

Banking on loyalty

On average it costs five times more to acquire new customers than to retain existing customers. This indicates that it would be in the best interest of organisations to focus marketing efforts on building loyalty. In the highly concentrated South African banking industry creating customer loyalty becomes all the more important due to increased competition in recent years, where four South African banks (ABSA, Nedbank, First National Bank and Standard Bank,) dominate the industry by accounting for about 90% of the market.

A quantitative study by Jack Kruger and Eksteen Theron, [Master's](#) students in the [Department of Marketing Management](#), was conducted to form an understanding of which factors predict the quality of relationships that customers have with their banks in South Africa and subsequently how this influences their loyalty. In this study 258 respondents participated by completing self-administered questionnaires.

The results indicated that communication effectiveness best predict customers' perceptions of relationship quality towards a bank, followed by intimacy. In contrast, customers' perception of switching costs is not a predictor of relationship quality, which opposes the findings of extant studies. Importantly, the results also revealed that banking customers' relationship quality predict their loyalty towards their bank.

As marketers and decision makers often have to justify expenditures on customer related marketing activities, this study recommends that, since relationship quality predicts customers' loyalty, and consequently long-term profitability, banks would benefit by understanding the predictors of relationship quality and by applying the strongest predictors thereof to their marketing efforts. It is therefore suggested that banks adapt their service and products offerings to ensure effective communication and to drive intimacy with their customers in order to reap real financial benefits through improved relationship quality and customer loyalty.

This research was conducted as part of the fulfilment of the [Master's degree](#) in Marketing Management in 2015 with the [Department of Marketing Management](#) by Jack Kruger and Eksteen Theron under the supervision of [Prof. P.G. Mostert](#)