British Journal of Management and Marketing Studies
ISSN: 2689-5072
Volume 7, Issue 3, 2024 (pp. 162-176)
www.abjournals.org

EVALUATING THE IMPACT OF CUSTOMER ENGAGEMENT ON CUSTOMER RETENTION FOR SUSTAINABLE BANK OPERATIONS.

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Cite this article:

Udodiugwu, M. I., Eneremadu, K. E., Njoku, C. O., Anyaegbunam, C. E., Obiakor, U. J. (2024), Evaluating the Impact of Customer Engagement on Customer Retention for Sustainable Bank Operations. British Journal of Management and Marketing Studies 7(3), 162-176. DOI: 10.52589/BJMMS-RI8PSAGD

Manuscript History

Received: 12 Jun 2024

Accepted: 14 Aug 2024

Published: 16 Aug 2024

ABSTRACT: ***Purpose****; The study conducted a comprehensive analysis to determine the influence of customer engagement on customer retention at Guaranty Trust Bank Plc, centring on the Asaba region in Delta State, Nigeria.* ***Method****; This research employed a cross-sectional survey methodology and utilised a questionnaire as the primary data collection tool, drawing responses from a total of 417 participants, consisting of both bank staff and customers. The collected data was subjected to rigorous validation and reliability testing. The research utilised inferential statistics, including the Sampled Paired Test and Cronbach Alpha, with the aid of SPSS version 25, to evaluate the hypotheses.* ***Result****; The results uncovered significant positive impacts of various forms of customer engagement on different aspects of customer behaviour.* ***Limitation****; This study was limited to only Guaranty Trust Bank plc in Asaba, Delta State Nigeria, and also explored the content scope of customer engagement and retention.* ***Contributions****; The study has contributed to the wealth of knowledge in theory and practices, and it has also given insight into why commercial banks in Nigeria should hold firmly on the strategies of customer engagements.*

KEYWORDS: Customer Engagement, Customer Relationship Management, Customer Loyalty Programs, Customer Retention.

INTRODUCTION

The impact of customer engagement (CE) on developing customer experience and worth is becoming an increasingly popular topic of discussion among both academics and businesspeople in today's highly dynamic and interactive business environment (Nson, 2024). Customer engagement (CE) represents a strategic imperative for generating enhanced corporate performance, including sales growth, superior competitive advantage and profitability. These statements are based on the idea that engaged customers are essential for viral marketing, as they share referrals and endorsements of particular products, services, or brands with their network (Udodiugwu, 2024). Customers who experience an emotional attachment to a company's brand are likely to be thrilled and enthusiastic about its products and services.

A customer engagement strategy that is effective can be evaluated and modified based on the needs of the customers, the system needs to incorporate personalised experiences to cultivate customer loyalty, enhance the desire to purchase and propel prospective buyers further into the conversion process (Ichdan & Maryani, 2024). Although there are many factors that make up the customer journey, three fundamental elements stand out: The need for human interaction, individualised attention, and the ability to deliver both at scale. The approach businesses take to achieve this may differ, but it essentially boils down to building trust. Building connections and enabling conversation are regarded as the core ingredients of customer engagement. A significant amount of conceptual and descriptive research on engagement has been conducted across multiple fields. However, there are gaps as to what engagement means to marketing and its stakeholders. Based on the literature review, it is clear that there is no consensus on the precise definition and function of engagement in marketing. Practitioners seem to associate it with developing customer relationships through initiatives that encourage individuals to engage with and feel connected to a particular brand (Vivek, Beatty & Morgan, 2012).

Customer retention refers to a company's ability to turn customers into repeat buyers and prevent them from switching to a competitor. It indicates whether a bank's product and the quality of a firm's service please the firm's existing customers. It is also the lifeblood of most subscription-based companies and service providers (Murray, 2022). Banks need to implement the right marketing campaign to succeed. Traditionally, banks have focused their marketing strategies on attracting new customers and increasing their marketing share. However, due to globalization, most industries and markets are becoming more and more competitive forcing significant changes in the way firms do business.

For banks' operations to survive, they do not only need to know how to attract customers but also how to retain them. Consequently, for banks to retain customers they have to satisfy them by providing a good customer experience (O'Brien & Jones, 2022). As the intricacy of factors defining customer retention and the details within them increases, the deeper and more precise the perspective becomes. Factors such as customer satisfaction, trust, switching barriers, and value proposition components such as price and service have all been identified as important factors ultimately influencing customer retention. It is against this backdrop that this study sought to determine the impact of customer engagement on customer retention of Guaranty Trust Bank in Nigeria.

Article DOI: 10.52589/BJMMS-RI8PSAGD
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www.abjournals.org

Statement of the Problem

In the dynamic world of marketing, brands are constantly seeking innovative ways to understand and engage with their customers. However, Jaswal (2024) opines that the primary customer data is scarce and it is always a struggle for brands to 'guess' customer preferences as well as deepen their bond with them. They have to rely on traditional channels of customer data for engagement which often provides only a limited and cloudy understanding of the customer landscape. Running a business can be very tricky in today's hyper-competitive environment. While the cost of new customer acquisition is at an all-time high, existing customers do not feel the need to stay with a company that does not interest them.

In this age of fleeting brand loyalty, improving customer engagement is a way to sustain a business for the long haul. Every business relies on repeat customers and sales and the positive feedback provided by the customers. One of the main challenges is to meet the increasingly complex expectations of the customers, who have become more empowered and independent by their digital access and are looking for more efficient, faster, and better-performing services. Some other challenges that affect customer retention are issues with quality, issues with pricing, failure to meet specific expectations, false advertising and deceptive business practices, predatory lending and financial scams, failure to meet perceived or implied expectations, issues with usability, limited customer engagement, and a loyalty program experience.

There is a theoretical assumption that the engagement of customers has a potential impact on organisational performance. Many scholars have analysed the relationship between customer engagement and performance, yet conclusions have not been reached thereby, inconclusive. For instance, recent evidence from a strand of the literature suggests that there is a positive link between customer engagement and performance (Chang et al., 2022; Park and Namkung 2022). A second strand of literature found a negative relationship (Al-Gasawneh et al., 2022). On the other hand, Furtado, Ramos, Maia, and Costa (2022) found no significant relationship between customer engagement and performance, thereby creating a gap in the literature that this study sought to close. In light of the foregoing, this study will contribute to the extant literature by examining the relationship between customer engagement and customer retention contrary to prior literature that concentrated on organizational performance, thereby, closing the variable gap in literature, hence, the need for this study. The specific objectives of this study were; to ascertain the extent to which active customer engagement impacts customer relationship management; to evaluate how emotional customer engagement impacts customer loyalty programs. It was from these specific objectives that two hypotheses were formulated thus;

Ho_1: Active Customer Engagement has no significant impact on Customer Relationship Management.

Ho_2: Emotional Customer Engagement has no significant impact on Customer Loyalty Programs.

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CONCEPTUAL REVIEW

Customer Engagement

The act of actively building an ongoing relationship with their customers through meaningful interactions during the customer journey is known as customer engagement (Amazonads, 2024). By cultivating this relationship, brands can foster lasting loyalty and excitement among customers. Customer engagement refers to the level of connection between brands and customers, which can be gauged by how relevant the message is and how much inspiration it gives customers to take action. A customer may opt to shop more from a brand by clicking through an advertisement, subscribing to a newsletter, or following on social media. Customer engagement of this nature encourages long-term brand love and loyalty. To foster brand loyalty and awareness, a company fosters a relationship with its customer base through customer engagement. Paton (2020) suggests that this can be achieved through marketing campaigns, new content created for and posted to websites, and outreach through social media, mobile and wearable devices, among other methods. Customer engagement is an interaction between an external consumer/customer (either B2C or B2B) and an organisation (company or brand) through various online or offline channels. Customer engagement monitors the relationship between a consumer and a company. This can be done through various channels, varying from email, click-through rate, online reactions, feedback, re-purchasing, and more. This relationship is important for encouraging customer loyalty, increasing awareness, and looking at customer satisfaction.

Active Customer Engagement

Active engagement requires customers' activity on different channels. They provide you with feedback when asked to make the best use of your products or services and make suggestions on how to improve them. To increase active engagement, a company should make some changes to people, processes, and technology by engaging its employees to activate customers as well; modifying processes to make them more flexible, reliable, accessible, and personal; and using the right technology to encourage participation in forums, peer-to-peer support communities and provide better user experiences (Curry, 2021).

Emotional Customer Engagement

Emotional customer engagement refers to the situation where the customer's engagement attitude and behaviour are dominated by their emotion, which is based on internal attachments to an object (for example, feeling passionate and desiring to contribute to an object). Emotional engagement encourages employees to align their professional growth with organisational success. Emotional marketing uses persuasive messages to delve into a person's emotions. It helps form a deeper connection between the brand and its audience, making it one of the most subtle yet effective strategies (Nattress, 2022).

Rational Customer Engagement

Rational engagement is the involvement of a customer in collecting detailed information on a product or service. Customers who know all about your products' values, quality, and details, will be more likely to take part in communities or engage in co-creation (Fehrer, Woratschek, Germelmann & Brodie, 2018). Rational customer engagement refers to the situation where a customer's engagement attitude and behaviour are dominated by their cognition, which focuses

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on the external benefits (e.g., thinking of the benefits and costs of attending engagement activities).

Ethical Customer Engagement

Ethical customer engagement is about being socially responsible to your clients. The moral principles that companies follow reflect their corporate values. Ethical engagement goes beyond a purely materialistic view of the world. Every organisation has (or must have) a framework on how to deal with employees, partners, customers, suppliers, and the rest of the world. This way a company might explain its views on sustainability or provide detailed insights into its manufacturing process (Raza et al., 2020).

Customer Retention

Customer retention refers to a company's ability to turn customers into repeat buyers and prevent them from switching to a competitor. It indicates whether a company's product and the quality of its service please the existing customers (Bernazzani, 2022). Customer retention refers to the ability of a company or product to retain its customers over some specified period. High customer retention means customers of the product or business tend to return to, continue to buy, or in some other way not defect to another product or business, or to non-use entirely. A company's ability to attract and retain new customers is related not only to its product or services, but also to the way it services its existing customers, the value the customers perceive as a result of utilizing the solutions, and the reputation it creates within and across the marketplace (McEachern, 2022).

Customer Relationship Management

Customer relationship management (CRM) is the combination of practices, strategies, and technologies that companies use to manage and analyse customer interactions and data throughout the customer lifecycle. The goal is to improve customer service relationships assist in customer retention and drive sales growth (Marshall, 2022). Customer relationship management (CRM) is a technology for managing all your company's relationships and interactions with customers and potential customers. The goal is simple: Improve business relationships. A CRM system helps companies stay connected to customers, streamline processes, and improve profitability.

Customer Loyalty Programs

A customer loyalty program or rewards program is a customer retention strategy that motivates customers to continue buying from your brand instead of a competitor (Otis, 2019). Customer loyalty is a customer's willingness to repeatedly return to a company to conduct business. This is typically due to the delightful and remarkable experiences they have with that brand. A customer loyalty program is a marketing approach that recognizes and rewards customers who purchase or engage with a brand regularly.

Customer Onboarding

Customer onboarding is the process that new users go through to get set up and start using your product. It covers the whole journey: from initial sign-up to product activation and first use. Customer onboarding aims to deliver value to your customers as early as possible in their first

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use, if possible (Byford, 2022). The customer onboarding process is all about delivering to the customer what was purchased within the agreed-upon conditions.

Customer Segmentation

Customer segmentation is the practice of dividing a customer base into groups of individuals that are similar in specific ways relevant to marketing, such as age, gender, interests, and spending habits. Customer segmentation is the process of dividing customers into groups based on common characteristics so companies can market to each group effectively and appropriately (Tim, 2022).

Customer Engagement and Customer Retention

Businesses need a powerful strategy to engage with customers to improve customer relations and increase retention. The process of interacting with a business audience via various channels and improving their relationship is known as consumer engagement. Understanding different techniques to engage potential customers (Indeed, 2024) is crucial for a company's growth. Customer engagement and retention are intertwined. Paddle (2024) asserted that customers who perceive your offering as valuable will have a longer lifecycle and higher success rates. Retention is virtually impossible to achieve without a proper approach to engagement. A customer who is well-engaged is more likely to stay with your product or service for an extended period, which will result in an improvement in your retention rate. The motives for their stay are:

i. Acknowledging that your product /service is highly valued.

ii Perceiving that the company is interested in their interest and success

ii. The product feels like the best option in the market for them

When it comes to establishing your business, the quality of your customers is more important than quantity. Your company's success hinges on connections and loyalty. The concept of customer engagement encompasses interest, loyalty, and commitment Business growth is dependent on all of these factors. In a nutshell, a customer who is engaged is a happy and loyal customer who is likely to remain loyal and recommend your services to their friends and family, on public forums, and other word-of-mouth channels. This facilitates the growth of your business by reaching out to more potential customers. Customer engagement (CE) has emerged as a construct of increasing importance in current marketing literature and as a new technique in nurturing consumer value and understanding modern marketing.

The acknowledgement of scholars is that customer engagement provides firms with a genuine competitive advantage and boosts their performance (Mohammad, 2020; Zeithaml, Bitner, & Gremler, 2018). The goal of practitioners is to foster relationships and develop bonds with customers through their actions (Li, Teng, and Chen, 2020). Prior research has examined the factors that drive customers to stay actively engaged with an organisation's services, products, or brands, with a significant focus on service or online. Guha, Harrigan & Soutar, 2018 are examples of tourism brands, while Nguyen, Calantone & Krishnan are examples of virtual and social media brand communities, online and retail banking (Kim & Baker, 2020) and integrated resort brands (Busser, Shulga & Kang, 2019) are both present.

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www.abjournals.org

Theoretical Framework

Resource-Based View (RBV) Theory

The Resource-Based View (RBV) theory was the basis of this study. The resource-based view (RBV) theory has implications for management practice. It provides useful advice for businesses seeking a competitive edge and strategic success. RBV emphasises the importance of human, organisational, and physical resources in organisations, and how these resources can impact a business's competitive advantage. The resource-based view theory is essential in a business as it focuses on the resources and capabilities that a company should have to achieve superior performance and sustainable competitive advantage. It emphasises the effects of an organisation's resources and its ability to utilise these resources on business performance and gaining a unique selling proposition. The theory accentuates the unique resources and capabilities that a company has under its possession, both tangible and intangible, and how they can contribute to its strategic advantage. By integrating the perspective of resource-based, companies can identify and leverage their internal resources to generate competitive advantage and improve their efficiency and effectiveness.

This theory provides a framework for management to identify and exploit the firm's resources as strategies for development, ultimately leading to business sustainability and improved performance. The resource-based view theory is widely used in various disciplines, including strategic management, marketing, production management, and supply chain, to understand and enhance firm performance. Jay Barney (1991) developed the resource-based view of the firm, which is a strategic management theory designed to explain why some firms perform better than others even when they occupy a very similar business environment. The resource-based view (RBV) is a managerial framework used to determine the strategic resources a firm can exploit to achieve sustainable competitive advantage. RBV proposes that firms are heterogeneous because they possess heterogeneous resources, meaning firms can have different strategies because they have different resource mixes. The core idea behind the resource-based view is that competitive advantage comes from a firm's effective use of tangible and intangible resources or assets.

Empirical Studies

Park and Namkung (2022) analysed the associated effects on customer-based brand equity (brand awareness, brand image, perceived quality, brand love, and Instagram re-usage intention) formation through Instagram marketing activities in Korea. Data were collected from 358 coffee consumers who had visited any of the five coffee brand Instagram accounts used in the study and analysed using SPSS and AMOS. The results showed that four sub-dimensions (interaction, entertainment, customisation, and trendiness) of Instagram marketing activities affected brand equity (brand awareness, brand image, and perceived quality), which in turn led to attitudinal loyalty (brand love) and behavioural loyalty (Instagram re-usage intention) towards the brand.

Al-Gasawneh et al. (2022) examined the mediating role of service quality between customer relationship management (CRM) performance dimensions and the marketing performance of Jordanian hotels using resource-based view theory and contingency theory. A self-administered survey was conducted on 162 general managers of hotels in Jordan. The data were analysed using partial least squares structural equation modelling. The findings of the study

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indicated that service quality mediated the relationship between the CRM performance dimensions (key customer focus, CRM knowledge management, CRM organisation, and CRM-based technology) and the marketing performance of Jordanian hotels.

Okolo, Ikpo, and Obikeze (2014) examined the influence of customer feedback on customer retention in deposit money banks in South-Eastern Nigeria. The population of the study consisted of customers of selected Access Bank, UBA, and First Bank in Enugu, Awka, and Owerri in South-Eastern Nigeria. The study's target population includes the intercepted customers of Access Bank, UBA, and First Bank in South-Eastern Nigeria. The survey method was adopted for the study and the sample size of 384 was determined using Freud and William's formula. Cronbach's alpha was used to determine the reliability of the instrument of 0.879. The study revealed that customer feedback has a significant positive influence on customer retention in banks in South-Eastern Nigeria.

METHODOLOGY

This study adopted a cross-sectional survey research design. The centre focus population was made up of staff and customers of the Guaranty Trust Bank in Nigeria, a simple random sampling technique was utilised, of which a questionnaire was adopted as the instrument for the collection of primary data, and was distributed to 417 respondents (that is 84 staff and 333 bank customers), out of which 192 copies of questionnaire were returned. Analysis of data was conducted using Cronbach Alpha, and Paired Sample Test with the aid of SPSS 23

Model Specification

In this study, Banyte and Dovaliene (2014) model was adapted:

$CR = \beta o + \beta 1ACE + \beta 2CFM ++ \beta 2ECE + \mu$

CR = Customer Retention

ACE = Active Customer Engagement

CFM = Customer Feedback Management

ECE = Emotional Customer Engagement

To test the relationship between Customer Engagement and Customer Retention, the model used in this study is as follows:

Customer Retention = f(Customer Engagement) + μ

Thus,

$CRM = \beta o + \beta 1ACE + \mu$ - - - - - Ho1

$CLP = \beta o + \beta 1ECE + \mu$ - - - - - Ho2

βo = Constant (Intercept)

$\beta í$ = Coefficients of the independent variable

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Y = Dependent variable (Customer Retention)

X = Independent Variable (Customer Engagement)

CRM = Customer Relationship Management

CLP = Customer Loyalty Programs

ACE = Active Customer Engagement

ECE = Emotional Customer Engagement

μ = Error term

DATA PRESENTATION AND ANALYSIS

Table 1: Analysis of Questionnaire

Description	Numbers	Pecentage (%)
No. of questionnaire administered	417	100
No. of questionnaires retrieved	192	46
No. of questionnaires not retrieved	225	54

Source: *Field Survey, 2024*

$$\text{Response Rate} = \frac{\text{Number of research tools retrieved}}{\text{Number of research tools distributed}} \times 100$$

$$= \frac{192}{417} \times \frac{100}{1} = 46\%$$

Analysis of Data

Table 2: Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	No of Items
.902	.915	16

Source: *Researcher's computation using SPSS version 23, 2024*

The reliability test using Chronbach's Alpha showed an impressive result of 90.2%. This is quite high showing that there is a high internal consistency among the variables.

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Test of Hypotheses

Test of Hypothesis I

Ho1: Active Customer Engagement has no significant impact on Customer Relationship Management.

H1: Active Customer Engagement has a significant impact on Customer Relationship Management.

Table 3 **Paired Samples Test**

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	There has been no active customer engagement in your organisation	-.080	.367	.037	-.153	-.007	-2.178	99	.032

Source: *Researcher's computation using SPSS version 23, 2024*

Table 3 shows a significant difference between the pre and post-responses with a p-value of 0.032 which is less than 5%. This shows that there is a significant change in active customer engagement from time one to time two (pre and post-period), hence, H1 is accepted and Ho rejected, indicating that Active Customer Engagement has a significant impact on Customer Relationship Management of Guaranty Trust Bank, Nigeria at 5% level of significance.

Test of Hypothesis II

Ho2: Emotional Customer Engagement has no significant impact on Customer Loyalty Programs.

Ho2: Emotional Customer Engagement has a significant impact on Customer Loyalty Programs.

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Table 4 **Paired Samples Test**

		Paired Differences					T	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	You have not deployed emotional customer engagement in your transactions Programmes	-.060	.371	.037	-.134	.014	-1.616	99	.029
2	There have not been high inclusion of customer loyalty in your marketing programmes	-.170	.637	.064	-.296	-.044	-2.671	99	.009

Source: *Researcher's computation using SPSS version 23, 2024*

Table 4 posits that there is a significant difference between the pre and post-responses with p-values of 0.029 and 0.009 respectively in Table 4 which is lower than 5%. This shows that there is a significant change in emotional customer engagement from time one to time two (pre and post-period), hence, H1 is accepted and Ho rejected, indicating that emotional customer engagement has a significant impact on customer loyalty programs of Guaranty Trust Bank in Asaba, Delta State of Nigeria at 5% level of significance.

DISCUSSION OF FINDINGS

Based on the analysis of this study, the following findings were deduced:

Active Customer Engagement has a positive and significant impact on Customer Relationship Management of Guaranty Trust Bank, Nigeria at a 5% level of significance (p-value = 0.032<0.05). This is revealed through a significant impact on businesses, leading to increased customer loyalty, higher satisfaction levels, improved brand perception, and ultimately, higher revenue and growth opportunities. According to Grigorescu, Chitescu, Nassani and Samoila (2023) stated that previous findings support this assertion that Customer Relationship Management is a part of companies' plans to form strong relations linking banks and their customers to obtain value and increase benefits. CRM form a complete process of maintaining beneficial customer relations that bring satisfaction, loyalty, attachment, trust and value to customers (Arora et al., 2021). Strong relationships with customers continue to rapidly grow, which changes the operational management of the Guaranty Trust Bank, including the

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exchange of valuable information and new ideas regarding company processes and products (Kaur, Singh & Singh, 2022).

Emotional Customer Engagement has a positive and significant impact on the Customer Loyalty Programs of Guaranty Trust Bank, Nigeria at a 5% level of significance (p-value = 0.009<0.05). The finding from the study of Tuti and Sulistia, (2022) revealed that brand loyalty reflects behavioural aspects that indicate consistent repurchases of a brand by customers and aspects of attitude that indicate the customer's preferred aspect of a brand. Customer loyalty is formed based on the assumption that customers initially process information to create beliefs, and then they use those beliefs as an attitudinal basis and then make behavioural decisions to stick with it. The brand's loyalty generally connotes a habit in purchasing behaviour expressed from time to time by the determinants of purchasing decisions by comparing several brand alternatives as part of the psychological process (Han et al., 2018). Brand loyalty is also seen as a positive response after a customer makes a purchase and feels happy and satisfied with the quality of a product and the benefits provided by the brand (Shanahan, Tran & Taylor, 2019).

CONCLUSION

This study assessed the impact of customer engagement on customer retention in Guaranty Trust Bank of Nigeria with a focus on Asaba, Delta State, Nigeria. The independent variable (customer engagement) was measured with Active Customer Engagement and Emotional Customer Engagement while the dependent variable customer retention was measured with Customer Relationship Management and Customer Loyalty Programs. This study utilised primary data basically, which were extracted from the questionnaire distributed to 192 Bank Officers and Bank Customers. With the aid of Statistical Package for Social Sciences (SPSS) version 23, inferential statistics using Cronbach Alpha, and Paired sample T-test were employed. Conclusively, the result of this study upholds that customer engagement has a significant and positive impact on customer retention at a 5% level of significance.

The Nigerian bank is currently undergoing some dynamic changes, these changes have occurred consequent upon several factors, such as changes in economic policies, government influence on financial institutional policies, competitive advantages, central bank policies, inflation, the pressure on the naira, and many more. However, the management of Nigerian banks is striving to deliver the best products and services to its customers. Customers are the lifeblood that keeps the operation of the banks going, and their investments assure the bank of its continuity, this is why they must receive the utmost satisfaction from their investment.

A positive customer engagement strategy can be pivotal in assisting brands to connect with their customers in a way that influences the customers to repeat patronage (Nurullah et al., 2024). Abu (2024) added that when efforts are multiplied to engage customers across various channels, and touchpoints above and, what’s necessary to get them to make a purchase, there is a likelihood that the firm will form stronger relationships with the customers. If you interact with them regularly about what’s relevant to them, while prioritising their needs, motivations, and aspirations, a firm is continually reminding the customers that they care. Once you start offering more to engage your customers than just your product or service and adding value to their lives (or business), your customers are convinced to automatically turn to you whenever they think of making a purchase. This is why customer engagement is so crucial. Given the

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findings of the study, the researchers recommended that; Considering the positive relationship between Active Customer Engagement and Customer Relationship Management, Guaranty Trust Bank should invest more in employee training to ensure effective and efficient use of Customer Relationship Management too, for if their staff are not promptly and adequately equip to effectively discharge their responsibilities in the ways that pleases their customers (Kumar, 2024), their customers will not be satisfied, which will in turn bring about a drop in patronage; Sequel to the direct relationship between Emotional Customer Engagement and Customer Loyalty Programs, Guaranty Trust banks should understand customer needs and attract customer attention from the dimensions of a sense of efficacy, self-identification, and spatial demand of customer psychological ownership.

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