

# The Impact of Customer Appreciation Service on Customer Loyalty Patronage: Evidence from Nigeria Financial Sector

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## ABSTRACT

The purpose of this study is to evaluate the impact of customer appreciation service on customer loyalty patronage from the Nigeria financial sector. The survival and growth of organizations largely depend on the success of the marketing strategies it employs from time to time. Customer appreciation service CAS which is a subset of customer relationship management is regarded as a viable competitive tool for survival and growth in contemporary business. Customer Appreciation Service means a day(s) set aside by firms to appreciate / honour their customers by giving them gifts for their patronage over time. It is also aimed at positively influencing repeat purchase behaviour. The data for this study was collected from 400 customers randomly selected from sampled banks in Port Harcourt Nigeria; and 380 properly completed questionnaire were retrieved and used. The finding revealed that customer appreciation service impact on customer loyalty patronage. The Finding further revealed that the banks need to segment the celebration packages issued on CAS day(s). The study recommended that policy makers and banks managers should at least annually celebrate CAS, and also segment the gift items they give to customers on CAS day(s). There is also a need for banks to improve upon the products / services quality offered to their target market. This is because, quality service plus customer appreciation service result to customer loyalty patronage.

**Key words:** Customer Appreciation Service (CAS), Customer Loyalty Patronage (CLP), and Customer Relationship Management (CRM).

## INTRODUCTION

The survival and growth of any business is largely dependent on the marketing strategies and tactics it adopts from time to time. In Nigeria financial sector the capitalization and recapitalization policies of the government carries a corresponding opportunities and threats to business organizations. Hence, for banks to have competitive advantage, achieve the desired corporate objectives and meaningfully contribute to national development, they must not only employ but also build on marketing strategies and tactics such as Customer Relationship Management (CRM) and Customer Appreciation Service (CAS).

The import of this study is born out of the fact that there is little or no available empirical research work in literature on customer appreciation service and customer loyalty in this part of the world. Therefore, to fill this gap in literature and to improve practice, this study evaluated the impact of Customer relationship management on customer loyalty in the financial sector of Nigeria. The significance of the study we believe will be of benefit to scholars, the financial sector policy makers / managers, the nation's economy and it will add value to the body of existing knowledge in this field of study.

## **THEORETICAL BACKGROUND**

### **CONCEPT OF CUSTOMER RELATIONSHIP MANAGEMENT**

In this study the business strategy perspective of Customer Relationship Management (CRM) is defined as the process of customer acquisition, customer retention, customer extension and the delivering of a sustainable competitive advantage.

The concept of customer appreciation service which is a function of customer relationship management was first introduced in the U.S.A in 1992 as a day set aside to appreciate customers for their tenacious loyalty in doing business with them (Sara, 2012). In Nigeria today only few banks have realized the inherent benefits derivable from the practice of Customer Appreciation Service (CAS).

In the views of Wali and Nkpurukwe (2008) customer relationship management can be appreciated from three perspectives namely: information technology perspective, the customer life circle perspective and business strategy perspective.

The term customer relationship management (CRM) has been defined differently by authors in the field as well as different models in measuring CRM. Wali and Nkpurukwe (2008) see customer relationship management as the process of customer acquisition, customer retention, customer extension and the delivering of a sustainable competitive advantage. Peppard (2000) posits that CRM is aimed at creating emotional connection with customer; understanding customer needs; differentiate between customers via market segmentation and performance analysis of customer loyalty. However, several researches has been done on customer relationship management and customer loyalty such as, (Ogbadu and Usman, 2012; Lawson-body and Limayem, 2004; Anvari and Amin, 2010; Peppard, 2000; Payne and Frow, 2005).

Customer relationship management is defined as the function of building trust, bond or connection between an organization and a customer with the aim of influencing a repeat purchase (Ozuru and Kalu, 2009). While Ogbadu and Usman (2012) opined that customer relationship management deals with customer data management and the management of customer touch points in order to maximize customer loyalty by building and maintaining profitable customer relationships and delivering superior customer value and satisfaction. CRM can also be seen as a business strategy which identifies banks most profitable customers and prospects as well as devoting time and attention to expand relationships with those customers through individualized marketing, customized service delivered through the banks sales mediums (Onut et al, 2007).

Payne and Frow (2005) in their study noted that customer relationship management is a process which involves identifying and rethinking all strategic process that take place between an enterprise and its customers. While Peppard (2000) similarly advocated that CRM is aimed at creating emotional connection with customers; understanding customer needs; differentiate customers via market segmentation and performance analysis of customer loyalty.

### **CUSTOMER APPRECIATION SERVICE**

Customer appreciation service is a strategy in which firms sets aside days within a given year to appreciate customers' for their loyal patronage. Customer appreciation service can also be seen as a day reserved by firms to honour their loyal customer's for their day to day patronage with the aim of encouraging or consolidating their patronage. It is also aimed at positively influencing repeat purchase behavior. It is important to note that some firms in Nigeria have consciously or unconsciously practiced customer appreciation service. For instance, MTN, GLO, NBL, etc annually reward their customers with gifts of cash, cars, TVs, Fridge, etc. All these are with a view of appreciating and encouraging them to repeat purchase.

### **CUSTOMER LOYALTY PATRONAGE**

Customer loyalty is described as the feeling of attachment or affection for a company's people, products and services that directly influence or impact on customer behavior (Wali and Opara, 2012). Similarly, Ozuru and Kalu (2009) posits that customer loyalty is the level of faithfulness shown by customers in their act of purchase of company's products or services. It could also be an indicator of the degree of satisfaction the customers had with the purchase and or consumption of firms' products.

### RELATING CUSTOMER RELATIONSHIP MANAGEMENT, CUSTOMER APPRECIATION SERVICE AND CUSTOMER LOYAL PATRONAGE

Ogbadu and Usman (2012) in their study examined the impact customer relationship management on customer loyalty and banks profitability. These study findings revealed that there is a positive relationship between CRM and customer loyalty as well as banks profitability. However, it can be deduced from their study that customer relationship management is a viable competitive tool to enhance customer loyalty and also to attain desired profitability. Kotler and Armstrong (2008) posited that when organization provide their customers with satisfactory services they are likely to be loyal customers and could attract a large share of the market to the company. Lawson-body and Limayem (2004) studied the impact of Website characteristics on customer relationship management and customer loyalty in the IT industry, and their study revealed that there is a significant impact of website characteristics on customer relationship management and customer loyalty. However, it further can be noted that the internet positively supports CRM and will enhance firms' ability to increase customer loyalty patronage in the IT sector. Also Anvari and Amin (2010) in their work examined customer relationship management strategies and customer turnover their study revealed that training needs of CRM impact on customer turnover. From the above review of related literature we can understand that several researches have been carried out on CRM but none actually exist on customer appreciation service and customer loyalty patronage. Hence, we present the conceptual / operational framework for this study below as figure 1:

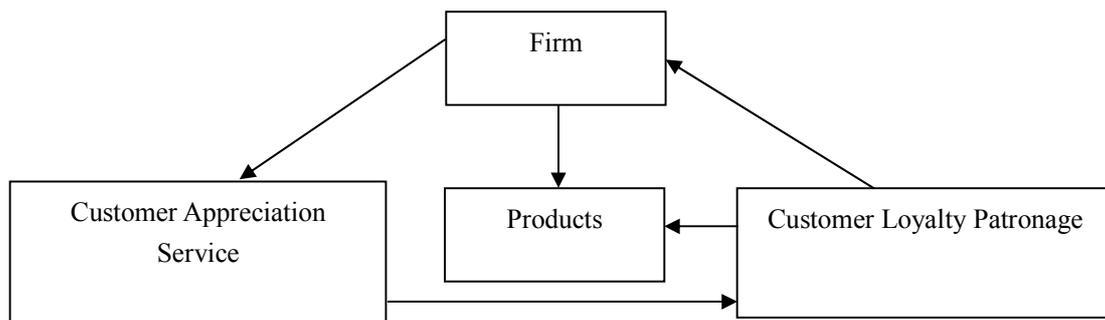


Figure 1: Conceptual Framework for Customer Appreciation Service and Customer Loyalty Patronage

From the diagramme above, Customers purchase products produced and the firm appreciated their purchases by recognizing them, and giving them gifts, which encourages customers to be loyal to the firm or its products.

### METHODOLOGY

The study used structured questionnaire instrument designed with a five Likert point scale of **strongly disagree** 'one' point to **strong agree** ' five' point, to illicit respondents' view or position on issues of customer appreciation service and customer loyalty patronage. The data for this study was collected from 400 customers randomly selected from sampled banks in Port Harcourt Nigeria; and 380 properly completed questionnaires were retrieved and used. Twenty undergraduate students were engaged to administer the questionnaire and conduct the person to person interviews. The elicited information or generated data were presented in tables and simple percentages which were used to analyze the data in this study.

## DATA PRESENTATION AND ANALYSIS

Table 1 below shows that 45% of our respondents are male while 55% represents females. This means that majority of our respondents were female customers of the banks. 80 customers representing 21% are between 20-25 years, 240 customers representing 63% are between 26-40 years.

**Table 1: Respondents Demographics**

Demographics		Frequency	Percentage%
Gender	Male	170	45
	Female	210	55
	Total	380	100
Age	20-25	80	21
	26-40	240	63
	41-above	60	16
	Total	380	100
Years of patronage to your bank	1-5years	180	47
	6-10years	120	32
	11-above	80	21
	Total	380	100
Academic qualification	Masters/PhD	70	18
	BSc/HND	180	48
	Others	130	34
		380	100

Source: Survey Data 2012

While 60 respondents representing 16% are 41 years and above, meaning most of our respondents are between 26 to 40 years. Similarly, 180 customers representing 47% patronized the banks between 1-5 years, 120 representing 32% patronized the banks between 6-10 years. Another 80 customers representing 21% patronized the banks between 11 years. It can be deduced that most of our respondents have patronized the banks between 1-5 years. as, 70(18%) of the respondents are Masters/PhD holders, 180(48%) are BSc/HND holders, while 130(34%) are holders of other qualifications. This means that majority of our respondents are educated and gave intelligent responses to the questions.

### Analysis on Customer Appreciation Service and Customer Loyalty Patronage

**2: On familiarity with Customer Appreciation Service**

Response Rating	Frequency	Percentages %
Strongly Agree	40	10
Agree	200	53
Indifference	53	14
Disagree	87	23
Strongly Disagree	Nil	Nil
Total	380	100

**Source:** Survey Data 2012

In table 2 above, 40 customers representing 10% strongly agree to be familiar with the term customer appreciation service, 200 customers representing 53% agree that they are familiar with the term CAS, 53 customers representing 14% said they are indifferent about the term CAS, 87 customers representing 23% disagree to be familiar with the term while strongly disagree had nil response. This finding however revealed that most customers representing 53% are familiar with the term customer appreciation service.

**Table 3: customer appreciation service celebration influence customers' commitment to banks**

Response Rating	Frequency	Percentages %
Strongly Agree	254	67
Agree	96	25
Indifference	-	-
Disagree	30	8
Strongly Disagree	-	-
Total	380	100

**Source:** Survey Data 2012

From table 3 above, it can be seen that 254 customers representing (67%) strongly agree that the celebration of CAS will influence their commitment to the banks, 96 customers representing (25%) agree that this appreciation service will influence their behaviour positively towards the banks, 30 customers representing (8%) disagree that the gesture will reinforce their patronage, none was indifferent, while strongly disagree had nil. From this analysis 67% of the customers strongly agree that the appreciation extended to them by their banks will re-enforce their purchase patronage behaviour towards the products and services offered by the banks.

**Table 4: Should appreciation gesture continue?**

Response	Frequency	%
Yes	380	100
No	Nil	-
<b>Total</b>	<b>380</b>	<b>100%</b>

**Source:** Survey Data 2012

In table 4 above, it was revealed that 380 customers representing (100%) agree and are of the opinion that the banks should annually celebrate customer appreciation service, while none disagreed to this gesture. The personal interview findings revealed that these banks offered customers different gift items, such as rapped cake, can drinks, chocolate sweet, gums, biro, to mention but a few. However, 112 customers differently mentioned that these gifts were very poor compare to their degree of patronage to their banks. However, they further suggested that in subsequent years the banks should categorize the gifts based on certain withdrawals or deposits by customers on the customer appreciation service day. For instance, customers withdrawing or depositing N1,000 to N100,00 should be appreciated with gift items ranging from chocolate sweet, drinks, gums and rapped cake, while customers whose transactions is between N101,000 to N500,000 should be appreciated with gift items like imprinted T-shirt and customers whose transaction is above N500,000 should be given Corporate gifts. On the other hand about 288 customers reported that they are just satisfied with the appreciation they have been given and will continue to do business with their banks.

#### **DISCUSSION, CONCLUSION and RECOMMENDATIONS**

The finding of this study on customers appreciation extended by banks re-enforcing customers' purchase patronage behaviour towards the products and services offered, is consistent with that of Ogbadu and Usman (2012).

Similarly, this study finding on customers' appreciation service celebration influencing customers' commitment to banks is in consonance with the findings of Lawson-body and Limayem (2004). Furthermore, on the finding that customers that are satisfied with the banks' appreciation will want it to continue and will continue to do business with their banks, agrees with Anvari and Amin (2010), Kotler and Armstrong (2008) who found that the key to customer relationship is in creating superior customer value and satisfaction, because a satisfied customer will be loyal to the firm or their products/services.

The above findings clearly revealed that the concept of customer appreciation service is indeed a strategic tool for business survival, growth, competitiveness and success. Therefore, we concluded that customer appreciation service impact on CLP in the Nigeria financial sector.

The purpose of this study which was to evaluate the impact of customer appreciation service on customer loyalty patronage from the Nigeria financial sector, with a view of providing empirical research work in literature and practice, can fully be achieved if firms' managers and policy makers in the financial sector of Nigeria appreciate that Loyalty is earned when value and appreciation is extended to customers. The study also recommend that policy makers and banks managers should at least annually celebrate CAS, and also segment the gift items they give to customers on CAS day(s).

There is therefore, the need for banks to improve upon their products / services quality offered to their target market. This is because, quality service plus customer appreciation service result to customer loyalty patronage. Similarly, the findings of this study if professionally considered will also contribute meaningfully to the nation's economic development.

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