

## **EFFECT OF CUSTOMER SATISFACTION ON CUSTOMER RETENTION IN ACCESS BANK ISLAND BRANCH LAGOS STATE**

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### **Abstract**

*The main aim of this study was on the effects of customer satisfaction on customer retention. The data for this study was obtained from primary sources. They were gathered using questionnaire structured on the basis of the research hypothesis, which was presented to the respondents to express their views, opinions, and observations. The researcher sampled employees of Access bank using simple random sampling. The researcher however made use of 200 respondents for this study. Following the major findings of this study, it was found that that customer satisfaction enhances customer commitment, prompt delivery of service has effect on satisfaction of a customer, quality service has effect on satisfaction of a customer, good value for money has effect on satisfaction of a customer and good price has effect on satisfaction of a customer. Based on the findings of this research study, the following recommendations are made, it is suggested that banking institutions especially Access Bank Plc improve on customer service / care as well as ensure services that are convenient for customers in lieu of their cost of banking in order to satisfy their numerous customers. If this is done, it will serve as a strategic tool in retaining customers in a perfectly competitive market thereby making the customers more satisfied.*

**Keywords: Effects, Satisfaction, Customer, Customer Satisfaction, Customer Retention.**

### **Introduction**

Organizations around the world face stiff competition in an ever-changing economic environment. As a result, in order to retain their diverse customers, each organization seeks

new and better ways to satisfy them. Customer satisfaction is now a major focus in any service-providing organization, including the banking sector. Customer satisfaction is viewed as a function of perceived quality and a confirmation of how far perceived quality falls short of repurchase expectations. Customers compare a product's perceived performance (service, goods) to some performance standard. Customers are satisfied when their perceived performance exceeds the standard (positively confirmed), whereas they are dissatisfied when their performance falls short of the standard (negatively disconfirmed). According to Malik and Ghaffor (2012), it meets customers' expectations in terms of satisfaction parameters.

According to Malik and Ghaffor (2012), customer satisfaction is defined as meeting the expectations of customers in terms of satisfaction parameters. It is a measure of how well a company's products and services meet or exceed the expectations of its customers. It is the number of customers or the percentage of total customers who stated that their experience with a company, its products, or services (ratings) exceeded specified satisfaction goals (Farris, Bendle, Pfeiffer and Reibstein, 2010).

Several previous studies have found a link between customer satisfaction and the services provided by a company. (Brocato et al., Heinonen&Strandvik, [2015](#); Novokreshchenova et al., [2016](#)). Customer satisfaction is one of the factors influencing customer loyalty to businesses (Harazneh et al., 2020). While customer loyalty indirectly helps to improve organizational performance (Ahmed Al-Maamari&Abdulrab, 2017). Many businesses are concerned about customer satisfaction. When organizations achieve customer satisfaction, they can call themselves successful.

For more than 30 years, research on customer satisfaction has been widely conducted in management studies, both in banking and education organizations (Chin Wei & Sri Ramalu, 2011). Shanka (2012) discovered, for example, a positive relationship between service quality and customer satisfaction in the banking sector. Customers are more likely to be loyal if the bank is trustworthy, committed to service, reliable and efficient in communicating with customers, and capable of properly resolving problems (Coelho &Henseler, 2012; Flint et al., 2011; Vivek et al., 2012). In order to survive or exist, businesses must be able to attract a large number of customers. Excellent customer service and meeting their needs can directly increase satisfaction. This is an indicator of the level of satisfaction with the quality of services. This can be determined by analyzing their purchasing and consumption habits for specific products, services, brands, and company names (Johnson, 2015).

Customers who are pleased with the services provided tell us about the organizations' quality. Unsatisfied customers, on the other hand, serve as a reminder to organizations of their poor performance. There are several factors that may have an impact on customer satisfaction in the banking sector, including good relations between banks and customers and trust. Loyal customers are those who use a company's services on a regular basis. They demonstrate loyalty, commitment, and pride in using the services. These can be used as indicators to assess customer loyalty (BinsarKristian&Panjaitan, 2014; Jiang & Zhang, 2016). Banking organizations must cultivate customer loyalty in order to survive in a global market (Ayodele, 2016).

Customer satisfaction is the foundation for any organization's ability to keep its current customers (Khan, 2002). He believed that satisfied customers were more likely to have a positive relationship with the organization. As a result, organizations must ensure that all activities are geared toward the satisfaction of their customers. This will pave the way for customers to see the possibility of integrating their loyalty with the organization, taking into account continued purchasing and repurchasing of the organization's products into consideration.

### **Literature Review**

Customer Satisfaction is defined as a metric that determines how satisfied buyers or customers are with an organization's items (products), administrations, and capacities. Customer loyalty data, such as reviews and ratings, can help a company decide how to improve or change its products and services.

Satisfaction is a critical issue for a company's product because it measures the level of expectation between the company's product and the customer's expectation. Customer satisfaction will have an impact on both the company and the product, because happier customers with product quality and service mean more products and more profit.(Copley, 2017; Akoi&Yesiltas, 2020).

Customer loyalty can help any company grow (Anwar & Louis, 2017). Furthermore, there is a strong relationship between customer loyalty and customer satisfaction, because customer loyalty does not exist in the absence of customer satisfaction.

Customer satisfaction is influenced by the quality of products and services offered by businesses to their customers. Any company will face competition from other companies (Anwar & Qadir, 2017), and customer loyalty means choosing one company's items or products over their competitors on a consistent basis (Chambers, 2018). Customer satisfaction is the degree to which customers are pleased with the goods and services they have purchased (Boone and Kurtz, 2013). Customer satisfaction informs the buyer about the appropriateness of the reward received in exchange for the service received. Every company strives to meet its customers' needs, desires, goals, and expectations. As a result, the production and marketing departments work together to create economic utility for customers. Customer satisfaction is commonly defined as the pleasure derived from using a product or service. Customer satisfaction is the customer's voice, which varies from person to person. It is an assessment of how well a company's products and services meet or exceed customer expectations. Customers' satisfaction, according to Jeong and Lee (2010), is an emotional (sentimental) reaction or a mode of interactive recognition and perception. Customers' satisfaction is a result of a focused attention on production expectations as well as the experience of using services and consuming goods. Customers' satisfaction is a subjective assessment of a product or service by customers during its useful life. Customers' satisfaction is a psychological summary that encompasses a composite of customers' feelings about unexplained expectations and his/her previous consumption experiences. A satisfied customer will always contact a service provider. Customer satisfaction will improve if customer expectations are met. A highly satisfied customer: continues his shopping for a long time, buys more as long as the firm produces new products and improves existing products, speaks highly of the firm and its

products, is unconcerned about trademarks that compete with the firm's products and does not place emphasis on price, and offers the firm suggestions and ideas about products and services. Nowadays, most organizations have adopted a customer-centered philosophy in order to meet the needs of their customers and improve their perceived values. As a result, adopting customer-centric strategies aimed at maintaining and improving relationships with current customers is critical for survival (Krishnamoorthy and Srinivasan, 2013). Highly satisfied customers are more likely to purchase more frequently, in larger quantities, and to purchase other goods and services from the same service provider.

### **Concept of Customer Retention**

Customer retention or loyalty measures how devoted customers are to a company's products or services and how strong their preference is for one brand over competitors. Customer satisfaction is positively related to customer loyalty, as satisfied customers consistently prefer the brands that meet their needs (Alhassan&Yousuf, 2012). Customers who are loyal are committed to patronizing a specific brand or company over others and show no visible willingness to enter into business relationships with alternative brands. Customer retention is driven by a company's consistent commitment to producing high-quality products and providing excellent customer service. As a result, it is critical for businesses to maintain consistency in the quality of products or services offered to customers if they are to retain customers loyal to their brands (Umar&Jinaidi, 2012). Another practical way to improve customer retention is to offer reward and loyalty programs to repeat customers as a token of appreciation for their continued patronage in the face of competing alternatives. Customer loyalty, according to Lewis and Maurice (2018), is the continued and consistent patronage of a business in the face of alternative economic activities and competitive attempts to disrupt the relationship. According to Robert, Muller, and Purcell (2018), customer loyalty occurs when people choose to use a specific store or buy a specific product over other stores or products made by other companies. Customer loyalty is demonstrated when a customer purchases a specific product or brand on a regular basis over an extended period of time.

When a customer interacts with a brand, they are treated with care. It encompasses all interactions with the company and its employees prior to, during, and after a purchase. According to Fontanella (2019), customer care is still an important part of customer service because it promotes the development of harmonious emotional interrelationships between a brand and its target customers. It is the process of establishing an emotional connection with customers by providing them with support, advice, and assistance at every point of service interaction. Customer care, according to Eyonam and Kofi (2018), is the provision of support services to customers before, during, and after their needs have been met. It refers to how a company's employees treat customers from the moment they walk into the store until they leave. Customers value politeness, respect, courtesy, and empathy when it comes to customer service. A subscriber's future purchasing habits and loyalty are determined by the quality of customer service they receive. According to Taskus (2020), customer care entails providing support services to customers in order to ensure that they have satisfying and exciting experiences with the company's products, services, or brands. The provision of quick and supportive customer care services to customers has the potential to increase customer satisfaction and encourage customer retention. The study of Adefarasin and Toludare (2018) found that customer care had a significant positive effect on customer loyalty of Mobile

Telecommunications Network (MTN) in Lagos, Nigeria. Husnain and Akhtar (2016) found that customer care had a significant positive correlation and effect on customer loyalty towards Pakistani banks, lending credence to the premise.

### **The Effect of Customer Satisfaction on Customer Retention**

According to Priansa (2017), customer satisfaction is the feeling that someone has that is both happy and disappointed after comparing expectations with the performance results of a product. If the work results fall short of expectations, the customer will be dissatisfied. The customer will be pleased if the work results meet his or her expectations. If the work exceeds expectations, the customer is overjoyed.

Customer retention, according to Chen and Liu (2017), is an assessment of the quality of a business's product/service that measures how loyal the customer is. Customer satisfaction, according to Chikako and Hamu (2021), is a measure of how well a company's products and services meet or exceed customer expectations. It is also claimed that if the perceived quality of service is high, customer satisfaction will rise. Several researchers discovered that customer satisfaction has a significant impact on customer retention in a variety of industries (Daneshfar et al., 2016; Nguyen et al., 2018), and they also argued that customer satisfaction would increase customer retention. According to the explanation provided above, the hypothesis indicates that customer satisfaction has a significant relationship with customer retention.

## **2.4 Empirical Review**

Adefarasin and Toludare (2018) studied the "Impact of customer relationship marketing on customer loyalty of Mobile Telecommunications Network (MTN) in Lagos, Nigeria." The study used a quantitative research method to collect primary data from 185 Mobile Telecommunications Network (MTN) subscribers in Lagos using a structured questionnaire. The Statistical Package for the Social Sciences was used to analyze the data, which included descriptive statistics and multiple regression analysis (SPSS 22). The study discovered that customer care, commitment, communication, trust building, and service quality had a significant positive effect on Mobile Telecommunications Network (MTN) customer loyalty in Lagos, Nigeria. As a result, the study concluded that customer relationship marketing had a significant positive impact on customer loyalty of Nigerian telecommunications companies. Finally, Odili, Frederick, and Nonye (2020) conducted research on "Relationship marketing and customer retention among Enugu telecom networks." Using a structured questionnaire, the study collected primary data from 203 telecom subscribers in Enugu Metropolis. The study hypotheses were tested using multiple correlation analysis. As a result of the findings, relationship marketing (service quality, trust building, customer care, and promise fulfillment) had a significant positive association with customer retention to Enugu telecom networks. Taking these findings into account, the study concluded that relationship marketing is significantly and positively associated with customer retention in Nigeria's telecom sector.

## **Theoretical Review**

### **Cognitive Dissonance Theory**

Cognitive dissonance is an unpleasant sensation caused by holding two contradictory ideas at the same time. According to the cognitive dissonance theory, people are motivated to

reduce dissonance by changing their attitudes, beliefs, and behaviors, or by justifying or rationalizing them.

The phenomenon of cognitive dissonance, first described by Festinger in 1957, has been widely adopted in consumer behavior research. "Defined as a psychologically uncomfortable state caused by the existence of contradictory (dissonant, non-fitting) relations among cognitive elements (Festinger 1957), cognitive dissonance demonstrated high exploratory power in explaining the state of discomfort buyers frequently experience after making a purchase." Although cognitive dissonance is a well-established construct in consumer behavior research, applications in current marketing research projects are limited. The reasons are as follows: First, dissonance is frequently regarded as a transitory phenomenon. Second, measurement issues as well as difficulties in data collection administration frequently obstruct empirically addressing cognitive dissonance.

### **Hypothesis**

H<sub>0</sub> there is no significant relationship between customer satisfaction and customer retention in Access Bank Plc Island Branch, Lagos State.

### **Methodology**

The descriptive research design has been chosen for this study. The population of the study consists employees of Access Bank Plc Island Branch, Lagos State. The Total population of Access Bank Plc Island Branch, Lagos State is 500 staff.

The sample size for the study was determined by the statistical formula for selecting from finite population as formulated by Yamane (1964). Therefore, based on Taro Yamane's formula, the sample size for this study is approximately (222) respondents. Two hundred and twenty two

The data for this research work was primarily sourced using questionnaire.

Descriptive Statistics was used to analyze the data generated from the socio – demographic variables. The descriptive statistics such as simple percentages, will be used to describe the participant in study and to aggregate and summarize the date. The data analysis was performed using SPSS, version 20.0. In all cases alpha (significance value) is set at 0.05, to test at the 5% level. Frequency distribution was used to analyse the bio-data while correlation was used to test the hypotheses formulated.

### **Findings**

This sub-section focuses on the analysis of data collected based on questionnaires administered to respondents' in banks. The responses were presented using frequency distribution table and percentage.

**a. Socio-Demographic Characteristics of Respondents**

Table 4.1: Socio-Demographic Characteristics of Respondents

| S/N | Variables                      | Frequency  | Percentage   |
|-----|--------------------------------|------------|--------------|
|     | <b>Gender:</b>                 |            |              |
|     | Male                           | 146        | 73           |
|     | Female                         | 54         | 27           |
|     | <b>Total</b>                   | <b>200</b> | <b>100.0</b> |
|     | <b>Age:</b>                    |            |              |
|     | 20-2954                        | 27.0       |              |
|     | 30-29 years                    | 102        | 51.0         |
|     | 41-50 years                    | 44         | 22.0         |
|     | 51 and above                   | -          | -            |
|     | <b>Total</b>                   | <b>200</b> | <b>100.0</b> |
|     | <b>Work Experience</b>         |            |              |
|     | 1-5 years                      | 42         | 21.0         |
|     | 6-10 years                     | 148        | 74.0         |
|     | 11 above years                 | 105.0      |              |
|     | <b>Total</b>                   | <b>200</b> | <b>100.0</b> |
|     | <b>Academic Qualification:</b> |            |              |
|     | OND/NCE                        | 32         | 16.0         |
|     | B.SC/HND                       | 120        | 60.0         |
|     | M.SC/MBA                       | 48         | 24.0         |
|     | OTHERS                         | -          | -            |
|     | <b>Total</b>                   | <b>200</b> | <b>100.0</b> |
|     | <b>Job Position:</b>           |            |              |
|     | Management                     | 20         | 10.0         |
|     | Senior Staff                   | 32         | 16.0         |
|     | Junior staff                   | 148        | 74.0         |
|     | <b>Total</b>                   | <b>200</b> | <b>100.0</b> |

**What are the impacts of customer satisfaction on customer retention?**

| S/ N | To examine the impact of customer satisfaction on customer retention | Strongly Agree | Agree     | Indifference | Disagree  | Strongly Disagree |
|------|--|----------------|-----------|--------------|-----------|-------------------|
|      | Customer satisfaction enhances customer commitment                   | 62<br>31%      | 98<br>49% | 8<br>4%      | 20<br>10% | 12<br>6%          |
|      | Prompt delivery of service has effect on satisfaction of a customer  | 73<br>36.5%    | 72<br>36% | 21<br>10.5%  | 16<br>8%  | 18<br>14%         |
|      | Quality service has effect on satisfaction of a customer             | 96<br>48%      | 88<br>44% | -            | 16<br>8%  | -                 |
|      | Good value for money has effect on satisfaction of a customer        | 73<br>36.5%    | 78<br>39% | 29<br>14.5%  | 20<br>10% |                   |
|      | Good price has effect on satisfaction of a customer                  | 82<br>41%      | 72<br>36% | 16<br>8%     | 14<br>7%  | 16<br>8%          |

Respondents’ opinion revealed that; 36.5% of respondents strongly agreed that customer satisfaction enhances customer commitment, 36% agreed, 10.5% were indifferent, 8% disagreed while 14% strongly disagreed. Respondents’ opinion also revealed that; 48% of respondents strongly agreed that prompt delivery of service has effect on satisfaction of a customer, 44% agreed with the assertion while 8% disagreed. The table also revealed that; 36.5% of respondents strongly agreed that quality service has effect on satisfaction of a customer, 39% agreed, 14.5% were indifferent while 10% disagreed. The table revealed that; 41% of respondents strongly agreed that good value for money has effect on satisfaction of a customer, 36% agreed, 8% were indifferent, 7% disagreed while 8% strongly disagreed. The table revealed that; 31% of respondents strongly agreed that good price has effect on satisfaction of a customer, 49% agreed, 4% were indifferent, 10% disagreed while 6% strongly disagreed.

**Hypothesis**

H<sub>0</sub> there is no significant relationship between customer satisfaction and customer retention in Access Bank Plc Island Branch, Lagos State.

**Table 2**

| Views | Observed (O) | Expected (E) | Residual (O – E) | (O – E) <sup>2</sup> | $X^2 = \frac{(O - E)^2}{E}$ |
|-------|--------------|--------------|------------------|----------------------|-----------------------------|
| SA    | 73           | 40           | 33               | 1089                 | 27.2                        |
| A     | 72           | 40           | 32               | 1024                 | 25.6                        |
| U     | 21           | 40           | -19              | 361                  | 9.0                         |
| D     | 16           | 40           | -24              | 576                  | 14.4                        |
| SD    | 18           | 40           | -22              | 484                  | 12.1                        |
| TOTAL | 200          |              |                  |                      | 88.3                        |

Source: Chi square Analysis of Responses from table 2

$X^2$  (Chi-Square) calculated = 88.3

df = Degree of Freedom = (R – 1) (C – 1) = (5 – 1) (2 – 1) = (4) (1) = 4

Theoretical value for the degree of freedom of 4 using 95% level of significance is 9.488.

**Interpretation**

Since the theoretical value (9.488) is less than the calculated (chi-square) value, there is significant relationship between customer satisfaction and customer retention in Access Bank Plc Island Branch, Lagos State, the alternative hypothesis is accepted while the null hypothesis is rejected.

**Discussion**

This paper was on the effect of customer satisfaction on customer retention in access bank island branch Lagos State making use of a sample of two hundred (200) employees, in the organization



The study also showed that customer satisfaction enhances customer commitment, prompt delivery of service has effect on satisfaction of a customer, quality service has effect on satisfaction of a customer, good value for money has effect on satisfaction of a customer and good price has effect on satisfaction of a customer.

### **Theoretical Contributions**

This seminar paper hopes to shed light on the effects of customer satisfaction on customer retention by reviewing existing literature. Our contribution emphasizes the importance of understanding where customer satisfaction are best represented in customer retention components, as well as where academics in general are focusing their attention. We aimed to provide inductive insights into the current state of customer satisfaction on customer retention through the use of a literature-driven and systematic methodology that can be replicated for future research opportunities for both academics and industry professionals.

### **Managerial Implications**

The findings of this study may also aid academics and industry professionals in understanding how customer satisfaction affects customer retention. This work sheds light on potential research areas in customer satisfaction and customer retention, allowing academics and industry professionals to collaborate. Furthermore, these findings provide an opportunity for industry professionals to educate themselves on potential behaviors that may benefit the organization's customer retention.

### **Limitations**

Finance and time were major limitations to the seminar paper. Furthermore, we were limited on the access to databases.

## **5.2 Conclusion**

This study, which evaluated the effects of customer satisfaction and customer retention in Access Bank Plc, concludes that there exists positive correlation between customer satisfaction and customer retention. Customer satisfaction had a strong correlation with customer retention based on banking services, value-added services such as prompt delivery, good pricing, quality service;

## **5.3 Recommendations**

In view of the above findings, it is suggested that banking institutions especially Access Bank Plc improve on customer service / care as well as ensure services that are convenient for customers in lieu of their cost of banking in order to satisfy their numerous customers. If this is done, it will serve as a strategic tool in retaining customers in a perfectly competitive market thereby making the customers more satisfied.

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