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Bank Marketing and Its Effects on Customer Retention in Microfinance in Yaounde, Cameroon

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Abstract

This study seeks to assess bank marketing and its impact on customer retention in microfinance in Yaoundé, Cameroon. A cross-sectional research design consisting of 348 clients of category two microfinances were sampled from the center region of Cameroon. Data for the study was sourced using closed structured questionnaires. The analysis was concluded using statistical software's such as Statistical Package for Social Sciences (SPSS 24) and Analysis of Moment Structures (AMOS24). The results from the analysis reveal that Customer service and retention have a significant positive impact on customer retention. The study therefore concluded that emphasis on better customer services leads to a high customer retention rate in category two microfinances in Yaounde, Cameroon. A new model called Bank Marketing and Customer retention Model (BMCR Model) was developed to test the relationship amongst variables. This study contributes to the limited theoretical and empirical evidence of the impact of bank marketing on customer retention in microfinances in Yaounde, Cameroon.

Keywords: Customer retention, Bank marketing, Customer service

1. Introduction

The promotion of abilities in customer retention have never been more profoundly esteemed by monetary establishments in particular as rivalry and competition expands in today's business enviroment. Marketing which was once seen as a departmental activity within institutions or organizations is presently viewed as the forefront business attitude of mind for all employers and employees (Daniel & Alexander, 2014). There are several channels to market and deliver products and services to customers including from mailing leaflets to planning a web-based media.

Banks compete not only with other banks close or near, they also compete with non-banks as well and other monetary entities (Kaynak & Kucukemiroglu, 1992; Hull, 2002). Due to the appearance of new entrants, market overcapacity, and increased competition, the bank marketing concept arose in response to the enormous boom in the developing nations' financial sector, and implicitly the banking sector (Catalina, 2010), banks have sorted out to create competitive advantages by the use of first-rate quality of the services, client orientation, and client loyalty development.

In an article titled "Marketing Financial Services," English experts C. Ennew, T. Watkins, and M. Wright stated that the bank marketing principle entails "the achievement of the bank objectives by setting up the criteria and desires of the target customers and the supply of the requisite fulfilment in a more successful way than their competitors" (Ennew et al 1991). In his article "Marketing of retail banking goods," another Belgian expert, Claessens R., explained that "the banks should discern the future necessities and desires of the clients and should use their own administrations and circulation diverts to effectively build up the integrated showcasing idea on long" (Claessens, 2004).

Consequently, customer retention is possibly a powerful apparatus that banks can use to acquire an essential benefit and earn profit in the present steadily expanding banking competitive environment (David et al, 2006). The expenses of getting clients to “replace” the individuals who have been lost are high. This is on the grounds that the cost of gaining clients is brought about just in the early phases of the business relationship (Reichheld & Kenny, 1990). Furthermore, longer-term clients purchase more and, whenever fulfilled, may produce positive verbal advancement for the organization. Additionally, long-term customers also take less of the organization's time and are less touchy to value changes (Healy, 1999). Along these lines, it is believed that reducing customer defections by as little as five percent can double the profits (Healy, 1999).

Several studies have been done on customer retention (Anani (2013); Jemaa & Tournois (2014); Ondieki (2012); Nwankwo (2013); Rootman & Sharp (2011) & Tarokh & Sheykhan (2015))and it was concluded that bank services provided, convenience of bank venue, forceful development, and the capacity to meet clients' needs, as well as a good public image, were the factors deciding bank segment and retention by corporate customers in Tanzania. The post-mechanical time is described by increasingly more fracture of the clients' market, clients are getting more modern, and the market is developing more develop, expanding worldwide rivalry, and market contributions getting less normalized while technologies are imposing difficult challenges to issues quite different from the past (Ibok, Etuk, & Ikechukwu, 2012). While there have been several studies emphasizing the significance of customer retention in the banking industry (Reichheld & Kenny (1990) & Dawkins & Reichheld (1990)), there has been little empirical research examining the impact of bank marketing in customer retention.

It is in this regards that this study aimed at assessing the impact of bank marketing on customers retention in microfinance institutions in Yaounde, Cameroon, as well as proposing ways to improve customer retention.

2. Literature Survey

2.1 Bank Marketing

Bank marketing is a set of functions aimed at more effectively and efficiently satisfying customers' financial (and other related) needs and wants. Different banks have different advantages by providing a range of schemes to suit the needs of their customers. Marketing assists the MFI in achieving its operational goals. The bank marketing principle allows them to adjust their emphasis and begin designing schemes and services that hold evolving consumer demands at the forefront of their new and creative goods. The market can be divided into large segments, which are gross slices of the market, or smaller specially shaped segments, also known as niches, in the process of segmentation.

2.2 Bank Marketing Strategies to Pass Competition

(a) Demographic Targeting: The bulk of bank marketing campaigns are targeted at a large audience. Marketing campaigns for MFIs would be more effective if they focus on local, niche, and smaller demographics. Marketing strategies are critical in this situation because they serve as a focal point for grouping a specific target group and acting decisively. MFIs that use this would have a greater effect on their target audience, highlighting the value of market segmentation for MFIs. Targeting a local audience would allow them to produce more personalized products and marketing in order to stand out from the competition.

(b) Technology Adoption: Although not every new technology benefits banking, staying on top of technological changes and curves will help your MFI remain competitive and keep its marketing plans fresh. To support their clients, MFIs should at the very least have comprehensive digital banking and an app. And high quality is a must in this situation.

(c) Digital Apps: The number of people using social media is steadily rising. As a result, more people are moving to digital banking, which is convenient, easy to use, and often faster. MFIs with a strong digital app or web portal, ideally both, can use them to promote their banking products to their entire audience. It can be done by advertisements and social media campaigns, as well as training for older users who aren't as tech-savvy as younger generations.

(d) Customer Outreach: Customer outreach is becoming more important as a marketing strategy as many MFIs focus on digital and social media marketing. Human encounters with consumers and one-on-one engagement would do a lot more for customer relationships than any amount of online marketing. However, training on how to use services like online security and even mobile banking is needed.

(e) Loyalty Programs: Loyalty services are one of the oldest bank marketing strategies. Customers should be compensated for engaging with and using the bank on a regular basis, and loyalty programs should typically focus on encouraging customers to stay with the bank. Free ATM use, lower loan and mortgage interest rates, and even marginally higher savings account interest rates will be important customer discounts.

2.3 Market Segmentation

Market segmentation was first suggested as an alternative technique for market development in 1956 by an American Marketing Professor, Wendell Smith, and was proposed as a technique for market development where there are few rivals with similar goods. It entails breaking down a wide target market into smaller segments in order to make ads more straightforward. According to Asiedu (2015), segmentation is a management technique that allows businesses to divide their market into distinct customer categories based on similar consumer behavior. This clearly demonstrates that market segmentation is a critical pillar for an organization's effective operations and strategies. Customers are segmented geographically based on their physical location and borders that include the region, weather conditions, lifestyle and culture.

Demographic segmentation is the method by which research is applied to the general population's quality and other characteristics (age, gender, family size, income, education, occupation, religion, and nationality). Observable variables such as family status, life cycle, community, gender, geographic location, and income, according to (Dickens & Chappel, 1977) are possible parameters for marketing segmentation. Basic demographic indicators include age, gender, family size, family life cycle, income, occupation, education, religion, ethnicity, generation, social class, and nationality (Kotler & Armstrong, 2012; Armstrong & Kotler, 2014). Demographic variables are the most common basis for segmenting the customer group. This is because demographic factors are often related to customer needs, desires, and consumption rates. The division of a market into different geographical units such as nations, states, districts, cities, and communities is known as geographic segmentation. Since consumers' purchasing decisions are influenced by where they live, work, and other factors, it's critical to segment by geography (Gunter & Furnham, 1992).

Psychographic segmentation divides people into groups based on their beliefs, values, lifestyles, desires, and perspectives (Pickton & Broderick, 2005). A customer's attitude toward, use of, or reaction to a product is the subject of the behavioral segmentation approach. By combining the various behavioral variables, advertisers can gain a better understanding of a market and its segments, allowing them to improve their targeting strategies (Kotler & Keller, 2013). Markets are segmented according to their ethnic origins and social objects using socio-cultural segmentation. Socio-cultural segmentation incorporates social (group-related) and cultural variables (people's common values, opinions, and attitudes) to provide a more solid base for segmentation. By averaging a person's location on many status dimensions, social class segmentation determines social class (Loudon & Della, 1993). Lifestyle segmentation divides the market into distinct groups based on their habits, preferences, and viewpoints (Plummer, 1974). According to Deresky (2003), culture is made up of assumptions, common values, understandings, and goals that are learned from one generation, imposed by the current generation, and passed on to future generations. As a result, all these factors have to be considered when market segmentation is being carried out.

2.4 Marketing Mix

a. Product

The term "product" refers to what a company sells, and it encompasses all of the benefits, features, and advantages that customers can gain from using it (Jones & Morgan, 2014). When designing a product or service, customers' needs and preferences must be considered, as well as how they can be met (Tellis, 2013). Individuals and companies may use microfinance institutions to meet their needs and wants by using monthly deposit schemes, term deposits, education schemes, overdraft loans, and industrial loans. The changing psychology, rising expectations, rising earnings, changing lifestyles and increasing competition from foreign MFI, and changing needs and requirements of customers as a whole make it possible to innovate and render top quality services. MFIs must minimize, magnify, integrate, and modify the services they provide. It is important that each product be checked against industry-accepted technical requirements.

b. Price

Pricing is a crucial marketing tactic because it influences a company's ability to retain consumers and generate more revenue (Tokman & Beitelspacher, 2011). Setting prices that are too high can deter customers, whereas setting prices that are too low may attract them. Microfinance institutions charge cost plus rates for loan products because they charge a higher interest rate, while deposit products have a lower interest rate based on the financial situation.

2.5 Technological Advancements in Banking Services

Communication and Connectivity is one, and Business Process Reengineering is the other. Information technology facilitates sophisticated product creation, improved business infrastructure, and the application of reliable risk management strategies, as well as assisting financial intermediaries in reaching out to geographically remote and diverse markets (Kozak, 2005) (Mary et al, 2000). IT can facilitate transactions among customers within the same network (the network effect). Since ATMs are widely accessible through geographically scattered regions, the advantage of using an ATM increases since customers can access their accounts from any geographic location they want (the network effect).

A net-based transaction is less costly for the MFI, and the services are more structured and efficient. Even if internet banking as a term has not yet piqued the interest of the majority of consumers, the small percentage who does use it makes a difference to the bottom line. Customers may use M-Banking (mobile banking) to get account balances, cheque books, cheque status, demand drafts, and banker's cheques, as well as stop transfers, inquire about fixed deposits, and transfer bills online. (Shirshendu, 2011) discovered that "technology use easiness and reliability" and "customer service" have a positive and important impact on customer satisfaction. Customers may use information technology to express their grievances and have their needs met in a timely and efficient manner.

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2.6 Customer Services

Customer service is a collection of activities designed to increase customer satisfaction or the perception that a product or service has met the client's requirements. The client's overall satisfaction will also vary depending on their other choices and other items to which the organization's products can be compared According to Owusu-Frimpong (1999), there are two types of factors that customers seek in a high level of customer service: tangible and intangible factors. Performance, quality, reliability, service expense, empathy, and comfort are all tangible considerations to consider. Reputation, sense of empathy, courtesy, desire to help, and problem-solving capacity of staff are examples of intangible variables.

Adaptability, assurance, explanations, empathy, authority, customer education, and personalization are all criteria used to evaluate call center services (Rafaeli et al, 2008). Customer reviews, customer attention, and response time have also been used to assess service quality and, as a result, customer retention. Service quality becomes a key competitive weapon for financial services in general, particularly banks, in a market where services and products are generally undifferentiated (Stafford, 1996). Customer demands and quality requirements have risen dramatically. MFIs must consider consumer needs and preferences in order to boost their competitiveness (Parasuraman, 1988) and satisfy their customers by delivering better products and services.

2.7 Customer Retention

In today's ever-increasing banking competitive climate, customer retention could be an important weapon for banks to acquire strategic advantage and survive (David et al, 2006). Customer retention is a reasonably simple point to make. Holding clients rather than adding new is more cost efficient. Customers must be obtained at a high cost to "replace" those that have left. This is because the cost of attracting customers is only borne in the early stages of a business partnership (Reichheld & Kenny, 1990). Long term consumers often buy more and, if happy, can promote the business through positive word-of-mouth. Long term customers also often use less company capital and are less susceptible to price shifts (Healy, 1999).

Several studies have been done on customer retention (Anani, 2013; Jemaa & Tournois, 2014; Ondieki, 2012; Nwankwo, 2013; Rootman & Sharp, 2011; Tarokh & Sheykhan, 2015). The factors deciding factors of bank selection and retention in Tanzania, according to a study by Ondieki (2012), revealed that bank ownership and newness were not determining bank selection and later retention by corporate customers, but rather bank services provided, convenience of bank position, aggressive marketing, and the ability to satisfy customers' demand, as well as good public image.

3. Methodology

This study is guided by the epistemology of positivism and follows the causal research design using a quantitative method of analysis. This is because quantitative research is often used to question relationships between variables yielding results that are predictive, explanatory, or confirmatory (Williams, 2011). It aims to produce generalized findings in the form of theories and formulae, and so is sometimes associated with positivistic and deductive studies (Bryman, 2012). The study applied simple random probability sampling i.e. selecting the sample randomly from the sampling frame using random numbers obtained from tables or generated by a computer. (Saunders et al, 2009). A sample of 384 participants which consisted of customers from category two microfinances in Yaounde.

Research questions were administered with the use of questionnaires because it has the ability to harness data from a large sample that may be geographically dispersed, and provides broad statistical analysis options (Zikmund, 2003). A Well-structured questionnaire was used in this study to provide a hypothetical response of 384 respondents on SPSS worksheet using a 5 Likert scale (SA-SD).

3.1 Data Analysis

Statistical inferences and modeling with the use of statistical software's like SPSS and AMOS were used in this research. Data obtained from questionnaires with open-ended questions was coded and analyzed with the use of SPSS 23 and AMOS 24 in order to have valid and reliable research results.

3.2 Statement of Hypothesis

H1: Market segmentation has a significant positive effect on customer retention in micro-finance institutions in Yaounde, Cameroon

H2: Marketing Mix has a significant positive effect on customer retention in micro-finance institutions in Yaounde, Cameroon

H3: Technology in Banking has a significant positive effect on customer retention in micro-finance institutions in Yaounde, Cameroon

H4: Customer Service has a significant positive effect on customer retention in micro-finance institutions in Yaounde, Cameroon

4. Results

Table 1. Combined Table of Exploratory Factor Analysis (EFA)

Pattern Matrix			
	Component		
	1	2	3
MS2		.793	
MS5		.826	
MM1			.683
MM5			.845
CS2	.856		
CS4	.777		
Extraction Method: Principal Component Analysis. Rotation Method: Promax with Kaiser Normalization.			
a. Rotation converged in 4 iterations.			

As shown on table 1 above, data was cleaned using principal component analysis and promax rotation. The results displayed in the combined exploratory factor analysis table above represent those indicators of the various latent constructs that were retained. Further analysis was done using confirmatory factor analysis (CFA) in order to confirm the validity and reliability of the aforementioned latent constructs used in this study. The result obtained is presented below

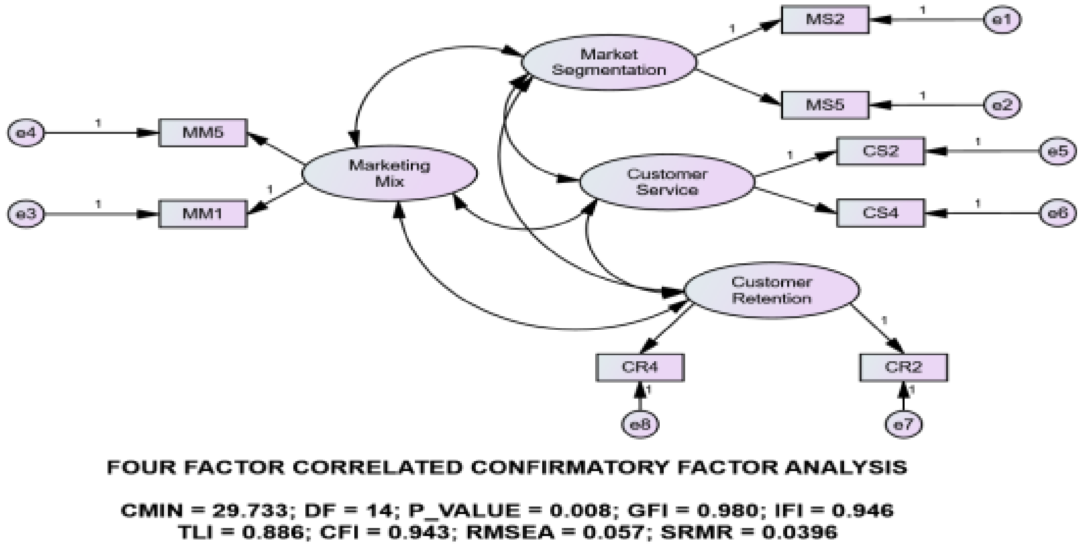
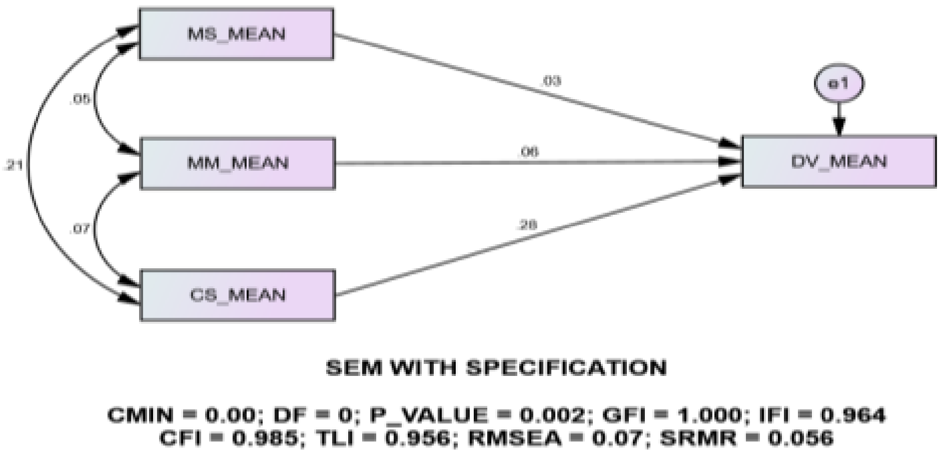


Figure 1. Confirmatory Factor Analysis (CFA)

This confirmatory factor analysis diagram above confirms the validity and reliability of the latent constructs used in this study. This study had four independent variables which were; Market segmentation, marketing mix, customer service and customer retention and one dependent variable which was; customer retention. Also, as presented above, the admissibility requirements for the results to be valid and reliable were met using confirmatory factor analysis.

Again, further analysis using the Structural Equation Model (SEM) was conducted in order to meet the validity and reliability requirements necessary to proceed to test the hypothesis. The diagram below shows the SEM model.



However, based on the figure above depicting the results, the Structural Equation Model (SEM) analysis conducted failed to completely meet the validity and reliability requirements necessary to proceed to test the hypothesis. Nonetheless, path analysis was used to test the hypothesis as presented in the output results below;

Table 2. Path Analysis – Multiple Regressions

			Estimate	S.E.	C.R.	P	Label
DV_MEAN	<---	MS_MEAN	.027	.054	.496	.620	par_1
DV_MEAN	<---	MM_MEAN	.032	.028	1.155	.248	par_2
DV_MEAN	<---	CS_MEAN	.295	.056	5.289	***	par_3

Regression Weights: (Group number 1 - Default model

Table 3. Test of Hypothesis

Hypotheses	**P-Value at 95% Confidence Interval (CI)**	**Decision/conclusion**
H1: Market segmentation has a significant positive effect on customer retention in micro-finance institutions in Yaounde, Cameroon	P-V = 0.620> 0.05 (statistically insignificant)	Decline to reject the null hypothesis
H2: Marketing Mix has a significant positive effect on customer retention in micro-finance institutions in Yaounde, Cameroon	P-Value = 0.248> 0.05 (statistically insignificant)	Decline to reject the null hypothesis
H3:Customer Service has a significant positive effect on customer retention in micro-finance institutions in Yaounde, Cameroon	P-Value = 0.000 < 0.05 (statistically significant at 1%, 5% and 10%)	Reject the null hypothesis

5. Discussions and Conclusion

The results of this study have shown that customer service has a significant positive effect on customer retention in microfinances in Yaounde, Cameroon. This can be seen in table 3 where the P-value for hypothesis 3 is significant within a 95% confidence interval being P = 0.001 for H3 and P>0.000 for H2 and H1 respectively. However, hypothesis 1 (H1) and 2 (H2) i.e. market segmentation and marketing mix was found not to have a statistically significant impact on the retention of customers in microfinance institutions in Yaoundé, Cameroon.

The result of this study which created a new model to show the relationship or link between variables has a statistically significant impact on customer service and customer retention. If the management of these various category two microfinances desire to have satisfied and retained customers, the results of the research appears to suggest that more effort should be geared towards the improvement of the customer service. And in order to be on a safe side and use all their strategies to retain customers effectively, new strategies and methods will have to be put in place to improve marketing mix, market segmentation, technology in banking service. They all have to be upgraded to suit customer and management taste, hence leading to customer retention subsequently.

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