Relationship marketing and customer retention lessons for South African banks

C. Rootman, M. Tait & G. Sharp

ABSTRACT

Banking industries are very competitive, and banks are facing service delivery challenges. Relationship marketing is a strategy for building and maintaining relationships with clients, and customer retention is important for banks as it refers to the maintaining of profitable banking clients. Therefore, this article addresses the need for further understanding of relationship marketing and customer retention of banks, and related lessons that can be learned from banks in Canada and the United Kingdom (UK). A self-developed, structured questionnaire was distributed via convenience snowball sampling to banking clients in South Africa, Canada and the UK. The findings revealed that six banking service delivery variables influence banks' relationship marketing and customer retention. Fee structures and the ethical behaviour of banks are regarded as the most important focus areas for banks. Canada was identified as the country with the most highly regarded banks in terms of relationship marketing, customer retention, empowerment of bank employees and personalisation of banking services. UK banks were highlighted as superior in setting fee structures, communication strategies and ethical behaviour. Therefore, strategies implemented by Canadian and UK banks relating to the variables were adapted to fit South African banks as well as institutions in other developing countries. The implementation of the recommendations of the article may lead to improved client relationships and increased customer retention rates, which will be beneficial to banks, their clients and

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the countries in which they operate. The study also resulted in the development of a conceptual model that could be used in future relationship marketing research.

Key words: banks, relationship marketing, customer retention

Introduction

Banking industries worldwide are very competitive, and it is difficult for retail banks to provide unique banking services as required by clients. To overcome this challenge, banks, which can be classified as service firms, can benefit from superior relationship marketing, because clients focus on the service aspect and interaction with the service provider when evaluating a service firm. Firm–client relationships in service industries are important as they influence the satisfaction, support and retention of banking clients. Moreover, previous studies have shown that there is a significant positive relationship between the client relationships and level of service quality of banks (Rootman 2006). Both banks and their clients can thus benefit from relationship marketing. Proper relationship marketing may result in lower marketing costs, enhanced customer satisfaction, customer loyalty and possibly increased customer retention levels for banks (Bergeron, Roy & Fallu 2008; Eid 2007: 1021; Ackermann & Van Ravesteyn 2005; Baron and Harris 2003: 161; Wilmshurst & Mackay 2002: 346; Mudie & Cottam 1999: 257). If their banks focus on relationship marketing, clients may receive benefits, customised offerings, empathy, appreciation, friendliness, communality, decreased prices as well as experiencing feelings of trust in the firm and customer satisfaction (Info-Electronics Systems 2004; Swartz & Iacobucci 2000: 96, 328). Proper relationship marketing can therefore ultimately ensure the survival of banks, but banks need to be aware of the variables that influence their relationship marketing activities. This would assist these institutions in adapting the required variables to ensure sufficient and beneficial relationship marketing.

It has also been shown that customer retention can lead to various benefits for banks, including higher sales, higher profitability, lower costs of acquiring new clients and word-of-mouth recommendations. These benefits can all contribute to the survival of banks and ensure greater banking success. It is therefore important to identify whether sufficient relationship marketing by banks can improve their customer retention.

This research focuses on identifying the variables influencing banks' relationship marketing strategies and customer retention levels. It is important to note that the study consisted of various phases, with research conducted in three countries and among clients as well as bank managers. However, for the purposes of this article, the study focuses specifically on comparing the influence of selected variables on the relationship marketing strategies of banks in South Africa, Canada and the UK, from the perspective of clients. This is done to possibly learn practical relationship marketing and customer retention lessons from international banks.

Literature overview

Based on the stated objectives, a literature overview was conducted regarding the history and current status of banks in South Africa, Canada and the UK. Variables that could possibly influence relationship marketing and customer retention in banks were identified.

Banks in South Africa, Canada and the UK

The South African banking industry consists of a few large, financially strong banks and a number of smaller banks. Many foreign banks are operational in South Africa, and the Banks Act is based on similar legislation as in the UK, Australia and Canada (South Africa Info 2008). At the end of 2007, 139 149 people were employed in the South African banking industry. (*SA Yearbook 2008/09*: 229–230). The industry is dominated by five major banking groups, namely Amalgamated Banks of South Africa Group Limited (ABSA), FirstRand Holdings Limited (FNB), Nedcor Limited (Nedbank), Standard Bank Investment Corporation Limited (Standard Bank) and African Bank (De Wee 2009). The four major banks together control 84% of South Africa's banking market (South African Reserve Bank 2008: 55). Strong new competitors in the South African banking industry include African Bank and Capitec (Ashton 2009).

The Canadian banking industry includes 14 local banks, 33 foreign bank subsidiaries and 20 foreign bank branches. The Canadian banking system is mature, sophisticated and highly competitive (Department of Finance Canada 2002). The industry is stable and well developed, managed, regulated and capitalised (Canadian Bankers Association 2010; PriceWaterhouseCoopers 2009; Friend 2008). Canada's largest bank is the Royal Bank of Canada, which is particularly known for its many successful relationship marketing stories since 1997 (Ptak 2001: 38).

According to Ennew and Binks (1996: 222), the UK banking industry is dominated by a small number of large banks providing retail and corporate services both nationally and internationally. Figueira, Nellis and Parker (2007: 38) state that the

UK banking industry is often regarded as one of the most efficient and competitive industries in Europe. In terms of the linkage between UK banks and South African banks, Barclays in the UK controls 58.8% of ABSA in South Africa (Mittner 2009: 26).

It will be valuable to compare South African banks with Canadian and UK banks in terms of relationship marketing and customer retention. By doing this, banks can obtain strategies from international banks that may lead to improved client relationships and higher customer retention levels.

Relationship marketing and customer retention

Relationship marketing is a core strategy used by firms to establish, maintain and enhance profitable relationships with clients, while ensuring benefits for both the firm and its clients (Grönroos 1994: 4–20). Walsh, Gilmore and Carson (2004: 469) define relationship marketing as the activities implemented by banks in order to attract, interact with, and retain more profitable clients. Customer retention refers to a firm's 'zero defections' of profitable consumers or no switches from profitable consumers to competitors (Reichheld 1996). Menon and O'Connor (2007: 157) define customer retention as the longevity of a consumer's relationship with a firm. Based on the literature, the variables that can possibly influence banks' relationship marketing and customer retention include communication, knowledgeability, empowerment, personalisation, fees, ethical behaviour and technology.

Communication is the delivering of a message or information, through various methods, from one individual or group to another (Bosch, Tait & Venter 2006: 543; Lages, Lages, Lages 2005; Joiner 1994: 124). Word of mouth (Kotler, Armstrong & Tait 2010: 431) and marketing communication (Elliott 2009: 274–277) are also regarded as methods of communication to and from clients. Knowledgeability is the level of insight employees have regarding specific aspects, offerings and clients of a firm. Empowerment is the action when managers give employees authority to make decisions or take actions on their own (Longenecker, Moore, Petty & Palich 2006: 362). According to Brink and Berndt (2008: 126) and Peppard (2000: 322), personalisation occurs when a firm develops or tailors its offering to satisfy unique client needs. Ethical behaviour refers to conforming to acceptable standards of behaviour based on custom, practice and personal conscience (McDonald & Leppard 1990: 27). The ethical behaviour of a firm also includes its level of social responsibility, in other words its obligations to consumers, employees and the community (Longenecker et al. 2006: 31). According to Joyner and Payne (2002: 299), ethics refers to a set of values that define right and fair behaviour within a society, and Stevenson (2005:

4) regards ethics as the set of moral principles or values that determine human behaviour. When considering fees or price, in the case of services rendered, the price charged to the client is often called the fee, rent, tariff, fare, premium or rate (Mostert 2009: 143–144). Hoffman and Bateson (2006: 269) define technology as the level of automation a firm utilises.

Each of these selected variables comprises bank activities, actions and methods necessary to establish and maintain bank–client relationships and thus possibly ensure long-term relationships. Therefore, the correct adaptation of these variables in a bank is vital to ensuring higher customer retention levels. Table 1 provides theoretical evidence of possible relationships between the identified variables.

It is necessary to investigate the actual influence of each of the seven aspects on the relationship marketing and customer retention of banks.

Purpose and objectives

The primary objective of the research was to identify and investigate the influence of relationship marketing on customer retention in South African, Canadian and UK banks. The purpose was to identify valuable lessons for South African banks from their international counterparts. A hypothetical model in this regard was empirically tested.

In order to pursue the primary objective, the following secondary objectives were pursued:

- To investigate literature on retail banks in the three stated economies
- To investigate literature on relationship marketing and customer retention
- To perform an empirical investigation among banks in South Africa, Canada and the UK
- To make recommendations to banks on how to manage their bank–client relationships and improve their customer retention rates based on knowledge from international banks.

Hypotheses

In order to give effect to the primary objective of the study, based on the introduction and literature overview, a number of hypotheses were constructed. Hypotheses were constructed in order to determine whether relationships exist between each of the independent variables (communication, knowledgeability, empowerment,

Table 1: Theoretical evidence for identified variables

Possible relationships	Theoretical evidence
Communication: relationship marketing and customer retention	Closer firm–client relationships may exist if communication is intense and follows a two-way stream (Donaldson & O'Toole 2007: 151). Several studies emphasised that communication is crucial in business relationships (Cheng 2001; Duncan & Moriarty 1998; Dwyer, Schurr & Sejo 1987). According to Gremler and Gwinner (2000), rapport or harmonious communication between a firm's employees and its clients leads to increased client loyalty levels.
Knowledgeability: relationship marketing and customer retention	Employees' competency levels, which include their knowledgeability, influence a bank's client relationships and customer loyalty levels (Ackermann & Van Ravesteyn 2005). Greenland (1994: 21) identified that the skills and knowledge of bank employees to identify, consider and solve client queries and complaints improve banks' relationships with their clients.
Empowerment: relationship marketing and customer retention	Employees' degree of empowerment to conduct tasks on their own also influences a bank's client relationships and customer loyalty levels (Ackermann & Van Ravesteyn 2005).
Personalisation: relationship marketing and customer retention	Bruno-Britz (2008) suggested that customised banking products and services increase customer retention. Eid (2007: 1027) indicated that in the banking industry, personalisation has a positive effect on banks' relationship quality. Gay, Charlesworth and Esen (2007: 254) indicated that personalisation is necessary for firms to satisfy the different needs of client groups. Peppard (2000: 313) mentioned that it is critical to use information in relationship marketing strategies in order to tailor products and services according to clients' individual needs (and thus perform personalisation).
Ethical behaviour: relationship marketing and customer retention	Previous studies determined that the ethical behaviour of firms is one of the decisive matters in the forming and management of stakeholder relationships (Monteiro 2009; Dorsch, Swanson & Kelley 1998). Longenecker et al. (2006: 34) suggested that ethics is necessary to build and maintain trust between parties in a relationship.
Fees: relationship marketing and customer retention	Theoretical sources emphasised the possible influence of fees on firms' relationships with clients, and their customer loyalty and retention rates (Mostert 2009: 144; Bruhn & Georgi 2006: 18; Longenecker et al. 2006: 299; Ackermann & Van Ravesteyn 2005).
Technology: relationship marketing and customer retention	Through the better management of technology (for example, client databases) firms may build stronger client relationships (Fitzsimmons & Fitzsimmons 2008: 81; Karakostas, Kardaras & Papathanassiou 2005: 855; Bitner 2001). The use of information technology in the establishment of relationships has increased over time (Donaldson & O'Toole 2007: 156; Hamid & Kassim 2004: 107). Many firms use the term e-CRM when referring to technological developments that lead to more effective and relevant client interactions (Gay et al. 2007: 4). Peppard (2000: 325) indicated that integrated information technology is essential for the management of client relationships.

personalisation, ethical behaviour, fees and technology) and the intervening variable (relationship marketing). In addition, one hypothesis was constructed to examine whether a relationship exists between the intervening variable and the dependent variable (customer retention) (Model 1 shown in Figure 1):

H[1]: A relationship exists between communication and relationship marketing.
H[2]: A relationship exists between knowledgeability and relationship marketing.
H[3]: A relationship exists between empowerment and relationship marketing.
H[4]: A relationship exists between personalisation and relationship marketing.
H[5]: A relationship exists between ethical behaviour and relationship marketing.
H[6]: A relationship exists between fees and relationship marketing.
H[7]: A relationship exists between technology and relationship marketing.
H[8]: A relationship exists between relationship marketing and customer retention.

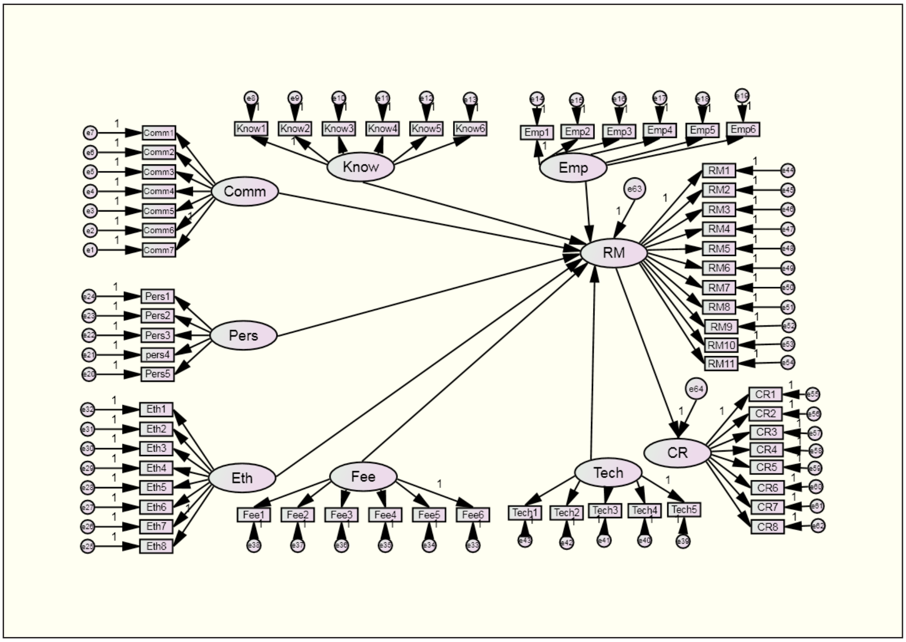

Figure 1: Model 1

Research methodology

The study being reported here attempted to identify the influence of selected independent variables on the relationship marketing (intervening variable) and customer retention (dependent variable), with specific reference to the viewpoints of banking clients in South Africa, Canada and the UK. A qualitative research design was used by conducting structured interviews with relationship managers of banks prior to the design of the measuring instrument. The researchers relied strongly on the quantitative research design, however, because it was aimed at testing the hypotheses, as well as quantitatively analysing and interpreting the collected data (Burns & Burns 2008: 14–19; Neill 2007).

Both primary and secondary sources were used to collect information on banks, the selected variables as well as relationship marketing and customer retention. For the empirical investigation, a self-developed measuring instrument in the form of a structured questionnaire was distributed by means of convenience snowball sampling to individual banking clients. The method of sampling is potentially biased; however, no practical alternative sampling method would provide unbiased data for this study. No database of the entire population is available due to bank confidentiality restrictions. Convenience snowball sampling was therefore used to obtain an adequate number of responses. Responses were obtained from South Africa, Canada and the UK over the period July to September 2010. Emails and social media networks were used to obtain responses, and the final sample size was 637 banking clients. The language of communication was English, and the questionnaire consisted of three sections. Sections 1–9 consisted of statements based on the literature overview regarding relationship marketing and customer retention. One section was used for each of the seven predetermined independent variables, the intervening variable and the dependent variable. These sections used a seven-point Likert-type scale ranging from 'strongly disagree' (1) to 'strongly agree' (7) and gathered data on the possible influence of the independent variables on banks' relationship marketing and customer retention. Section 10 gathered biographical data of the respondents and their banks. The validity of the measuring instruments was ensured, as experts in the fields of marketing, service management and statistics assisted with the questionnaire design.

Collected data were statistically analysed using the Microsoft Excel, Statistica (Version 9) and AMOS (Version 18) computer programs. Statistical data analyses were performed in six phases:

- Firstly, the data analysis consisted of performing various descriptive statistical procedures to summarise the sample data. For the purpose of this article, only clients' countries are of importance (as provided in this article).
- Secondly, structural equation modelling (SEM) was conducted in order to measure the goodness-of-fit of the data to the model. Five indices, namely the normed chi-square (χ^2/df), root mean squared error of approximation (RMSEA),

comparative fit index (CFI), Tucker-Lewis index (TLI) and parsimony goodness-of-fit index (PGFI) were used to evaluate the model's goodness-of-fit.
- During the third phase of data analysis, the validity of the measuring instrument was considered by evaluating its construct validity. Validity was verified by means of considering the factor loadings in the CFA and the variance extracted (VE) estimates.
- Fourthly, the reliability of the measuring instrument was tested through the construct reliability (CR) estimates and the computation of Cronbach's alpha correlation coefficients.
- During the fifth data analysis step, the hypothesised relationships were tested by evaluating the point and interval estimates of the parameters provided during the SEM procedure. This means the researcher could reject or fail to reject hypotheses based on the results from the SEM phase.
- Lastly, various country comparisons were made in order to identify how banking clients' perceptions in South Africa, Canada and the UK differed about relationship marketing and customer retention aspects. MANOVA was used to evaluate the differences in the means between the three groups (South African, Canadian and UK banking clients) for two variables (the intervening variable and the dependent variable) based on the set of independent variables.

Empirical results

Firstly, descriptive statistics are provided, including the biographical data of the respondents. Secondly, the SEM results are discussed, while the third section elaborates on the validity of the measuring instrument. Fourthly, the reliability of the measuring instrument is discussed. In the fifth section, the identified relationships between the independent, intervening and dependent variables are illustrated. Finally, country comparisons are highlighted and explained.

Descriptive statistics

For the purposes of this article, it is important to note that the majority of the respondents (83.8%; n=534) were banking clients in South Africa, the main country of the study. Approximately 8.5% (n=54) of the respondents were Canadian banking clients, whereas 7.7% (n=49) of the banking clients were from the UK. Despite the inequality in the proportions of respondents from the three countries, the number of observations of respondents was a minimum of 49. Statistical theory states that the sampling distribution of the sample mean is approximately normally distributed for samples of 30 or more, irrespective of the distribution of the variables (Mann 1998: 343). Given this approximation, the comparisons between countries using test statistics based on the linear model assumptions are justified.

Structural equation modelling results

The hypothesised model, Model 1 (see Figure 1), was subjected to the SEM process, which showed that the relationship between the factors *knowledgeability* and *relationship marketing* is insignificant. In addition, the goodness-of-fit indices showed that the model fit could be better. In order to obtain the most parsimonious model, the factor *knowledgeability* was omitted, and Model 2 was subjected to the SEM process. Model 2 proved to be a better fit; however, the indices still showed that the model fit could be improved. Therefore, possible cross-correlations were ascertained and the modification index (MI), set at the conservative limit of 50, was used to identify cross-correlations between factors. The cross-correlations were inserted, and the model was re-estimated as Model 3 (see Figure 2).

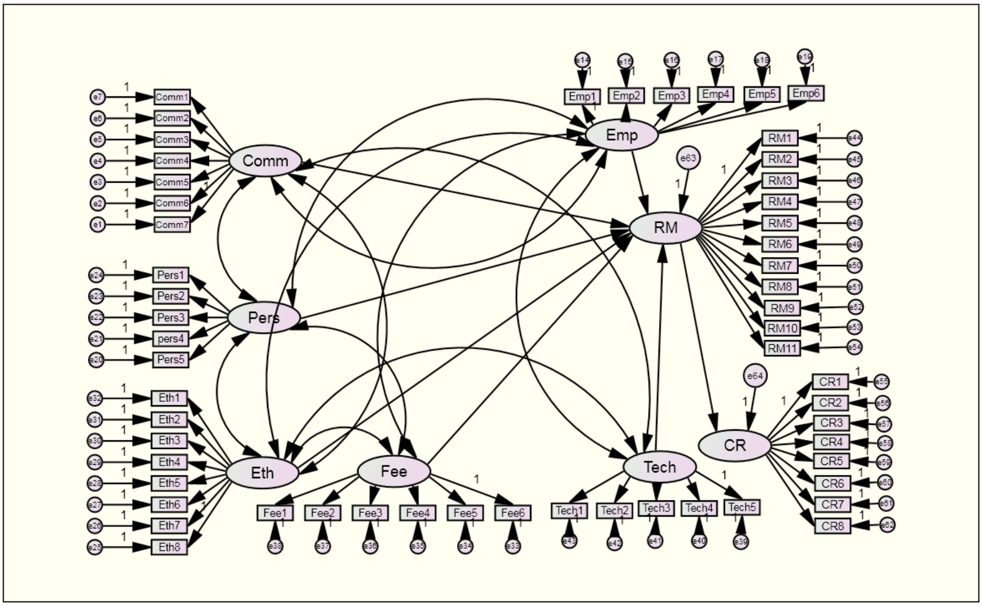

Figure 2: Model 3

From the SEM process, Model 3 showed no insignificant relationships between factors. The goodness-of-fit results are shown in Table 2. Goodness-of-fit indices always state the null hypothesis as the desired outcome. Goodness-of-fit does not confirm a model completely, but this is the method used in studies (Gerber, Sharp &

Tessera 2006), and it appears to be acceptable. Using this method, it is recommended that relationships between variables are referred to on a directional basis (Schreiber, Nora, Stage, Barlow & King 2006).

Table 2: Model 3 goodness-of-fit indices

Index	Result for Model 3
RMSEA	0.060 (0.058 lower bound, 0.062 upper bound)
CFI	0.884
TLI	0.878
PGFI	0.694

As shown in Table 2, the RMSEA indicates a good fit for Model 3 as it equals 0.060, well within the recommended value of less than 0.07 (Hair, Black, Babin & Anderson 2010: 630–665). Even the upper bound of the confidence interval falls below 0.07, and thus indicates a good fit. Both the CFI and the TLI for Model 3 are very close to the recommended 0.9 level (0.884 and 0.878 respectively) and are therefore regarded as indications of a satisfactory model fit. Model 3 was a noticeable improvement on Models 1 and 2 and provides an adequate fit for several indices. All parameters are significant, all indices are improved, and the PGFI for Model 3 is the largest of the three models.

The SEM analysis indicated Model 3 to be the model of choice for this study and was used in further data analysis procedures. The results of Model 3 are satisfactory, with all factors significant at the 0.01 level or less.

Validity of the measuring instrument

Various measures were used to confirm the validity of the measuring instrument used for the study on which this article is based. Those to be reported here include the results of the CFA and the VE estimates. Table 3 shows the factor loadings of all the items of the measuring instrument.

It is evident that not all item loadings exceeded the recommended value of 0.5 (Hair, Anderson, Tatham & Black (1998: 111); however, the majority of items that loaded on to the factors have the minimum loading of 0.5. Despite the lower than suggested loadings of four items (Comm7, Fee6, RM7 and CR5), the items are retained in the model as the model-fit SEM results are acceptable. Thus, only four of the 56 items measured obtained factor loadings of lower than 0.5.

Table 3: Factor loadings

			Factor loadings				Factor loadings
Comm7	<—	Comm	0.4050	RM1	<—	RM	0.7910
Comm6	<—	Comm	0.5230	RM2	<—	RM	0.7930
Comm5	<—	Comm	0.5630	RM3	<—	RM	0.7970
Comm4	<—	Comm	0.4710	RM4	<—	RM	0.7240
Comm3	<—	Comm	0.7110	RM5	<—	RM	0.8510
Comm2	<—	Comm	0.8170	RM6	<—	RM	0.8830
Comm1	<—	Comm	0.8120	RM7	<—	RM	0.2810
Emp1	<—	Emp	0.7170	RM8	<—	RM	0.7260
Emp2	<—	Emp	0.5890	RM9	<—	RM	0.8830
Emp3	<—	Emp	0.7950	RM10	<—	RM	0.8590
Emp4	<—	Emp	0.8160	RM11	<—	RM	0.8930
Emp5	<—	Emp	0.6110	CR1	<—	CR	0.6880
Emp6	<—	Emp	0.7320	CR2	<—	CR	0.7400
Pers5	<—	Pers	0.8170	CR3	<—	CR	0.8220
Pers4	<—	Pers	0.8840	CR4	<—	CR	0.7270
Pers3	<—	Pers	0.8970	CR5	<—	CR	0.2840
Pers2	<—	Pers	0.8120	CR6	<—	CR	0.8780
Pers1	<—	Pers	0.4970	CR7	<—	CR	0.8850
Eth8	<—	Eth	0.6160	CR8	<—	CR	0.8560
Eth7	<—	Eth	0.8160				
Eth6	<—	Eth	0.7250				
Eth5	<—	Eth	0.8110				
Eth4	<—	Eth	0.6910				
Eth3	<—	Eth	0.6120				
Eth2	<—	Eth	0.7040				
Eth1	<—	Eth	0.7370				
Fee6	<—	Fee	0.3240				
Fee5	<—	Fee	0.9040				
Fee4	<—	Fee	0.8790				
Fee3	<—	Fee	0.9320				
Fee2	<—	Fee	0.8780				
Fee1	<—	Fee	0.8280				
Tech5	<—	Tech	0.7320				
Tech4	<—	Tech	0.8330				
Tech3	<—	Tech	0.8760				
Tech2	<—	Tech	0.8070				
Tech1	<—	Tech	0.6920				

The VE indicator was used to consider the validity of the measuring instrument. Table 4 shows the VE estimate for each of the factors.

Table 4: VE estimates of all factors

Factor	**VE**
Comm	0.4012
Emp	0.5113
Pers	0.6320
Eth	0.5149
Fee	0.6700
Tech	0.6254
RM	0.6217
CR	0.5741

It is clear that, excluding the factor communication, all VE results are within acceptable levels in that values higher than the recommended 0.5 are obtained. The VE estimate of communication (0.4012) is only slightly lower than 0.5 and, based on theory, communication plays an important role in the relationship marketing and customer retention of banks. Therefore, this factor was not removed from the model. It can therefore be suggested that the factor loadings and VE estimates provide acceptable results and confirm the validity of the measuring instrument.

Reliability of the measuring instrument

The results illustrating the reliability of the measuring instrument, as measured by the CR estimates and Cronbach's alpha correlation coefficients, are shown in Table 5.

Table 5 shows that all the independent variables, except for communication, obtained a construct reliability estimate of above the recommended 0.60 (Hair, Black, Babin, Anderson & Tatham 2006: 777). However, this estimate is only slightly lower than 0.6 and, as explained, communication was retained in the study model because of the theoretical underpinnings emphasising the importance of communication in retail banks. The communication variable was therefore regarded as reliable and used in further analyses. All the variables obtained Cronbach's alpha correlation coefficients above the recommended 0.70 (Nunnally & Bernstein 1994: 264–265). The intervening variable, relationship marketing, had the highest Cronbach's alpha correlation coefficient of 0.948; in other words, the items measuring relationship

Table 5: Construct reliability estimates and Cronbach's alpha correlation coefficients

Variables	Construct reliability	Cronbach's alpha
Communication	0.5382	0.813
Empowerment	0.6926	0.877
Personalisation	0.7056	0.894
Ethical behaviour	0.7864	0.906
Fees	0.7639	0.909
Technology	0.7441	0.887
Relationship marketing	0.8487	0.948
Customer retention	0.7615	0.910

marketing can be regarded as the most reliable. The construct reliability estimates and the Cronbach's alpha correlation coefficients indicate the reliability of the questionnaire items and the complete measuring instrument.

Hypothesis testing

As already mentioned, the factor knowledgeability was omitted from the proposed model, and H^2 was therefore not tested. Model 3 indicated that all other hypothesised relationships are statistically significant at the 0.01 level of significance. Thus, from the fitted SEM model, the estimated parameters used to evaluate the hypotheses conclude that six hypotheses should be accepted. These hypotheses state that relationships exist between each of the independent variables (communication, empowerment, personalisation, ethical behaviour, fees and technology) and the intervening variable (relationship marketing) as well as between the intervening variable (relationship marketing) and the dependent variable (customer retention). The estimated parameters used to evaluate the hypothesised relationships are presented in Table 6.

The interpretation of the results that follow is based on the estimates of the fitted SEM model rather than individual hypotheses tests. This evaluation is more appropriate than individual hypotheses tests, which would increase the risk of a Type I error.

The estimated parameters are all positive, indicating that positive relationships exist between each of the independent variables and the intervening variable and between the intervening variable and the dependent variable. This shows that if banks improve each of the specified factors, their relationship marketing efforts will

Table 6: Parameter estimates and p-values to evaluate hypothesised relationships

			Estimate	P
RM	<—	Emp	.150	0.004
RM	<—	Comm	.220	0.004
RM	<—	Pers	.279	***
RM	<—	Eth	.323	***
RM	<—	Fee	.625	***
RM	<—	Tech	.099	0.10
CR	<—	RM	.885	***

***p-value<0.001

improve. In the same way, if banks improve their relationship marketing strategies, their customer retention levels will increase. Thus, these results from Model 3 indicate the significance of each of the independent variables in relation to relationship marketing (the intervening variable) and the significance of relationship marketing (the intervening variable) in relation to customer retention (the dependent variable).

The factors fees and relationship marketing (estimate 0.625; $p < 0.001$) had the strongest relationship. In terms of the fees questionnaire items, the perceptions of clients on whether fees are reasonable and justifiable were considered. The empirical result showed that if banks charge fees that clients perceive as reasonable and well justified, these institutions' relationship marketing efforts would improve. The ethical behaviour of banks had the next strongest influence on the relationship marketing of banks (estimate 0.323; $p < 0.001$). It is thus important for clients to know that their bank acts ethically.

The factor with the lowest or smallest influence on the relationship marketing of banks is technology (estimate 0.099; $p \leq 0.01$) at a 0.01 level of significance. This means that banks' improved technology positively influences these institutions' relationship marketing efforts, but has a smaller effect on banks' relationship marketing than the other factors considered. The fact that technology does not have the strongest relationship with relationship marketing is an interesting finding because in practice, as also noted by many authors, several firms regard technology as the sole focus area when implementing relationship marketing strategies. This empirical investigation clearly shows that technology is not the only or even the first aspect that banks should consider. Other factors, such as communication, empowerment, ethics and fees, are shown to have stronger influences on banks' relationship marketing than technology.

In summary, considering the empirical results, all the formulated hypotheses (with the exception of H^2) can be accepted, as six of the seven independent variables (communication, empowerment, personalisation, ethics, fees and technology) have positive relationships with the intervening variable (relationship marketing), and the intervening variable (relationship marketing) has a positive relationship with the dependent variable, customer retention. Therefore, hypotheses H^1, H^3, H^4, H^5, H^6, H^7 and H^8 are accepted.

Country comparisons

The MANOVA analysis revealed that clients' perceptions regarding each of the independent factors, excluding ethical behaviour, are influenced by the clients' country of residence. The analysis revealed that the mean scores for empowerment and personalisation are significantly higher for banking clients from Canada (5.11 and 4.04 respectively) than for banking clients from South Africa (4.54 and 3.31 respectively). In addition, the analysis showed that the mean scores for communication, fees and technology are significantly higher for banking clients from the UK (5.18, 4.80 and 6.09 respectively) than for banking clients from South Africa (4.25, 3.83 and 5.51 respectively). Generally, this indicates that banking clients are more positive regarding the empowerment strategies and personalisation efforts of Canadian banks than South Africans are about empowerment and personalisation progress in South African banks. In addition, banking clients in the UK are more satisfied with the communication, fees and use of technology of UK banks than South Africans are about these aspects in South African banks.

A post hoc Bonferroni test indicated that at the 0.1 level of significance ($p=0.10787$), the difference in the mean score for the relationship marketing of a bank for Canadian banking clients (5.02) and South African banking clients (4.35) was not significant. However, the p-value of 0.108 is very close to the level of significance of 0.1. Therefore, an additional post hoc method, the Fisher LSD estimate, was used to cross-check the significance. The Fisher LSD showed a significant difference between the relationship marketing responses of Canadian and South African banking clients ($p=0.035949$). The LSD estimate suggests that Canadian banking clients are more positive regarding their banks' relationship marketing efforts than South African banking clients are regarding their banks' client relationships.

A post hoc Bonferroni test on the dependent variable, customer retention, indicated that at the 0.1 level of significance ($p=0.203004$), the mean score for the customer retention of a bank is insignificantly different for Canadian banking clients (4.95) and South African banking clients (4.43). However, as a difference was evident, the post hoc Fisher LSD estimate was again used to cross-check the significance. The Fisher LSD showed a significant difference between the customer retention responses of Canadian and South African banking clients ($p=0.067668$). This suggests that Canadian banking clients are more inclined to be retained as clients of their banks than South African banking clients and that the customer retention levels of Canadian banks are thus prone to be higher than those of banks in South Africa.

Managerial implications

The literature overview and empirical investigation led to a number of recommendations for banks with regard to the relationships between the independent variables (communication, empowerment, personalisation, ethical behaviour, fees and technology), the intervening variable (relationship marketing) and the dependent variable (customer retention).

As seen from the empirical findings, the variable relating to reasonable and justifiable fees was found to have the strongest correlation with the relationship marketing of retail banks. In terms of fees, to form stronger and long-term client relationships, banks should focus on ensuring that clients regard their fees as acceptable and reasonable, taking into account client comparisons of their fees with other banks and among client groups. Banks should provide special fee benefits to loyal clients; openly reconsider automatic annual fee increases; find a competitive advantage fee area to market; introduce 'recovering'/lower fees on credit cards, as in the UK; and introduce a tax-free savings account such as Canada's leading bank.

In this study, it was proved that the ethical behaviour of banks has a strong, positive influence on the relationship marketing of these institutions. It is thus important for banking clients that their banks are socially and environmentally responsible, report financial results honestly, act in a morally acceptable way and ensure the protection of funds and privacy of client information. Banks should, as in Canada and the UK, support current social issues, which could include designing social responsibility actions; developing and supporting environmentally friendly projects in order to reduce the bank's carbon footprint; guaranteeing client information privacy and secure funds; ensuring honest, clear and complete financial reporting; ensuring employees' moral behaviour; and running a strong marketing campaign on the ethical behaviour of the bank.

As can be seen from the empirical findings, although a positive relationship exists, technology had the weakest correlation with banks' relationship marketing. Efforts to adapt or change the bank technology used by employees and provided to clients will improve banks' relationship marketing to a lesser extent than the other investigated variables. This result is important to note, as many firms regard technology as the primary and often the sole focus area for improving firm–client relationships. This article illustrates that, in the banking environment, this viewpoint might be an error of judgement. Banks should not regard changes in bank technology as the first option when attempting to improve bank–client relationships. Banks may want to consider changes in fees as well as an emphasis on their ethical behaviour when faced with relationship marketing challenges. However, in terms of the use of technology to improve client relationships, banks can focus on their website, ensure the use of advanced and non-traditional banking methods, as required by clients, and ensure that clients' banking information is available to bank employees via technological systems. Banks should use technologically advanced programmes (as successfully done in Canada) and online games (an effective new venture by UK banks) to communicate and provide services to particular target markets.

The remainder of the independent variables (communication, empowerment and personalisation) also had positive relationships with banks' relationship marketing. Aspects relating to each of these bank activities should therefore be changed to enhance relationship marketing. To improve communication to and from clients, banks should ensure the use of appropriate and preferred communication methods, and truthful, honest communication that is not misleading; inform clients about new and/or changed offerings; ensure the availability of bank managers for client appointments; and use clients' preferred languages. For example, in Canada the major banks can provide client services in 150 languages.

The empowerment of bank employees should be encouraged through banks providing incentives to employees displaying initiative in their job activities and decisions. Banks should offer employees training sessions, seminars and development workshops; provide bursaries to employees in order to further their education; educate employees on changes influencing the banking industry, the bank and its clients; implement job rotation; discuss career paths with employees to inspire and empower them; appoint senior, experienced employees in client-management positions; personally and professionally develop employees through mentoring programmes; and offer employee share ownership plans (ESOPs). Canadian banks, which are leaders in relationship marketing, focus on ESOPs and the appointment of senior, experienced employees in positions with direct client contact.

Banks should personalise their offerings to fit specific client needs and should provide personal ATM greetings; ensure that ATMs automatically and immediately select the preferred languages of clients, as in Canada; personally greet regular and valuable clients in branches; invite valued clients to special events and seminars; offer special banking arrangements to new South African residents; offer personalised solutions for clients performing financial planning for key life events; and offer a larger variety of different account options within each category of accounts. Special invitations to valued clients and a larger variety of account options are proven personalisation strategies in UK banks.

Conclusion

In this article, insight has been given into the relationship marketing and customer retention strategies of banks in South Africa, Canada and the UK. More specifically, the article provided insight into the extent to which selected independent variables (relating to banks' activities, actions and methods) influence banks' relationship marketing and customer retention, and into practical strategies that can be learned from successful international banks.

As banks are important contributors to any economy, sustained client relationships and stability through maintained clients, or customer retention, are essential for the survival of these institutions. Banks therefore need to familiarise themselves with service delivery activities and methods and should constantly adjust to improve their relationship marketing efforts and customer retention levels.

The empirical findings of this study have established that six identified independent variables require adjustments to have a positive influence on the relationship marketing and customer retention of South African, Canadian and UK banks. The fees of banks were viewed by respondents as the most significant variable. Thereafter changes in the banks' ethical behaviour and personalisation efforts were regarded as most important. The study revealed that it is important for South African and other developing banks to partner with Canadian and UK banks and to regularly benchmark themselves against these banks in order to develop as institutions and to discover how to adapt their banking aspects. If banks follow these strategies, their relationship marketing would improve, and relationships with clients would be better maintained. As the study showed, this would also increase banks' customer retention rates, which is crucial in the competitive environment in which these institutions operate.

Future research might include similar studies conducted in other geographical areas to compare the findings, or relationship marketing and customer retention studies in other industries using the conceptual model and measuring instrument developed in this study. It is important to note that this article provides evidence that banks should adjust their communication, empowerment, personalisation, ethical behaviour, fees and technology. It also gives practical recommendations to banks, based on strategies observed in Canadian and UK banks, on how they could adapt these variables to improve bank–client relationships and increase customer retention levels.

These recommendations will contribute to the satisfaction of banking clients' banking needs, retail banks' success, the competiveness of the banking industry, as well as the economic stability and prosperity of a country such as South Africa.

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