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ANALYZING LOYALTY TACTICS: TANZANIAN BANKING SECTOR'S COMPARATIVE VIEW ON CUSTOMER RETENTION

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Abstract
In today's highly competitive banking industry, where banks vie not only with each other but also with non-banks and financial institutions, gaining a strategic edge is crucial for survival (Kaynak & Kucukemiroglu, 1992; Hull, 2002). With most banking products being easy to replicate, the key differentiators are often price and quality. In such a landscape, the potential for strategic advantage lies in customer satisfaction and retention (Ro King, 2005). Retaining customers is paramount for banks seeking to maintain their competitive edge.
This study explores the critical role of customer satisfaction and retention in the banking sector. It delves into strategies banks can employ to not only attract new customers but, more importantly, retain existing ones. Customer satisfaction is not merely a business objective but a strategic necessity, and banks must prioritize it to remain viable in today's ever-evolving financial landscape.

Keywords: banking industry, customer satisfaction, customer retention, competitive advantage, financial institutions

1.0 General Introduction

The banking industry is highly competitive, with banks not only competing among each other but also competing with non-banks and other financial institutions (Kaynak and Kucukemiroglu, 1992; Hull, 2002). Most bank product developments are easy to duplicate and when banks provide nearly identical services, they can only distinguish themselves on the basis of price and quality. Therefore, customer satisfaction and retention is potentially an effective tool that banks can use to gain a strategic advantage and survive in today's ever-increasing banking competitive environment. One strategic focus that banks can implement to remain competitive would be to retain as many customers as possible (Ro King, 2005).

The costs of acquiring customers to "replace" those who have been lost are high because the expense of acquiring customers is incurred only in the beginning stages of the commercial relationship (Ouma et al., 2013). In addition, longer-term customers buy more and, if satisfied, may generate positive word-of-mouth promotion for the company and they also take less of the company's time and are less sensitive to price changes (Cvent, 2013). In addition, customer retention is very important because it has a bearing on costs and profitability over time (Kottler, 2000).

Ro King (2005) also explained that customer retention involves steps taken by a selling organization in order to reduce customer defection and successful customer retention starts with the first contact an organization has with a customer and continues throughout the entire lifetime of a relationship. Also customer retention is important to most companies because the cost of acquiring a new customer is far greater than the cost of maintaining a relationship with a current customer (James, 2012). Moreover, Gabriel (2006), in his study of application of porter's five forces framework in the banking industry of Tanzania, investigated porters five forces to 22 fully Fledged banks, 5 Regional Unit Banks, 5 Financial Institutions and 102 Bureau de Change and concluded that there is high bargaining power of customers and also barriers to entry are gentle thereby allowing more entrants to get in to the industry. Since customers have a high bargaining power and entrance is gentle, it is imperative for the banks to make sure that they have a customer retention strategy in place.

In Tanzania there has been an increase in number of commercial banks from a monopoly NBC to many local and foreign banks with subsequent competitive pressures, which bring about the importance of customer retention to the banks.

Customers have always been complaining on issue of quality, implying that banks have not been able to meet what they promise (Lwiza and Nwankwo, 2002). This has led to an increasing trend in customer switching between bank branches and from one bank to another, which signals that the particular branches and banks have failed to meet customer expectations (Lwiza and Nwankwo, 2002).

According to Lwiza and Nwankwo (2002), after the financial reforms of banking sector in Tanzania in 1991 and globalization, there has been an increase in public awareness of different financial products and services available at different banks, which, in turn, made customers to be highly sensitive to the quality of services offered. Customers have been moving around demanding banks' audited reports, brochures and even change within branches of the same bank seeking for the best services and also from one bank to another bank because of bank failures and problems. The situation has forced the banks to be highly sensitive to the needs of their customers and make an effort to retain them (Lwiza and Nwankwo, 2002).

There are existing researches about customer service in the banking industry around the world, but there are no clear conclusions as to the most important customer service dimensions and strategies for satisfying bank customers in order to retain them (see also Owusuah, 2012). Several previous studies focused on exploring significance of customer retention as well as efficiency in the banking industry (for example, Dawkins and Reichheld, 1990; Marple and Zimmerman, 1999; Page, et. al., 1996; Fisher, 2001; Aikaeli, 2008; Lwiza and Nwankwo, 2002). However, there has been little effort to investigate factors that might lead to customer retention. Therefore, this study focused on determinants of customer retention in Tanzania commercial banking services.

2.0 Literature Review

2.1 Competing Models of Customer Retention

These models are among models of customer retention explaining the behavior of customers and they tend to explain the link between various factors, which cause customers to remain with particular firm. This study has adopted the following models:

2.1.1 SERVQUAL Model

SERVQUAL is a multi-item scale, which stands for service quality developed by Parasuraman, Zeithaml and Berry (1990) to assess customer perceptions on service quality in service and actual experience. SERVQUAL when originally developed in 1985 was measuring 10 aspects of service quality, which were competence, courtesy, credibility, security, access, communication, knowing the customer, tangibles, reliability and responsiveness.

After the original SERVQUAL model was seen to be complex, subjective and statistically unreliable, it was modified in the early 1990s and proponents refined the model to the useful acronym RATER, which stands for responsiveness (willingness to help customers and provide prompt services), assurance (knowledge and courtesy of employees and their ability to gain trust and confidence), tangibles (physical facilities, equipment and personnel appearance), empathy (providing individualized attention to the customers) and reliability (ability to perform the promised service dependably and accurately) (Zeithaml, Parasuraman and Berry, 1990). The simplified model is simple and has been useful for quantitatively assessing customers' experiences in service (Zeithaml et al., 1990).

The purpose of SERVQUAL is to serve as a diagnostic methodology for uncovering wide areas of an organization's service quality weaknesses, strength and discovering the main requirements for delivering high service quality (Zeithaml et al., 1990). The instrument is designed for use in any kind of service business and provides a basic skeleton through its expectations/perceptions format, encompassing statement for each of the five dimensions (Zeithaml, et. al., 1990).

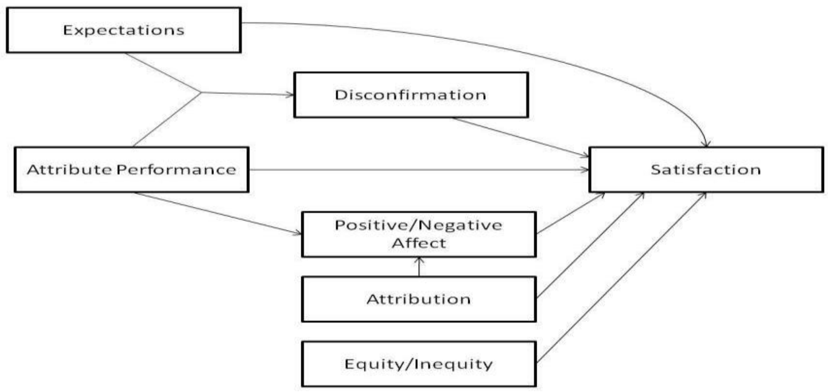
Despite its wide usage in service industry, SERVQUAL model has been criticized by several researchers (for example, Carman, 1990; Babakus and Boller, 1992; Teas, 1994). Criticisms were mainly directed at the conceptual and operational base of the model, mostly in reliability, validity, dimensional structure and operationalization of expectations. However, it has been generally agreed that SERVQUAL items are reliable predictors of overall service quality (Khan, 2003).

2.1.2 Satisfaction Model

Consumer satisfaction is a post-choice evaluation made by the customer concerning a specific purchase or choice for fulfillment of a need or want (Day, 1984).

Giese and Cote (2000) summarised satisfaction literature by stating that satisfaction is an emotional or cognitive response to a particular focus such as expectations, product or consumption experience, and the response occur at a particular time after consumption or accumulated experience. Customers' satisfaction with their banks is based on the expectations, interactions and experiences with the banks. Oliver (1993) tested a model to represent influences on satisfaction response. The model theorized that expectations and attribute performance each influence satisfaction. In addition, if attribute performance and expectations do not match, then disconfirmation may occur, which impacts satisfaction (Oliver, 1993).

Figure 2. 1: Consumer satisfaction/dissatisfaction Model



Source: Adapted from Oliver (1993)

There is a strong link between customer satisfaction and repurchase intentions (Patterson, Johnson and Spreng, 1997). If the customer is dissatisfied, he/she is less likely to repurchase the product (Oliver, 1993). Repurchase intentions are based on the evaluation of many underlying service dimensions (Boulton, Kannan, and Bramlett, 2000). In banks, retention is a repurchase decision. Ideally, satisfied customers will be retained at a higher rate than dissatisfied customers (Patterson et al., 1996).

2.2 Empirical Studies

Radomir, Wilson and Scridon (2010) in the study of Improving Bank Quality Dimensions to Increase Customer Satisfaction examined the relationship between service quality dimensions and customer satisfaction with bank territorial units. The study revealed that human resources had the greatest impact on customers' satisfaction with bank territorial units and that both "Convenience and Efficiency" and "Bank personnel" were dimensions that bank management should consider in their efforts to improve and maintain the service quality level. Mascareigne (2009) explained about several factors that influence customer retention.

They included creating customer satisfaction, creating customer trust, customer involvement, creating switching barriers, communication effectiveness, service quality and price and several customer retention strategies and processes for customers to remain loyal and stay longer with the organization, more specifically in the advertising sector. The study revealed that when it comes to retention of customers, professional service providers neither have any standardized nor normal procedures to follow and the strategies used by the firms are highly customized to each individual customer based on a few number of clients in the firms.

Moreover, Filip and Anghel (2009), aimed at researching customer level of loyalty toward Romanian organizations acting in the retail banking sector and the factors influencing customers' actions in the relationships with banking institutions including reasons of customer retention. Findings were that the Romanian customers remained in banks relationships due to existence of both favorable attitudes or positive motivations and constraint factors or inertia.

Also loyalty level stated by customers did not only depend on satisfaction but also by other factors like bank's attitude towards its own customers, the level of customer trust toward the organization or its employees in ensuring financial interests of clients and by the level of customer commitment. The study found out that high level of dissatisfaction by customers determines switching behavior. However, the study failed to show the relationship between customer service, price of banks products, quality of the products developed by banks and customer satisfaction.

Furthermore, Kaura (2012) examined whether or not perceived price increases price fairness and price fairness further promoted customer satisfaction in Indian commercial banks. It also tried to find the relationship between perceived price and customer satisfaction.

Results suggested that perceived price increased price fairness and price fairness increased customer satisfaction. It also revealed that transparency of price structure in banking industry is very important in customer satisfaction. Perceived price did not have any impact on customer satisfaction (Kaura, 2012).

Afsar, Rehman, Qureshi and Shahjehan (2010) attempted to find factors of customer loyalty and their relationships with the banking industry in one of the developing countries, which is Pakistan. The study revealed that effect of satisfaction and trust on commitment was positive as well as significant and the greater the satisfaction, the greater was commitment and the greater the trust, the greater was the commitment. Additionally, Rootman, Tait and Sharp (2011) addressed the need for understanding relationship of marketing and customer retention of banks, and related lessons that can be learned from banks in Canada and the United Kingdom (UK). Results from the study revealed that six banking service delivery variables influenced banks' relationship marketing and customer retention. Bank fees were viewed by respondents to be the most significant variable.

Canada was identified as the country with the most highly regarded banks in terms of relationship marketing, customer retention, empowerment of bank employees and personalization of banking services. UK banks were highlighted as superior in setting fee structures, communication strategies and ethical behavior. 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.

Möller (2007) in his research assessed customer expectations based on service quality factors for retail banks across ten countries in Africa. Specifically, the objectives were to determine whether cross-national differences in customer service expectations existed in the African retail banking sector, to identify relative importance of key service dimensions in African retail banking and to determine whether or not those service expectations were constant over time.

Results from the study led to suggest that core dimensions such as responsiveness (driven by staff efficiency and shorter queues) and reliability (performing dependably and accurately) were more important while relational issues surrounding assurance and empathy were of less importance.

Elly (2010) in the study on service quality and customers retention in Tanzanian commercial banks tried to find out why despite efforts made by commercial banks to retain customers, customers were still leaving their banks. The purpose of the study was to investigate the link between service quality and retention of customers in Tanzanian commercial banks (Elly, 2010). The research findings revealed that the overall service quality provided by the commercial banks had a direct relationship with customer loyalty. Fasha (2007), in the study of the impact of service quality on customers' satisfaction and retention in Tanzanian commercial banks formulated three elements in specific objectives. The elements were provision of information to customers with variables, which were availability of information when needed, understanding consumers' language, accuracy of information, relevance of information and reliability of information. Findings indicated that information provision, complaint handling and service quality had significant impact on customers' satisfaction and hence, their retention.

Previous studies have been focusing in scope of retention in the effect of customer services, pricing of banks products and services on customer satisfaction. This study aimed to have a more comprehensive analysis beyond customer services, pricing of banks products and services and satisfaction and critically examine quality of the products provided by banks where previous studies have been unclear, considering the indicators of convenience and speed. For that case the researcher investigated a combination of latent variables and indicators that had previously not been studied together.

3.0 Methodology

This research based on the positivist philosophy as it relied mainly on statistical and quantitative estimation to arrive at conclusion. This research employed cross-sectional as well as explanatory design relying on quantitative data from different customers who held bank accounts and who used banks services to explore factors, which caused customers to remain in the banks and continue to use banks products as well as services.

The study based on case study which focused on three banks of CRDB, National Bank of Commerce (NBC) and National Microfinance Bank (NMB).

This study was conducted in three regions of Tanzania, namely, Dar es Salaam, Arusha and Tanga. Dar es Salaam was selected because it is one of the biggest commercial city and populated with all banks in Tanzania with big transactions done by customers in the city. On the other hand, Arusha was selected because it is the tourist region with many businesses and large concentration of tourist activities through which the researcher was able to get foreign customers with the banks involved in the study. Tanga region was selected because is far different from Dar es Salaam and Arusha regions because it is a low profile region with a fewer transactions than other mentioned regions and represented other regions with similar characteristics to get the overall picture of Tanzania.

Both primary and secondary data were used in the study. The study adopted purposive sampling technique to select banks whereas convenience sampling techniques were employed to select a sample of 200 bank customers. Primary data were collected through questionnaires and all 200 bank customers responded positively. The Chi-square and multiple regression analyses were used to test the hypotheses.

4.0 Results and Discussion

4.1 Hypotheses Tests

The data obtained from the questionnaires were tested using Chi-square to determine the association between the dependent and independent variables as well as the direction of the relationship. Multiple regression was used to test the extent and significant levels between variables. The following is the Chi-square statistical formula: $X^2 = \sum (\text{Observed} - \text{Expected})^2 / \text{Expected}$ (Kothari, 2011).

4.1.1 Hypothesis One

The aim of hypothesis one was to test if customer service on products and services had influence on customer satisfaction.

H_0: Customer service on products and services do not have a significant influence on customer satisfaction.

H_1: Customer service on products and services have a significant influence on customer satisfaction.

Table 4. 1: Summary of Chi-square Values on Customer Service Indicators

	Latent Variable Indicators	Chi-square values	DF	Asymp. Sig.	Status
i.	Bank employees are willing to help customers and to provide quick services (responsiveness).	213.400	4	0.000	Sign.
ii.	Bank services are consistent (reliability).	68.920	3	0.000	Sign.
iii.	Bank has the ability or willingness to change the services according to circumstances (flexibility).	1.002	4	0.000	Not Sign.

Source: Field Data (2013)

Note: α = 0.05, critical value from table at 4 degrees of freedom (DF) = 9.488 and at 3 degrees of freedom (DF) = 7.815.

As shown in Table 4.1, the calculated Chi-square values for the first and second indicators for the latent variable 'Customer Service,' which are *'Bank employees are willing to help customers and to provide quick services (responsiveness)'* and *'Bank services are consistent (reliability)'* were found to have higher values than the table value of 9.488 at 4 degrees of freedom and 7.815 at 3 degrees of freedom, respectively with levels of significant of 0.000 for all indicators, which are less than the critical value of 0.05 ($p<0.05$). This shows that these indicators have a significant net impact on latent variable 'Customer Service'.

The calculated Chi-square values for indicator *'Bank has the ability or willingness to change the services according to circumstances (flexibility)'* is 1.002, which is lower than the table value of 9.488 at 4 degrees of freedom. This indicator has no net impact on latent variable 'Customer Service.'

By using the enter method through the multiple regression analysis, results showed a significant model ($F_{3,196}$=54.501, $p<0.05$). Adjusted R square=0.446. *'Bank employees are willing to help customers and to provide quick services (responsiveness)'* was significant with Beta=0.250 and p=0.000 ($p<0.05$). '*Bank services are consistent (reliability)'* was significant with Beta=0.287 and p=0.000 ($p<0.05$).

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'Bank has the ability or willingness to change the services according to circumstances (flexibility)' was significant with Beta=0.293 and p=0.000 ($p<0.05$). It can be concluded that customer service have influence on banks customer satisfaction. *Therefore, the null hypothesis is rejected and alternative hypothesis is accepted that 'Customer service on products and services have significant influence on customer satisfaction.'*

The result of this study is in line with Radomir colleagues (2010) who found that customer service determines customer satisfaction. Möller (2007) found also that customer service is significant on satisfaction of a customer when deciding to remain with a particular bank. But this research study found two indicators of responsiveness and reliability to be very strong in explaining influence of customer service and one indicator of flexibility not significant in explaining the influence of customer service. Responsiveness is very crucial because it gives an opportunity to serve customers better by giving them what they want in an efficient way (Meehan and Dawson, 2002). Respondents complained on the issue of failure of Automated Teller Machines without supervision which causes longer queues in the banks. Moreover, local banks need to have better plans in helping customers and provide quick as well as consistent services so as to outperform foreign banks in the era of globalization. There are some factors contributing to flexibility not being significant in explaining customer service in this study. Among them there is a fact that the banks under study have many retail customers with low income levels, which makes it difficult and costly for them to customize the services to individuals for most of the time rather than giving them the same services (Lwiza and Nwankwo, 2002).

4.1.2 Hypothesis Two

The main objective of this hypothesis was to test if quality of the products developed by banks has an influence on customer satisfaction in commercial banks.

H_0: Quality of the products developed by banks does not have a significant influence on customer satisfaction.

H_1: Quality of the products developed by banks has a significant influence on customer satisfaction.

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Table 4. 2: Summary of Chi-square Values on Quality Products Indicators

	Latent Variable Indicators	Chi-square values	DF	Asymp. Sig.	Status
i.	Method of obtaining bank's products is easy and convenient.	106.120	3	0.000	Sign
ii.	The bank's services are delivered in a timely manner (speed).	1.533	4	0.000	Not sign

Source: Field Data (2013)

Note: α = 0.05, critical value from table at 4 degrees of freedom (DF) = 9.488 and at 3 degrees of freedom (DF) = 7.815.

As shown in Table 4.2, the calculated Chi-square value for indicator of the latent variable 'Quality Products,' which is *'Method of obtaining bank products is easy and convenient'* was found to have higher value than the table value of 7.815 at 3 degrees of freedom with level of significant of 0.000 for the indicator, which is less than the critical value of 0.05 ($p<0.05$). The calculated Chi-square value for indicator *'The bank services are delivered in a timely manner (speed)'* is 1.533, which is lower than the table value of 9.488 at 4 degrees of freedom. This indicator has no net impact on latent variable 'Quality Products.'

By using the enter method through the multiple regression analysis, the results showed a significant model ($F_{2, 197}$=65.943, $p<0.05$). Adjusted R square=0.395. Since '*Method of obtaining bank products is easy and convenient'* was significant with Beta=0.215 and p=0.001 ($p<0.05$) and '*The bank services are delivered in a timely manner (speed)'* was significant with Beta=0.501 and p=0.000 ($p<0.05$). It can be concluded that quality products have an influence on customer satisfaction in commercial banks. *Therefore, the null hypothesis is rejected and alternative hypothesis is accepted that 'Quality of the products developed by banks has significant influence on customer satisfaction.'*

The study findings are in line with Kanojia and Yadav (2012) who emphasized on accuracy and speed of services provided by the banks and their influence on customer satisfaction. The method of obtaining bank products being easy and convenient as indicator was found to be significant, which means there are convenient services from the commercial banks while it was not significant for the speed indicator. Speed in a way of loans processing and getting services was an issue.

Banks hold database for customers' information but still follow long procedures when a loan is applied by a customer. This is because local banks have many customers to serve with fewer employees (Lwiza and Nwankwo, 2002).

So it is very easy to find one employee dealing with many customers rather than the particular customer base to serve compared to other banks with high net worth customers (Lwiza and Nwankwo, 2002).

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4.1.3 Hypothesis Three

The main objective of this hypothesis was to test if pricing of bank products and services has influence on customer satisfaction.

H_0: Pricing of bank products and services do not have a significant influence on customer satisfaction.

H_1: Pricing of bank products and services has a significant influence on customer satisfaction.

As shown in Table 4.3, the calculated Chi-square values for all indicators for the latent variable 'Pricing of banks products and services' were found to have higher values than the table value of 9.488 at 4 degrees of freedom with levels of significance of 0.000 for all indicators, which are less than the critical value 0.005 ($p<0.05$).

Table 4.3: Summary of Chi-square Values on Pricing of Products and Services Indicators

	Latent Variable Indicators	Chi-square values	DF	Asymp. Sig.	Status
i.	The interest rates on the bank's products are affordable.	75.400	4	0.000	Sign
ii.	The bank charges including monthly fees are proportionate with the services offered.	68.400	4	0.000	Sign

Source: Field Data (2013)

Note: $\alpha = 0.05$, critical value from table at 4 degrees of freedom (DF) = 9.488.

This shows that both indicators are very strong in explaining influence of pricing on banks' products and services on customer satisfaction. Also the coefficient of latent variable pricing of banks' products and services is 0.726 is very effective.

By using the enter method through the multiple regression analysis, the results showed a significant model ($F_{2, 197}=109.704$, $p<0.05$). Adjusted R square=0.522. *The interest rates on the bank's products are affordable* was significant with Beta=0.229 and p=0.001 ($p<0.05$). *The bank charges including monthly fees are proportionate with the services offered* was significant with Beta=0.554 and p=0.000 ($p<0.05$). It can be concluded that pricing of banks products and services have an influence on customer satisfaction.

Therefore, the null hypothesis is rejected and alternative hypothesis is accepted that 'Pricing of bank products and services have significant influence on customer satisfaction'.

The findings of this study agree with Kaura (2012) who revealed that satisfaction in banking environment is influenced by price fairness and service charges. Furthermore, Rootman and co-workers (2011) found that customers were more concerned with the bank charges than other factors.

In this research, both indicators of interest rates and bank charges were found to have a strong influence on customer satisfaction because the banks under study have low charges to its customers. Also they offer loans at low interest rates and this is because they have local advantage and low operation cost as they get assistance from the Government. For example, NMB Bank has most of its customers who are Government employees and their salaries are deposited in NMB. Furthermore, NMB has branches almost in all regions in Tanzania. Pricing is important in satisfaction because most of the customers are retail customers with low level of income, so they need bank services at low costs.

4.1.4 Hypothesis Four

The aim of this hypothesis was to test if customer satisfaction has an influence on customer retention. H_0: Customer satisfaction does not have a significant influence on customer retention. H_1: Customer satisfaction has a significant influence on customer retention.

Table 4.4: Summary of Chi-square Values on Customer Satisfaction Indicators

	Latent Variable Indicators	Chi-square values	DF	Asymp. Sig.	Status
i.	Kindness of bank staff makes you continue trusting the bank.	137.150	4	0.000	Sign
i.	Clarity of banks procedures has made you to remain with the bank.	1.624	4	0.000	Not sign
ii.	Adequate and timely information gives you confidence to continue using the services offered by the bank.	178.200	4	0.000	Sign
v.	Complaints are handled well and on time thus made you to continue using the same bank.	102.200		0.000	Sign
v.	Better services offered by the bank have made you to remain with it.	1.424	4	0.000	Not sign
vi.	Better prices of banks products and services make you to continue using the services from the same bank.	67.400	4	0.000	Sign

Source: Field Data (2013)

Note: $\alpha = 0.05$, critical value from table at 4 degrees of freedom (DF) = 9.488.

As shown in Table 4.4, the second and fifth calculated Chi-square values for the indicators of the latent variable 'Customer Satisfaction,' which are '*Clarity of bank procedures has made you to remain with the bank*' and '*Better services offered by the bank have made you to remain with it*' were found to have lower values than the table value of 9.488 at 4 degrees of freedom. These indicators have no net impact on latent variable 'Customer Satisfaction.'

The calculated Chi-square values for the indicators of the latent variable 'Customer Satisfaction,' which are '*Kindness of bank staff makes you continue trusting the bank,*' '*Adequate and timely information gives you confidence to continue using the services offered by the bank,*' '*Complaints are handled well and on time thus made you to continue using the same bank*' and '*Better prices of bank products and services make you to continue using the services from the same bank*' were found to have higher values than the table value of 9.488 at 4 degrees of freedom, with levels of significance of 0.000 for all indicators, which are less than the critical value 0.05 ($p<0.05$). This shows that these indicators have a significant net impact on latent variable 'Customer Satisfaction'.

By using the enter method through the multiple regression analysis, results showed a significant model ($F_{6, 193}$=75.939, $p<0.05$). Adjusted R square=0.693 and the coefficient of latent variable customer satisfaction is 0.838 is very effective. It can be concluded that customer satisfaction has an influence on banks customer retention (See appendix 2, data tables). *Therefore, the null hypothesis is rejected and alternative hypothesis is accepted that 'Customer satisfaction has significant influence on customer retention.'*

This study revealed that customer satisfaction has a significant influence on customer retention. The findings are similar to Afsar and co-workers (2010) who revealed that customers should be satisfied for them to remain loyal with a particular bank. Banks in Tanzania offer similar services to their customers and the only thing which can differentiate them is the way they satisfy their customers on the expectation and what is delivered. Also once a customer is satisfied, it is not easy for him/her to switch between banks and probably refer the bank to his/her family and friends thereby increase in profit for the concerned bank. The local banks have been considered by customers to have kind staffs who offer a helping hand to customers, adequate information, timely information, handled complaints properly and have better prices in their products including services (Ouma et al., 2013). On the other hand, customers rated them low in the aspect of clear procedures and better services.

These banks did not have better services and they did not view customer as a centre of their services because most of their customers were retail customers with low incomes, especially for NMB and NBC Banks. In addition, there is no best way for customers to give their views and for the banks to work on customers' suggestions. Moreover, there is no proper education to customers on the products and services. Also, culture contributes a lot in bad services from bank employees (James, 2012). This is in line with the study from Lwiza and Nwankwo (2002) who reported the same results. Furthermore, customers remain with the banks because they are satisfied.

5.0 Conclusion

The aim of the study was to examine the determinants of customer retention in commercial banks in Tanzania. From the main objective four specific objectives were developed from which four hypotheses were synthesized that guided the study. The first objective of the study was to analyze the influence of customer service on satisfaction of a customer in a bank.

The result of this objective revealed that, customer service indicators of responsiveness and reliability were found to be strong in explaining the influence of customer service on customer satisfaction. Only the indicator 'flexibility' was found to have no net effect on this latent variable. Through the use of multiple regression analysis the latent variable of customer service was found to be significant in influencing customer satisfaction.

Examining the effect of quality of the products developed by banks and its significant influence on customer satisfaction was the second objective. Convenience and speed were the indicators of latent variable product quality. One indicator of convenience was found to be effective while the other indicator of speed was found to have no net effect on this latent variable of product quality. Multiple regression analysis found the latent variable products quality to have significance influence on customer satisfaction.

The third objective was to examine the influence of pricing of bank products and services in customer satisfaction. The indicators of products and service pricing were interest rates and bank charges and both were found to be strong in explaining the influence of pricing of bank products and services in customer satisfaction.

In this case, multiple regression analysis found the latent variable products and service pricing to have significance influence on customer satisfaction.

The fourth and last objective was to analyze the influence of customer satisfaction on customer retention. The indicators of staff kindness, adequate and timely information, complaints handling and better prices of banks products and services were found to be strong in explaining the influence of customer satisfaction on customer retention while the indicators of clarity of banks procedures and better services offered by the bank were found to have no net effect on this latent variable of customer satisfaction. Multiple regression analysis found the latent variable customer satisfaction to have significance influence on customer retention.

This study makes the following important recommendations in relation to the observations made during the study; Banks should establish minimum standards that will become point of reference on level of responsiveness and reliability based on customer expectation to be attained through customers' survey and the banking industry performance.

The reference points should base on what customers want and not what the bank thinks on what customers want, and they should be updated periodically since customers' expectations change over time.

Banks should control their networks to ensure reliability and in case of emergence, they should have another plan to carter for the network's failure especially on ATMs. Withdrawal charges over the counter are higher than ATM charges. Furthermore, bank employees should be willing to help customers and provide quick services to them. Lastly, bank supervisors need to monitor their subordinates when providing services to customers and should have feedback plans from customers on the services. The audit can be done by periodic questioning of some customers on the services they receive from the banks.

Banks should use the quality products as a tool to satisfy and retain their customers through periodic surveys on what constitutes convenience to customers in their products. Also before developing their products, they should at least consider customers for their inputs on what they really want so that the products and services should be easily obtainable and convenient. Banks should review their database to update customers' information and the financial status for easy monitoring of customers' transactions.

It is imperative for the banks to do Know Your Customer (KYC) check regularly to avoid the redundant of data when a customer fills in a loan application and it helps in speeding up loan procedures. Moreover, on the issue of speed, banks need to emphasize on fast delivery of services by recruiting young and energetic staffs who can cope with the speed of delivering services and motivate them when they outperform their normal works.

Likewise, more staffs should be allocated on the front office more specifically to cashiers so as to reduce the workload and long queue. In addition, on staff side, more incentives should be introduced like teller incentives to the tellers with high number of transactions to increase the number of customers served by an employee in a short period of time. Moreover, Bank of Tanzania (BOT) through Banking and Financial Institution Act (BAFIA) should incorporate quality of the products provided by the banks in the regulations of the banks and make sure that the banks follow the standard set by BOT.

Banks are recommended to provide affordable interest rates and charges according to the services and cost incurred in offering those services. Since customers are very sensitive in the interest rates and charges, banks can use this as the satisfaction and retaining factor in the competitive banking environment. Also banks can decide to customize their services to get revenue by differentiating the services and cost of acquiring those services. For example, for the customers with high deposit levels, they can be given some priorities with a cost like having designated cashiers to serve them faster. But when deciding to customize their services they should not leave out other customers as they will be offended just because they have small deposits and may decide to leave the bank. Likewise, banks should not deviate further away from the minimum rate set by BOT of 9 percent rather they should add small mark up to carter for their cost. Moreover, pricing should be incorporated in the theories of customer retention through satisfaction.

From the study, it has been shown that satisfaction is vital in making customers remain and continue to use the services of the same bank. The study revealed that customers are satisfied through staff kindness, adequate information, timely information, well handled complaints and better prices in banks products and services.

The best way that the banks can use is to have enough Customer Relationship Managers (CRMs) to serve for the large customer base of the local banks of CRDB, NBC and NMB. CRMs are the people closer to customers and they can easily know what customers expect and serve them better at the same time give feedback to the banks authority regarding service levels of their staffs. They can be sure that customers' complaints are solved in time, information delivered in timely manner and when a customer is dormant CRM can find the reason as to why a customer is not using bank services for the long period of time.

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Appendix

Reliability Tests

Reliability Test for each Hypothesis

Items to be measured	No. of items	No. of cases	Cronbach Alpha
Customer service on products and services	3	200	0.735
Quality of the products developed by banks	2	200	0.741
Pricing of bank products and services	2	200	0.794
Customer satisfaction	6	200	0.812

Source: Researcher (2013)

Using SPSS, the Cronbach's coefficient alpha was calculated for each hypothesis. As shown in Table above, values of the measured variables range from 0.735 to 0.812, which fall in the range $0.7 \le \alpha \le 0.8$, indicating an acceptable reliability for all the hypotheses.