.

Limitations of the Study

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

The researcher has therefore made the best possible use of whatever information that was given her through her assurances to her respondents that they would be kept seriously as important secrets which would only be used for academic purposes with utmost caution. The assurance made respondents gain a little more interest in participating in the research work, although highly classified institutional information were not given for fear of revealing trade secrets.

Another limitation has to do with the research not covering all the branches in OISL in Ghana involving thirty two branches and four Community Banking Centres. However, the researcher considering the cost and time required to reach all the branches is constrained to concentrate on only branches in Kumasi. It is however hoped that the results from this research would serve as an index to what pertains in other OISL branches, to compensate for the author's inability to cover all the branches. This would serve as a fertile ground for future researchers on OISL who may use this work as a point of reference.

Organisation of the Study

The study is organised into five (5) chapters as follows: Chapter one covers the background of the study, statement of the problem, objectives of the study, research questions, research methods, significance of the study, delimitations or scope of the study and limitations of the study. Chapter two reviews available literature on the financial industry in Ghana and the relevant views of authors relating to issues on customer switch and retention in the financial institutions. Chapter three covers methodology used in the collection of the data and the organizational profile of Opportunity International Savings and Loans Ltd., whilst chapter four focuses on presentation of research findings of data. Chapter five, which is the final chapter covers summary of research findings, recommendations and conclusion of the study.

CHAPTER 2

LITERATURE REVIEW

Introduction

The purpose of this research is to evaluate customer retention strategies at Opportunity International Savings and Loans Limited in Kumasi and suggest ways of improving them. This chapter gives an overview of the financial industry in Ghana and also reviews literature on customer switch and retention strategies. Key issues to be discussed will be under the following main headings: Theoretical Review, Empirical Review and Conceptual Framework.

Theoretical Review

Customer relationship is an area which has gained increased interest in recent years (Morgan &Hunt, 1994; Grontoos, 1996). According to Reichheld (1996), this has led to the studies focusing on matrics such as customer retention rates and customer share in customer relationship management also known as CRM. Further, the ways through which firms retain their customers are highly dependent on the goals, philosophies and the context of each firm and once the firm knows who their customers are, they tend to use specific tactics to accomplish the goal of retaining the customers (Zeithalm&Bitner, 1996).

Customer Retention Theory

According to Charles Colby, December 9, 2013, a common paradigm that has emerged from the TQM movement is that the ultimate path to retaining customers is to satisfy their needs.

The theory holds that by identifying what customers expect, and then meeting these expectations, customers will be far less likely to seek the services of competitors.

Customers can be classified by where they fall on each of the two characteristics:

- **"Safe"** customers are considered as such because they are not only satisfied, but also they tend not to change services even when their satisfaction drops.

- **"High risk"** customers are both unhappy and more likely than other customers to move on; management might consider writing off this segment, since even if they could be satisfied, they would still be prone to leaving.

- **"Unhappy but static"** Customers are those on whom attention needs to be focused. Every company has customers like these. Whether it is due to laziness or fear of inertia that causes them not to leave, these people are likely to remain customers despite their lower satisfaction. Companies should still seek to resolve these customers' problems. Even though their odds of leaving are less, they may still change brands, and a satisfied relationship will move them into the "safe zone".

- **"Happy but mobile"** customers are satisfied, but are in danger of switching brands, perhaps because they like to shop for new deals or are receptive to marketing pressure. They need to be monitored more closely for switching cues. Companies should also structure pricing and programs to make sticking around economically rewarding.

Customer retention depends on much more than a process of continually improving satisfaction. It also requires dealing with attrition as an environmental circumstance that occurs even when the best service is in place.

Value Creating Process

In order to better understand the strategies used to retain customers in professional service sectors, the process involved in the value creation of such services will be reviewed as follows:

- **The ability of the firm to sell a credible promise** – First of all, in professional services, credibility is essential as it is difficult for customers to evaluate the services. The credibility of the promise made by the firm is affected by the firm's reputation, its ability to present documented success from previous projects, as the negotiation of the contract takes place alongside the evaluated efforts employed to develop appropriate levels of expectations of in client firm. Service providers need to only make promises which they can keep (Lowendahl, 1997).

- **The set of activities requires delivering the promise** – Secondly, the set of activities required to deliver the promises is viewed, (and this involves both the client and the professionals assigned to the project). Here, the professional service firm looks at both the actual quality of what is delivered, the perceptions of the quality by all relevant client firms' representatives as well as the efficiency of the delivery.

- **The learning from the project** – In the third process, learning from the project and institutionalizing this learning to the extent that it can be used for both improved service quality and improved efficiency with future clients is viewed. Lowendahl (1997) argues that this process is commonly neglected by professional service firms.

The author views these three processes as existing in all service sectors, however, the complexity of the processes increases substantially in professional service firms mainly due to the fact that such services are highly customized, require deep interaction with the client and also because of the asymmetric information involved, the credibility of the promises are extremely difficult for the client to evaluate. Furthermore, such services require substantial dependence on the individual and non-interchangeable professionals in all three processes (Lowendahl, 1997).

Conversion Model

Richards (1996) provided a conversion model based on the fact that it is not enough to satisfy a customer as satisfaction alone does not predict customer behavior. Richards (1996) further argues that satisfied customers could leave, dissatisfied customers could remain and therefore, rather than discussing customer satisfaction, firms should discuss customer commitment. Payne (2006) also agrees that customer satisfaction helps to make customers committed, however, the building of committed customers involves more than merely satisfying them.

In building his model, Richards (1996) identified three factors as drivers of commitment. These are level of involvement, attraction of alternatives and the extent of ambivalence.

The level of involvement in the brand and category is one of the factors identified to drive commitment. According to Richards, the more people are involved in a given choice, the more carefully they will choose and once they have made their choices they often stick to it. Hence, if the customer is dissatisfied but involved, his primary strategy will be to try and repair the relationship rather than seeking other alternatives. On the other hand, if the customers are both dissatisfied and uninvolved, they would not even care about fixing the relationship but rather they would simply switch to other providers.

Relationship Commitment Model

Sharman and Patterson (2000) provide a model showing the determinants of relationship commitment. The model consists of three factors, namely communication effectiveness, technical quality and functional quality, all affected by trust in the relationship which in turns affect relationship commitment. According to Crosby, Evans, and Cowles (1990), the greater the trust, reliance on or confidence in the process or person, the greater the level of trust, and the stronger the relationship commitment. Sharman and Patterson (2000) also defined trust as the belief that the services provider can be relied on to behave in such a way that the long-term interests of the buyer will be served. According to Sharma and Patterson (2000), service quality is divided into two main components, namely technical quality and functional quality. Technical quality is related to the actual outcomes or the core service as perceived by the client. Jansan and Letmark (2005) posit that the competency of the professionals in achieving the best return on investment for their client at acceptable levels of risks is viewed and technical quality is relevant to the promised service. Sharman and Patterson (2000) further argued that, functional quality is concerned with 'what' is delivered and 'how' the service is delivered. It is concerned with the interaction between the service provider and service receiver, and is assessed in a highly subjective manner. According to them, trust had a great impact on how quality is delivered, both in terms of functional and technical quality. The grater the quality perceived, the stronger is the relationship commitment.

Morgan and Hunt (1994) also argue that trust has a positive relation with the extent through which the firms share similar values. This was supported by Ganesan's (1994) studies which showed that a trust booster for firms was customers' satisfaction with past exchanges with the firms.

Empirical Review

Customer retention is increasingly being seen as an important managerial issue, especially in the context of saturated market or lower growth of the number of new customers. It has also been acknowledged as a key objective of relationship marketing, primarily because of its potential in delivering superior relationship economics, i.e. it costs less to retain than to acquire new customers. This paper reports an investigation, through case studies, that is concerned with testing whether or not a theoretical position relating to strategies for retaining customers reflects practices in four firms. The assumption is that generalized theories, which imply universal applicability, tend to overlook the distinctive impact of contextualized business conditions on effective customer retention strategies. The paper recommends that both theoreticians and managers should consider "business context" in developing and implementing customer retention strategies (R Ahmad, F Buttle - Marketing Intelligence & Planning, 2002).

Customer Retention

Customer retention is the act of keeping customers resulting from service quality and customer satisfaction (Ross 1995). Many studies have been conducted to identify the benefits that customer retention delivers to an organization (Reichheld&Sasser, 1990; Colgate, 1996;

Storbacka, 1994; O'Malley, 1998). The bulk of this research has concentrated on the justification and the financial benefits derived from retaining customers.

Customers may be five times as costly as keeping existing customers. This figure is supported in a number of research articles (Colgate, 1996; Storbacka, 1994).

Causes of Customer Switch

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

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

- **Pricing**: this category subdivides into high price, price increases, unfair pricing practices and deceptive pricing practices.
- **Inconvenience**: this category subdivides into location, opening hours and waiting time long either for an appointment or for delivery.
- **Core Service Failures**: this category subdivides into mistakes, billing errors and service catastrophes.
- **Service Encounters Failures**: this category subdivides into uncaring, impolite, unresponsive or unknowledgeable staff.
- **Employee Responses to Service Failures**: this category subdivides into reluctant responses, a failure to respond or patently negative responses.

- **Attraction by Competitors**: this category subdivides into consumers whose responses focused on the pluses of the service provider they switched to as opposed to the negatives relating to the service provider they switched from.
- **Ethical Problems**: this category subdivides into dishonest behavior, intimidating behavior.
- Unsafe or unhealthy practices or conflicts of interest.
- **Involuntary Switching and Seldom-Mentioned Incidents**: this category subdivides into switching because the service provider or customer had shifted location or the service provider had changed alliance.

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

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

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

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

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

Switching Process

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

The primary research findings on the process of customer exist from bank relationships. This model of customer exist process has been generated from the findings of the qualitative research with ex-customers and is the first time such a model has been developed.

(Stewart, 1998) argues that the exit process is precipitated by customer experiencing a problem; the customer usually engages in efforts to have it resolved and experiences emotions. Customer evaluation of the problem takes place, with the relationship with the bank forming the context of the evaluation and that is being evaluated. Customer expectations and awareness of available alternatives influence the evaluation. In turn, evaluation considers the problem(s), its handling and the relationship. Exit is invoked and, possibly, post-exit evaluation.

Effects of Customer Switch on Organisation

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

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

Losing customers according to Keaveney (19950 have a negative effect on a firm's market share and profit. Reichheld and Sassar (1990) argue that when a customer switches service providers, the potential for additional profits are lost, the initial investment costs are wasted (Colgate, 1996) and the firm faces the additional costs of acquiring a replacement customer (Fornell &Wernefelt, 1987).

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

Factors Affecting Customer Retention

Customer Satisfaction

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

Although customer satisfaction is thought to be an important issue, Reichheld (1993) estimated that between 65 percent and 85 percent of customers that defect in fact said that they were satisfied. Banwari and Walfried (1998) suggest that unsatisfied customers may choose not to defect, because they do not expect to receive better service elsewhere.

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

Service Quality

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

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

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

The model identifies five gaps that cause unsuccessful delivery as shown below;

1. Gap between expectation and management perception

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

2. Gap between management perception and service-quality specification

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

3. Gap between service-quality specification and service delivery.

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

4. Gap between service delivery and external communications

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

5. Gap between perceived service and expected service

6. This gap occurs when the consumer misperceives the service quality. The physician may keep visiting the patient to show care, but the patient may interpret this as an indication that something really is wrong.

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

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

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

Customer Trust

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

Gounaris (2003) argues that trust is a vital element in any type of relationship. The more a customer trusts a supplier, the higher is the perceived value of the relationship and consequently, the greater the chances that the customer remains in the relationship.

Furthermore, trust is an important factor in the perceived quality of service, especially in business to business services. Trust is developed successively as a result of gradual dependence on the relationship resulting from mutual adaptation to the other party's needs (Gounaris, 2003).

Switching Barriers

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

These are explained below;

- **Relationship investment**

Relationship management has received attention from both academics and practitioners due to the potential benefits for both firms and customers (Colgate & Danaher, 2000). Gwinner (1998) argue that customers will commit themselves to establishing, developing and maintaining relationships with the service provider that provides superior valued benefits. They discovered that customers received many benefits from developing relationships that these benefits could be classified into confidence social and special treatment benefits. They found that even if a customer perceives to be the core service attributes as being less than optimal, they may remain in the relationship if they are receiving important relational benefits.

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

- **Switching cost**

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

- **Availability and attractiveness of alternative**

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

- **Service recovery**

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

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

- **Formation of strong customer bonds**

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

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

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

- **Monitoring customer relationships**

Zeithslm and Bitner (1996) state that monitoring and evaluating relationships is one of the basic strategies employed by firms to retain customers over time. They identified two basic ways of monitoring customer relationships in an organization: 'customer database' and 'relationship surveys'. Customer database is an organized collection of comprehensive information about individual customers or prospects that is current, accessible and actionable for such marketing purposes as lead generation, lead qualification, and sale of product or service and maintenance of customer relationships (Kotler& Keller 2009). Zeithalm and Bitner (1996) argue that a well-established customer data base is a foundation to creating effective customer retention strategies.

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

- **Loyalty programs and customer clubs**

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

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

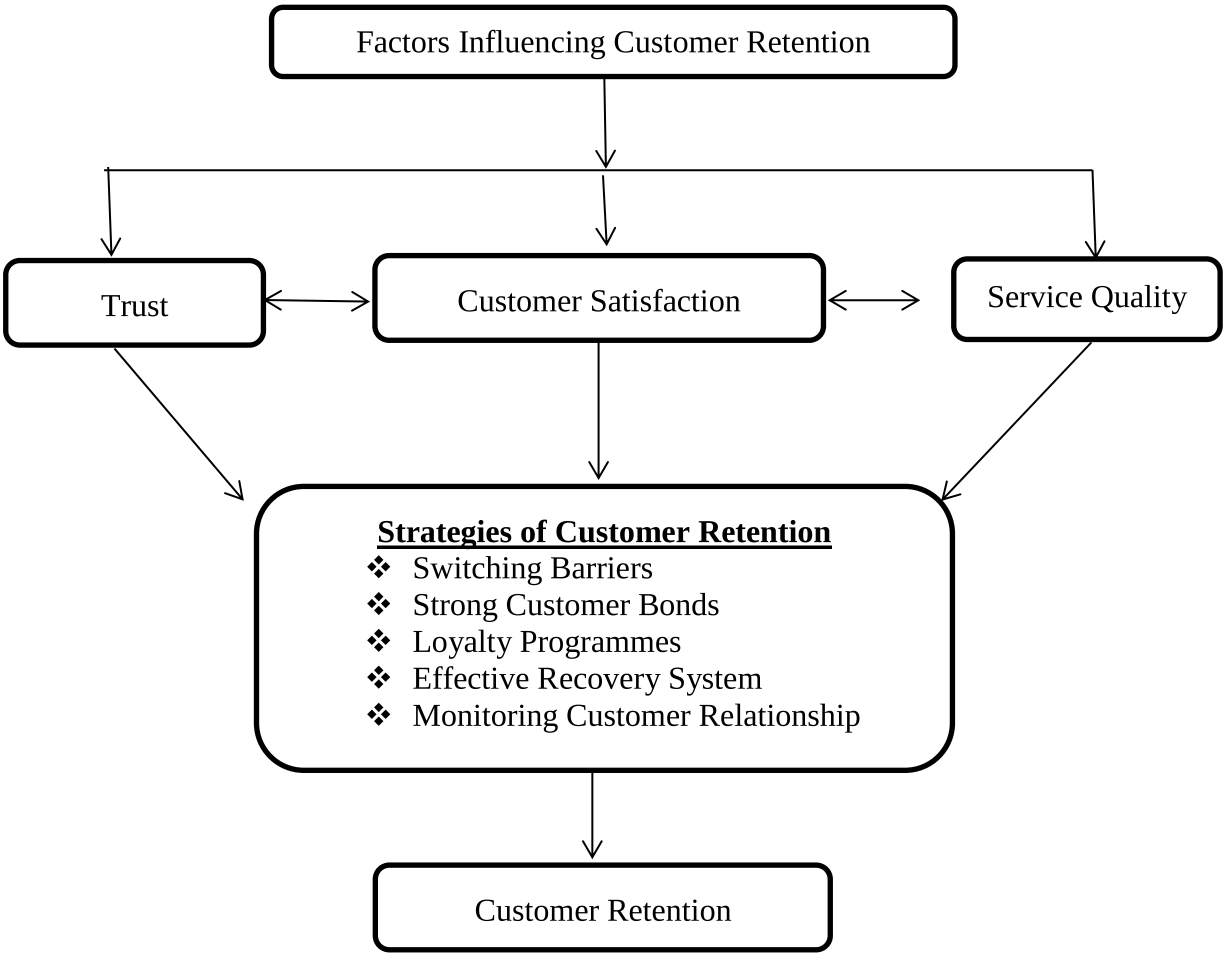
- **Effective recovery systems**

Zeithalm and Bitner (1996) argue that even though firms need to 'do it right the first time' as it is what customers prefer, it is still quite inevitable for failures and mistakes to occur. It is when mistakes and failures occur that customers usually have a good reason to switch providers and also to tell others not to use the service. Therefore, effective recovery becomes essential in maintaining the relationship. They argue that if firms fail in recovery, it will deceive the customer twice and therefore, some of the factors that are vital in creating an effective delivery are to: track and anticipate recovery opportunities, take care of customer problems on the front lines, solve problems quickly, empower the front line to solve problems and learn from recovery experience.

Based on all the literature cited above, none of the researchers has researched into the retention strategies used by Savings and Loans Company to retain the kind of clients OISL serve thus; the economically active poor. As such, this research work provides additional insight into some of the retention strategies used by OISL.

CONCEPTUAL FRAMEWORK

Figure 3: Conceptual Framework



Source: Author, 2015

The conceptual framework provides a general representation of the relationship between the dependent variable with customer retention and the independent variables such as the following:

Trust, Customer Satisfaction and Service Quality and the Strategies used to retain the customers.

From the framework above, the factors that influence customer retention are: Trust, Customer Satisfaction and Service Quality.

Trust: Researchers have established that trust is essential for building and maintaining long-term relationships and it is conceptualized as existing when one party has confidence in the other party's reliability and integrity. Due to costs related to the termination of relationship, once trust has been built, the probability of each party ending the relationship decreases. The more a customer trusts a supplier, the higher is the perceived value of the relationship and consequently, the greater the chances that the customer remains in the relationship. Furthermore, trust is an important factor in the perceived quality of service, especially in business to business services. Trust is developed successively as a result of gradual dependence on the relationship resulting from mutual adaptation to the other party's needs (Gounaris, 2003).

Customer Satisfaction: Ability of companies to meet customers' needs well and satisfactorily to a large extent influences the level of customer retention. Satisfied customers are likely not to switch than the dissatisfied customers. Satisfied customers are comfortable and are a source of referrals to companies.

Service Quality: The quality of services offered by companies also can influence the level of customer retention. Service quality which comprises of product efficiency, operational efficiency and technological efficiency determine whether customers will switch or not. If companies offer high quality service then, they can retain more clients and vice versa.

Again, switching barriers, strong customer bonds, loyalty programmes, effective recovery system and monitoring customer relationship are some of the strategies of retaining customers. These are explained further as follows:

Switching Barriers: When customers find it difficult to switch, it increases their retention rate.

Strong Customer Bonds: Strong bonds of relationship between the companies and their customers can ensure high retention rate.

Loyalty programmes: serve as motivation and rewarding programmes to customers for having a long term relationship with companies.

Effective Recovery System: this strategy ensures that, companies are able to recover arrears in debt from customers and also maintain good relationship with the customers. Using such effective recovery system can ensure customers are loyal to the companies.

Monitoring Customer Relationship: Effective monitoring of the relationship that exist between customers and their companies can help to detect problems arising before they get out of hand. All the above strategies and more are used to retain customers.

CHAPTER THREE

RESEARCH METHODOLOGY

Introduction

The study is focused on evaluating the retention strategies used in OISL. Therefore, to obtain the necessary data for the analysis, the researcher uses both primary and secondary sources of data. This chapter therefore focuses on the description of the methods and procedures employed in obtaining the required data, how data will be analyzed and interpreted. It focuses as well on the research design, the population, and the sample population, sample and sampling procedure, data and data collection, research instrument and method of data processing.

Research Design

To achieve the proposed research objectives, a qualitative approach of study is adopted. Hence, to analyses the retention strategies used in OSIL, several considerations were made in the choice and selection of the data for the study. For instance, some management staff and customers are interviewed so that, data on their attitude, believes, how and why they respond to the retention strategies could be captured.

Population

The population of the study is in two categories (id est., customers and management staff of OISL in Ghana). Due to time and resource constraints as well as large number of the target population, a sample size of 150, made up of 10 management staff from 5 branches in Ashanti Region namely: Suame, Asafo, Abuakwa, Kejetia and Offinso and 140 customers

(customers 28 from each of the 5 branches). Both quota and purposive sampling techniques was used for the study.

Sample and Sampling Technique

According to Saunders et al. (2007), quota sampling is normally used for large populations and in this study since the population size i.e. Customers is large, the quota method is used. The customers and the management staff are divided according to the five branches of OISL in the Ashanti region namely; Kejetia branch, Asafo branch, Abuakwa branch and Suame branch and Offinso branch and a quota of twenty-eight (28) customers at each branch is purposively selected to enable the researcher to answer the research questions and meet the research objectives. The quota is made up of twenty-eight (28) customers and two (2) management staff from each branch.

Data and Data Collection Procedure

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

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

The researcher used questionnaire and interview guide to obtain information from respondents at the premises of OISL. The questionnaires were given to customers whilst interview guideswere conducted for management staff to obtain the needed information. The information needed comprises of mainly demographics of respondents, effects of customer switch and customer retention strategies at OISL, impressions about operations of OISL and expectations of customers.

Research Instrument

The researcher used structured questionnaire and personal interview for the study. The questionnaire was designed for customers while interview guide was done for the management staff. Items on the questionnaire were structured to consist of close-ended and open ended questions. The open–ended questions were used to encourage the interviewees to provide extensive answers and obtain facts about the research (Grummitt, 1980). The research instrument used for the study included structured questionnaires and interview guide to collect the needed primary data. In addition to the primary data, secondary data which included articles, reports, journals and the internet were also used for consistency, the primary data was edited to correct errors and the result was then coded and analyzed by the use of statistical package for the social science (SPSS) software. Descriptive statistics in percentages were used to analyze the data gathered. The analyzed data were presented in the form of tables.

Method of Data Processing and Analysis

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

Pre-testing of Instrument

The data were collected from the questionnaires and personal interviews conducted. The data collected were analyzed and the validity of the research has been approved in a number of previous studies. Moreover, it has also been scrutinized and evaluated by the supervisor who acknowledged the importance of the study for policy implications.

CHAPTER FOUR

RESULTS AND DISCUSSION OF FINDINGS

Introduction

The chapter examines the discussions and presentation of the empirical analysis from the questionnaire administered to the customers and management of OISL. To accomplish the main objective of the study, 150 questionnaires were distributed to 150 customers and management members of Opportunity International Savings and Loans Limited. Frequencies and tables are used for the analysis of the data. The analysis is captured under four main headings: demographic characteristics, customer retention strategy, effects of customer switch on operations and improving customer retention strategies.

Presentation and Analyses of Findings

Demographic characteristics of the respondents

The demographic characteristics looks at the gender, age, level of education, profession and type of accounts operated by the respondents.

Table 4.1 Gender of respondents

Gender	Frequency	Percent
Male	80	53.3
Female	70	46.7
Total	150	100.0

The results reveal that out of the 150 customers who responded to the questionnaires, 80 of the respondents representing 53.3% are males whilst the remaining 70 respondents representing 46.7% are females operating accounts with OISL.

Table 4.2 Age of Respondents

Range	Frequency	Percent
40 and above	37	24.7
25 – 39	74	49.3
18 – 24	39	26.0
Total	150	100.0

The result in Table 4.2 reports the age characteristics of the respondents. The results reveal that 37 representing 24.7% of the sampled respondents are 40 years and above. However, the results also show that 74 of the respondents representing 49.3% are between the ages of 25 to 39 years whilst the remaining 39 respondents representing 26% are within the ages of 18 to 204 years. This suggests that most of the respondents are in their youthful age.

Table 4.3 Education of Respondents

Level	Frequency	Percent
Tertiary	20	13.3
Secondary School	40	26.7
Junior High School	90	60.0
Total	150	100.0

On the educational background of the respondents, the results show that 20 of the respondents representing 13.3% have tertiary form of education. However, further evidence from the results show that 40 of the respondents representing 26.7% are secondary school graduates whilst 90 representing 60.0% of the respondents have junior high school form of education. Since many of the respondents have some form of higher education, it is expected that these respondents will have be able to critically examine the operations of OISL.

Table 4.4 Profession/Occupation of respondents

Type	Frequency	Percent
Businessman/woman	80	53.3
Farmer	30	20.0
Others	40	26.7
Total	150	100.0

Findings from the table above reveal that 80 of the participants in the survey representing 53.3% of the overall respondents are businessmen and women who operate their own businesses whilst farmers who do business with OISL recorded 20%. Others including bankers, civil servants, self-employed and students who transact with the financial institution recorded 26.7% representing 40 participants.

Table 4.5 How Long Have You Been Customer of OISL?

Range	Frequency	Percent
Less than 3 years	60	40.0
3 – 5 years	40	26.7
5+ years	50	33.3
Total	150	100.0

The results in Table 4.5 indicate that about 40% of the respondents have been customers of OISL for less than 3 years. Forty of the respondents representing 26.7% have either operated or transacted with OISL for between 3 to 5 years. However, the results further reveal that 33.3% of the respondents have either operated and account or made transactions with OISL for more than 5 years.

Table 4.6 Type of Accounts Customer of OISL Operate

	Yes		No	
Type	N	%	N	%
Current account	60	40.0	90	60.0
Savings account	90	60.0	20	13.3
Susu account	10	6.6	40	26.7

Note: N= number of respondents

On the type of financial accounts normally operated by the customers of OISL, the result in table 4.6 show that most of the respondents operate Savings accounts followed by Current account and Susu account.

Customer Retention Strategy Used by OISL

Here, the study identifies the customer retention strategies adopted by Opportunity International.

Table 4.7 What Are the Customer Retention Strategies of OISL?

Factor/Quality	Frequency	Percent
High switching cost	20	13.3
Unavailability and unattractiveness of alternative	30	20.0
Relationship development	70	46.7
Service recovery	30	20.0
Total	150	100.0

Results in Table 4.7summarizes the customer retention strategies adopted by Opportunity International. Twenty (20) of the respondents representing 13.3% reveal that there is high opportunity cost associated with switching from OISL. However, thirty (30) representing 20% of the respondents argue that due to unavailability and unattractiveness of alternative opportunities they are willing to continue transacting business with OISL. Seventy (70) representing 46.7% of the respondents further reveal that relationship development is imperative for their activities, hence the willingness to operate with OISL. Thirty (30) representing 20% of the respondents argued that service recovery informed their decision to continue operations with OISL. These findings suggest that for Opportunity International to retain its loyal customers, it adopted the customer relations as a stratagem to influence their decisions whilst making their loan portfolio more attractive than their competitors and hence protecting Opportunity International from losing its loyal customers to its competitors.

Effects of Customer Switch on OISL Operations.

The study tries to evaluate factors that would influence customers' decisions to switch from Opportunity International.

Table 4.8 Impression About Credit Delivery at OISL

Factor/Quality	Frequency	Percent
Fast and simple	40	26.7
Bureaucratic	50	33.3
Cumbersome	30	20.0
very slow	30	20.0
Total	150	100.0

Results in Table 4.8 summarize the opinions of customers concerning credit delivery at Opportunity International. On the issues of processing speed, the results show that 26.7% of the respondents agree that credit delivery at OISL is faster and simpler than it is in the case of their competitors, whilst 20% of the respondents believe that credit delivery is very slow.

Notwithstanding, 33.3% and 20% of the respondents also believe that the credit delivery and processing at OISL is more bureaucratic and cumbersome than what is practiced at other financial institutions. Though, OISL have good relationship development and attractive investment packages, factors concerning the credit delivery and processing are very important to the respondents and hence it can influence their customers to switch to their competitors in the industry.

Table 4.9 Factors That Informed Customers Decision to Switch from OISL

Factor	Frequency	Percent
Interest rate and charges	40	26.7
Attraction by competitors	20	13.3
Service encounters failures	30	20.0
Inconvenience	60	40.0
Total	150	100.0

The result in Table 4.9 further summarizes the other contributing factors that may influence customers' decision to switch from Opportunity International. The findings show that 26.7% of the respondents believe that interest rate on loans and other service charges are on the higher side whilst 40% argue on the basis of inconvenience since the respondents current employment location does not permit their access to the facilities of Opportunity International. Others representing 13.3% and 20% further argue that their decision to switch is influenced by attraction from viable competitors and service failures respectively. These findings reveal that though the respondents enjoy services of Opportunity International, high interest and other charges, limited coverage and service failures have influenced their decision to switch to other viable financial institutions.

Improving Customer Retention at Opportunity International.

The study examines the strategies Opportunity International can adopt to improve its customer retention policies.

Table 4.10 Factors That Have Increased Loyalty of Customers at OISL

Factor	Frequency	Percent
Good customer service	40	26.7
Service quality	20	13.3
Good complain handling	30	20.0
Good relationship with staff	60	40.0
Total	150	100.0

The result above summarizes the factors that have improved customer loyalty at Opportunity International. The findings reveal that 26.7% of the respondents believe that good customer service is very important for their loyalty. However, 40% and 20% of the respondents argue that good customer relation and good complains handling strategies at Opportunity International affirms their loyalty to the financial institution. Twenty (20) of the respondents representing 13.3% of the customers suggest that service delivery at Opportunity International compared with their competitors is of high quality and hence it influences their decision to transact business with OISL. These findings suggest that if Opportunity International capitalises on these factors in its operations, it would be able to influence its customer's loyalty hence its performance in the industry.

Customer Perception of Opportunity International.

Here, the study looks four major areas concerning customer's perception of Opportunity International. These include staff/customer relationship, level of satisfaction with OISL services, recommendation to third parties for Opportunity International.

Table 4.10 How Do You Rate Staff/Customer Relationship atOpportunity International

Rating	Frequency	Percent
Excellent	40	26.7
Very good	20	13.3
Good	50	33.3
Satisfactory	40	26.7
Total	150	100.0

The results in table 4.10 show the perception of the respondents about Opportunity International's staff/ customer relations. The results reveal that 26.7% of the respondents believe that staff/ customer relationship at OISL is excellent and satisfactory respectively. However, 33.3% and 13.3% of the respondents suggest that staff/ customer relationship at OISL can be rated to be very good and good respectively, compared to its competitors. These findings reaffirms why most of the respondents were keen on being loyal to Opportunity International in spite of services rendered by other competitors in the industry.

Table 4.11 Level of Satisfaction with Services Offered by Opportunity International

Level of Satisfaction	Frequency	Percent
Delighted	40	26.7
Satisfied	90	60.0
Unsatisfied	20	13.3
Total	150	100.0

On respondents loyalty, respondents were asked to rate the level of satisfaction they derive from services rendered to them by Opportunity International. The findings indicate that 26.7% of the respondents were delighted with the level of services provision whilst 60% argued that they were satisfied compared to services they have experienced from other competitors. Notwithstanding, 13.3% revealed their dissatisfaction of the services rendered by Opportunity International. Although, the respondents were satisfied with services at Opportunity International, the financial institution still has to improve upon its services to increase its customer's loyalty amidst competition in the industry.

Table 4.12 Recommendation to Third Parties for Opportunity International

Response	Frequency	Percent
Yes	140	93.3
No	10	6.7
Total	150	100.0

Respondents were asked if they were willing to recommend third parties to Opportunity International after witnessing the kind of service provision. The results show that 93.3% of the respondents were willing to recommend to their friends and families, services of Opportunity International based on their satisfaction level. However, 6.7% were unwilling because of location constraints, service failure and attractive packages from other competitors in the industry.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Introduction

This study surveyed 150 selected respondents from five branches of Opportunity International Savings and Loans Ltd. Customer retention amongst the financial institutions have become a big concern to management and analysts in the financial industry. Hence it becomes ideal for an effective policy formulation to be made to improve existing customer retention strategies. However, there appears to be a gap regarding this need. Therefore to fill this gap, the study attempts to evaluate customer retention strategies adopted by Opportunity International in order to identify any existing lapses and make suggestions to address them. The current chapter provides summary and conclusions to the study.

Summary of Findings

Out of the total sampled respondents in the survey, males constituted about 53.3%, whiles their counterpart females represented the remaining 46.7% of the total respondents. In terms of educational background, 60% of the respondents have basic level of education.

Findings from the analysis reveal that 60% havecapitalised on high cost of switching, relationship development and attractiveness of their financial packages to retain most of their loyal customers irrespective of the effort from their competitors. Thus, for Opportunity International to retain its loyal customers, it adopted the stratagem of customer relations to influence customer decisions whilst making their loan portfolios more attractive than their competitors hence protecting Opportunity International from losing its loyal customers to its competitors.

Further evidence from the findings indicates that though the respondents are satisfied with the excellent services provided by Opportunity International and are willing to recommend to others, the respondents revealed that Opportunity International has inherent issues with their processing of loan applications and credit delivery. Some argued on the basis of geographical constraints and service failuresas causes of their being attracted to packages from other competitors in the industry. Since most of the respondents current employment locations do not permit their ease of access to banking services of Opportunity International, they are forced to make a decision to switch to Opportunity International's competitors which offer proximity through their numerous branches and coverage in the country. Notwithstanding, some of the respondents indicated that due to current economic hardship they are willing to switch to other viable financial institutions with lower interest rates and charges since the competitive rates charged by Opportunity International is slightly higher than the average charges from their competitors.

To improve upon their services, the findings revealed that Opportunity International was keen to improve its customer services, complaint handling strategy and service delivery since these factors have been the primary objectives for which most of their loyal customers have considered to switch to other banking institutions without compromising. Thus, if Opportunity International capitalises on these factors in its operations, it would be able to influence its customer's loyalty to enhance its performance in the industry.

The economical implications for OISL's ability to handle customers complains well and offer quality service is that; OISL will be able to reduce cost, increase profits and increase market share because it is economical to keep customers than to attract new ones. Marketing, promotional and educational costs involved in attracting new customers are relatively higher than those involving customers already at hand.Most of such costs are incurred only at the beginning and early stages of the commercial relationship. In addition, existing customers transact more and if satisfied, may generate positive word-of-mouth promotion for the company.

Losing customers have a negative effect on OISL's market share and profit. When a customer switches from OISL, the potential for additional profits are lost, the initial investment costs are wasted and the OISL faces the additional costs of acquiring a replacement customer

It is believed that reducing customer defections by as little as five percent can double profit of a firm (Healy, 1999).

Again, this study also supports the theory that; According to Charles Colby(December 9, 2013), a common paradigm that has emerged from the TQM movement is that the ultimate path to retaining customers is to satisfy their needs. The theory holds that by identifying what customers expect, and then meeting these expectations, customers will be far less likely to seek the services of competitors.

Conclusions

In conclusion, it is evident from the study that customers loyalty is akin to the services that financial institutions provide to them especially in terms of customer service and relation as well as complaint handling strategy and geographical location of the banking services. For Opportunity International to continue to retain its customers it must employ these strategies to control its customer loyalty as well as pull more customers from its competitors in the industry. Research conducted in past decades on similar customer retention strategies provide similar and systematic evidence on the factors mentioned in the study in the case of developing economies since good customer relations and services is paramount to motivate and influence decisions of the individual.

Recommendations

From the findings, the following measures are recommended for adoption in dealing with customer retention strategies in the case of Opportunity International.

It is recommended that the financial institution increase the number of its branches in the country to retain its loyal customer as most of the respondents complained about inadequacy of service branches hence their willingness to switch to other competitors in the industry. Notwithstanding, the financial institution is encouraged to make reconsiderations regarding its high interest rates and charges, since most of the respondents were motivated to switch as a results of high interest rate charges.

However, a section of the respondents also revealed that services from Opportunity International are more sluggish than those of its competitors, in terms of credit delivery and loan processing. Therefore, the financial institution would do well is encouraged to re-strategize on these issues in order to maintain and attract more customers.

Enterprises should be able to separate customers into various levels of profitability. This can be done by segmenting and targeting with a special marketing program, segments that are most profitable. Key customer segments may be seen as those customers who make repeat purchases, spread good word of mouth, and act in diverse ways that benefit the company.

Customer complaints must be taken into consideration in retaining customers. This is to help them evaluate their service performance and also take action that will benefit the customer as well as to the overall profitability of the company.

Business should have an organizational structure that facilitates the implementation of customer retention strategies. The organizational culture of businesses also plays an important role in the success of this implementation.

REFERENCE

Abratt, R., & Russell, J. (1999).Relationship marketing in private banking in South Africa. International Journal of Bank Marketing, 17(1), 5-19.

Ahmad, R., &Buttle, F. (2001). Customer retention: a potentially potent marketing management strategy. Journal of strategic marketing, 9(1), 29-45.

Ahmad, R., &Buttle, F. (2002). Customer retention management: A reflection of theory and practice. Marketing Intelligence & Planning, 20(3), 149-161.

Ahmad, S. (2002). Service failures and customer defection: a closer look at online shopping experiences. Managing Service Quality: An International Journal, 12(1), 19-29.

Anderson, E. W., & Sullivan, M. W. (1993).The antecedents and consequences of customer satisfaction for firms. Marketing science, 12(2), 125-143.

Anderson, J. C., &Narus, J. A. (1990).A model of distributor firm and manufacturer firm working partnerships. the Journal of Marketing, 42-58.

Berry, L. L., Conant, J. S., &Parasuraman, A. (1991).A framework for conducting a services marketing audit.Journal of the Academy of Marketing Science, 19(3), 255-268.

Bolton, G. E., &Ockenfels, A. (2000). ERC: A theory of equity, reciprocity, and competition.American economic review, 166-193.

Colgate, M. R., & Danaher, P. J. (2000).Implementing a customer relationship strategy: The asymmetric impact of poor versus excellent execution. Journal of the Academy of Marketing Science,28(3), 375-387.

Colgate, M., & Lang, B. (2001).Switching barriers in consumer markets: an investigation of the financial services industry. Journal of consumer marketing, 18(4), 332-347.

Colgate, M., Stewart, K., & Kinsella, R. (1996). Customer defection: a study of the student market in Ireland. International Journal of Bank Marketing,14(3), 23-29.

Crosby, L. A., Evans, K. R., & Cowles, D. (1990). Relationship quality in services selling: an interpersonal influence perspective. The journal of marketing, 68-81.

Dick, A. S., &Basu, K. (1994). Customer loyalty: toward an integrated conceptual framework. Journal of the academy of marketing science, 22(2), 99-113.

Eriksson, K., &Vaghult, A. L. (2000).Customer retention, purchasing behavior and relationship substance in professional services. Industrial marketing management,29(4), 363-372.

Fornell, C. (1992). A National Customer Satisfaction Barometer: The Swedish Experience. Journal of Marketing, 56, January, pp. 6-21.

Fornell, C., &Wernerfelt, B. (1987). Defensive marketing strategy by customer complaint management: a theoretical analysis. Journal of Marketing research, 337-346.

Ganesan, S. (1994).Determinants of long-term orientation in buyer-seller relationships. the Journal of Marketing, 1-19.

Gerrard, P., & Cunningham, J. B. (2000).The bank switching behaviour of Singapore's graduates. Journal of Financial Services Marketing, 5(2), 118-128.

Gounaris, S. (2008). Antecedents of internal marketing practice: some preliminary empirical evidence. International Journal of Service Industry Management,19(3), 400-434.

Gronroos, C. (1988). Service quality: the six criteria of good perceived service.Review of business,9(3), 10.

Grönroos, C. (1996). Relationship marketing: strategic and tactical implications. Management decision, 34(3), 5-14.

Grummitt, J. (1980). Guide to interviewing skills. Industrial Society Press.

Gumesson, E. (2002). Total relationship marketing.

Gwinner, K. P., Gremler, D. D., &Bitner, M. J. (1998). Relational benefits in services industries: the customer’s perspective. Journal of the academy of marketing science,26(2), 101-114.

Hart, C.W.L., Heskett, J.L. and Sasser, W.E. Jr (1990), “The Profitable Art of Service Recovery”,

Harvard Business Review, Vol. 68, July-August, pp. 148-56.

Healy, T. (1999). Notebook programs pave the way to student-centered learning. THE Journal (Technological Horizons In Education), 26(9), 14.

Hirschman, A. O. (1970) Exit, Loyalty, and Voice. Harvard University Press, Cambridge, MA.

Hull, L. (2002). Foreign-owned Banks: Implications for New Zealand's Financial Stability. Discussion Paper Series, DP2002/05.

Hunt, S. D., & Morgan, R. M. (1994). Relationship marketing in the era of network competition. Marketing Management, 3(1), 18.

Jones, M. A., Mothersbaugh, D. L., & Beatty, S. E. (2000). Switching barriers and repurchase intentions in services. Journal of retailing, 76(2), 259-274.

Jones, T.O. and Sasser, W.E. (1995), ``Why satisfied customer defects", Harvard BusinessReview, November-December, pp. 88-99.

Keaveney, S.M., 1995. Customer switching behavior in service industries: an exploratory study. Journal of Marketing 59, 71-82.

Kotler, P., & Armstrong, G. (2008).Principle of Marketing [M].

Kotler, P., & Keller, K. L. (2006).Administração de marketing.

Kotler, P., & Keller, K. L. (2009). Dirección de marketing.Pearson educación.

Lewis, B. R., & Mitchell, V. W. (1990). Defining and measuring the quality of customer service. Marketing Intelligence & Planning,8(6), 11-17.

Lowendahl, B. (1997), Strategic Management of Professional Service Firms, HandelshojskolensForlag, Copenhagen.

Mittal, B., &Lassar, W. M. (1998). Why do customers switch? The dynamics of satisfaction versus loyalty. Journal of services marketing,12(3), 177-194.

Neslin, S. A., Grewal, D., Leghorn, R., Shankar, V., Teerling, M. L., Thomas, J. S., &Verhoef, P. C. (2006). Challenges and opportunities in multichannel customer management.Journal of Service Research,9(2), 95-112.

O'Brien, L., & Jones, C. (1995). Do rewards really create loyalty?. Long range planning, 28(4), 130-130.

O'Malley, L. (1998). Can loyalty schemes really build loyalty?. Marketing Intelligence & Planning, 16(1), 47-55.

Page, M., Pitt, L and Berthon, P. (1996). Analysing and Reducing Customer Defection.Long Range Planning, 29(6), pp. 821-824.

Ping, R. A. (1993). The effects of satisfaction and structural constraints on retailer exiting, voice, loyalty, opportunism, and neglect. Journal of retailing,69(3), 320-352.

Ramakrishnan, R. (2006). Rural Marketing in India: Strategies and Challenges. New Century Publications.

Ranaweera, C., & Neely, A. (2003).Some moderating effects on the service quality-customer retention link. International journal of operations & Production management, 23(2), 230-248.

Ranaweera, C., &Prabhu, J. (2003).On the relative importance of customer satisfaction and trust as determinants of customer retention and positive word of mouth. Journal of Targeting, Measurement and Analysis for marketing, 12(1), 82-90.

Reichheld, F. F and Sasser, W. E. (1990). Zero Defections: Quality comes to Services. Harvard Business Review, September-October, pp. 105-111.

Reichheld, F.F., (1996). The Loyalty Effect. Boston: Harvard Business School Publications

Reichheld, F.F., 1993. Loyalty-based management.Harvard Business Review 71 (2), 64-73.

Reichheld, F.F., Kenny, D.W., 1990. The hidden advantages of customer retention, Journal of Retail Banking 12 (4), 19-23.

Reichheld, F.F., Kenny, D.W., 1990. The hidden advantages of customer retention, Journal of Retail Banking 12 (4), 19-23.

Richards, G. (Ed.). (1996). Cultural tourism in Europe. Greg Richards.

Ross, G. F. (1995). Work stress and personality measures among hospitality industry employees. International Journal of Contemporary Hospitality Management, 7(6), 9-13.

Rousseau, D. M., Sitkin, S. B., Burt, R. S., &Camerer, C. (1998). Not so different after all: A cross-discipline view of trust. Academy of management review, 23(3), 393-404.

Rust, R. and Zahorik, A. (1993).Customer Satisfaction, Customer Retention and Market Share. Journal of Retailing, 69(2), pp. 193-215.

Saunders, M. N., Saunders, M., Lewis, P., &Thornhill, A. (2011). Research methods for business students, 5/e. Pearson Education India.

Sharma N. and Patterson P. (2000) Switching costs, alternative attractiveness and experience as moderators of relationship commitment in professional, consumer services. International Journal of Service Industry Management 11(5): 470-90.

Singh, J., &Sirdeshmukh, D. (2000).Agency and trust mechanisms in consumer satisfaction and loyalty judgments.Journal of the Academy of marketing Science, 28(1), 150-167.

Smith, A. K., & Bolton, R. N. (1998). An experimental investigation of customer reactions to service failure and recovery encounters paradox or peril?. Journal of service research, 1(1), 65-81.

Stewart, K. (1998). An exploration of customer exit in retail banking.International Journal of Bank Marketing, 16(1), 6-14.

Stewart, K. (1998). An exploration of customer exit in retail banking.International Journal of Bank Marketing, 16(1), 6-14.

Storbacka, K., Strandvik, T., &Grönroos, C. (1994). Managing customer relationships for profit: the dynamics of relationship quality. International journal of service industry management, 5(5), 21-38.

Strauss, J., & Hill, D. J. (2001). Consumer complaints by e-mail: an exploratory investigation of corporate responses and customer reactions.Journal of Interactive Marketing, 15(1), 63-73.

Trubik, E., & Smith, M. (2000).Developing a model of customer defection in the Australian banking industry. Managerial Auditing Journal,15(5), 199-208.

Yi, Y., &Jeon, H. (2003). Effects of loyalty programs on value perception, program loyalty, and brand loyalty. Journal of the academy of marketing science, 31(3), 229-240.

Zeithaml, V. A., Bitner, M. J., &Gremler, D. D. (1996).Services Marketing McGraw Hill. New York.

Zeithaml, V. A., Bitner, M. J., &Gremler, D. D. (1996).Services Marketing McGraw Hill. New York.

Zeithaml, V. A., Parasuraman, A., & Berry, L. L. (1985).Problems and strategies in services marketing. The Journal of Marketing, 33-46.

INTERVIEW GUIDE FOR MANAGEMENT STAFF

1. Retention strategies at OISL

2. Causes of customer switch

3. Effects of customer switch on operations

4. Customer population

5. Percentage of deposit and loan customers of the total customers.

6. Close competitors

7. Product/Service offered.

QUESTIONNAIRE FOR CUSTOMERS

Please, tick the appropriate answer(s).

1) Gender

a. Male b. Female

2) Age

a. 40 and above b. 25 – 39 c. 18 -24

3) Marital Status

a. Married b. Single c. Widowed

4) Educational background

a. Tertiary b. Senior Secondary School c. Junior Secondary School d. Others, please specify ....

5) Profession/ Occupation

a. Businessman/woman b. Civil service c. Farmer d, Others, please specify ....

6) How long have you been a customer of OISL?

a. Less than 3 years b. Between 3 and 5 years c, Over 5 years

7) What type of customer are you?

a. SME b. Individual c. Group d. Susu d. Agric e. Edu-finance f. Other, please specify ....

8) What type of account do you operate?

a. Current b. Savings c.Susu

9) Why did you choose to open account with OISL instead of other Savings and Loan Companies?

a. Convenience b. Physical Structure c. Referral from an existing client d. Other, please specify ....

10) How do you rate OISL in terms o staff/customer relationship?

a. Excellent b. Very good c. Good d. Satisfactory e. Unsatisfactory f Other, please specify ....

11) What is your level of satisfaction with services provided by OISL?

a. Delighted b. Satisfied c. Unsatisfied d. Other, please specify ....

12) Have you benefited from loan facility from OISL before?

a. Yes b. No

13) If yes, kindly give your impression about credit delivery system at OISL. Please, choose one or more where appropriate.

a. Very slow b. Fast and simple c. Bureaucratic d. Cumbersome e. Other, please specify ....

14) If no to Question 12, please indicate reason.

a. Interest rate b. Procedures, too cumbersome/bureaucratic c. Not aware of such availability d. Do not need such facility e. Other, please specify

15) Have you ever decided to stop doing business with OISL?

a. Yes b. No

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

a. Interest rate and charges b. Core service failure c. Inconvenience d. Attraction by competitors e. Service encounter failures f. Involuntary switching g. Ethical problems h. Others, please specify ....

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

a. High switching cost b. Service recovery c. Unavailability and unattractiveness of alternative d. relationship development e. Other, please specify ....

18) If no to Question 15, kindly mention some of the factors that have made you loyal to OISL.

a. Good customer service b. Service Quality c. Good complain handling
b. D. Good relationship with staff e. Other, please specify

19) How do you rank OISL in terms of popularity among savings and loans companies in Kumasi?

a. Very popular b. Popular c. Not well known d. Do not know e. Other, please specify ....

20) What are some of the things you expect OISL to do to make you more loyal?

....

....

....

....

21) Will you recommend OISL's service to a third party?

a. Yes b. No

22) If no, kindly give reasons.

....

....

....

....

23) Do you intend to continue to transact business with OISL?

a. Yes b. No

24) If no, please give reasons