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Full length research paper

An evaluation of customer retention based on gender and age during critical cash crisis of 2008. A case study of commercial banks in Bindura.

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The ability to retain customers in the face of stiff competition guarantees the success of a bank. In this study the authors sought to evaluate customer retention using the customer retention determinants: customer satisfaction, switching costs and future usage in the commercial banks from the customers' point of view during the cash shortage period of 2008 in Bindura. A structured questionnaire was used for data collection with a sample size of 120 customers. The commercial banks used in the study were Agribank, Barclays and Standard Chartered. From each bank 40 respondents were interviewed. Judgemental sampling was used in selecting the respondents. The study found that majority of male and older customers were satisfied and they also regarded banks as having higher switching costs and for these reasons were less likely to change banks. The study recommends that banks should improve on communication, machines reliability and customer care. It also recommends that banks should improve customer satisfaction and switching costs amongst female and younger clientele.

Key words: Cash shortage; Commercial banks; Customer satisfaction; Switching costs.

INTRODUCTION

The purpose of the study was to assess customer retention strategies in commercial banks from a customer's perspective based on gender and age using the customer retention determinants: customer satisfaction, switching costs and future usage.

The research objectives of this study are as follows: to evaluate customer satisfaction; to assess customers switching cost levels; and to investigate the likelihood of customer continued usage of the bank based on gender and age.

The Zimbabwean economy has been under hyperinflationary conditions from 1997 to 2008 averaging 3,8 billion percent (Hanke, 2008).This led to cash shortages which gave way to overstretching of banking services resulting in compromised service delivery. In such an environment customer retention has not been given due attention by most banks although it has been found that it has more impact on profits than market share, economies of scale and other variables that traditionally are considered as providing competitive advantage(Ramakrishnan, 2002). If you are not giving your customers good reasons to stay, your competitors will give them a reason to leave (Kotelnikov, 2001).Customer retention is more than giving what customers expect but exceeding expectations so that customers become loyal advocates for company's brands (Reichheld,1996).

Gender and Age

Customer characteristics such as gender and age have a great impact on the level of customer retention (Bryant and Jaesung,1996; Mittal and Kamakura,2001). Research have shown that customer characteristics moderate outcomes of customer retention such as repurchase intention and share of the wallet (Mittal and Kamakura, 2001; Cooil et al., 2007). Many studies have been carried out to evaluate differences between men and women on satisfaction. There are many studies which have found satisfaction to be unrelated to gender (Carmel, 1985; Lin,1982,1975). However, many studies have found that women report greater overall satisfaction (Buller and Buller,1987). On the other hand there are studies that have identified men as being less satisfied (Chisick,1997; Singh,1990). In terms of gender, male customers are more aggressive, assertive, independent and less anxious than female customers (Feingold, 1994). Female customers are regarded as more communal and agreeable. Burton (1995) says that male customers are three times more likely to complain than female customers. Aaltonen (2008) concludes that men are less satisfied with services they receive in general than women. Female customers are more inclined to maintain a relationship with a company to avoid the emotional difficulty of switching to another company, while males are less interested in the relationship but more interested in the best offer. Ross et al (1999) concludes that women generally, have higher expectations regarding the importance of service delivery issues than their male counterparts. Barrett(2006) and Hayes (2008) concurs that customers become more valuable to the company over time. Furthermore, customer retention is highest for customers who are 51years and above and lowest between 31 and 40 years (Hayes,2008).

Determinants of customer retention

Villanueva and Hanssens (2007) conclude that customer retention can be measured using three determinants: customer satisfaction, switching costs and future usage.

Customer satisfaction

Kotler (2003) says that the key to customer retention is customer satisfaction. Research have found that there is positive correlation between customer satisfaction and profitability and duration of the relationship (Anderson et al., 1994; Bolton, 1998; Garbarino and Johnson 1999; Gustaffsson et al., 2005; Garbarino and Johnson 1999) argue that satisfaction is a good predictor of future intentions for low relational customers while for high relational customers, trust and commitment rather than satisfaction are the key determinants. Kano (1984) provides, customer satisfaction model which has six categories of quality attributes, namely basic factors, excitement factors, performance factors, indifferent attributes, questionable attributes and reverse attributes. The first three attributes influence customer satisfaction. Basic factors are the minimum requirements that customers take for granted and will cause dissatisfaction if not met. Excitement factors increase customer satisfaction if delivered but do not cause dissatisfaction if not delivered. Such factors surprise and delight customers, thus they can be used to distinguish the company from competitors. Performance factors cause satisfaction if performance is high and cause dissatisfaction if performance is low. The factors are connected directly to customers' explicit needs and desires.

Switching costs

Kotler (2003) believes there are two primary ways to retain loyal customers namely increasing level of customer satisfaction and raising switching costs. Switching costs are costs that a customer incurs when she/he changes from one supplier or marketplace to another. There are three types of switching costs: transaction costs such as bank charges, learning costs such as costs incurred in acclimatizing with a new supplier, and artificial or contractual costs such as reward programs (Klemperer,1987).

Expected future usage and expected regret

Lemon et al (2002) argue that when consumers decide on whether to continue a relationship with a particular bank they consider future considerations regarding the product or service such as future benefits and anticipated future regret. Customers take into account past, present and future considerations of themselves and the firm when determining continued business with a bank. For most customers concern about regret that follows a bad decision promotes risk-aversion (Kardes,1994). As a result, marketing models that overlook the future considerations from the customers' perspective, will not be effective. Marketers should convince customers that buying their product is farsighted behavior and an investment in future memories (Hanna, 2008).

RESEARCH METHODOLOGY

A case study design was carried in Bindura town. The sampling frame for the study was made up of customers of three commercial banks namely Agribank, Barclays and Standard Chartered. The sample size used was 120 respondents with 40 respondents selected from each of the three banks. There was equal distribution between male and female respondents. Respondents were made of two age groups 18-40years and 41-60years. Judgemental sampling technique was used in selecting the respondents. A structured questionnaire was developed to gather data from the respondents. The questionnaire was pre-tested using 10 male and 10 female customers in the age groups 18-40years and 41-40years. These respondents were selected from the branches of the three banks Agribank, Barclays and Standard Chartered in the CBD of Harare.

Customer satisfaction was measured using Kano's customer satisfaction model which provides three attributes: basic factors, excitement factors and performance factors. The three factors were combined to measure satisfaction. Switching costs were measured by combining the level of transaction costs, learning costs and

Table 1: Customer satisfaction

		1	2	3	4	5	Total
Satisfied with service by sex	F (%)	20	33	17	22	8	100
	M (%)	17	18	5	37	23	100
Satisfied with service by age	18-40 years (%)	35	23	12	20	10	100
	41-60 years (%)	4	10	8	60	18	100

1-strongly dissatisfied, 2-dissatisfied, 3-neutral, 4-satisfied, 5-strongly satisfied; F-female, M-male

Table 2: Switching costs

		1	2	3	4	5	Total
Bank has higher switching costs by sex	F (%)	28	42	8	17	5	100
	M (%)	20	17	3	37	23	100
Bank has higher switching costs by age	18-40 years (%)	38	37	12	8	5	100
	41-60 years (%)	12	17	7	42	22	100

1-strongly disagree, 2-disagree, 3-neutral, 4-agree, 5-strongly disagree; F-female, M-male

Table 3: Future usage

		1	2	3	4	5	Total
Likelihood of continued usage by sex	F (%)	38	20	8	23	10	100
	M (%)	17	12	5	42	25	100
Likelihood of continued usage by age	18-40 years (%)	36	32	5	20	7	100
	41-60 years (%)	12	15	9	36	28	100

1-very unlikely, 2-unlikely, 3-neutral, 4-likely, 5-very likely; F-female, M-male

contractual costs. Finally, the likelihood of continued usage was also measured.

RESULTS

Table 1, shows that in terms of gender the majority of male customers were satisfied while majority of female customers were dissatisfied. In terms of age most of the older customers were satisfied while most of the younger customers were dissatisfied.

On switching costs most of the female customers disagreed with the notion that banks had higher switching costs while majority of male customers agreed with the notion. In terms of age the majority of younger respondents disagreed that banks had higher switching costs contrary to majority of older respondents who agreed(Table 2).

Most of the female customers were unlikely to continue using their current banks compared to majority of male customers who were likely to continue using. The majority of younger customers were unlikely to continue using their current banks contrasting most of the older customers who were likely to continue using(Table 3).

Eighty percent of the respondents suggested the banks should improve their communication. For example if there was no cash they wanted to be informed timeously. Seventy five percent of respondents wanted the banks' machines such as ATMs and network connections inter-bank and intra-bank to be reliable. Seventy percent of the respondents suggested the banks to have efficient service .Sixty five percent require banks to improve customer care while sixty percent suggested fair bank charges (Figure 1).

DISCUSSION

Customer retention was measured using three variables: customer satisfaction, switching costs and future usage based on gender and age. Most of the male customers were satisfied with service provided by their banks contradicting majority of female customers who expressed dissatisfaction with the service. The higher satisfaction amongst male customers could be due to endurance inherent within men under harsh banking operations. These results contrast the conclusion that female customers often have higher satisfaction levels compared to male customers (Buller and Buller,1987;Chisick,1997 and Singh,1990). In terms of age older customers expressed higher satisfaction compared to younger customers whose majority were

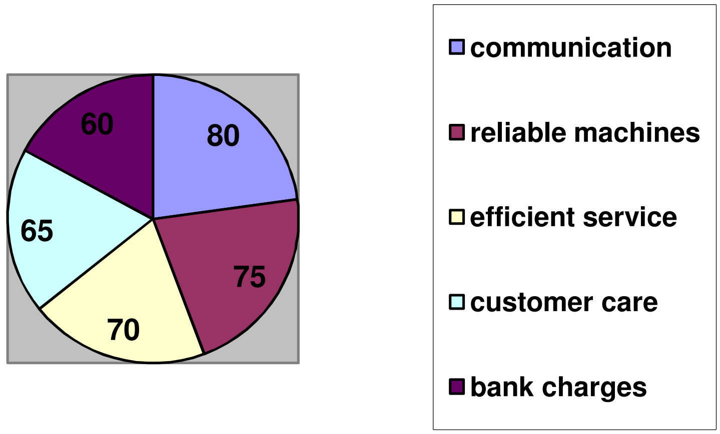

Figure 1: Improvements required by customers

dissatisfied. Higher satisfaction amongst mature customers could be attributed to long established relationships with the banks. These results concur with the assertion of Barrett (2006) that customers are mindful of value over time.

The majority of female customers regarded banks as having low switching against most of the male customers who regarded banks as having higher switching costs. A combination of high dissatisfaction and low switching costs amongst female customers supports the conclusion by Ross et al (1999) that female customers have higher expectations on service delivery compared to male customers. In terms of age most of the younger customers regarded banks as having low switching costs while for most of the older customers, banks had high switching costs.

Most male customers were likely to continue using their banks while majority of female customers were unlikely to continue. The likelihood of continued/discontinued association could be due to higher satisfaction and switching costs amongst male customers and low satisfaction and switching costs amongst female customers. These results dispute the view by Aaltonen (2008) that female customers are more inclined to maintain a relationship with a company to avoid the emotional difficulty of switching to another company. Age wise the majority of older customers are likely to continue using their banks, thus confirming the conclusion by Hayes (2008) that customer retention is highest for older customers.

The results of the study confirm that customer characteristics such as gender and age have a great impact on the level of customer retention (Bryant and Jaesung,1996; Mittal and Kamakura, 2001). The study also sought areas of improvements from the customers' perspective. Customers' suggestions in order of priority were improvements on communication, machines and network reliability, efficient service, customer care and fair bank charges.

Conclusion and Recommendations

The study revealed customers' evaluation of customer retention variables: customer satisfaction, switching costs and future usage based on gender and age of the respondents. The study revealed that male and older customers were more satisfied than female and younger customers. In terms of switching costs male and older customers regarded banks as having higher switching costs than did female and younger customers. Male and older customers were more likely to continue using their banks than female and younger customers. The results of the study conclude that, using the three customer retention variables, customer retention was high for male and older customers while it was low for female and younger customers. The study also concludes that customer characteristics such as gender and age have a great impact on the level of customer retention.

In order to achieve optimal results the study recommends the banks to improve communication, machines and network reliability, efficient service, customer care and offer fair bank charges. The banks should also address customer satisfaction and switching costs for its female and younger customers in order to guard against their turnover. The researcher also recommends a similar study under a stable environment.

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