

**THE ROLE OF CREDIT CARDS ON RETAINING BANK
CUSTOMERS AT NATIONAL MICROFINANCE BANK Plc**

By

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A Dissertation Submitted to Mzumbe University –Dar –es-Salaam Campus College in
partial / fulfillment of the Requirements for Award of the Degree of Master of Business
Administration in Corporate Management of Mzumbe University.

CERTIFICATION

We the undersigned certify that we have read and here by recommend for acceptance by the Mzumbe University a dissertation thesis titled “**The role of credit cards on retaining bank customers**” in partial fulfillment of the requirements for award of the degree of Master of Business Administration in corporate Management of Mzumbe University.

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I wish to state hereby that all deficiencies or errors that may be contained in this document are absolutely my sole responsibility.

ABBREVIATIONS

ADB	Average Daily Balance
APR	Annual Percentage Rate
ATM	Automatic Teller Machine
BOT	Bank of Tanzania
BOTECH	Bank of Tanzania Electronic Clearing House
CAMPARI	Character, Ability, Margin, Purpose, Amount, Repayment and Insurance
CNP	Card Holder Not Present
CRM	Customer Relationship Management
CSC	Card Security Code
CIT	Critical Incident Technique
EC	Electronic Commerce
EMV	Europay MasterCard Visa
ID	Identification
IT	Information Technology
MDGs	Millennium Development Goals
NMB	National Microfinance Bank
MFI	Micro Finance Institutions
LTV	Lifetime Value
OTIFNE	On-Time, In Full, No Error
PCI SSC	Payment Card Industry Security Standards Council
PIN	Personal Identification Number
POS	Point of Sales
SERVQUAL	Service Quality
SPSS	Statistical Package for Social Science
TISS	Tanzania Inter-bank settlement System
TQS	Total Quality Services
TRM	Total Relationship Management

ABSTRACT

The study focused on the role of credit cards on retaining bank customers, conducted at National Microfinance Bank Plc Tanzania. The study has pointed out the historical background of the credit card and its emergency in relation to other modes on payment, and also has explained how much credit card has evolved from being a pure accounting function in a bank into a front-end customer facing function.

One of the challenges facing banking industry in Tanzania is customer retaining and product innovations which this study has well covered and suggested the best ways in which customers can be retained while looking at the nature of the market as markets has varied challenges. Challenges of banks in retaining their customers by using credit cards, how to determine the relation between credit cards with customer retention, explanations on the strengths and weaknesses of credit cards in relations to customer retention has also been well covered, the number of customers linked to credit cards and reasons for non-retention has been well covered in this study.

It has also discussed various things which emerged during interviews, the nature of the customers in the market, and how the credit cards work, its issuing procedure, the benefit to both insurer and the customer and their emerging issues especially the Tanzania market which is very informal.

The study has recommended, establishing relationships with customers as a key factor to the success of a particular product in any banking business. This is because of human being nature of being connected to an individual whom they know and trust.

The researcher really hopes that the output of this research shall be of practical use to the

NATIONAL MICROFINANCE BANK Plc

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CHAPTER ONE

1.0 AN OVERVIEW OF THE STUDY

1.1 Introduction

This chapter detailed discussion of background information of credit cards in order to understand what the problem is about. The great discussion is on the background information of the study, statement of research problem, research objectives, research questions, and significance of the study and organisation of the study.

1.2 Background information of the Study

The history of credit cards begins just before world war in 1914, when Western Union provides a deferred payment service to its most sound customer (Davies, 1994). But only after 1950 it actually took shape. One Frank McNamara was entertaining several guests at New York Restaurant. When he reached in his pocket for his wallet, he found it empty and had to work out a promissory arrangement for future payment to the restaurant. It occurred to him that sort of identification card which extended charge privileges would be a terrific convenience for the business executive Mr. McNamara and his attorney, Ralph Schneider, sat down and developed a revolutionary product and that later substantially brought about a change in economic and social customs of much of the world (Davies, 1994).

Quickly the idea caught on and within a year, bank began providing card to their customers and merchant began accepting them for payment. These early cards required payment full within a short period, usually less than 90 days. The income possibilities soon became apparent to the bankers. The financial institutions could simply extend the repayment time, attach an interest rate and in 1951 New York Franklin National Bank introduced the first modern credit card to its customers (Davies, 1994).. The concept was quickly accepted and by 1970, there was a change in perception. Consumers and the issuing banks were feeling that one card was not enough. Bank of America solved this by entering into licensing agreement with the banks outside California allowing them to issue Bank America and interchange transactions among the licensees (Davies, 1994).

According to (Tae-Hwan and Swatman, 1998) credit cards are the most popular payment instruments on the internet. The first credit card was introduced decades ago (Dinners club in 1949) and American express in 1958. These cards were produced with magnetic stripes with unencrypted and read-only information.

Credit cards work to make tremendous revenues to credit card companies, banks and retail sales (Kenny, 2005). They do not however work the way they used to work for the customers that temporarily possess them. Many years ago when credit cards were invented, they were a means to finance household items considered necessary.

These were things like washing machines and clothes dryers. Credit cards today have such a high interest that they are no longer attractive to purchase such items. Credits cards are primarily now seem to be used to hide and avoid indebtedness (Tae-Hwan and Swatman, 1998). There is nothing good about debt. Retail salespersons and the banks have convinced Americans that to have good credit one must have a solid credit history through credit cards or credit account (Tae-Hwan and Swatman, 1998).

A solid history means more than the fact that you have consistently made payments on time without failure. The credit card companies and the banks evaluate customers spending trends. The debt load over time is savings history, checking deposit history and actual check spending history. This personal information is felt by these institutions to be proprietary, belonging to the institution because of their unique methods of collection, rather than belonging to the individual who creates this activity (Kenny, 2005).

In order to increase usage, a bankcard association was started which would change the name to one, which was not linked with any one bank (Davies, 1994). In 1977, the VISA name was adopted, a membership corporation was formed and VISA USA was started. At the same time, three different groups of bank that were not franchisees of Bank of America began activities that later merged to become today's Master Card International (Davies, 1994). In 1978, the MasterCard and Visa organization agreed to a concept of duality, in other words, banks could honor and issue both credit cards (Davies, 1994).

In Tanzania, 1991 the banks Act was effect introduce credit cards in most of the banks to open up market operations that have been preceded with various structural adjustment

programmes where various development policies were reviewed to reflect market economy against centralised economy which was the then trend (URT, 1991).

Operations of using credit cards in most of the banks in Tanzania began August 1997 as a result of the liberalization of the banking and financial sector. These excellent rates of growth therefore, have been achieved through the experience and dedication of management of Bank of Tanzania (BOT) where now credit cards changes banks in opening more its market and thus more international trade to robust their services and retain their customers (BOT Report, 1997).

In March 2002, the Electronic Clearing House (BOTECH) System that facilitates interbank electronic debit clearing went live (BOT Report, 1997). Inter-bank clearing is currently processed electronically at the Dar es Salaam Electronic Clearing House, which accounts for 80% in volume of the country's inter-bank clearings while the remaining 20% is processed manually in the up-country clearing centres. The Electronic Fund Transfer (EFT) System which will facilitate credit clearing of bulk transfer interbank payment is being tested and is expected to go live in mid 2004 (BOT Report, 1997).

Apparently, Tanzania is now in the implementation process of the Tanzania Inter-bank settlement System (TISS) (BOT Report, 1997). The system shall provide inter-bank funds transfer in real-time with finality and irrevocability of settlement by means of real time option or deferred option. The system is expected to go live in the second quarter of the year 2004 (BOT Report, 1997).

On the other hand the financial industry is gradually utilizing electronic payment instrument, such as credit and debit cards, as well as the use of Automated Teller Machines (ATMs).

1.3 Statement of the Research Problem

Credit card retention has evolved from being a pure accounting function in a bank into a front-end customer facing function (O'Brien and Charles, 1995). It involves screening of customers and only those who are credits worthy are allowed to do business. A sound review of the financial position of the customer, and understanding of their business

model is the first step in ensuring that the bank does not end up selling to a customer who ends up seriously delinquent or in default (O'Brien and Charles, 1995).

Customer retaining has been one of the challenging within the banking industry in Tanzania. Product innovations are the ultimate key for various (Bolton et al, 2000). The various markets have varied challenges and therefore banks will need a certain level of product innovations to retain and widen its customer's base. Banking industry operates into different markets with different ways of doing business where there is also a need of various products based on the nature of the market. At the present time, credit cards issuers have attached more importance to the service and management existing customers. Managers typically believe that it is desirable and expected for a properly executive loyalty reward programs to increase usage of banks product (Jones, 1995).

However, credit card market is still not matured in Tanzania as the market dimensions is so large to keep existing customers well informed. The culture of credit card is still very new to most of Africa markets due to its nature that is most of the market are very informal making it more difficult for credit card to operate but still the banks enjoys its benefit as one of its products (Hawkins et al. 2001).

The study was aimed at bringing into attention to various financial services providers and take out negative perceptions being purported by various market regulators on the workability of the credit card by pointing out the advantages and suggesting the best way to sell this product.

1.4 Research Objectives

1.4.1 General objective

The General objective of the study was assessing the role of credit card in retaining bank customers.

1.4.2 Specific objective

The study specifically was attempted:

- a) To assess the challenges of banks in retaining their customers by using credit cards.

- b) To determine the relation of credit cards with customer retention.
- c) To find out the strengths and weaknesses of credit cards in relations to customer retention.
- d) To identify number of customers linked to credit cards.

1.5 Research Questions

- a) What are the challenges of banks in retaining their customers by using credit cards?
- b) What is the relationship between credit cards with customer retention?
- c) What are the strengths and weaknesses of credit cards in relations to customer retention?
- d) How many customers are linked to credit cards?

1.6 Significant of the Study

This study of credit card retention, build up sustainable banking sector for achievement of millennium Development goals. Thus

- a) It might help to increase knowledge related to the performance of the credit card in the bank and its potentiality.
- b) The researcher drew decision and recommendation for remedial action of improving the existing situations Customer Service to Nmb by retaining customer using credit card making it as part of the major significance of this study.
- c) Further the findings provide framework or guidelines which the stakeholders and other researchers will utilize in future assessments of the role of credit card in the banking industry.
- d) With this study policy makers may also take their direction while formulating policies related to this area of study as key input in their work.
- e) Moreover the study helps to improve products for Nmb Plc

1.7 Scope of the Study

Selection on the sample space was of good number and right segment that enabling to eliminate a possible error that arises in judgment or drawing conclusion. In this case

selection of at least 52 respondents of different banks was needed; the number was significant enough to give a true and fair view of our study.

The use of estimated data in setting variables was reduced so as to eliminate discrepancies in giving statistical conclusion derived from the customers' response. Most of the respondents that selected were given similar questions using interview and questionnaire that was used from time to time to reduce weakness on tools.

The researcher preferred carrying out a wide research that covered the whole banking industry in Tanzania but due to cost and time constraints and as banking industry problems in Tanzania are almost similar the researcher had opted, the study to be carried out at Nmb Plc in Dar es Salaam region.

1.8 Limitations of the Study

The limitations of the study involved the following issues.

- a) *Privacy*: the respondents were reluctant to give information due to confidentiality of the information i.e. some information is not made for public use. This is done to avoid order to avoid this resulted into irrelevant information to be given.
- b) *Time Constraints*: It was difficult to get genuine answers especially from top management due to the time constraints.

1.9 Organization of the Study

Nmb Plc, one of the locally established Banks in Tanzania after the privatization of National Bank of Commerce (NBC), continues to remain in the forefront of providing quality banking services in the Country.

The bank has built strong brand equity through its relationship management and its ability to provide a faster turnaround in services; in the process building a robust loyal customer base

The bank ranks as the first largest bank in the country in terms of total Assets and in terms of total deposits as of 2011.

The Bank is known as one of the most Innovative & fastest growing banks in the country and is reckoned for its professionalism and business ethics. Ever since inception, the bank has been playing an important role as a financial player providing need based banking services to all strata in the economy.

Nmb provides one-stop financial services to its Corporate & Retail Customers with a range of products, most of which are customized keeping in mind the specific needs of the clients. Over the years, the Bank has exhibited through its performance that it had been "More than a bank".

Nmb is also a member of the Global Banking alliance for Women (GBA), The GBA 10th Anniversary summit was hosted by IFC at New York where by Nmb participated. Not only does these spark innovations that enhance Bank programs, but also serves common goal of building women's business.

For the last two years, The Bank won the award from National Board of Accountant and Auditors (NBAA) for Best Presented Financials statement in the banking Sector Category, and for 2009 emerged the overall winner.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Definitions of key terms

Customer retention is the ability to retain customers by providing the service to customers by using credit card (Joseph and Stone, 2003). Banks as financial Institutions provide financial services for its clients or members. They provide services as intermediaries using credit cards. Credit cards are used transferring funds from investors to companies or other institutions' accounts for various transactions purposes.

Credit cards are widely accepted as one of the successful method to risks on loans provisions by various financial institutions (Joseph and Stone, 2003). International credit card has been designed to complement the life of people of various nations (Joseph and Stone, 2003). It is a symbol of recognition and status across the global. Credit cards are issued in various currencies depending on where it has been issued. Customers can use credit cards overseas in any currency regardless of the kind of the currency which the card was issued (Joseph and Stone, 2003).

Khalily (2000) defines credit as a type of debt. That is, credit entails the redistribution of financial assets over time, between the lender and the borrower. The borrower initially receives an amount of money from the lender, which they pay back, usually but not always in regular installments, to the lender.

The customer lifetime value (LTV) is usually defined as the total net income from the customer over his lifetime. This type of customer analysis is done under several terms: customer value, customer lifetime value, customer equity, and customer profitability. The underlying idea in LTV concept is simple and measuring the lifetime value is easy after the customer relationship is over. The challenge in this concept is to define and measure the customer lifetime value during, or even before, the active stage of customer relationship (Hoekstra and Huizingh, 1999).

Therefore, LTV is the total value of direct contributions and indirect contributions to overhead and profit of an individual customer during the entire customer life cycle that is from start of the relationship until its projected ending (Hoekstra and Huizingh, 1999).

2.2 Theoretical Literature Review

2.2.1 Credit Card Customer Retention

At the present time, Credit card issuers have attached more importance to the service and management of existing customers. Managers typically believe that it is desirable and expected for a properly execute loyalty rewards program to increase usage of the company's product or service offering (O'Brien and Jones, 1995).

Generally, the goal of these rewards programs is to establish a higher level of customer retention in profitable segments by providing increased satisfaction and value to certain customers. The managerial justification for these programs is that increased customer satisfaction and loyalty have positive influence on long-term financial performance. According to Hawkins et al. (2001), the objective of these programs is to increase the satisfaction and retention of key customers.

The loyalty program is a rewards-for-usage program. Loyalty rewards program members accumulate points with each dollar transacted that are redeemable for a wide variety of goods and services such as air certificates, car rental, vacation options and retail gifts (Bolton et al, 2000). However, it must be verified that the positive financial outcomes of the rewards program exceed the investment made in the program.

It is also argued that the focus on customer churn may determinate the customers who are at risk of leaving and if possible on the analysis whether those customers are worth retaining. The churn analysis is highly dependent on the definition of the customer churn. The business sector and customer relationship affects the outcome how churning customers are detected. Example in credit card business customers can easily start using another credit card, so the only indicator for the previous card company is declining transactions. The customer churn is closely related to the customer retention rate and loyalty (Garland, 2003).

Pirikisi (2000) argues that, Liberalization process has created enough incentives for commercial banks to offer credit card since they are now able to set their own lending interest rates. Thus non-performing loans are loans classified as sub-standard doubtful and/or potential losses. Bad debts or non-performing loans will adversely affect the earnings of any bank. The situation in which the credit payments are past due is called delinquency.

Smith (2001), emphasis's that, credit is provided on a structured basis for long-term borrowing. Interest rates are usually expressed as a margin over base, although sometimes a fixed rate is agreed. Numbers of banks now are providing credit for their businesses at preferential rates. These tend to be providing finance for a purchase of a partnership or expansion of the business premises.

Shukla (2001) argues that, many personal credits nowadays are packaged products, which carry fixed fees and monthly interest incorporated into individual's payments in the event of illness or accident. This type of borrowing is becoming more and more popular because there are little hassles in getting them. Quite often, the customer doesn't even need to see the bank manager.

Aarens (1999), emphasis's that, Completion of a basic application form is all that is required for the credit to be scored. That is, the borrowing is quick to arrange, simple to operate and can be profitable for the bank. Funds can be used for all commercial purposes and home improvements.

The borrowing is taken over a fixed period at a fixed rate of interest. He continues to emphases that, banking is all about borrowing money from one source and lending it to another. From time to time, bankers will have to repay the money they borrow and so they will wish to ensure that the money they themselves lend (which belongs to other people) is safe, profitable and relatively easy to get back (liquid).

Baily (1998) argues that, a bank will have a declared lending policy, which is will change from time to time in the face of market conditions or government regulations. That is, banks have adopted stop-go policies concerning mortgage lending for house purchases. This may lead to customers looking elsewhere because they do not realize

that money is available. He continues to argue that, the bank has to establish the amount of credit to be made available to certain countries, certain sectors of industry and certain types of customers. The senior management of the bank will delegate authority for taking decisions on borrowing propositions.

Hattwick (1998) emphasis's that, before the banks have the opportunity to develop judgment and experience on the matter issuing loans, there are some basic considerations that can help the bank to reach such decision. One easy way to remember is by using mnemonic like CAMPARI, which stands for character, ability, margin, purpose, amount, repayment and insurance, to determine whether the risk is acceptable.

Banking have made important progress in demonstrating that credit card services can be services that have been shown to have a significant impact on the social goals of reducing poverty and social exclusion and hence make an important contribution to the achievement of the Millennium Development Goals (MDGs)' (IMP, 2005).

The achievement of the millennium Development goals by the year 2015 as suggested by the United Nations depends entirely on the individual countries to strive hard and objectively to manage existing human and non-human resources; a suggestible approach can be the one of both individual lending and group lending. With their approaches, the concerned are directly involved in their own salvation to better living standards (IMP, 2005).

For many years now, have been impressed by the power of a simple credit to these for whom fortune and circumstances have whom fortune, and circumstances have resulted in disadvantage. By placing Banking in the global spot light, awareness of this most effective anti-poverty toll will undoubtedly and thankfully increase (Rania, 2005). The poor have little or no uncommitted money. They have too little surplus to improve their business or their business or their household economic. Very often they depend on financial credit or assistance from relatives, friends and neighbors to meet business and consumption needs.

Financial credit enables poor people their business and consumption needs. Financial - credit enables poor people to expand and grow their business, create employment, and generate income for themselves and their communities (Belslawatall, 2001). Though access to finance cannot by itself generate income, financial credit it viewed as an important in to the process of developing micro-small scale enterprises such enterprises are perceived to have the potential to make an important contribution to economic development in countries that are moving from a state –led strategy towards a market oriented policy environment that favors the private sector. Structural adjustments programs are believed to contribute to improving the climate within their enterprises operate (Belslawatall, 2001).

2.2.2 Importance of Customer Service and Retention

The services market is becoming ever more competitive, as price competition intensifies and the shifting of loyalty becomes an acceptable practice. Many industries have already experienced a rearrangement of marketing budgets in order to devote more resources to defensive marketing, namely customer retention (Petruzzellis *et al*, 2006).

In modern competitive environments services are gaining increasingly more importance in the competitive formula of both firms and countries. Globalised competition has stressed the strategic importance of satisfaction, quality and consequently loyalty, in the battle for winning consumer preferences and maintaining sustainable competitive advantages. In the service economy such as banks especially, these prove to be key factors reciprocally interrelated in a causal, cyclical relationship; actually the higher the (perceived) service quality, the more satisfied and loyal the customers (Petruzzellis *et al*, 2006).

Customer satisfaction has become the watchword in early twenty first century. Reason of this change is to oversupply which has led to customers being more demanding. They want that is available in the market-place to meet their demand. The customer satisfaction-retention link has received more attention among marketing and management academics and practice. Customer satisfaction has long been regarded as a “proxy” for firm success since it is inextricably linked to customer loyalty and retention (Sharma and Patterson, 2000).

Sharma and Patterson, (2000) highlighted, however, that the link between customer satisfaction and customer retention is reliant, to some extent, upon other factors such as the level of competition, switching barriers, proprietary technology and the features of individual customers. Customer satisfaction is the heart of selling process in any organization.

Performance in customer services depends on the general leadership of the organization. This is because leading is one of the primary functions of management, but the complexities of leadership as a theoretical concept continue to elude scholars. The magnitude of strategic leadership appears to be increasingly significant among high caliber firms, because it is leadership that establishes and transmits to all employees the overarching direction of the organization. All other company plans and activities flow from this articulated vision. Sureshchandar et al. (2001) suggest that top management commitment to Total Quality Services (TQS) is a prerequisite for effective and successful implementation of high quality services.

It is true that visionary leadership with a clear understanding of the concepts of service satisfaction, quality, and values is needed to stimulate the entire organization toward accomplishing a TQS vision. Because of increased competition in service industries, leadership efforts consume a greater share of top management's time and effort, particularly in the start-up phase of a business venture. Awareness, knowledge, and understanding of basic TQS principles are prerequisites for top executives in committing to service quality improvement (Nwabueze, 2001).

Zineldin (2000) indicates that present day managers should ensure that every employee in all parts of the organization places top priority on continuous improvement of customer-driven quality. Under the paradigm of total relationship management (TRM), the firm focuses on all integrated activities within the organization, including internal and external relationships with employees, customers, and collaborators. Collaborators may include bankers, trade unions, politicians, or various public bodies, which do not directly interact with the organization around core technology business functions, but which provide important ancillary resources to the enterprise as a whole.

Thus, the main philosophy behind this holistic approach to company relationships is to facilitate, create, develop, enhance, and continuously improve appropriate and advantageous internal and external relationships (Zineldin, 2000).

The main goal is to deliver services with an adequate level of functional and technical quality, adequate price, and fast response times, while allowing the firm to realize targeted short and long term profits, growth, and competitive advantage (Zineldin, 2000). It is therefore incumbent upon the leadership of the organization to inspire employees and hold them accountable for utilizing TRM as a tool to achieve a genuine TQS environment.

Sureshchandar et al. (2001) argue that it is indispensable for service organizations to look on human resource management as a source of competitive advantage. Although firms may be tempted to invest heavily in technology as a means of gaining an advantage, in service settings, they must remember that it is the interaction between the service provider and the customer that eventually determines the quality perceptions and satisfaction of the consumer. Customers often equate employees with the service they are delivering. As employees are treated as valuable resources by their employers, they will, in turn, treat their customers as valuable and evolve into a committed workforce who is prepared to give their best toward accomplishing organizational goals. Sureshchandar et al. (2001) conclude that employee involvement in quality improvement efforts is vital for effective total quality service implementation.

A moderating variable between service quality/customer satisfaction and economic performance is loyalty. Loyalty is the extent to which customers wish to keep their relationship to a supplier, and usually results from how much they believe that the value they receive from this supplier is higher compared to others. Loyalty is behaviourally expressed by retention and emotionally (Ranaweera and Prabhu, 2003) by word of mouth; the extent to which customers are willing to inform others on service incidents that have given them satisfaction.

Satisfaction has a significant impact on customer loyalty and, as a direct antecedent, leads to commitment in business relationships (Burnham et al., 2003), thus greatly influencing customer repurchase intention. Indeed, the impact of satisfaction on commitment and retention varies in relation to the industry, product or service, environment, etc. However, customer commitment cannot be dependent only on satisfaction (Burnham et al., 2003). Relational switching costs, which consist in personal relationship loss and brand relationship costs and involve psychological or emotional discomfort due to loss of identity and breaking of bonds (Burnham et al., 2003) have a moderating effect on the satisfaction –commitment link. Since relational switching costs represent a barrier to exit from the relationship, they can be expected to increase the relationship commitment.

Indeed service encounters can be viewed as social exchange with the interaction between service provider and customer being a crucial component of satisfaction and providing a strong reason for continuing a relationship (Barnes, 2002). Social exchange theory attempts to account for the development, growth and even dissolution of social as well as business relationships. In other words, people (or businesses) evaluate their reward (cost) ratio when deciding whether or not to maintain a relationship. Rewards and costs have been defined in terms of interpersonal (e.g. liking, familiarity, influence), personal (gratification linked to self esteem, ego, personality) and situation factors (aspects of the psychological environment such as a relationship formed to accomplish some task).

Therefore the perceived service quality, satisfaction and past loyalty are antecedents of the intention of continuing to use the service or future loyalty. Banks should assure a high quality in the services offered to be able to survive in the highly competitive markets and to achieve a sustainable advantage in the long term (Jun and Cai, 2001). Banks have to actively manage the customer's service usage in order to benefit from the different strengths of its portfolio. In doing so, banks need to understand the ways in which customers may choose between the portfolio and the circumstances under which this choice is made, thus identifying the relevant factors which influence customer choice and their respective importance for the choice decision.

In the service industry, a long term relationship with customers (Berry, 2002) is the key success factor that is enormously increasing with the electronic channels. The proliferation of new channels and the high demand for differentiated products has presented customers with a wide choice in terms of which service to use in order to profitably interact with the bank. Banks have to actively manage the customer's service usage in order to benefit from the different strengths of its portfolio. In doing so, banks need to understand the ways in which customers may choose between the portfolio and the circumstances under which this choice is made, thus identifying the relevant factors which influence customer choice and their respective importance for the choice decision (Berry, 2002).

The bank attributes such as perceived convenience, service quality and price (Bhatnagar and Ratchford, 2004), influences the perceived value of a service which, therefore, depends not only on its attributes but also on moderating effects such as situation or customer features. Hence, the importance of a bank attribute for the choice decision might vary for different situations and customers.

Therefore, the financial service provider's image is related to the dimension of satisfaction often reported as "corporate quality". Van der Wiele et al. (2002) provided some evidence for the links between customer satisfaction and overall business performance while Lee and Hwan (2005) found that in banking, from the customer's perspective, customer satisfaction directly influences purchase intentions while, from the perspective of management, it significantly influences profitability.

Bahia and Nantel (2000) suggested alternative scale for the measurement of perceived service quality in retail banking. Their study found that when comparing BSQ dimensions and SERVQUAL, it seemed that BSQ dimensions were more reliable than SERVQUAL.

All services in the banking industry can be managed theoretically by IT applications on the Internet. Instead of a physical offer, most finance merchandise is delivered in the digital form. In terms of EC development, all financial goods, flow path of deals, and transportation can be implemented. Thus, the activities of contact channel management

or customer data management need to be guided with the strategy of being customer-centric in order to integrate the systems between front-office and back-office, to make use of data from the customer, and to convert the data into the meaningful information for improving customer relationships. These actions that involve the enterprise-wide perspective and re-engineering of business processes are in the content of “enterprise-wide management.” All the three contents above are based on a fourth content, “IT management,” which enables the activities in the other contents to be efficient (Peppard, 2000).

Banks have now the opportunity to capitalize on the beneficial characteristics of the various products and channels, for example while electronic channels help to reduce the costs of interaction with the customer by substituting labour intensive operations with automated sales processes (Campbell, 2003), the interactivity of a face to face consultation provides various cross-sell opportunities.

With the advances of IT today, the ideals of a one-to-one relationship and mass customization are now possible, and they enable merchants to provide customized product or services and to increase their commercial activities. However, there are many definitions of CRM as there are firms offering services to implement it Bahia and Nantel (2000) and this has confounded the business since its inception. Hence, constructing a business’ own CRM architecture and functionality is fundamental.

Starting from the early service of ATMs, the banking industry then began to offer telephone banking, network banking, customer care centers, etc., which have gradually increased the investment of front-office systems, which itself is directly related with customers. It is apparent that the key point of IT applications have been transferred to the customer side, because the development target of EC is now all customer-oriented (Campbell, 2003). In the near future, a customer’s requirement will lead the direction of every kind of financial channel and service.

Badgett et al., (2004) argue that CRM puts emphasis on the improvement of product quality and marketing function, and then stresses on cross-selling and providing product or services quickly and precisely. Well-known IT applications are the call center and

sales force automation in this extent. Business sales programs and effectiveness, campaign management, channel integration and optimization, product optimization and management, loyalty and retention, cost reduction, customer service, and after-sales support now fall under the IT applications in the CRM deployment.

Electronic commerce (EC) is breaking the traditional concept and rules of operations, transforming the way enterprises do business and making them confront a new competitive edge. Only organizations which can recognize the power of customers and satisfy their needs will move toward sustainability (Murphy, 2000).

Financial service can be characterized by the large number of customers and the private, fast and personal needs of them, such that the way a firm delivers them is relevant to its EC development. With this point, how banks initiate their services, satisfy customers' needs, strengthen the relationship with customers, and develop their CRM-oriented EC are the sources of competitive advantage (Murphy, 2000).

EC represents a new business channel for reaching and serving customers. Every contact between a bank and its customer is a chance for the business to learn more about the customer and to deepen the relationship between the two. Many companies fail to provide consistently high standards of service across different contact channels. The quality of a company's service is only as good as the weakest link in its multi-channel contact service mix, and one bad experience at any of these transaction points could scupper the whole relationship. Banks contact customer with the activities of selling and providing services and all of these activities are recorded as customer data from the front-office system. These data are transferred into the database of the back-office system for further integration. This management can thus provide a decision support system to select the best market access on suitability, distribution structure, and integration of contact channels (Peppard, 2000).

Where as in the role of technology in banking customer service performance (Peppard, 2000) describes how traditional non-banking players like Microsoft visualize a new future in banking as well. It may be noted that Microsoft quite successfully launched its Expedia online travel agency. Yet, in the medium- to long-run, functional attributes such

as product, service or channel attributes, price, speed, accuracy, etc., become essentials for mere endurance but do not guarantee the competitive leadership that is much sought after.

For instance Campbell, (2003) noted that banking industries in the United States and Europe in general are ahead in responding to opportunities provided by the Internet and best practices show that they are beginning to come to fruition from customer-centric EC. By contrast, domestic banks in Taiwan are now grappling with some perceptual issues and are not in the face of worldwide competition yet; moreover, lacking sophisticated applications and professional support, their CRM adoption is progressing at a slower pace compared with foreign banks. Thus, how to develop the Taiwan's own unique and sustainable customer intimacy is an important issue in the era of EC and CRM.

It has been evidenced that CRM unites the potential of IT and relationship marketing to deliver profitable, long-term relationships. It involves an enterprise-wide marketing strategy, technology platform, and relationship management system. Peppard (2000) studied the CRM and EC issues of financial institutions from the enterprise-wide perspective and emphasized the importance of the integration of contact channels and front-office and back-office systems.

Further, the use of self-service technologies may result in a reduction in the consumption of service resources per service interaction, but they may also affect the customer's overall demand for service in ways that increase the overall demand for service resources. Self-service channels are widely regarded as having the potential to lower the marginal cost of service interaction from the firm's perspective by substituting variable cost labor for relatively fixed cost technology assets. However, self-service technologies may also lower the marginal cost of service interaction from the customer's perspective through increased convenience, accessibility, and/or reductions in wait-times (Curran et. al. 2003). A lower marginal cost of interaction from the customer's perspective can affect a firm's cost structure by changing both the overall customer demand for service interactions and/or the relative rates of substitution from alternative service delivery channels.

The degree to which substitution of service demand from offline full-service channels will occur is unclear. Self-service technologies allow customers to control service delivery in a manner that more closely meets their needs. In a multi-channel setting, increased control by the customer over the service production process may allow the customer to customize her portfolio of interactions with the service firm across channels (Bitner et. al. 2000). This is consistent with survey based research which has found that the importance attached to face-to-face contact actually increased significantly as the importance attached to remote interactions increased suggesting that banking customers want increasing access to all available delivery channels and do not necessarily regard them as mutually exclusive or substitutable.

Customer involvement in services also implies that self-service channels may alter the customer's marginal benefits from service interaction through enhanced control and perceived service quality (Bitner et. al. 2000). A greater ability for the customer to control and customize the service experience may lead to higher customer satisfaction, and hence, higher rates of repurchases and revenues for firms. Alternatively, greater control over the service experience may allow customers adopting self-service channels to more closely manage their relationships with service firms to gain similar levels of service consumption at a lower price.

Banks have increasingly turned to profitability enhancement as a rationale for ongoing investments in their online banking capabilities. They believe that the added convenience of the online channel will encourage customers to consolidate more of their activity in one bank through both increasing the number of products held (cross-sell), and the average balance held per product (Hoffman, 2002). Customer adoption of online banking may lead to either, or both, of these benefits to the extent that greater control over the service experience from multiple points of access to the same services leads to an increase in perceived service quality.

Hoffman (2002) view CRM as the automation of horizontally integrated business processes involving front office customer contact point (marketing, sales, service and support) through multiple, interconnected delivery channels. CRM as an IT enable business strategic, the outcomes of which optimize profitability, revenue and customer

satisfaction by organizing around customer segments, fostering customer satisfying behavior and implementing customer-centric processes, it's instead of business strategy. Regis McKenna, CRM target the building of an infrastructure which may be used to develop long-term customer supplier relationship.

2.3 Empirical Literature Review

Hopkins (2002) examined "organizational citizenship" in social science service agencies. Organizational citizenship behaviors were defined as extra-role activities that are not formally required by the job, but that clearly benefit both the organization and its clients. These kinds of employee behaviors not only demonstrate a desire to go above and beyond the call of duty to satisfy the customer, but they are also crucial for many organizations needing to maximize business results with fewer available resources.

The findings of her research demonstrate that worker's reports of organizational support, developmental experiences, and quality of work performance and professional education were positively related to workers' citizenship behavior (Hopkins, 2002). This would suggest that an organization, which invests in human capital and seeks to support its staff, benefits by eliciting, increased motivation from workers to focus on the needs of its patrons.

Implicit in the services marketing is the idea that the dissatisfaction of customers is related to service quality and influences their behavioral intentions as well as the organization's performance. In Spain, Saurina and Coenders (2002) found that customers do not perceive satisfaction and overall quality as different constructs. However, the prevailing idea is that service quality is an antecedent of customer satisfaction and that satisfaction influences the behavior of customers more than service quality.

Duncan and Elliot (2002) however explored the relationship between customer service quality and financial performance in Australian banks and credit unions. They found that there was significant relationship between financial performance and customer service quality scores.

Jabnoun and Al-Tamimi (2002) examined service quality at UAE commercial banks using SERVQUAL model and included thirty items in the five dimensions of SERVQUAL. When they tested the developed instrument for reliability and validity, they found that the instrument had only three dimensions.

Arasli et al. (2005) studied service quality perceptions of Greek Cypriot bank customers using SERVQUAL model. They however, extend the study by looking at the relationship between service quality, customer satisfaction and positive word of mouth. They found that the expectations of bank customers were not met where the largest gap was obtained in the responsiveness-empathy dimension. In addition, the reliability items had the highest effect on customer satisfaction, which in turn had a statistically significant impact on the positive word of mouth.

Lassar et al. (2000) studied service quality using two major service quality constructs, SERVQUAL and Technical/Functional Quality models to the private banking industry. They found that Technical/Functional Quality-based model of service quality is better suited compared to SERVQUAL based model.

In a study of Louisiana College students, Lawrence et al. (2003) noted that 45% of card holders were Caucasian, 23% were African American, 19% were Asian, about 6% were Hispanic and the remainder were Native American or other race and ethnicities. These percentages reflected the race and ethnic distribution in the overall student body, suggesting that ethnicity was not a factor in distribution of credit card holders on that campus.

Draut and Silva (2004) found that students from lower income households were more likely to develop relatively high credit card balances (\$7,000 or more) as compared with their peers. These findings suggest that perhaps such students did not have as much experience in financial markets as their peers from middle- and high-income families.

Keaveney (1995) developed a model of customer switching behavior in service industries. By collecting “grounded events” or actual incidents that caused customers to switch services, they used Critical Incident Technique (CIT) to study on customer’s

behavior and found that customers switch service providers for many reasons, including pricing, inconvenience, core service failures, failed service encounters, response to fail service encounters, competition, and ethical problems.

Bolton et al, (2000) studied the implication of loyalty program membership and service experiences for customer retention and value. They employed logistic regression analysis to determine variables explaining customer retention and t-test to test differences in repatronage decisions between members and nonmembers of loyalty program.

It was noted a positive connection between attitudes towards credit and the likelihood of carrying a balance. After examining credit card attitudes among undergraduates in Britain and America, Yang et al, (2005) concluded that affective and behavioral attitude scores were the strongest predictors of the number of credit cards owned. Interestingly, they noted that those who had more positive attitudes toward money in general also exhibited greater obsession with money.

Hayhoe et al, (1999) developed a scale measure of money attitudes using survey participant's responses to statements about feelings, knowledge, and behavior related to credit cards and debt. Evaluating the relationship between this measure and college student credit card behavior, they found that students' scores regarding money attitudes of obsession and retention and affective credit attitudes distinguished between the students who did and did not have credit cards (Hayhoe et al., 1999). Attitudinal scores also distinguished between students who had less than three credit cards and those with four or more and were significant predictors of who, among students with cards, would carry four or more credit card. Lyons (2004) analyzed responses from a random sample of University of Illinois undergraduate and graduate students who had completed a survey related to financial issues in 2001 to determine the probability of being at risk of credit misuse or mismanagement as measured by four specific outcomes or behaviors: having \$1,000 or more in outstanding credit card balances, being late on payments by two months or more, having reached the limit on credit cards, and rarely or never paying off credit card balances. Lyons (2004) concluded that financially at-risk students were more likely than other students to receive need-based financial aid, have \$1,000 or more

in other outstanding debt, or to have acquired their card by mail, at a retail store or as the result of a campus solicitation.

Chen and Volpe (1998) administered a 36 question survey dealing with various aspects of personal financial knowledge to college students. The average score of correct responses was close to 53%, not a passing score on a typical grading scale. They noted significant degree-type and class rank effects. Business majors tended to score better than non-business majors. Students with more years of college had higher financial knowledge scores than students with fewer years of college.

Liebermann and Flint-Goor (1996) suggested that prior knowledge of an issue is one of the most important factors influencing information processing. Evidence regarding the relationship between financial knowledge and financial behavior has been mixed, however. Results vary depending on how financial knowledge has been measured, what behaviors have been studied, and what populations have been analyzed.

Parasuraman (2000) made a study on superior customer service and marketing Excellence: Two sides of the same success coin. The first half of the article studied the nature and determination of high quality customer service and the second half of the article made a study as to why superior customer service and marketing excellence are two faces of the same success coin. The researches discussed the meaning and measurement of service quality and offers managerial guidelines for delivering superior service to customer. He argued for broadening the scope of marketing to include the delivery of customer service as an integral component and a judicious blend of conventional marketing and superior customer service is the best recipe for sustained market success.

Parimal (2000), made a study on “Measurement of customer satisfaction: A study of banking services”. This paper attempted at studying empirically customer satisfaction with the services provided by different banks and also analyses the responses of customer towards the actual time taken by banks to complete the banking transaction. The finding of the study revealed that nationalized banks and co-operative banks need to improve on reducing the overall time taken to complete banking transaction,

comparatively, the private and foreign banks took much less time for completing their transactions. Nationalized and co-operative banks need to increase the use of information technology and CRM to deliver standardized customer specific banks service to its targeted customer.

Anjana (2000) in her article “winning strategies and processes for effective CRM in banking and financial services”, presented a case study on relationship management practices developed in a leading foreign bank in India in the early nineties. It was a practical paper and provided insight into what made it happen, the developed model outlined ten stages for effective customer relationship practices in financial services. This span across defining customer relationship, understanding transactions behavior and business volumes for different customers. Developing a customer profitability model, creating the organization structure to support relationship management practices, developing training programs, relationship pricing continuously evaluating the role of relationship managers with emerging technology are the new trends expected of the relationship role.

Sharlesh and Mohan (2000) carried out a study to gain an insight into one current status of CRM. In Indian services firms and their relationship management practices and programs being implemented by them. The research revealed that aspects such as business processes, information technology, employee empowerment, quality assurance and customer knowledge strategies should be made more customer-centric.

Aravind (2000) in his article “customer complaints” has stated that customer complaints are a universal phenomenon and a service industry like banking is no exception. Handling of complaints should be considered as a core activity and viewed as one of the key functions. He draws a clear distinction between verbal and written complaints and also the way to deal with both of them. The study elaborates on as to why organizations lose customer and states that 68% of the customers are lost due to short comings in customer service. A suggestion regarding the complaint handling cell or unit is made and characteristics of a complaint system have been enlisted by the author. He has proposed organizing of workshops on complaints handling for the bank staff to develop an awareness and positive approach.

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents procedures, methods and tools for the study within which they were used to conduct a field study. This is a specific way of how a research was done whereby it showed the road map of the whole research work. It provides methods that a researcher applied or base on for sample determination, data collection and data analysis.

Kothari (2000) defines research methodology as the way to systematically solve the research problem. In conducting this study requires the researcher to adopt various steps; therefore the researcher considered the study that structured with specific steps taken in a specified sequence according to the defined rules. The researcher mainly focused on the case design, sampling and units of inquiry, type of data to be collected, data collection method and data analysis.

3.2 Research Design

A research design is the conceptual structure within which a research is conducted; it constitutes the blueprint for the collections, measurements and analysis of study. The study applied a case study design whereby NMB Plc in Dar es Salaam region was a selected case study. This type of study was chosen since it provides deeper understanding of the subject matter under study whereby enhances proper and better analysis. The case study provide the opportunity and flexibility in the use of data collection methods, it is possible to come up with a focused study where a single unit is intensively studied, and the information can be verified on spot through observation, interview, questionnaires and documentation (Kothari, 2000). Hence, researcher was in a better position to secure accurate information about the topic studied.

The researcher was used this case study for the following reasons; limited time, cost in collection of data, and availability of data. The case study strategy was justified by the nature of the problem, objectives and research questions. The focus was on assessing the

role of credit cards in retaining banks customers in Tanzania also gauge more its positive impacts. The strategy brings close the implication of credit cards usage, since it provides the researcher with concentration on a specific issue and interacting variables in the research context. Further the case study is important for it provides opportunity for the researchers' own learning (Saunders et al, 2007).

3.3 Population of the Study

Population is the totality of the objectives under the investigation. This study was conducted at NMB Plc in Dar es Salaam region. Thus the bank formed a population for this study where a sample was drawn from.

3.4 Sample Size and Sampling Technique

3.4.1 Sample Size

A sample of 52 respondents was determined for this study.

Table 3.1: Sample Size

	Respondents Category	Number	Males	Females
1.	Staff members	20	10	10
2.	Management	5	2	3
3.	Head of Department	2	2	0
4.	Customers	25	15	10
	Total	52	29	23

Source: Researcher's Data (2012)

3.4.2 Sampling Technique

Stratified sampling technique was used to select sample units for the study. Thus all elements in the population were grouped into similar strata is customers and staff were separated and then a sample was drawn. This helped a study to avoid concentrating and therefore made this sample as a better representative of the population.

3.5 Types of Data

3.5.1 Primary Data

The study applied primary data which was the raw data, gathered by a researcher for the first time. These were collected from primary sources using questionnaires and interviews. These are data collected specifically for the research study being undertaken. The researcher distributed questionnaire to respondents for collecting primary data as well as conduction of interview.

3.5.2 Secondary Data

The secondary data was also used to comprehend primary data. Secondary data are data used for a research project that were originally collected for some other purposes. These were already collected data for other purposes to be referred by a researcher. These were sourced from available documents.

3.6 Data Collection Methods and Techniques

3.6.1 Questionnaire Administration

Questionnaires are defined as set of questions presented to respondents who in return was responding to the asked questions (Kothari, 2000). This is a series of questions prepared for collecting data. Questionnaire is simply a set of formalized questions for eliciting information. Questionnaires were distributed to respondents. The contents of questionnaire were based on selected variables, which need data in relation to the study. The questionnaires were structured in general format and were presented with the same wording and the same order to all respondents. This enabled a researcher to make a comparison between the answers from various respondents. The questionnaire was used because it was only the direct and genuine technique to access raw data. Respondents were responsible to fill them where as researcher was responsible to administer and ensure they are well filled. These were applied to all respondents.

3.6.2 Interview

Under this technique of data collection there was direct contact between researcher and respondents. Respondents were interviewed and necessary data were obtained through this technique.

This method involves two people or more, one asking a set of question (Interviewer) and the other answering questions (Respondent or Interviewee) (Kothari, 2000). This aims at obtaining information, which is essential for the study. The respondent's view was made available relevant information to the researcher. Both structured and unstructured questions were adopted during the time of conducting the interview. The interview was conducted at respondent's location.

The reasons as to why the researcher used this method are as follows. *Flexibility* - This means that, the researcher was able to repeat or refine the question whenever the response indicates that the respondent misunderstands the question. *Non-verbal behaviors* - In this, the interviewer was presenting so as to observe non-verbal behaviors. This was assisted the researcher to assess the validity of respondent's answers and hence accurate and relevant data was obtained. *Control over the environment* –

In this, an interviewer was able to standardize the interview environment. Interviews were conducted in a private and non noisy place. This was helping the respondent to give out the correct information to the interviewer, since the private and non-noisy place adds comfort ability to the respondents. Therefore, this helped the researcher to obtain the relevant information from the respondents as long as the favorable environment provided. Interview was applied to selected staff.

3.6.3 Documentation

The researcher also, applied this method in collecting and gathering data through reading various documents. Some of the data were collected and stored by organizations. The use of this method based on the fact that some of the data were available and they just needed to be reviewed. Some of the data are collected and kept by organizations such as reports, they are important in the study as secondary data. The documents consulted were of different reports from the bank. The documents were reviewed to collect only relevant data related to the study questions.

3.6.4 Observation

Observation is a primary method of collecting data by human, mechanical, electrical or electronics means with direct or indirect contact. As per [Langley P](#), "Observations

involve looking and listening very carefully. We all watch other people sometimes but we do not usually watch them in order to discover particular information about their behavior. This is what observation in social science involves.”

Observation is the main source of information in the field research. The researcher goes into the field and observes the conditions in their natural state.

The observation is important and actual behavior of people is observed and not what people say they did or feel. For example, people value health but they would pick up food they know to be fatty. It is useful when the subject cannot provide information or can only provide inaccurate information like people addicted to drugs. But at the same time, in observation the researcher does not get any insight into what people may be thinking.

3.7 Reliability and Validity of Data

3.7.1 Data Reliability

Reliability refers to the extent to which data collection techniques yield consistent findings, similar observations would be made or conclusions reached by other researchers or there is transparency in how sense was made from the raw data (Saunders et al, 2007). A researcher ensured the reliability of data by gathering actual data. Only data which are relevant collected for the study where irrelevant data was omitted.

3.7.2 Data Validity

This is the extent to which data collection method or methods accurately measure what they were intended to measure (Saunders et al, 2007). A study was conducted a pilot study where by a researcher test the questionnaires and interview questions before starting the research. This was done by selecting respondents who provided with questionnaires to check their applicability. This intended to make sure that the questionnaires were understood. Necessary corrections were made in case of any anomalies to be noted during the pre-test period.

3.8 Data analysis and presentation techniques

Kothari (2000) define analysis as computation of indices or measures along with searching for relationship or pattern that exist among the data group. The collected data

were organized and analyzed. The methods of analyzing data were qualitative and quantitative whereby researcher adopted descriptive data analysis method. It described the nature of situation as it exists in the time of the study as well as explored the causes of particular phenomena. In this study, data have been presented in tables in order to summarize the set of raw data collected.

Further the collected data was checked for correctness at the field. The data were managed in soft copies in the computer. The Statistical Package for Social Science (SPSS) was used to analyze the data. Then interpretation and discussion of the results and findings was done and presented in chapter four.

CHAPTER FOUR

4.0 PRESENTATION OF THE RESEARCH FINDINGS

4.1 Introduction

Presentation of the findings from the field work is the main issue in this chapter. It assesses the role of credit cards in retaining banks customers in Tanzania which conducted at NMB Plc in Dar es Salaam region. However, the data is presented in sample tables.

4.2 Respondents' Profile

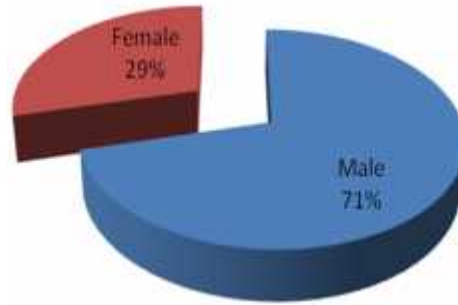
4.2.1 Sample Distribution

In order to address the mentioned objectives, questionnaires were sent to selected employees in Card department and general management. A total number of 52 questionnaires were distributed at NMB Plc in Dar es Salaam region. Out of 52 distributed questionnaires 48 were returned and 4 were unusable. The response rate was approximately 96% which is very good for the purpose of this research.

4.2.2 Sex

The sex distribution of the sample who participated in this research included of male (N=34 or 71%) whilst remaining sample (N=14 or 29%) were female.

Figure 4.1: Sex Distribution



Source: The Researcher's Analysis

4.2.3 Age

Table 4.1 shows the distribution of respondents' age. The age pattern shows that 60% (n=29) of respondents' age is between 18 and 30 years. The next biggest age group forming 21% (n=10) is made up of respondents whose age is between 31 and 40 years. The third age group forming 15% (n=7) is made up of respondents whose age is between 41 and 50 years. The last age group with the lowest proportion in this study is 51-60 Years which has 2 employee forming 4% of the total respondents.

Table 4.1: Distribution of Age of Respondents

Age pattern	Frequency	Percent
Between 18 and 30	29	60
Between 31 and 40	10	21
Between 41 and 50	7	15
Between 51 and 60	2	4
Total	48	100

Source: The Researcher's Analysis

4.2.4 Marital Status

Out of 48, 48 participants responded to this question. As it is displayed on the table 4.2 below, 58% (n=28) respondents are Single, 22% (n=10) are married, divorce is just only 10% (n=5) respondents, 10% (n=5) are widow and 2% (n=1) respondents did not answer this question.

Table 4.2: Marital Status

Marital Status	Frequency	Percent
Single	28	58
Married	10	22
Divorce	5	10
Widow	4	8
No Answer	1	2
Total	48	100

Source: The Researcher's Analysis

4.2.5 Academic Qualification

Table 4.3 shows education level of respondents. It is clear that the vast majority of the respondents forming 63% (n=24) have attained an Undergraduate level of education which some are loan students. The second biggest group is formed by High School Degree which forms 18% (n=7) of the respondents. Holders of Post Graduate are the third largest group forming 11% (n=4) of the respondents, while 8% (n=3) respondent has CPA. From these results it is clear that 63% (n=24) respondents are well educated such that it removes any doubt about their knowledge and understanding the role of credit cards in retaining banks customers in Tanzania.

Table 4.3: Qualification Level

Education Level	Frequency	Percent
High School Degree	17	36
Undergraduate	24	50
Post Graduate	4	8
Others (CPA)	3	6
Total	48	100

Source: The Researcher's Analysis

4.2.6 Population's Representations

Table 4.4 summarizes the number of departments involved in the study. The Table 4.4 shows that Staff respondents had a major representation on the study by 54.2% (n=26) followed by customers 45.8% (n=22).

Table 4.4: Percentage of Sample as Population

Department Distribution	Frequency	Percent
Customers	22	45.8
Staff	26	54.2
Total	48	100

Source: The Researcher's Analysis

4.3 Challenges of Banks in Retaining Credit Card Customers

4.3.1 Banks' Challenges

The study asked respondents about main challenges that the bank is facing on credit cards customer retentions. The respondents mentioned different challenges such as lack of resources, lack of experienced staffs, limited knowledge especially about software used to serve customers, and lack of information due to the fact that no help desk special for credit card customers. The results are presented in the following sections.

4.3.1.1 Lack of Resources

One of the challenges was the lack of resources to maintain credit customers' facilities and retain customers. It was found that 81% of respondents had a view that this challenge is so high compared to 12% and 8% of respondents who said the challenges is moderate and low respectively. It implies that the lack of resources has a high impact towards customer retention in the bank. Due to lack of resources the bank is unable to facilitate all customers and adhere to them effectively in the process of customer retention.

Table 4.5: Lack of Resources

Lack of Resources	Frequency	Percent
High	21	81
Moderate	3	12
Low	2	8
Total	26	100

Source: The Researcher's Analysis

4.3.1.2 Lack of Experienced Staffs

In Table 4.6 the results shows that 58% of respondents were in the view that lack of experienced staff on credit card operation in the bank is a challenge in the process of customer retention. While 7% of respondents said the challenge is moderate, 4% of respondents said the challenge has low impact on the overall customer retention performance.

Table 4.6: Lack of Experienced Staffs

Lack of Experienced Staffs	Frequency	Percent
High	15	58
Moderate	7	27
Low	4	15
Total	26	100

Source: The Researcher's Analysis

4.3.1.3 Lack of Information

The study found that the other major challenge in the customer retention function at the bank for credit card operations was lack of information. This is supported by 73% of respondents as shown in Table 4.7 where as 23% of respondent said the challenge has moderate impact and 4% of respondents said the challenge is low.

It was found that the lack of information leads to poor performance of credit cards and then may affect the customer retention efforts as undertaken by the bank. Information

related to customer needs and technical requirements are main issues in this challenge that affect the performance of customer retention.

Table 4.7: Lack of Information

Lack of Information	Frequency	Percent
High	19	73
Moderate	6	23
Low	1	4
Total	26	100

Source: The Researcher's Analysis

4.3.1.4 Limited Knowledge

Table 4.8 shows that the limited knowledge challenge for the customer retention is low as reported by 54% of respondents. This means that the challenge does not any impact on the customer retention at the bank. However, 38% of respondents reported that the challenge is high where as only 8% percent of respondents said the challenge is moderate. Limited knowledge related to the customer retention is important in the process of customer retention efforts at the bank.

Table 4.8: Limited Knowledge

Limited Knowledge	Frequency	Percent
High	10	38
Moderate	2	8
Low	14	54
Total	26	100

Source: The Researcher's Analysis

4.3.2 Customers' Based Challenges

From the customers' point of view, there were several challenges determined. Customers reported these challenges which might affect the bank while retaining its customers. These challenges are described below.

4.3.2.1 Poor Customer Services

Table 4.9 shows that 82% of respondents were in view that poor customer services, especially related to the credit cards is a challenge to the bank where as 18% of respondents said that this is not a challenge at all. Generally, once there is high level of customer service provision there possibility of retaining customers become also high. However, it was found that there is a limited effort undertaken by the bank especially on dealing with the credit cards customers.

Thus, for customers, poor customers service was perceived in all assistance types needed, including operations, skills, and other cards problems. This is because there is limited face to face interaction with this type of clients. The complaints of credit card customers are ineffectively handled, making customers feel unaccepted. As a result some of these customers drop out.

Table 4.9: Poor Customer Services

Poor Customer Services	Frequency	Percent
Yes	18	82
No	4	18
Total	22	100

Source: The Researcher's Analysis

4.3.2.2

4.3.2.3 Double Charging for the Services

The other challenge as perceived by customers was the challenge of double charging for the services as reported by 91 percent of respondents against 9 percent of respondents who said the challenge has nothing to do with customer retention as shown in Table 4.10. Customers are very sensitive to price. They always escape services with high

prices. They are not ready to receive services with incremental costs or hidden ones. As for these findings, it was revealed that there is double charging for the services. Thus, for fear of further costs while accessing bank services using credit cards, shift to other less expensive banks or modalities of transactions. With this situation, customer drop and a result affect the customer retention performance.

Table 4.10: Double Charging for the Services

Double Charging for the Services	Frequency	Percent
Yes	20	91
No	2	9
Total	22	100

Source: The Researcher's Analysis

4.4 Relationship of Credit Cards With Customer Retention

4.4.1 Level of Customers' Retention

In order to know the trend of customer retention at the bank, the study examined the credit card retentions by asking the respondents their perception as implemented by the bank. Table 4.11 shows that level of customer retention is high as reported by 54% of respondents whereas 19% of respondents said it is very high. 17% of respondents said its moderate, 8% of respondents said it is low and 2% of respondents said it is very low. Credit card retention is the ability of the organization to retain its credit card customers by offering best services and solving customer problems.

So there is no doubt that the credit card retentions is all about keeping customer who are using credit card and make them enjoy the service. Sometimes managing customer retention will mean that the focus is not on retention of customers, *per se*, but on retention of share of wallet. In the banking industry, it may be more important to focus on managing the overall downward migration of customer spending than managing

customer retention. Many customers simply change their buying behavior rather than defect. Changes in buying behavior may be responsible for greater changes in customer value than defection. The need to manage migration, rather than defection, is particularly important when customers engage in portfolio purchasing by transacting with more than one supplier.

Improving customer retention is an important objective for many CRM implementations. Its definition and measurement need to be sensitive to the sales, profitability and value issues. It is important to remember that the fundamental purpose of focusing CRM efforts on customer retention is to ensure that the company maintains relationships with value-adding customers. It may not be beneficial to maintain relationships with all customers; some may be too costly to serve, others may be strategic switchers constantly in search of a better deal. These can be value-destroyers, not value-adders.

Table 4.11: Level of Customer Retention

Level of Customer Retention	Frequency	Percent
Very High	9	19
High	26	54
Moderate	8	17
Low	4	8
Very Low	1	2
Total	48	100

Source: The Researcher's Analysis

4.4.2 Customer Satisfaction

The other measure of customer retention was the customer satisfaction. As shown in Table 4.12 customers are dissatisfied by holding credit cards of the bank as reported by 63% of respondents. 23% of respondents were moderately satisfied whereas 4% of respondents were very dissatisfied and 2% of respondents were very dissatisfied.

The results show that most of the respondents were on the view that customers are dissatisfied from the credit card holding. This is because most of the time they face some technical problems which needed quick and effective support from the bank staff. Instead, the response has always been very slow and ineffective. Thus less concern to credit cards holders, especially at the time of application has been dissatisfying customers to remain with the cards.

Table 4.12: Customer Satisfaction

Customer Satisfaction	Frequency	Percent
Very Satisfied	1	2
Satisfied	4	8
Moderately Satisfied	11	23
Dissatisfied	30	63
Very Dissatisfied	2	4
Total	48	100

Source: The Researcher's Analysis

4.5 Weaknesses of Credit Cards Service

To acquire the reason for ineffective credit card performance to clients, it was important therefore to determine the weaknesses of credit cards services. The following, as detailed below provides the picture of the weaknesses as found in the study.

4.5.1 Poor Customer Services

Table 4.13 shows that there are poor customer services as reported by 88% of respondents. Poor customer services were found as major weakness of the bank in the managing credit card operations. 12% of respondents said that there is no poor customer services, that all customer services are well and equally provided.

Table 4.13: Poor Customer Services

Poor Customer Services	Frequency	Percent
Yes	23	88
No	3	12
Total	26	100

Source: The Researcher's Analysis

4.5.2 Network Problems

The network problem was found to be one of the weaknesses for the customer retention. From Table 4.14 62% of respondents were in favour of this fact, that is there are network problems for credit card users for instance at the time when they need to withdraw cash from ATMs. But 38% of respondents said there are no network problems. It was revealed that frequent inability to access cash because of the network problems have been a cause to customer drop out. Thus, customer retention has been highly affected by this problem.

Table 4.14: Network Problems

Network Problems	Frequency	Percent
Yes	16	62
No	10	38
Total	26	100

Source: The Researcher's Analysis

4.5.3 Limited Operation for Some Cards

Limited application of some cards was the other weakness that some other cards were not operating in other countries, apart from Tanzania. For international clients, it was a problem to them. Thus, this is the other weakness as reported by 81% of respondents against 19% of respondents who said that this is not a weakness as shown in Table 4.15. As far as customer retention is concerned in the credit card, it was this weakness also contributes into moving out some of the customers.

Table 4.15: Limited Operation for Some Cards

Limited Operation for Some Cards	Frequency	Percent
Yes	21	81
No	5	19
Total	26	100

Source: The Researcher's Analysis

4.5.4 ATMs Failure

ATMs failure is another weakness as reported by 73% of respondents in Table 4.16 where as 27% of respondents said it is not a problem. It was stated that most of the time ATM break out from operation, and it takes time for the management to come and provide maintenance. Under this situation, customers have to join long queues in order to access services. This brings dissatisfaction and as a result, customers shift to other service providers. It is because of this status, customer's retention becomes a challenge.

Table 4.16: ATMs Failure

ATMs Failure	Frequency	Percent
Yes	19	73
No	7	27
Total	26	100

Source: The Researcher's Analysis

4.6 Number of Customers Linked to Credit Cards

4.6.1 Record Keeping Performance

Table 4.17 shows the performance of record keeping of the credit card customers. The respondents explained the best way of which the bank using is keeping customers file in the Bank server. With the help of information technology department the applications information and transactions are stored to the server.

Therefore the study found that the credit card customers' record keeping as part of customer retention strategy is better as reported by 54% of respondents where as 15% of respondents said it is good. But 19% and 8% of respondents said it is poor and worse respectively. Only 4% of respondents said the record keeping performance is excellent. When these records are well kept it means that the bank can easily monitor every customer usage trend as well as recording all complaints and solutions provided. With all these it becomes easier for a bank to retain a client.

Table 4.17: Record Keeping Performance

Record Keeping Performance	Frequency	Percent
Excellent	1	4
Better	14	54
Good	4	15
Poor	5	19
Worse	2	8
Total	26	100

Source: The Researcher's Analysis

4.6.2 Customer' Loyalty

The Table 4.18 below shows the results when the respondents were asked to state for how long they have been customers of the bank. The results show how long the customer stayed in the bank. According to the study most of customers were found to stay with the bank for at least 2 years as reported by 50% of respondents, while only 31.8% of the respondents have been in the bank for a year and 18.2% of respondents have stayed for 3 years.

The longer the customers have stayed with the bank the higher the level of customers' retention. However, the results show that credit card customers are not loyal with the bank because only few have stayed longer. It is because of this situation, it is possible to agree that some of the customers drop out from the credit card services. The customer lifecycle is made up of three core customer management processes: customer acquisition, customer retention and customer development. The major strategic purpose of CRM is to manage, for profit, a bank's relationships with customers through three

stages of the customer lifecycle: customer acquisition, customer retention and customer development.

Table 4.18: Customer Loyalty

Period	1 Year	2 Years	3 Years	Total
Number of customers	7	11	4	22
Percentage	31.8	50.0	18.2	100.0

Source: The Researcher's Analysis

4.6.3 Number of Customers Retained

Table 4.19 details the customer retained by NMB from 2006 to 2010. The in the year 2006 there were 173 customers who were holding credit cards. The number increased to 423 in 2007. In 2010 the number went high as far as to 613. The increase of customers in credit cards was low in 2007 (40/9%) compared to 2008 which was by 94.8%. however, it dropped to 80.1% and then went up to 90.9% by 2010.

The trend of customers in every year was found to increase; there was a slight drop out as well. In 2006, 20 customers dropped out where as the highest level of dropping was in 2007 (45) with the lowest number in 2010 (13). This trend shows that the drop rate was higher in 2006 (11.6%) and the lowest as 2008 (0%). Indeed, though the number of customers is rising, there are others dropping. This signifies that the customer retention is not at 100% even if the is a very positive customers retention rate.

While the satisfaction overall seemed to increase over the year the loyalty that customers feel to a specific card seem to decline in certain years. The results show that perhaps people might be lured in by better offers elsewhere. For those with good credit, the offers are plentiful according. Because of the fact that bank is stricter on lending, those with good credit have a pool of banks to choose from who are competing for a smaller amount of business.

Table 4.19: Number of Customers Retained

Year	Number	Increase/Decrease (%)	Drop	Drop Rate (%)
2006	173	0	20	11.6
2007	423	40.9	45	10.6
2008	446	94.8	0	0.0
2009	557	80.1	39	7.0
2010	613	90.9	13	2.1

Source: The Researcher's Analysis

CHAPTER FIVE

5.0 DISCUSSION OF THE RESEARCH FINDINGS

5.1 Introduction

In this chapter the discussions of the research findings on credit card functionality, credit card usage as well as credit cards customer retention were made. The pattern of the discussion follows the research questions that were studied. Insights of the discussion were obtained from the literature review.

5.2 Credit Card Functionality

A credit card is a small plastic card issued to users as a system of payment. It allows its holder to buy goods and services based on the holder's promise to pay for these goods and services. The issuer of the card grants a line of credit to the consumer (or the user) from which the user can borrow money for payment to a merchant or as a cash advance to the user. Usage of the term "credit card" to imply a credit card account is a metonym. A credit card is different from a charge card: a charge card requires the balance to be paid in full each month. In contrast, credit cards allow the consumers a continuing balance of debt, subject to interest being charged.

Credit cards are issued after an account has been approved by the credit provider, after which cardholders can use it to make purchases at merchants accepting that card. When a purchase is made, the credit card user agrees to pay the card issuer. The cardholder indicates consent to pay by signing a receipt with a record of the card details and indicating the amount to be paid or by entering a personal identification number (PIN). Also, many merchants now accept verbal authorizations via telephone and electronic authorization using the Internet, known as a 'Card/Cardholder Not Present' (CNP) transaction.

Electronic verification systems allow merchants to verify in a few seconds that the card is valid and the credit card customer has sufficient credit to cover the purchase, allowing the verification to happen at time of purchase. The verification is performed using a

credit card payment terminal or Point of Sale (POS) system with a communications link to the merchant's acquiring bank.

For transactions at which the buyer is not present and the card not shown (e.g., eCommerce, mail order, and telephone sales), merchants additionally verify that the customer is in physical possession of the card and is the authorized user by asking for additional information such as the security code printed on the back of the card, date of expiry, and billing address.

Each month, the credit card user is sent a statement indicating the purchases undertaken with the card, any outstanding fees, and the total amount owed. After receiving the statement, the cardholder may dispute any charges that he or she thinks are incorrect. Otherwise, the cardholder must pay a defined minimum proportion of the bill by a due date, or may choose to pay a higher amount up to the entire amount owed. The credit issuer charges interest on the amount owed if the balance is not paid in full (typically at a much higher rate than most other forms of debt). Some financial institutions can arrange for automatic payments to be deducted from the user's bank accounts, thus avoiding late payment altogether as long as the cardholder has sufficient funds.

Credit card issuers usually waive interest charges if the balance is paid in full each month, but typically will charge full interest on the entire outstanding balance from the date of each purchase if the total balance is not paid. Thus after an amount has revolved and a payment has been made, the user of the card will still receive interest charges on their statement after paying the next statement in full (in fact the statement may only have a charge for interest that collected up until the date the full balance was paid i.e. when the balance stopped revolving).

The credit card may simply serve as a form of revolving credit, or it may become a complicated financial instrument with multiple balance segments each at a different interest rate, possibly with a single umbrella credit limit, or with separate credit limits applicable to the various balance segments. Usually this compartmentalization is the result of special incentive offers from the issuing bank, to encourage balance transfers from cards of other issuers. In the event that several interest rates apply to various

balance segments, payment allocation is generally at the discretion of the issuing bank, and payments will therefore usually be allocated towards the lowest rate balances until paid in full before any money is paid towards higher rate balances. Interest rates can vary considerably from card to card, and the interest rate on a particular card may jump dramatically if the card user is late with a payment on that card or any other credit instrument, or even if the issuing bank decides to raise its revenue.

The main benefit to each customer is convenience. Compared to debit cards and checks, a credit card allows small short-term loans to be quickly made to a customer who need not calculate a balance remaining before every transaction, provided the total charges do not exceed the maximum credit line for the card. Credit cards also provide more fraud protection than debit cards. Many credit cards offer rewards and benefits packages, such as offering enhanced product warranties at no cost, free loss/damage coverage on new purchases, and points which may be redeemed for cash, products, or airline tickets. Additionally, carrying a credit card may be a convenience to some customers as it eliminates the need to carry any cash for most purposes.

For merchants, a credit card transaction is often more secure than other forms of payment, such as checks, because the issuing bank commits to pay the merchant the moment the transaction is authorized, regardless of whether the consumer defaults on the credit card payment (except for legitimate disputes, which are discussed below, and can result in charges back to the merchant). In most cases, cards are even more secure than cash, because they discourage theft by the merchant's employees and reduce the amount of cash on the premises.

5.3 Credit Card Usage Challenges

Before customers are offered the credit card their supposed to deposit some amount in their account as a fixed deposit (depending on the type of card they need i.e. silver card 1mil-2.5mil and gold card is 3mil-12mil) and that mount will gain the interest as a normal fixed deposit but when the customers go abroad use their cards. Finally the financial statements are offered which shows their expenditure status. Once a customer fails to pay with a specified period, the bank deducts or uses the deposit to compensate.

However, one of the actual challenges the bank faces is the issues of delay. Customers normally delay to pay the amount spent. This happens when customers use their cards without considering their liabilities. The other challenge is the security risk. The use of credit cards is highly exposed to security risk. Normally, hackers create similar cards by using magnetic chips from the stolen card in order to steal from the owners' account. Thus security of the cards, apart of using passwords, has been at delicate environment. This calls upon high level of protection from the bank and customers. This is the only possible way of overcoming this risk

5.4 Credit Cards Customer Retention

It is very difficult to build long-term relationships with customers if their needs and expectations are not understood and well met. It is a fundamental precept of modern customer management that companies should understand customers, and then acquire and deploy resources to ensure their satisfaction and retention. This is why customer relationship management is grounded on detailed customer-related knowledge. Customers that are not well served can be better served by competitors.

Delighting customers, or exceeding customer expectations, means going beyond what would normally satisfy the customer. This does not necessarily mean being world-class or best-in-class. It does mean being aware of what it usually takes to satisfy the customer and what it might take to delight or pleasantly surprise the customer.

The bank for instance cannot really strategize to delight the customer if it does not understand the customer's fundamental expectations. The bank may stumble onto attributes of performance that do delight the customer, but cannot consistently expect to do so unless has deep customer insight. Consistent efforts to delight customers show bank's commitment to the relationship. Commitment builds trust. Trust begets relationship longevity. This is the customer retention success.

Customers have expectations of many attributes, for example product quality, service responsiveness, price stability and the physical appearance of people and vehicles. These are unlikely to be equally important. It is critical to meet customer expectations on attributes that are important to the customer; online customers, for example, look for rapid high levels of customer service.

Customer clubs have been established by many organizations. A customer club is a company-run membership organization that offers a range of value-adding benefits exclusively to members. The initial costs of establishing a club can be quite high, but thereafter most clubs are expected to cover their operating expenses and, preferably, return a profit. Research suggests that customer clubs are successful at promoting customer retention.

To become a member and obtain benefits, clubs require customers to register. With these personal details, the company is able to begin and services for them. Clubs can only succeed if members experience benefits they value. Club managers can assemble and offer a range of value-adding services and products that, given the availability of customer data, can be personalized to segment or individual level. Among the more common benefits of club membership are access to member only products and services, alerts about upcoming new and improved products, discounts, magazines and special offers.

Whereas loyalty schemes and clubs are relatively durable, sales promotions offer only temporary enhancements to customer value. Sales promotions, as we saw in the last chapter can also be used for customer acquisition. Retention-oriented sales promotions encourage the customer to repeat purchase, so the form they take is different. Here are some examples. *In-pack or on-pack voucher*: customers buy the product and receive a voucher entitling them to a discount off one or more additional purchases. *Rebate or cash back*: rebates are refunds that the customer receives after purchase. The value of the rebate can be adjusted in line with the quantity purchased, in order to reward customers who meet high volume targets. *Patronage awards*: customers collect proofs of purchase, such as store receipts or barcodes from packaging, which are surrendered for cash or gifts. The greater the volume purchased the bigger the award.

Others include; *Free premium for continuous purchase*: the customer collects several proofs of purchase and mails them in, or surrenders them at retail outlets to obtain a free gift. Sometimes the gift might be part of a collectable series. *Collection schemes*: these are long-running schemes where the customer collects items with every purchase. *Self-liquidating premium*: a self-liquidating promotion is one that recovers its own direct

costs. Typically, consumers are invited to collect proofs of purchase, and mail them in with a personal cheque or money order. This entitles the customer to buy a product at a discounted premium, such as a camera or gardening equipment. The promoter will have reached a deal with the suppliers of the products to buy in bulk at a highly discounted rate, perhaps on a sale or return basis. Margins earned from the sale of product, plus the value of the cheque or money order cover the costs of running the promotion which, as a consequence, becomes self-liquidating.

The next positive customer retention strategy is customer bonding. B2B researchers have identified many different forms of bond between customers and suppliers. These include interpersonal bonds, technology bonds (as in EDI), legal bonds and process bonds. These different forms can be split into two major categories: social and structural. Social bonds are found in positive interpersonal relationships between people on both sides of the customer-supplier dyad. Positive interpersonal relationships are characterized by high levels of trust and commitment. Successful interpersonal relationships may take time to evolve, as uncertainty and distance are reduced. As the number of episodes linking customer and supplier grow, there is greater opportunity for social bonds to develop. Suppliers should understand that if they act opportunistically or fail to align themselves to customer preferences, trust and confidence will be eroded.

Strong social bonds can emerge between employees in companies having similar sizes, cultures and locations. For example, small and medium-sized businesses generally prefer to do business with similar sized companies, and Japanese companies prefer to do business with other Japanese companies. Geographic bonds emerge when companies in a trading area cooperate to support each other. Social relationships between buyer and seller can be single or multilevel. A single-level relationship might exist between the supplier's account manager and the customer's procurement officer. The more interpersonal links there are between the dyad, the more resistant the relationship is to breakdown. For example, technical, quality and operations people talk to their equivalents on the other side.

Social bonds characterized by trust generally precede the development of structural bonds. Mutual investments in business relationships serve as structural bonds. These structural bonds can be formally recognized in an alliance or joint venture having legal

status. Companies are unlikely to commit resources if there is a low level of trust in the partner's integrity and competence.

Structural bonds are established when companies and customers commit resources to a relationship. Generally, these resources yield mutual benefits for the participants.

For example, a joint customer-supplier quality team can work improving quality compliance, benefiting both companies.

Resources committed to a relationship may or may not be recoverable if the relationship breaks down. For example, investments made in training a customer's operatives are non-returnable. On the other hand, a chilled products manufacturer that has installed refrigerated space at a distributor's warehouse may be able to dismantle and retrieve it if the relationship dissolves.

A key feature of structural bonding is investment in adaptations to suit the other party. Suppliers can adapt any element of the offer – product, process, price and inventory levels, for example – to suit the customer. Customers, on the other hand, also make adaptations. For example, they can adapt their manufacturing processes to accommodate a supplier's product or technology.

Power imbalances in relationships can produce asymmetric adaptations. A major multiple retailers might force adaptations from small suppliers, while making no concessions itself. For example, it could insist on a reduction in product costs, co-branding of point-of-sale material, or even attempt to coerce the supplier not to supply competitors.

CHAPTER SIX

6.0 SUMMARY, CONCLUSION AND RECOMMENDATIONS

6.1 Introduction

This chapter addresses the summary of the study, as well as conclusion and recommendations of the study and also area for further research are drawn. The pattern of the discussion follows the research questions that were studied. Insights of the discussion were obtained from the literature review.

6.2 Summary

The purpose of the study was assessing the role of credit card in retaining bank customers. The study specifically was attempted; to assess the challenges of banks in retaining their customers by using credit cards, to determine the relation of credit cards with customer retention, to find out the strengths and weaknesses of credit cards in relations to customer retention, and to identify number of customers linked to credit cards.

The study applied a case research design whereby Dar es Salaam region was a selected case study. This study was conducted at NMB Plc in Dar es Salaam region. Thus the bank formed a population for this study where a sample was drawn from. A sample of 52 respondents was determined for this study. However, only 48 respondents were met. Stratified sampling technique was used to select sample units for the study. The study applied primary and secondary data. Data collection tools were; questionnaires, interview, and documentation. The methods of analyzing data were qualitative and quantitative whereby researcher adopted descriptive data analysis method. The Statistical Package for Social Science (SPSS) was used to analyze the data.

The findings of were as follows:

The study found several challenges of banks in retaining credit card customers. *Lack of resources*; it was found that 81% of respondents had a view that this challenge is so high

compared. *Lack of experienced staffs*: 58% of respondents were in the view that lack of experienced staff on credit card operation in the bank is a challenge in the process of customer retention. *Lack of information*; the study found that the other major challenge in the customer retention function at the bank for credit card operations was lack of information as supported by 73% of respondents. *Limited knowledge*: there is limited knowledge challenge for the customer retention is low as reported by 54% of respondents. *Poor customer services*: 82% of respondents were in view that poor customer services. *Double charging for the services*; the other challenge as perceived by customers was the challenge of double charging from the services as reported by 91 percent of respondents.

The relationship of credit cards with customer retention was examined and the following were the results. *Level of customers' retention*; the level of customer retention is high as reported by 54% of respondents. *Customer satisfaction*; customers are dissatisfied by holding credit cars of the bank as reported by 63% of respondents.

Several weaknesses of credit cards service were found as follows. *Poor customer services*; there are poor customer services as reported by 88% of respondents. *Network problems*; 62% of respondents were in favour of this fact, that is there are network problems for credit card users for instance at the time when they need to withdraw cash from ATMs. *Limited operation for some cards*; limited application of some cards was the other weakness as reported by 81% of respondents. *ATMs failure*; ATMs failure is another weakness as reported by 73% of respondents.

Number of customers linked to credit cards was examined the following were found. *Record keeping performance*; therefore the study found that the credit card customers' record keeping as part of customer retention strategy is better as reported by 54% of respondents. *Customer' loyalty*; according to the study most of customers were found to stay with the bank for at least 2 years as reported by 50% of respondents. *Number of customers retained*; in the year 2006 there were 173 customers who were holding credit cards. The number increased to 423 in 2007. In 2010 the number went high as far as to

613. The highest level of dropping was in 2007 (45) with the lowest number in 2010 (13).

6.3 Conclusions

6.3.1 New product in Tanzania

Credit card usage in Tanzania is still a new component of the business in the banking industry which requires aggressive marketing. The portion of the customers using credit cards with other banks shows wide difference where the industry will need to consider careful how to bridge this gape.

6.3.2 Lack of proper addresses

Tanzania still lacks proper addresses where it still becomes more difficulty for the banks to offer credit card services. The nature of the business environment and its regulations hinders other banks products to do well in the market and which as result brings more operational difficulties to banks. Thus it has been very difficult to make follow-ups to clients for retention. However, through the provision of credit cards it has managed to retain its customers to a large extent as revealed in the study.

6.4 Recommendations

6.4.1 Staff motivation and training

According to respondents for performance enhancement of credit card retention they are certain things which should be introduced and improved for those which were present. For instance, staff should be trained, motivated, paid well and working environment be improved, this will reduce the number of staff turnover.

6.4.2 Introduction of customer service desk and social media

Also help desk should be introduced at card division. Also it is advised that the bank has to use social media allowing internet for the purpose of transactions and balance checking while the call centre will be used more for building and deepening relationships.

6.4.3 Reducing charges to customers

The banks should offer integration of channels of their customers' choices. The bank has to reward the customers with low charges, offering benefit to customers based on their incremental value or profitability is essential in today's business. Also the bank should waive minor penalties in case of late credit card payment for customers who are highly profitable.

6.4.4 Allowing payment settlement through merchants

To offer merchants finding redemptions customer can use their points to pay from variety merchants. A website for the merchant to share some of the cost in return for the extra traffic and add-on purchase they enjoy. They have to enable good information to employees so as to ensure employees are well informed about product.

6.4.5 Area for further research

Further study being recommended by researcher is that more examination in the role of credit cards in retaining bank customers to involve a large sample of different bank offering credit cards in Tanzania so as to come up with better way of retaining customers, and also by using large sample one could find different problems.

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APPENDICES

Appendix II

QUESTIONNAIRE FOR CUSTOMERS

MZUMBE UNIVERSITY

RESEARCH TITLE: THE ROLE OF CREDIT CARDS ON RETAINING BANK CUSTOMERS: A Case of National Microfinance Bank (NMB Plc) in Tanzania.

Introduction

I'm ASHERY EDWARD MASIKA Pursuing a Masters Degree of Business Administration-Corporate Management at Mzumbe University, Dar es salaam College. These questionnaires have been prepared to examine the role of credit cards on retaining banks customers at NMB Plc. The answers from these questionnaires will be used solely for the purpose of this research and will be treated with strong confidentiality. No name will be mentioned in the report.

Your response is highly appreciated.

Dear Respondents

Please answer the following questions according to the instruction given. Your answer will be treated strictly confidential. You are therefore kindly asked to complete this work within a week from the date of submission.

INSTRUCTION; Put [x] to the correct answer/ answers in the bracket

Name of the organization

1. Employee's name? _____

2. Position held/Job title? _____

Please Tick one of the following categories: use √.

Gender StatusMale/Female

3. Are you

(a) Single. ☐

(b) Married ☐

4. What is the level of your education?

(a) Certificate ☐

(b) Diploma ☐

(c) Advance Diploma ☐

(d) Degree ☐

(e) Postgraduate ☐

GENERAL QUESTIONS

5. What do you know about Credit Card Retention?

6. How does your bank **maintain a record-keeping system using credit card purchases for** their customers?

7. What are warning signs of credit card problems at your bank?

8. What are the main problems facing Credit Card Retention at your bank?

9. Are your customers satisfied with your new service of credit card? Please Tick one of the following categories: use √.

YES

No

If YES, give the details

10. What is your recommendation on factors that enhance performance of credit card retention in your bank?

11. What are the problems encountered by customers who are given credit card especially in your bank?

12. How long have you been a customer at your bank?

a. Seven days- 1 year

b. 2 years

c. 3 years

13. What other services of your bank utilize rather than Credit card retention?

a. Money transfers

b. Deposits

c. Others-scandalizing orders

d. None

14. How many times have you applied for Credit Card in your bank?

e. 1 time

f. 2-3 times

g. 4-5 times

h. 6times and above

Thank you very much indeed.