Is Relationship Marketing An Acceptable Marketing Strategy To Be Used By Nigerian Commercial Banks?
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Abstract
Recently, while trying to wait for the Network News of either the African Independent Television (AIT), or the Nigeria Television Authority (NTA), I came across some advertisements of some Commercial banks in Nigeria, promising the Nigerian Customers of excellent services, establishing customer satisfactions and sovereignty, and long lasting relationship. The marketing side of me wondered if these commercial banks can invoke marketing and even religious symbols to win customers. Lots of them are trading in the intrinsic values of the brand Bible or Quran. Lots of business aligns themselves with religion. Brad Harman in Muller (2011) asks if those who attach religious or Christian symbols to the Ad materials are over commercialising their faith or just sharing it? This paper took at the concept of Relationship Marketing in Nigeria Commercial Banks, Commercial Banks Marketing and Customer Relationship Management. It compares the traditional and relationship marketing concept and listed the various strategies that a commercial bank can use to win and retain customers in Nigeria. It give insight into practical relationship marketing approach by commercial banks in Nigeria, and various customer acquisition, customer retention and customer stimulation instruments.

It advocated that customer complaint is part of business, because they have positive effects for an organisation as it a way by which wayward businesses and organisation are made aware of their lapses and can begin to right their affairs. Customers are the kings and queens and must be treated rightly and fairly if commercial banks are to maintain loyalty, market share and profitability.

KeyWords: Relationship Marketing, Commercial Banks, Customer Retention, Customer Loyalty, Financial Systems, Banking Institutions

1. Introduction
The financial system consist of institutional arrangements embracing payment mechanisms, and the borrowing and lending of funds. Hassan K. (2002) posits that it consists of conglomerate of various institutions, markets instruments and operative that interacts within an economy to provide financial services. He stated the financial system is a complex network that brings financial intermediaries in a close touch with one another, to channel funds from those with income in excess of needs, to those wishing to borrow. It exists for the mobilization and intermediation of funds which can be on a short, medium, or long term basis depending on the category of participation and the instruments being traded. Hassan K. (2002)

Specifically, the Nigerian financial system consists of the supervising or regulatory institutions, and also banks and non-bank financial institution. The supervisory institutions consists of the central bank of Nigeria (CBN), Securities and Exchange Commission (SEC), National Insurance Commission, Ministry of Finance, Nigeria Deposit Insurance Corporation (NDIC) and the National Board for Micro finance Banks etc.

The central Bank of Nigeria is at the Apex of the Banking sector and is responsible for supervising, regulating and promoting the economic development under the moderation of the Federal Ministry
of finance. The Securities and Exchange Commission (SEC) is at the apex of the financial and non-financial institutions and it is the apex regulatory/supervisory authority in the capital market, while the Nigerian Stock Exchange (NSE) acts as a self regulatory and or user regulatory institution.

Commercial banks being the focus of this paper is defined by Hassan K. (2000) as profit making oriented financial institutions set up for keeping, and lending money, and other valuation items, for the purpose of making profits. Commercial banks are joint stock establishments structured to conduct banking business. That includes the business of receiving deposits on current account, savings accounts or paying or collecting cheque drawn by a person or business as the governor of central bank of Nigeria may include, as the functions of the commercial bank. Hassan (2002).

In carrying out its basic functions such as, Acceptance and safe keeping of deposits, creating of loans and overdraft, provision of investments advice, underwriting, and brokerage services, providing facilities for safe keeping of important documents and title deeds, providing business status report and referees, provision of foreign exchange services, provision of insurance services acting as executor and the trustee of wills, buying and selling of stocks and shares for their customer, effecting of standing orders clearing of cheque for customers issuing of Bank drafts/certified cheque, direct crediting, electronics money transfers, transfer of funds on the instructions of their customers and so on, A lot of Marketing strategies are adopted by the commercial banks, not only in attracting the customers but in customer retention and loyalty.

Banking service is mostly intangible, and a lot of creative marketing is required to retain the customers. A service is an intangible product involving a deed, a performance, or an effort which can not be physically possessed. Kotler (2000) sees a service as an intangible product that results from applying human and mechanical efforts to people or objects. It is an activity or benefit that one party can offer to another which is essentially intangible, and does not result in the ownership of any thing. It’s production may or may not be tied to a physical product.

Dibb et al (1994) analyzed services by using five category classification schemes, such as (i) type of markets (ii) degree of labour intensiveness, (iii) degree of customer contact (iv) skill of service provider, and (v) the goal of the service provider

Palmer (1999) in Baker (1990) classified services into (i) Degree of intangibility, (ii) Producer versus consumer services, (iii) the status of the service within the total product offer (iv) Extent of inseparability (v) The pattern of service delivery, (vi) The extent of people orientation (vii) the significance of the service to the producer (viii) the marketable versus unmarketable service and finally (ix) the multiple classifications. Each of the classifications has significant marketing management implications in its application to the customer.

Within the recent mergers of Nigerian commercial banks, and subsequent acquisitions and transfers of ownership to new creditors, bank customer acquisition is no longer a vogue. Bank officials are not only attracting new customers, but are also adopting some basic strategies to retain them, which will lead to greater customer satisfaction, profit, increase in market share and most importantly customer loyalty.

Some basic relationship market retention strategies will go a long way in assisting commercial banks to maintain a major competitive strategy.

2. Theoretical Framework

Relationship marketing, according to Gordon (2008) is not a wholly independent philosophy but draws on traditional marketing principles. This view suggests that the basic focus upon customer needs still applies, but that it is the way marketing is practised that is changing, with a greater emphasis on customer value, establishing and maintain a relationship over a long period of time.
(Christopher et al 2006). If RM is indeed a descendant of traditional marketing then a good starting point in developing a definition of relationship marketing would be to look at how marketing has traditionally been perceived. This traditional view might be summed up succinctly using the Chartered Institute of Marketing’s (CIM 1963) definition of marketing as:

*The management process of identifying, anticipating and satisfying customer requirements profitably.*

This definition includes a number of assumptions that are important in the discussion of relational strategy development. ‘Process’ assumes that traditional marketing is a series of activities carried out as part (only) of a company’s other functions. It implies a functional marketing department responsible for a fixed number of responsibilities, presumably closely associated with the ‘marketing mix’. It also implicitly suggests that ‘identifying, anticipating and satisfying customer requirements’ is the singular responsibility of the marketing department. ‘Profitably’ is assumed to mean that these responsibilities are carried out in a competitively superior manner. (Gordon, 2008) Although there is no indication of the time scale over which this profitability should be measured. This description of traditional marketing and others of a similar nature emphasises, above all, the functional and process nature of traditional marketing and make no explicit recognition of the long-term value of the customer. (Buttle, 2008). The focus of traditional or mass marketing also implies that whatever the status of the customer (non-customers, current customers and past customers) they are all treated in the same way and are of comparable worth status to the organisation. Berry (1983) was among the first to introduce the term ‘relationship marketing’ as a modern concept in marketing. He suggested that this ‘new approach should be defined as:

*Attracting, maintaining and...enhancing customer relationships.*

While recognising that customer acquisition was, and would remain, part of a marketer’s responsibilities, this viewpoint emphasised that a ‘relationship view of marketing’ implied that retention and development were of equal (or perhaps even greater) importance to the company in the longer term than customer acquisition.

RM’s rise to prominence was rapid. As the last decade of the 20th Century passed into history, the number of devotees to the concept continued to grow fast. Indeed, RM had, according to Kotler (2008) Payne et al (2009) became an important reference point in marketing and management. If this was true of marketing academics, then marketing practitioners were just as enthusiastic. Indeed, practitioner’s interest became the driving force behind RM’s growth (O’Malley and Tynan, 1999), with innumerable case studies reported at conferences, in magazines, and in texts supporting and justifying the relationship approach.

### 3. What is Marketing

What is marketing? Ask 30 experts and you will get 30 different answers. It indicates how interesting marketing is. A Google search of the term marketing generates an outstanding 35. 4 million matches, and the phrase marketing defined, yields a small but still spectacular 1.63 million matches. From this search it becomes apparent that the term marketing is vast and wide.

Successful companies rely on customers returning to repurchase a product. The goal of marketing is long term satisfaction, not short term deception. This view is reinforced by the writings of top management consultant Peter Drucker, who stated,

“*Because the purpose of business is to create and keep customers, it has only two central functions – marketing and innovation. The basic function of marketing is to attract and retain customers at a profit* (Drucker 1954).

The learning from this statement is three fold;
First, it places marketing in a central role for business success, since it is concerned with the creation and retention of customer.

Secondly, it implies that the purpose of marketing is not to chase any customer at any price. He used profit as a criterion. While profit may be used by many commercial organizations, in the non-profit sector, other criteria might be used.

Third, it is a reality of commercial life, that it is more expensive to attract new customers than to retain existing ones. It costs seven times as much to acquire a new customer, as it costs to get a current customer to buy from a seller again.

Indeed the costs of attracting a new customer have been found to be up to seven times higher than the costs of retaining old ones (Payne et al 1995). Consequently marketing orientated companies recognize the importance of building relationships with customers, by providing satisfaction and attracting new customers, by creating added value.

Gronroos (2008) has stressed the importance of relationship building in his definition of marketing in which he describes the objective of marketing as to establish, develop and commercialise long term customer relationships so that the objectives of the parties involved are met.

Finally, since most markets are characterized by strong competition the statement suggests the need to monitor and understand competitors, since it is to rivals that the customers will turn, if their needs are not being met.

4. Marketing Defined

What then does the term marketing mean? Many people think of marketing only as selling and advertising. No wonder every day we are bombarded with television commercials, newspaper adverts, directional offers, sales calls and internet pitches. However, selling and advertising is only a tip of the marketing iceberg. Although they are important, they are only two of many important marketing functions and are often not the most important ones.

Kotler later on defined marketing as a social and managerial process by which individuals and groups obtain what they need and want through creating, offering and exchanging products of value with others. Kotler (2010)

Kotler and Armstrong (2004) defined marketing as a social and managerial process by which individuals and groups obtain what they need and want, through creating and exchanging products and value with others.

To explain Kotler and Armstrong’s earlier stated definition of marketing above; there are some core marketing concepts. These are needs, wants, demands, marketing offers (products, services, and experiences), value and satisfaction, exchanges, transactions, relationships and markets.

Human needs are states of felt deprivation. They include basic physical needs for food, clothing, warmth, and safety, social needs for belonging and affection, and individual needs for knowledge and self-expression. These needs were not created by marketers; they are basic part of human make up (Kotler, Armstrong 2004). Human needs are the most basic concept underlying marketing.

Wants are the forms human needs take as they are shaped by culture and individual personality. A Nigerian needs food, but want pounded yam or Indomie Noodles. Wants are shaped by one’s society and are described in term of objects that will satisfy needs.

Demands are when wants are backed by buying power. Given their wants and resources, people demand products with benefits that add up to the most value and satisfaction. Outstanding marketing companies go to great length to learn about and understand their customer’s needs, wants and demands. They conduct consumer research and analyze mountains of customer sales,
warranty and service data. Their people at all levels, including the top management stay close to customers.

Companies address needs by putting forth a value proposition, a set of benefits that they promise to customers to satisfy their needs. The value proposition is fulfilled through a marketing offer. This offer are some combination of products, services, information or experiences offered to a market to satisfy a need or want. Marketing offers are not limited to physical products. In addition to tangible products, marketing offers include services, activities or benefits offered for sale that are essentially intangible and do not result in the ownership of anything. Examples include banking, airline, hotel and home repair services. More broadly, marketing offers also include other entities such as persons, places, organizations, information and ideas.

The American Marketing Association explains that “Marketing is the process of planning and executing the conception, pricing, promotion and distributing of ideas, goods and services to create exchanges that satisfy individual and organizational objectives/goals (AMA 2008).

McDonald (2006) defined marketing as a matching process between a company’s capabilities and the wants of customers”.

“Marketing perceives consumption as a democratic process, in which consumers have the right to select preferred candidates. They elect them by casting their money votes to those who supply the goods or services that satisfy their need”.

**Customer Relationship Management**

No matter what its orientation, marketing management’s crucial task is to create profitable relationships with customers. (Kotler and Armstrong 2005). Until recently customer relationship management (CRM) has been defined narrowly as a customer database management activity. By this definition it involves managing detailed information about individual customers and carefully managing customer touch points in order to maximise customer loyalty. More recently, customer relationship management has taken on a broader meaning, in this broader sense CRM is the overall process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction. Thus today’s companies are going beyond designing strategies to attract new customers and create transactions with them. They are using customer relationship management to retain current customers and to build profitable long-term relationships with them. The new view is that marketing is the science and art of finding, retaining and growing profitable customers.

Why the new emphasis on retaining and growing customers? In the past, many companies took their customers for granted. While facing an expanding economy and rapidly growing markets, companies could practice a “leaky bucket approach to marketing”. Growing markets meant a plentiful supply of new customers. Companies could keep filling the marketing bucket with new customers without worrying about losing old customers through hole in the bottom of the bucket.

**The Ladder of Customer Relationships**

In different phases of their relationships with a company, customers display a different economic sense. This is illustrated in terms of the relationship ladder as show in the diagram below; Figure 1 below.

Once a customer has been acquired, the relationship with the company can, depending on the customer satisfaction level, develop in two fundamentally different directions. On the one side, if the company is able to keep the customer lastingly satisfied, he or she can ideally turn into an “enthusiast” of the company. This means that the customer becomes more and more loyal, making significant use of the entire range of company services (Cross selling) while not considering
competitive efforts. Furthermore, this is accompanied by positive word of mouth communication i.e. recommending the company to friends and acquaintances. Contrarily in the case of a customer developing dissatisfaction, it is possible that he or she could turn into a terrorist (Jones and Sasser 1995) towards the company by not only causing extra costs for the firm, but also by dissuading other current and potential customers away.

It is clear that a corporation needs to orient itself towards total customer relationships, versus focusing on single transactions with a customer. This implies the linking of separate transactions, because only this approach enables the utilization of the cost savings potentials of customer retention. If the company does not succeed in continuing and extending the relationship on the basis of earlier transactions, a customer will have to be newly acquired prior to each transaction, and the corporation will incur additional acquisition costs each time.

**The Definition, Domain and Dimension of Relationship Marketing**

The emergence of relationship marketing Gummesson 1999, Payne 1995, Gronroos 1994, and Berry 1983) is founded on a criticism of pure transaction focused marketing. Critics claim that traditional marketing concepts and methods developed over decades are based exclusively on transaction (Brodie et al 1997). However transaction marketing is fraught with problems with respect to the underlying marketing philosophy, the structuring of instruments, and the marketing organization.

All along, customer needs have been by definition, at the center of deliberations on the marketing philosophy. However in a corporation’s guidelines or other strategic documents on corporate practice this essential customer related aspect is seldom seen to an adequate degree. On the contrary, structuring of marketing activities exclusively in line with the marketing mix leads to a production and services based marketing definition (Gronroos 1994) frequently used in practice as a customer manipulation instrument (Gummesson 1993).

Another criticism is the isolated focus of a marketing organization around the marketing mix. This is evidenced by the fact that marketing departments in a company are entrusted with catering for customer needs. Precisely within this framework of customer oriented corporate management marketing should have been assigned a function stretching across departments.

Taking the aforementioned criticism into consideration, the domain of relationship marketing seems to be clear, while the goal of transaction marketing is to initiate individual transactions with customers, relationship marketing concentrates on managing and controlling customer relationships.

Relationship marketing is not in itself a new concept, rather it is a refocusing of traditional marketing with a greater emphasis being placed upon the creation of customer value (Payne et al 1995). Customer value is the summation of all the positive effects that a supplier has upon the customer’s business, or in the case of end users, their personal satisfaction. The fundamental principles upon which relationship marketing is founded is that the greater the level of customer satisfaction with the relationship, not just the product or service, then the greater the likelihood that the customer will stay with us (the company and the product). The importance of retaining customers is that there is strong evidence that customer retention and profitability are directly related. It seems that the longer the customer stays with us, the higher the likelihood that they will place a greater amount of business with us, even to the extent of single sourcing. Further there is a likelihood that these retained customers will cost less to service, and that they are less likely to be motivated solely by price.

At the heart of the relationship approach to marketing is the integration, company wide, of hitherto separate customer service and total quality initiatives with the mainstream of marketing strategy.
Conventionally, customer service and quality have both been managed separately from marketing. In the relationship marketing paradigm, they are intertwined and managed as one. The logic behind this is that it is upon service and quality that relationships are built.

5. Discussion

Relationship Marketing Definitions

Most of the concepts, ideas and developments discussed above are present in Gronroos (1994) refined definition of RM in which he described the objectives of RM as to:

Identify, establish, maintain, and enhance and, when necessary, terminate relationships with customers and other stakeholders, at a profit so that the objectives of all parties involved are met, and this is done by mutual exchange and fulfilment of promises.

No definition will ever be perfect and it may well be that other ideas and concepts may in times also require inclusion. For the purposes of introducing RM, however, this definition will, for the moment, suffice. In later, we will investigate more closely how these concepts were translated into strategies and tactics and their perceived benefits. In particular we will look at the claims that are implicit in this definition. These may be seen to include six dimensions that differ significantly from the historical definition of marketing (Gordon 2008). These are that:

- RM seeks to create new value for customers and then share it with these customers.
- RM recognises the key role that customers have both as purchasers and in defining the value they wish to achieve.
- RM businesses are seen to design and align processes, communication, technology and people in support of customer value.
- RM represents continuous cooperative effort between buyers and sellers.
- RM recognises the value of customers’ purchasing lifetimes (i.e. lifetime value).
- That RM seeks to build a chain of relationships within the organisation, to create the value customers wants, and between the organisation and its main stakeholders, including suppliers, distribution channels, intermediaries and shareholders.

On the tactical side comparisons have been suggested (Payne et al., 1995,) between the different approaches to customers that Transaction Marketing (TM) and RM take.

- Relationship marketing is attracting, maintaining and enhancing customer relationships (Berry 1983)
- The goal of relationship marketing is to establish, maintain and enhance relationships with customers and other parties at a profit so that the objectives of the parties involved are met. Gronroos (2009).
- Relationship marketing is an integrated effort to identify, maintain and build up a network with individual consumers and to continuously strengthen the network for the mutual benefit of both sides, through interactive, individualized and value added contacts over a long period of time (Shank and Chalasani 2008)
- Relationship marketing is to establish maintain, enhance and commercialise customer relationships so that the objectives of the parties involved are met. This is done by a mutual exchange and fulfilment of promises (Gronroos 1994).
- Relationship marketing is marketing seen as relationships, networks and interaction (Gummesson 1999).
- Relationship marketing is the ongoing process of engaging in cooperative and collaborative activities and programs with immediate and end user customers to create or enhance mutual economic value at reduced cost (Parvatiyar and Sheth 2007).
Relationship marketing covers all actions for the analysis, planning, realization and control of measures that initiate, stabilize, intensify and reactivate business relationships with the corporations stakeholders, mainly customers, and to the creation of mutual value (Bruhn 2003).

As can be seen from some of the definitions, the understanding of relationship marketing differs somewhat. Berry (1983) has a rather strategic viewpoint, stressing the importance of attracting new customers but also of maintaining loyal customers in the marketing process. Gronroos (1990) and Gummesson (2002) take a broad perspective advocating that customer relationships should be the focus of marketing. Some other scholars and writers, Peck et al (1999), Morgan and Hunt (1994), propose a more inclusive definition of relationship marketing that is they include buyer partnerships, supplier partnerships, internal partnerships and lateral partnerships within their view.

However, following the opinion of Parvatiyar and Sheth (1995, 2008), it is important for an emerging discipline to develop an acceptable definition that encompasses all facets of the phenomenon and also effectively de-limits the domain. Therefore it is reasonable to limit the domain of relationship marketing to only those actions that are focused on serving the needs of customers (Parvatiyar and Sheth 2007). However to achieve a mutually beneficial relationship with its customers, corporate management may need to consider other organizational relationships i.e. with suppliers, competitors or internal divisions (Parvatiyar and Sheth 2001). From Bruhn’s definition (2003) the following four dimensions of relationship marketing can be derived; Stakeholder orientation, Decision orientation, Time horizon orientation, Value orientation.

An underlying concept of relationship marketing is stakeholder orientation involving the corporation’s relations with its stakeholders.

Even if marketing activities apply to different groups, customers represent the core stakeholders.

From the diagram above, two forms of relationship marketing can be differentiated;

- From an insular perspective, relationship marketing solely concerns customers relationships.
- From a Broader perspective, relationship entails the corporation’s relationship with all of its stakeholders.
Customer relationships are the decisive factor for corporate success, and their quality in turn is dependent on the company’s relationship with the remaining stakeholders.

Relationship marketing then covers a management approach that involves the implementation of measures for analysis planning, realization, and control as part of a decision orientation. Consequently relationship marketing represents an integrated approach under whose umbrella of a company’s marketing activities can be dealt with. In this manner, the concept is linked to an action orientation where measures conducive to the control of relationships are supposed to be established.

Relationship marketing involves not only the initiation of relationships, but also its subsequent stabilization, intensification, and reactivation in case of a termination of the relationship by the customer.

This viewpoint becomes clear when we compare the distinctive features of transaction marketing (TM) versus those of relationship marketing (RM).

- In terms of the assessment horizon, transaction marketing has more of a short term character while relationship marketing is primarily long term oriented. Whereas transaction marketing focused on the short-term initiation of product sales, relationship marketing’s chief focus is on the creation of long-term customer relationships.

- With respect to the purpose of marketing activities, the seller’s products and services are at the focal point of transaction marketing measures, whereas relationship-marketing actions that relate to both the outcome and the customer.

- In the case of relationship marketing, the key concepts are interaction, relationships and networks, while the 4ps (the marketing mix), segmentation, and branding are more important for transaction marketing.

- In reference to marketing goals, transaction-marketing activities are aimed at solely acquiring new customers, in contrast to relationship marketing that concentrates not only on acquiring customers but also on their retention and recovery.

- For transaction marketing, the marketing strategy involves presenting the product. Relationship marketing strives to achieve a dialogue with the customer in order to align the seller’s product and services with specific customer needs.

- The promotion strategy differs with respect to the personal interaction. While transaction strategy uses non-personal advertising, relationship marketing is characterized through a personal interaction.

- Under relationship marketing itself, customer specific indicators such as the customer profit contribution or the customer value enhance classic economic profit and control ratios.

Some of the most significant contrasts between the traditional approach to marketing which is termed the transactional approach and the emerging concept of relationship marketing are presented in the table below.

**Table 1: Compares the tenets of the transaction marketing and the relationship marketing approach**

<table>
<thead>
<tr>
<th>Criteria for Differentiation</th>
<th>Transaction Marketing</th>
<th>Relationship Marketing</th>
</tr>
</thead>
<tbody>
<tr>
<td>World view</td>
<td>Managing a company’s product portfolio, setting and modifying marketing mix parameters to achieve optimal 4p configuration.</td>
<td>Managing a company’s customers portfolio, building long term business relationship.</td>
</tr>
</tbody>
</table>
### Assessment Horizon

<table>
<thead>
<tr>
<th>Short duration</th>
<th>Long duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>4ps, Segmentation, branding etc</td>
<td>Interaction, relationships and networks</td>
</tr>
<tr>
<td>Product/Service</td>
<td>Product/Service and customer</td>
</tr>
<tr>
<td>Presentation of outcome</td>
<td>Dialogue</td>
</tr>
<tr>
<td>One-way communication, format market studies</td>
<td>Interactive communication mutual learning and adaptations</td>
</tr>
<tr>
<td>Customer acquisition</td>
<td>Customer acquisition, customer extension, customer recovery</td>
</tr>
<tr>
<td>Non-personal advertising brand and image management</td>
<td>Through personal interaction developing identity as a reliable supplier in a network</td>
</tr>
<tr>
<td>Profit, profit margin contribution, sales costs</td>
<td>Additionally, customer profit contribution, customer value</td>
</tr>
</tbody>
</table>

**Differentiation between transaction marketing and relationship marketing**

*Source Bruhn (2003)*

The core values of RM are found in the emphasis in collaboration and creation of mutual values over a long period of time.

It means view the Customers/Suppliers as partners not opposite parties, hence Bater (1976) Sales Marketing as mutually satisfying exchange relationships.

RM is a win-win situation, not a win-lose, it is a plus sum gain, not a zero sum gain. In zero some what gain is a loss of another.

**Relationship Marketing Strategies to be used by Nigerian Commercial Banks**

Specifically a bank/marketer attracts and strategically returns the customers if all or most of these strategies are implemented on the customers.

- Knowing your market segments and target
- Knowing in advance what the customers values in your company
- Knowing your actual and potential customers and competitors
- Constant monitoring of the customers and the market
- Adopting marketing as a company orientation. i.e. it must permeate all stages of the organization/company and with the top management
- The existence of a marketing /sales units
- Having an excellent customer service unit and personnel
- Constant research to solve customer and marketing problems
- Existence of well trained and Customer oriented ever smiling Marketing/Sales and workforce personnel
- Improving products and service delivery as a result of customer complaints
- Developing products as a result of customer complaints and suggestions
- Knowing the customer demographic and psychographic variables and using them for Competitive advantages, i.e. Knowing the customers names, social life Birthdays and demography, and using cost effective ICT, social networking sales i.e. facebook Youtube, Twitter, G-mail, internet to contact with them
- Calling on customers and personally attending to their problems or complaints
Augmenting the products with excellent customer service
Helping to solve customer problem
Counseling and constant training of customer
Providing credit, Guarantees and warrantees service to customers
Permitting customer to be organized according to group if they so desire
Assisting in the delivery of products to the customer’s Houses, homes, cars and vehicles
Providing do if your self units if they so desire like the ATM machines pay in and cash Collection units
Giving personally gift items to customer
Offering Complimentary products and samples to save customers ,time on the queue
Offering discount to Customers
Holding annual/personnel/religions or Birthday parties for customers
Reciprocal patronage of customers business
Knowing the customers by their fist name and proving them occasionally as the heed ones
Observing customers at the point of purchase to observe satisfaction a dissatisfaction with purchase
Having people/ workers who come in contact with customers reporting on the observation
Constant development and improvement on products and product delivery systems based on customer complaints and suggestion
Holding inter departmental meetings to resolve with customers and organizational complicit
Joint setting of customer/ marketing objectives by all the departments and units
Having services efficiency improvement
Having value added services
Establish pricing and credit Transparency
Having distribution customization
Offering of gift items /gift
Organizing occasionally customer events
Asking after and looking for lost customers and finding reasons for their dissatisfaction
Offering remedies to dissatisfied customers and holding their complaint
Determine and locating where lost customers go to
Falling to Customers and persuasively, Friendly manner
Organizing social events and workshops for customers
Having price reduction if need the
Offering Substitute products
Offering apologies to customer
Having customer Newsletters
Noticing customer complaints and dissatisfactions and making efforts solve them
This list is not exhaustive. It varies from company to company and can be used tactically and strategically over a period of five, as determined by the objectives and policy statement of any company
RM encourages customer retention and discourages customer defection. It encourages retention marketing first, and attraction marketing and getting new customers secured all parties on the RM should be active and take active responsibilities.

A Practical Relationship Marketing Approach for Customer Retention by Nigerian Companies
The way many banks relate to customers is akin to looking for a needle in a hay-sack, finding it and then throwing it back to look for it once again. It is not worth the time and money to get the customers if you don’t keep them.

Because of the growth mentality that pervades consumer marketing, most of its efforts have been geared towards attracting a stream of new customers. As a result, the front-end function of customer getting commands a substantial portion of money/naira budgets, top and lower management attention and very talented marketing personnel. The back-end efforts of customer retaining are neglected (Payne et al 1995).

The area of customer retention requires attention because of two basic reasons:

**Efficiency:** It is estimated that the average company spends seven times more to get a new customer than it does to hold a current one. A lost customer reduces company profits by $118 (N11,800), compared with a $20 (N2,000) cost to keep a customer satisfied. (Kotler 2010)

**Effectiveness:** In most cases than is assumed, marketing can succeed in building a loyal following of repeat buyers rather than constantly wooing new recruits. This activity can ensure a defensible and growing market share.

The above two advantages are being enjoyed by the consumer marketers. A passive approach to customer keeping may prove harmful to the Nigerian companies. A marketing strategy that goes after both new and old customers is generally not effectively addressing the existing customers. Some companies seem hooked on steady doses of fresh customers to cover up regular losses of existing ones.

The Need for Customer Retention in Nigeria:
Nigerian banks have recognized that customer retention is becoming very important as forces reshape both the Nigerian and foreign environment, in which the customer marketing operates. Simply winning new customers becomes a riskier way to prosper at the same time the yields increase from holding onto customers—including getting more business from them. The reasons why customers in Nigeria and elsewhere must be kept includes the following:

- Lower growth of population and income, especially with the global economic melt down and credit crunch in the past years appreciates the reasons and assets of existing customers.
- New product opportunities (always limited by technological developments) are harder to find and hold on to, as more companies pounce on the attractive new products available.
- Pressure to reduce consumer dissatisfaction creates a need to better care for customers especially after sales
- Customer loyalty erodes when there is a wide range of similar nationwide products and retailers.

The upshot of these trends is that the aggressive growth philosophy of most banks becomes questionable because it cannot be sustained. Most marketing managers today grew up and prospered in an era when marketing’s principal job was getting new customers. Now the need is to conserve a company’s customer base and to enlarge its buying activity. Bank managers are now interested in the task of keeping and retaining their customers over a long period of time.

**The Ways that Nigerian Commercial Banks can use to Retain their Customers.**

More and bolder initiatives in holding onto customers are occurring among banks and companies of various sizes. Although the situation differ from consumer goods versus service and from durables versus non-durables. Customer keeping approaches are tailored to these diverse
products. Nigerian/Companies are benefiting more from their current customers through the customer-portfolio analysis, a customer retaining marketing mix, and a reorganization for customer retention.

**Customer Portfolio Analysis:** The first strategic customer keeping consideration involves knowing the purchasing history of a product’s or company’s customers. For each product there is a customer portfolio, which is a combination of customer types that generates sales and resulting profit. An optimal customer portfolio consists of a balance of new and repeat buyers yielding target sales and profits.

The construction of a customer portfolio begins with determining meaningful customer classification based on market research of actual purchase patterns. Most managers monitor some customer categories, such as current customers, new customers, brand switchers, trial users, customers who upgrade their purchases and those obtaining products for trade in.

The portfolio segments can be measured in terms of number of customers, number of purchases, demographic and psychographic profiles, and contributions to sales and profits.

The customer portfolio must be based on sound customer feedback research. Most marketing research is project oriented. It addresses known or assumed problems, or it evaluates specific market opportunities. The customer feedback survey is geared to monitor marketing performance by periodically measuring how satisfied (or dissatisfied) customers are. (Payne et al. 1995). Quantifying customer feedback over time provides a revealing indicator of changes and of marketing effectiveness. It also can flag trouble spots. The amount and content of unsolicited customer complaints reflect a biased sample, but the survey puts them into proper perspective.

**Customer Retaining Marketing Mix:** The marketing mix is a central concept in devising a marketing strategy. Because of the company bias favoring customer getting, specific actions to retain customers receive less planning attention than they deserve. One remedy is to conceive of two separate marketing mixes, one for customer getting and the other for customer keeping. Several major elements should be part of the new marketing mix for customer retention, such as; product extras, reinforcing promotions, sales force connections, specialized distribution and post-purchase communication.

Using Product extras in keeping customers requires giving them more than the basic product that initially attracted them. Product extras for individual customers over time can play sales expansive role. The main approach is to create a total product service system. Whatever the customers purchased initially, the company then present them with related benefits provided by other items in the product line. In this way they come to realize the existence and value of a total consumption system. Many Nigerian owned fast food selling companies no longer just sells snacks and burgers, but complete meals, also for different times of the day (breakfast, lunch, dinner) and different services (eat in, or take out or take away). The customer gets involved in the system rather than focusing solely on the basic product, which might be subject to aggressive competition. Most banks at some predictable date after purchase offers some items as replacement for parts of the products used up or some basic gift items.

On reinforcing promotions, the product promotions work better when aimed at existing customers. If a marketer knows who these customers are, benefits can be obtained by giving them reinforcing communications. First, tuning in to customers makes it possible for the company to advance their levels of knowledge and loyalty on products purchased. To some banks, advertising and couponing to keep customers, involves a defensive approach to play up product quality and pre-
empt rival new entries. Secondly, this type of promotion can introduce customers to the firm’s other products especially through cross sampling. A list of actual customers makes possible direct communication with them. Nigerians banks build such lists through, sales receipts, warranty cards, credit account records, and marketing research surveys. One promotional device for reinforcing customers involves customers’ only publications. These are targeted to buyers who have already exhibited some degree of commitment to the product or company, by one or more purchases. The vehicles take the form of periodic newsletters, special reports, exclusive catalogs, and annual reports. A prime moment to add to the customer’s momentum is after the purchase act. Any consumer doubts or confusion concerning the purchase can be reduced at that time. Telephone calls are made to determine customer satisfaction or dissatisfaction with a purchase. Direct mail is also effective. Letters are written to ask about satisfaction with the previous purchase, furnish further product or usage information, present offers for other products or suggests a time to buy the new model. Increasingly, telemarketing is used to follow up purchases .Telephone calls are a more personal and immediate approach than the mail.

In Sales Force Connections, the sales force plays a decisive role in the customer retention function. At a retail or service counter, the sales person is the focal point of the company’s strategy and is the firm to the customer. The sales force must be oriented to serving a long term relationship with the customer. Sales person who lacks preparation and knowledge about the banks product line and who tries to sell a product rather than solve customer problems, usually do not keep customers for long. The roots of such a situation lie with sales force management and with the sales person. Selection, Training, and Compensation that foster short run goals achievement gear a sales force to today’s results at the expense of tomorrows. Nigerians manager, who desires to attract loyal customers, tends to hire better qualified salespeople, train them more, and pay them above average salaries. Others recruit sales personnel at very young ages and mentor then until they have learnt the rudiments of the business, before they are assisted financially to set up their respective firms. This has contributed to the sustenance of the entrepreneurial skills of the Nigerians business people. The sales force ability to help customers is enhanced by supportive expertise. When customers’ problems arise, the salesperson can call upon a team of specialists. Another source of expertise can come from a computerized databank, which provides routine information (costs, inventory stocked, and delivery time.

**Specialized Distribution by Commercial Bank:** To make products available to the buyers, distribution systems generally focus on where the ultimate transaction takes place. In considering getting and retaining as separate function, the possibility exists for arranging distribution along these two lines. The first method used, involves a separate distribution channels for the getting and keeping functions. One channel is designed to entice, welcome and complete purchases by new customers. The other serves the need of repeat customers .No particular channel lends itself to this distinction; instead it depends on how the distribution strategy is formulated. In many cases, both roles are played by one distribution unit, especially in a retail unit. Yet even in a single location, layout of facilities can separately handle attracting and retaining customers. For example large bank branches can locate various functions in specific physical areas. One designated counter is where accounts are opened and services arranged for the first time. In another corner is found the automated –teller centre where convenience minded customers use a computer terminal at any hour of the day for the variety of banking transactions. The same situation also applies to large Commercial banks in Europe, where there are separate outlets for both old and new customers.
Vital to a manufacturer’s distribution strategy is having a dealer support to foster repeat buying of all its brands. Through an exclusive or selective distribution network, the retailers and bank workers develop a commitment to the brand when they receive adequate attention from the manufacturer.

Post Purchase Communication by Nigerian Commercial Banks: A commercial bank must anticipate that some customers will encounter either minor or serious problems after purchasing. If the company is not ready to hear and correct these difficulties, the customer may not repurchase or may cancel the arrangement. Whether the company or customer is at fault, standby post purchase activities can be instrumental in saving these customers. The frontline for customer’s complaints and inquiries should be assertive customer relations. This can consist of a separate department or the function can be assigned to those personnel already dealing with customers. At best it should be a blend of the two. A company should encourage customers to initiate contact whenever the need arises, to clarify instructions, to request further information, to point out a problem or to seek a remedy. Information hotline, response cards and service desks facilitates these processes.

Reorganization for Customer Retention: The lack of organizational coordination and control frequently contributes to the loss of customers. This problem takes two basic forms; a lack of sensitivity to customer turnover rates, and insufficient linkage between the marketing function and the operations group (manufacturer and service).

Because customer turnover is an accepted fact of life, it often goes unmeasured. Thus marketers should set acceptable target turnover rates for evaluating market performance. In the absence of clearly defined limits on customer turnover, organizations find it easy to rely on promotions to recruit new batches of customers. In consumer goods companies, the prized assignments are on new products (with their promising growth potential), while established brands (unless very large ones) are favoured less.

Another approach is to assign executive accountability for customer keeping. Establishing a management post for taking care of old business may make as much sense as one for prospecting new business or for developing new products. In some companies, consumer affairs directors have taken on this role.

Customer Acquisition Management Instruments by Commercial Banks

To control customer relationships, the marketing instruments can be applied on the basis of the customer relationship life cycle phases. The instruments for customer acquisition, retention, and recovery can accordingly be divided broadly as follows. The key customer acquisition phase is divided into the initiation phase and the socialisation phase such that the marketing instrument applied enables management of both phases.

Initiation Phase Management

In the initiation phase the seller and buyer have had no contact yet with each other. The firm seeks to establish contact to win her or him as a customer and to initiate a relationship. In this phase, marketing consequently is faced with the following main tasks from which the measures to be undertaken can be derived:
(a) **Customer persuasion:** a potential customer probably receives a whole range of information on a particular product from different sellers. Commonly, due to the customer's information asymmetry compared to the seller's, the former often finds it very difficult to comprehend the data received. Hence, the firm should attempt to convince the customer that its products could best satisfy her or his needs.

(b) **Customer stimulation:** furthermore, it is necessary to stimulate the customer to use the seller's product. If a customer is convinced of the output's pertinence, he or she must be given an incentive to contact the firm and try the products or services at least once.

(a) **Customer Persuasion**

Persuading the customers can be ensured through various product, price, promotion, and place policy related actions. Since the intent of this phase is to prove the firm's capability to satisfy customer needs, the relevant actions relate primarily to the management of expectations. Guiding the customer's expectations provides them with a better idea of the outputs offered. In this way, marketing's 'inside-out' perspective can be converted to an 'outside-in' perspective. For this purpose, the use of both push and pull promotion is particularly important to persuade the customers. Under push promotion the company voluntarily provides the information, whereas under pull promotion the information is provided if and when the customer requests it. This strongly supports the perspective change mentioned above.

In addition to the promotion policy, tasks have to be addressed in other instrument areas as well (e.g. through bundling of products or price guarantees). It is feasible to convince the customer either directly or indirectly. For direct persuasion the output is at the core of the company's activities. These activities can be broken down further depending on whether they occur in the form of an assurance by the firm or come as a recommendation more or less from an independent third party. Since recommendations do not originate directly from the firm, appropriate actions are needed to stimulate recommendations by third parties. By comparing the two dimensions the persuasion activities can be structured to differentiation of the following four possible instrument groups for convincing the customer.

1. **Direct assurances**
2. **Indirect assurances**
3. **Direct substantiation of recommendations**
4. **Indirect substantiation of recommendations**

Organisations utilise direct assurance to inform the customer of product and service related aspects such as quality guarantees that are supposed to be convincing evidence of the firm's relevant capabilities. These guarantees are assurances that the company will make every effort to meet the potential customer's expectations and will provide appropriate reimbursement in case of default. The table below illustrates some examples of individual corporate quality guarantees in different segments (for more examples, see Kotler 2000). The organisation makes uses of guarantees as a means to indicate that it itself is won over by the products and hopes thereby to similarly convince the customer. Generally, customers should find guarantees clearly stated and easy to act upon, and the company's readiness should be quick. Otherwise consumers will be dissatisfied, which can lead to a bad word-of-mouth reputation being spread, or, even worse, a potential lawsuit.

Direct assurances are also possible through output promotion. Above all, companies seek to assure the customer of their products and services through advertisements and also through sales channels like representatives, for example, or through a website on the Internet (George and Berry
If the firm succeeds in bringing these promotion activities across as being trustworthy the customer can be persuaded accordingly. Some companies offer an extraordinary promise setting them apart from their competition. Considering different types of products quality guarantees are easier for formulate and meet for standardised products. For instance, A. T. Cross guarantees its Cross pens and pencils for life. When the pen is posted to A. T. Cross, it is repaired or replaced at no charge (Kotler 2000). Conversely, guarantees for complex product or services are often symbolic ones like the ‘unconditionally 100% Satisfaction Guarantee’ given at Ikeja Airport or Skye Bank. The promotion also depends on the type of product involved. The more intangible the product or service, the greater the difficulty in communicating concrete attributes. In these cases, symbolic assurances like exclusivity of sales channels are frequently utilised just as for services.

Indirect assurances the output itself is not the central facet of persuasion. Hence, the customer must be convinced of the firm’s product capability through other aspects of the offer. Indirect assurances can be made in the form of output-independent promotion such as the sponsoring of events or use of famous, believable and trustworthy personalities in testimonial advertising to persuade the customers of the firm’s exclusivity and its products. (E.g. Kanu Nwankwo and the Fidelity Bank)

A corporation also applies after-sales services to try and convince the customer of its products with offers such as free-delivery or repair services. Just as for quality guarantees, by offering such services the firm attempts to express the fact that – although it anticipates no problems – it would look after its customers if something did happen. Indirect assurances can be articulated also through the price level. As the price itself often represents a standard for the customers to measure the quality expected, a company can use the price as a quality indicator.

After-sales services are relevant mainly for customised products/services, because of the latter’s complexity. Although after-sales services are not needed for standardised products, they are nevertheless included partly to homogenise the products and to gain competitive advantages. Largely due to the great difficulty in judging customised outputs the price becomes the key quality indicator.

Direct substantiation of recommendations refers to the support of direct recommendations of the firm’s products to potential customers by third parties, i.e. third parties are called upon directly to emphasise the firm’s products.

Recommendations by actual customers using word-of-mouth communication with friends, acquaintances, and colleagues achieve the same effect. Hence, firms should request current customers to recommend its products and services to others through promotional measures such as advertising displays in hairdressing salons, direct communication through sales representatives or over the Internet.

Under Indirect substantiation of recommendations third parties are not called upon directly to recommend the product to others. However, the appropriate conditions are created such that professional or private persons making recommendations have reasons to stress the firm’s products and services to potential customers. This could take place through relevant public relations, whereby experts affiliated with professional journals are kept updated on the company’s activities. Fundamentally, securing a high level of quality with current customers ensures positive word-of-mouth communication by them. Promoting communication between customers through forums or bulletins on the Internet, for instance, also supports recommendations.

Finally, with respect to persuading customers it is worth mentioning that companies should attempt to find out the extent of the persuasion need that exists among various customer groups.
This will help to avoid overloading certain customers with corporate promotional activities. Based on these analyses, it is possible to develop a persuasion strategy founded on the various dimensions involved.

(b) Customer Stimulation

In addition to convincing customers, firms must stimulate them to use their products and services in the initiation phase. The relevant measures for stimulating customers could be either short-term or long-term in nature. Short-term ones serve to generate single transactions (e.g. through sales promotion at the point-of-sales). Long-term ones are aimed at multiple transactions between the customer and the firm and are oriented towards developing a customer relationship. The stimulus can be direct or indirect. Direct stimulation means contacting the customer directly on using the product. For indirect stimulation, on the other hand, the necessary conditions are achieved to encourage the customer to buy the product (e.g. assurance of ubiquity). Accordingly, a possible structure of stimulation measures can lead to identification of the following instrument groups.

1. Direct short-term stimulation
2. Indirect short-term stimulation
3. Direct long-term stimulation
4. Indirect long-term stimulation

All these methods are commonly used by the Companies in Nigeria.

Direct short-term stimulation involving a single transaction means directly urging the customer to buy the product. This could be accomplished through a special sale often covering an offer of good value on the company’s products over a limited time. This is seen frequently in the form of short-term stimulation particularly on the internet. Direct mailings work similarly in that the customer is specifically encouraged to use certain products.

Indirect short-term stimulation does not push the customer to immediately take the output but instead manages to set up the conditions under which the customer can be stimulated to do so at least for certain products. For instance, output standardisation is conducive to judgment of the products by the customer and for their marketing. Should the customer be stimulated by the product itself, standardised ones could help move the customer towards using it. The same applies to a transparent pricing system. In cases where a customer does not understand the pricing the decision to buy becomes difficult for her or him. In view of output-related differences it is easier to standardise products with a lower level of complexity and heterogeneity. This also applies to transparent pricing which is easier to implement for simpler products.

Direct long-term stimulation is aimed at urging potential customers to start a relationship with the firm immediately by either using one product several times or by choosing several products. This can be implemented by offering discounts, which means that price reductions will be given for products or services that are used several times. Offering package deals is another way to stimulate customers to enter into a relationship.

Differences in types of outputs result in discounts being offered mainly for standardised outputs, because a rebate here is easier to comprehend. On the other hand, package deals for customised products make sense since they often cover a broader spectrum.

Through indirect long-term stimulation one manages to set up the requirements that enable the customer to enter into a relationship with the firm by being able to make use of the outputs numerous times. This could be achieved by location choices provided in line with the place policy.
The chances of a multiple selection of a product by the customer are higher, the better the location suits the customer. A good internet offer could be equally relevant. The potential for customising the seller’s products can also contribute to the seller being sought out.

**Customer Retention Management Instruments by Commercial Banks in Nigeria**

**Growth Phase Management:** From a corporate perspective, rapid execution of the socialisation phase is worth striving for in order to make the customer relationship more profitable during the growth phase. The customer must be tied more strongly to the firm such that he or she has not only minimal interest in competitive offers but will also value and make use of the firm’s products to a great degree. Relationship marketing thus has the following tasks at hand:

(a) **Customisation of outputs:** To make the outputs attractive for the customer over the long-term they must be modified to match her or his specific needs. Hence, it is necessary to take a key standardised product, turn it into a customised one, and make it available for use.

(b) **Cross selling:** In order to extend the acceptance of products by the customer, active cross selling is needed on top of customisation, i.e. specific measures need to be undertaken to stimulate the customer to utilise other corporate products or services.

(a) **Customisation of Outputs by Nigerian Commercial Bank:** Customisation relates foremost to the product and service policy and can be attained through customer integration on the one hand and value added services on the other. Customer integration means involving the customer in the product/service planning and provision activities in the sense of externalisation of provision-related activities. This allows specific customer needs to be matched. The intent here is not on externalising to reduce costs but rather on service customisation. This method builds a basis for trust with the customers. The key requirements for integrating customers are a flexible output programme, production structure, and employees. The customer can determine individually the design of the face, the case, or the strap. Even photo uploading and an engraved message is possible.

Customer integration into the innovation process of the firm entails a more complex arrangement. The customer is included in the development of innovative outputs, thereby enabling the company to adjust its products and services entirely to the customer’s needs.

Customer integration appears to be a reasonable instrument to compare output types, especially customised services due to their complexity, heterogeneity, and the relative significance of individual customers (e.g. individualised machinery in the industrial goods field, or management consulting in the services area). For standardised products like screws, chewing gum, and movies, typically cost reasons preclude any customer integration.

Besides customer integration, value-added services can be applied in the growth phase to tailor the customer relationship. These services can be divided into two dimensions (1) materialistic and non-materialistic added services can be separated, and (2) in view of the customer’s reciprocity, added services are feasible with or without a surcharge. Added services at no extra charge alone represent an additional benefit for the customer. Conversely, added services can be offered at a surcharge only if the customer views them as an additional benefit in spite of the higher charge. This is possible, for example, if an exclusive product can be acquired only from the respective seller or when it is more convenient for the customer, who would otherwise have to obtain the product from another seller. Based on these two dimensions the following four types of value added services can be defined (Bruhn 2003).
Materialistic added services without a surcharge: e.g. substitute car during servicing; course material for a continuing education seminar.

Materialistic added services with a surcharge: e.g. high-end CD player from a car dealer.

Non-materialistic added services without a surcharge: e.g. insurance protection included with credit cards.

Non-materialistic added services with a surcharge: e.g. travel insurance with a plane reservation; employee training by the manufacturer on a new machine.

Customer Recovery Management Instruments by Commercial Banks in Nigeria

Management of the Imperilment Phase

An imperilment phase can occur several times in the course of a customer relationship, whereby the customer mulls over a possible defection and relationship dissolution. This happens usually when the customer feels that there have been errors in the seller’s provision of products and interactions. The goal of relationship marketing in these imperilled phases is to bring each relationship back to the old satisfaction and retention level. To achieve this goal the following tasks must be carried out in these phases:

Management of the Dissolution and Abstinence Phase

In the dissolution and abstinence phases too, relationship marketing faces similar tasks. The dissolution phase specifies the point in time or the period when the customer ends the relationship with the corporation. In the abstinence phase he or she is no longer one of the firm’s customers. The two phases differ primarily in that in several segments, even after dissolving the relationship the seller and buyer still remain in contact, just as for the remaining period after cancellation of a consulting project. The customer actively contacts the seller during the dissolution phase, so that the seller can respond to the communication. In contrast, communication in the abstinence phase originates typically from the seller. Conceptually, these phases are comparable to the initiation phase only in the sense of a relationship reactivation. Hence, the dissolution and abstinence phases are confronted with two main outstanding tasks:

(a) **Customer persuasion:** if the grounds for the customer defection have been established, he or she must be convinced that these reasons no longer apply. Added value should be achieved for the customer to the point that the business relationship is reactivated.

(b) **Customer stimulation:** attractive recovery offers can be made to convince the lost customer to spontaneously reinitiate the relationship immediately.

As opposed to the initiation phase, in this phase it is necessary to take into account that contacts between sellers and buyers already existed. On the one hand, one can revert back to the experiences gathered during the relationship. On the other, it must not be forgotten that the defection took place precisely because of these experiences. Besides, there are other correlations in effect than in the initiation phase. For instance, experiences play a big role in the initiation phase, whereas in the abstinence phase a customer will be less likely to rely on word-of-mouth communication due to the past experiences.

A key task of the dissolution and abstinence phase is the identification and analysis of the reasons for customer defection (see the box below. Customer Churn’ for questions which should be asked when customers leave). These can be divided into three categories:

- **Bank-induced reasons for deflections** refer to those where the defection occurs primarily due to the firm’s defective outputs such as network coverage deficiencies for mobile phones.
• Competitor-induced reasons for defection are those where the defection stems from a direct offer to switch made by a competitor to the customers, like a better rate offer in the mobile phone market.
• Customer-induced reasons for defection relate to those based on personal reasons or changes in the customer’s situation like a move to another city.

An analysis of the below defection reasons represents the starting point for the recovery management. Customer persuasion becomes necessary up to the point where the events that led to the defection lose their relevance. This can best be accomplished by creating added value that could push the customer into reinitiating the relationship. Added value can be created as follows in the four marketing mix instrument areas:

• Added value in products can be created by adapting the product more closely to customer needs (e.g. engagement of experts by a commercial bank)
• Added value in promotions can be realised, for example, by providing the customer with exclusive access such as a personal representative in the banking sector.
• For added value in pricing the product itself is not altered. Instead, the customer is offered a lower price with a better price-benefit ratio resulting in the realisation of a higher perceived value as in the case of success based fees for tax consulting.

Table 5: Customer Churn for questions to be asked when customers leaves

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<th>Customer churn – asking the right questions when customers leave</th>
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| In the case of customer defections, marketing managers need to identify patterns among customers involved. For instance, when IBM loses a customer, it mounts a thorough effort to lean where it failed (Kotler 2000). This analysis should start with internal records, e.g. sales logs, pricing records, and customer survey results. Furthermore, the defection research should be extended to outside resources, such as benchmarking studies and statistics. Here are some key questions to ask yourself in general (Kotler 2000):
| * Do customers defect at different rates during the year?
| * Does retention vary by office, region, sales representative, or distributor?
| * What is the relationship between retention rates and changes in prices?
| * What happens to lost customers, and where do they usually go?
| * What are the retention norms for your industry?
| * Which company in your industry retains customers the longest?

Relevant information can also be obtained directly from the defecting customers. Here are some key questions you should ask in an exit interview:

* What is the reason that you have cancelled our relationship?
* What was the main trigger for you to switch to another provider?
* How would you describe the relationship before switching?
* Have you been dissatisfied with any services? If yes, why?
* Have you a complaint about any specific problems?

(Source; Bruhn 2003)
Added value in the place can be achieved through adjustment of related processes to better match customer needs. An example is giving the customer a choice of an alternative sales channel other than the standard one.

In developing added value measures it must be kept in mind that all such actions incur extra costs. Hence, prior or undertaking the actions it is critical to determine if recovery of the respective customers would be profitable. This applies to only the profitability of relationships that can be evaluated, for instance, on the basis of the customer lifetime value.

**Customer Stimulation**

This involves presenting reasons to persuade a customer to reactivate the relationship with the firm. Customer stimulation measures are applied over the short term and should induce one to immediately reinitiate the relationship with the company. These include recovery offers to create the motive for a relationship reactivation by the customer.

Stimulation measures can also relate to three of the marketing mix areas (product, price, and place policies).

- A product-related recovery offer could possibly involve taking charge of handling the formalities on reactivation of the relationship and the attendant dissolution of another relationship.
- A simple form of a pricing-related recovery offer involves a cash payment. The customer is expected to reinitiate the relationship on receipt of a specific amount.
- A one-off or time-limited reimbursement of sales costs could also be applied as a place-related recovery offer.

The promotion policy is for informing the customer about the recovery offer. This can be done in person, by phone, or in writing. A corporate questionnaire of 50 Swiss banks and insurance companies showed that in case of relationship dissolution in practice, primarily personal contacts are undertaken as recovery measures. The banks and insurers sought to find out the precise dissolution reasons by asking questions, for example, directly at the bank counter so as to be able to submit a focused reactivation offer. These were subsequently followed by phone calls and individual letters. With regard to the suitability of instruments for reinitiating the business relationship, the study highlighted distinct differences. Whereas personal or phone contacts were rated as being effective to very effective for regaining lost customers, other measures such as letters, contractual changes, special conditions, contact through a call centre, etc were estimated as having only limited success.

**Reaction of Complaint Management to Product and Service Defects by Commercial Banks**

Complaint management goes into action if quality management does not manage to avoid defects in quality. The management of complaints (customer voice) is important because they have positive effects for an organisation. Stewart (2008) describes them as the means by which ‘wayward businesses and organisations respectively, are made aware of their lapses and can begin to right their affairs’. In other words, organisations can improve the chance that customers involved will remain brand loyal and continue to repurchase the company’s items if complaints are resolved satisfactorily (Lovelock 2007). The complaint management comprises all analysis, planning, execution, and control measures that a firm undertakes for complaints from customers or other stakeholders. It consequently involves an active corporate process aimed at shaping customer relationships and enhancing customer satisfaction and retention, while ensuring that the
development and intensification of customer relationships are not endangered, even in the face of product or service defects. While this generally relates to the Business-to-Consumer environment, it seems that in the Business-to-Business arena the same set of rules apply. That is, companies should try to listen to their customers for finding out any dissatisfaction and resolve the problems.

The main goal of complaint management is to react to any expressed dissatisfaction so as to either defuse the situation or to ensure reinstated customer satisfaction on completion of the complaint handling process. The following sub-goals can be derived from the above main target (Stauss and Seidel 1998):

• **Implementation and clarification of a customer-oriented corporate strategy:** The existence of active complaint management is a visible sign of a company’s customer orientation. It thus helps to project and maintain an image outside of the firm of one close to customers. Internally, complaint management is aimed at implementing customer-oriented thinking and handling by institutionalising critical customer feedback. Both these aspects are important for developing and intensifying profitable customer relationships.

• **Avoiding other types of reactions from dissatisfied customers:** Since complainers articulate their dissatisfaction directly to the firm, the firm is given a chance to take care of the problem itself. Complaint management should thus be applied to avoid the alternative options open to a complainer such as defection to a competitor, negative word-of-mouth communication, or inclusion of the media. The Figure below illustrates these different options. A functioning complaint management system thus provides the means for not endangering customer relationships.

• **Achieving additional acquisition and retention effects:** By reinstating customer satisfaction, organisations should be able to not only avoid negative word-of-mouth communication but also manage to initiate positive word-of-mouth communication to influence the attitudes of potential customers. Furthermore, research by Forell (1992) supports the notion that customer loyalty can be increased by encouraging customers to complain. Besides supporting current relationships, this then helps to develop additional customer relationships.

• **Gaining information on product deficiencies:** Complaints contain important information on the problems perceived by the customer, including highly valuable ideas and measures for quality and innovation management. These potential ideas also contribute towards the development and intensification of other customer relationships. For instance, the company 3M claims that more than two thirds of its product-improvement ideas come from listening to complaining customers

From a process-based viewpoint four working areas for complaint management can be identified (Stauss and Seidel 1998):

1. **Stimulating complaints:** The sub-process of stimulating complaints covers all systematic and targeted corporate activities that urge customers to make complaints in the case of dissatisfaction. The main goal is to manage the complaints in an easy and uncomplicated manner. If a customer can be won over to actively complain, it is an indicator of an intensive business relationship. Examines for stimulating customer complaints and feedback are prominently displayed customer comment cards, toll-free hotlines and the Internet (see also the example below):
• **Recording complaints:** The goal is to obtain a systematic and complete record of the complaint data log with appropriate behaviour of the employee noting down the verbal statements. (Kotler 2000)

2. **Handling and reacting to complaints:** The main purpose is an analysis of complaints, distribution of the information to the relevant departments or employees, and the setting up of standards for handling the complaints. From a customer’s standpoint, an adequate reaction to a complaint is most critical to avoid imperilling the relationship.

3. **Complaint management controlling:** An economic analysis of complaint management activities should be conducted regularly to look at their costs and benefits. In order to ensure profitable customer relationships complaint management should also focus on profitability aspects.

   Although complaint management is valuable in the customer relationship life cycle phases, it has little to contribute to the customer acquisition phase. However, it can still have a positive impact on the firm’s success through, for example, reduction in negative word-of-mouth communication or by projecting a generous seller image. In the customer retention phase, consistent stimulation and management of complaints is the key requirement to gain customer trust in the corporation. Since the recovery phase is often initiated after problems have occurred, the complaint management’s aim here is to re-satisfy the customer. Customers can be satisfied again through complaint management, thereby enabling the relationship management success chain to carry on. For example, research suggests that the recovery of dissatisfied customers can lead to even greater customer satisfaction

### Relationship Loyalty in Commercial Banks

It is almost impossible to discuss relationships without discussing the concept of loyalty. Indeed the phrase ‘loyalty marketing’ is frequently used interchangeably with RM. Such is its perceived importance that it has been claimed that customer loyalty ‘is emerging as the marketplace currency for the 21st century’ Smith (1998) Gronroos (2000).

Loyalty is, however, a much used and abused term. Although it is widely utilised, most authors fail to define what they mean by the term, resulting in a lack of consistency in the marketing literature. At its most profound, the term loyalty suggests the highest possible level of relationship impinging upon the emotional not to say the irrational. It use in commercial situations has, however, debased this higher-level meaning, although some suppliers would have us believe differently. The idea that loyalty has some special magical powers that marketers can invoke that are ‘different’ or ‘in addition to’ their normal marketing activities has been growing (McKenna 2008) despite considerable evidence to the contrary.

Defining loyalty, there appear to be two main strands of thought on the essence of commercial loyalty a definition of loyalty in behavioural terms, usually based on the number of purchases and measured by monitoring the frequency of such purchases and any brand switching.

- A definition of loyalty in attitudinal terms, incorporating consumer preferences and disposition towards brands to determine levels of loyalty.

   The assumption that is frequently made is that, from whatever sources the loyalty is derived; it translates into an unspecified number of repeat purchases from the same supplier over a specified period. The problem with relying on this behavioural definition is that there may be many reasons for repeat patronage other than loyalty, among them lack of other choices, habit, low income,
convenience etc. Equating loyalty wholly with relationship longevity, therefore, tells us little about relationship strength (Storbacka 1994).

A more comprehensive definition of loyalty may be:

*The based (i.e. non-random) behavioural response (i.e. re-visit, expressed over time, by some decision-making unit with respect to one (supplier) out of a set of (suppliers), which is a function of psychological (decision making and evaluative) processes resulting in brand commitment (Bloemer and de Ruyter, 1998,)*

Bloemer and de Ruyter (1998) were describing ‘retail store loyalty’ in this definition but it is equally applicable to suppliers in general. Simple repatronage, therefore, is not enough. Loyalty, if it is to have any credence, must be seen as ‘biased repeat purchase behaviour’ or ‘repeat patronage accompanied by a favourable attitude’. Loyalty can originate from factors extrinsic to the relationship geographic limitations but also in intrinsic factors such as relationship strength and the handling of critical episodes during the relationship (Storbacka et al, 1994).

*Customer loyalty is not always based on positive attitude, and long-term relationships do not necessarily require positive commitment from customers. The distinction is important because it challenges the idea that customer satisfaction (the attitude) leads to long-lasting relationships (the behaviour).*

**Summary**

This paper explains the basic relationship marketing strategies that Nigerian Commercial Banks should adopt to increase market share and also to maintain customer loyalty. In order to be successful Nigeria Commercial banks must maximise the difference between the value of the service to the customer and the cost of providing it. They must design the services with the customer retention in mind. Ayozie (2006). The marketer must develop the right service for the right people at the right price and at the right place.

There can be little doubt that we are living in the age of the loyalty scheme. Indeed, the perceived significance of such schemes, if claims at ‘loyalty’ conferences and in ‘loyalty’ magazines are to be believed, has reached heroic proportions. According to Uncles (1994), the espoused view is that customers actively seek an involving relationship with ‘their’ brand (product manufacturer, service supplier, brand owner or retailer), which in turn offers psychological reassurances to the buyer and creates a sense of belonging. The proposed benefit of loyalty schemes, for loyal and heavy or frequent customers, is having this sense of belonging reinforced.

Hart et al, (1999) offer a wider range of motives for setting up loyalty schemes:

- Building lasting relationships with customers by rewarding them for their patronage.
- Gaining higher profits through extended product usage and cross-selling.
- Gathering customer information.
- De-commodifying brands (i.e. differentiate from the crowd).
- Defending market position (against a competitor’s loyalty schemes).
- Pre-empting competitive activity.

**Recommendations**

For the commercial banks in Nigeria to retain their customer loyalty, increase customer bank profitability, and improve on their market share, the following recommendations should be adopted from a wholistic point of view. Ayozie (2006, 2011) recommended these strategies.

- Determining what the customers values in your competitors and other product offering
Interacting and discussing with the customers continuously

CEOs/Top management workers constant interaction with the customers

CEOs/Top management spending more time with the customer

Establishing a Complaints department and unit

Having a suggestion Box(es)/ Unit

Establishing a problem solving team to address causes of customer dissatisfaction.

Having an individual recognition and regard for exceptional Customer Service

Constant training of employees in effective and efficient handling of customers.

Giving adequate authority to marketing and sales people and workers to handle Customer Complaints immediately a recommending to a higher authority to solve them

Organizing occasionally customer events

Organizing social events and workshops for customers

Having an individual recognition and regard for exceptional Customer Service

Constant training of employees in effective and efficient handling of customers.

Having a suggestion Box(es)/ Unit

Establishing a problem solving team to address causes of customer dissatisfaction.

Having an individual recognition and regard for exceptional Customer Service

Constant training of employees in effective and efficient handling of customers.
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