# Factors influencing customer retention in South African retail banks

***ABSTRACT***

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Increased retention of its customers increases a bank's market share and can have a significant impact on profits (Reichheld and Sasser 1990). Many customer satisfaction studies have shown clear links between customer satisfaction, customer loyalty and customer retention. Although customer satisfaction is seen as the main driver for customer retention, the objective of this research was to identify the underlying factors that influence a customer to close his or her account and move to another bank.

The methodology used was quantitative, with questionnaires made available on the Internet. A sample of 290 respondents who possess a cheque account at a bank in South Africa was used. A snowballing sampling technique was used to be able to achieve the sample size required.

The study found service elements to be the main drivers for customer retention in South African retail banks, but did, however, find that the product itself factored together with service elements, suggesting that in the banking industry the boundaries between the product and service becomes blurred. The second and third factors indicated the need for convenience, whether online or through other channels, and should be taken into account in all service delivery plans.

The key message and conclusion of the research is that the product and the service offering from the bank are interlinked and should not be seen as separate offerings to customers.

The study may be of value to other service related companies.