

**IMPACT OF CUSTOMER RETENTION ON BUSINESS
PERFORMANCE IN THE SERVICE INDUSTRY: CASE STUDY OF
NAFUU CLASSICS HARDWARE LTD**

BY AUSTIN NYOIKE WAMBUGU

**A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF
BUSINESS IN PARTIAL FULFILLMENT OF THE REQUIREMENTS
FOR THE AWARD OF DIPLOMA IN ENTREPRENEURSHIP OF
MANAGEMENT UNIVERSITY OF AFRICA**

SEPTEMBER 2022

DECLARATION

I hereby declare that this research project is my original work and has not been presented for award for a Diploma at this or any other university.

Signature Date

AUSTIN NYOIKE WAMBUGU

DES/7/00016/21

SUPERVISOR

This is to declare that this research project has been submitted for examination with my approval as the university supervisor.

Signature Date

Ms Gertrude Sang

LECTURER, SCHOOL OF BUSINESSMANAGEMENT UNIVERSITY OF AFRUCA

Table of Contents

DECLARATION	i
LIST OF TABLES	iii
LIST OF FIGURES	v
Conceptual Framework.....23	v
DEDICATION.....	vi
ACKNOWLEDGEMENTS.....	vii
ACRONYMS AND ABBREVIATIONS.....	viii
OPERATIONAL DEFINITION OF TERMS.....	ix
ABSTRACT	x
CHAPTER ONE.....	1
1.0 INTRODUCTION	1
1.1 BACKGROUND OF THE STUDY	1
1.2 Statement of the Research Problem	6
1.3 Objectives of the study	7
1.4 Research question	7
1.5 Significance of the study.....	8
1.6 Scope of the study	8
1.7 Significance of the Study.....	8
1.8 Limitation of the Study	9
CHAPTER TWO	10
LITERATURE REVIEW.....	10
2.0 Introduction.....	10
2.1 Theoretical Literature Review.....	11
Theoretical Foundation of Customer Retention.....	11
2.1.1 Social Exchange Theory	11
2.1.2 Product Life Cycle Theory	12
2.1.3 Customer Satisfaction Theory.....	13
2.2 Empirical Literature Review.....	13
2.1.1 Factors Affecting Customer Retention	14
2.1.2 Strategies used to retain customers.....	16
2.4 Conceptual Framework.....	22
2.5 Operationalization of Variables	23
CHAPTER THREE.....	25
RESEARCH METHODOLOGY	25
3.0 Introduction	25
This chapter describes the study's research methodology. This chapter contains information on the demographic and sample of research participants, as well as the research strategy and data sources. In addition, the instrument, procedure, and method for data analysis were given. 3.1 Research Design	25
3.2 Target Population	26
3.3 Sample and sampling procedure	26
3.4 Pilot Study.....	28

3.5 Data collection procedure	29
3.6 Data Analysis and Presentation	29
3.7 Ethical Consideration	30
3.7.1 Informed consent	30
3.7.2 Voluntary Participation	30
3.7.3 Confidentiality	30
3.7.4 Privacy.....	30
3.7.5 Anonymity.....	30
3.8 Chapter Summary	31
CHAPTER FOUR	31
RESEARCH FINDINGS AND DISCUSSION.....	31
4.0 Introduction	31
4.1 Demographic Information	32
4.1.1 Gender	32
4.1.2 Age Bracket.....	33
4.1.3 Work Experience.....	33
4.2 Factors Affecting Customer Retention	34
4.2.1 Customer Satisfaction and Retention	34
4.2.2 Customer Perception on Value	36
4.2.4 Perceived Competitive Advantage.....	38
4.3 Discussions of the Findings	40
4.4 Limitations of the study	44
4.5 Chapter Summary	44
CHAPTER FIVE	45
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS	45
5.0 Introduction	45
5.1 Summary of the findings.....	45
5.2 Recommendations.....	45
5.3 Conclusions	46
REFERENCES.....	47

LIST OF TABLES

Table 1: Sample Size Distribution.....	28
Table 2: Response Rate.....	32
Table 3: Gender.....	33
Table 4: Age Bracket.....	34

Table 5 Work Experience.....	24
Table 6: Customer Satisfaction and Retention.....	35
Table 7: Customer Perception on Value.....	37
Table 8: Perceived Competitive Advantage.....	39.

LIST OF FIGURES

Conceptual Framework.....	23
---------------------------	----

DEDICATION

This research effort is dedicated to my parents in appreciation of their encouragement and support as I pursued additional education.

ACKNOWLEDGEMENTS

I would want to offer my sincere gratitude to the Almighty for being my academic guide. I would also like to thank the administration, administrative staff, and lecturers at Management University of Africa for their unwavering support and for creating an environment conducive to academic performance.

My supervisor, Ms. Gertrude Sang, deserves special recognition for her essential guidance and encouragement during the whole project writing process. Finally, I would want to thank my family and friends for their words of encouragement and for providing me the fortitude to complete the research project.

ACRONYMS AND ABBREVIATIONS

SPSS Statistical Package for Social Science

CEM Customer Experience Management

OPERATIONAL DEFINITION OF TERMS

CUSTOMER: In the contexts of business and economics, a customer is the individual who purchases something from a retailer, wholesaler, or manufacturer in return for money or some other form of valuable consideration.

CUSTOMER RETENTION: Customer retention refers to a company's or a product's ability to maintain customers for an extended period of time.

BUSINESS PERFORMANCE: Business performance management is a set of performance management and analytic techniques that assist an organization in achieving its stated goals.

ABSTRACT

Companies would flounder if they lost their regular clientele, who are the lifeblood of every enterprise. This is due to the belief that such businesses have no revenues, no profits, and so no market value. The descriptive method was employed for this analysis. The study's population was comprised of all 235 employees of Nafuu Classic Hardware Ltd. The study used a stratified sampling method using a sampling frame chosen from the company's official roster of employees at Nafuu Classics Hardware Ltd l. A total of 165 participants were randomly chosen to represent the study's target population size of 70%. A self-administered questionnaire was used to gather primary data for the study. Statistical Software for the Social Sciences was used to analyze the completed questionnaires (SPSS). Frequency and percentage analyses were utilized to draw conclusions from the data. Pearson's correlation coefficient was employed for inferential analysis to determine the statistical significance of associations between research variables. Data were provided in the form of tables and figures, and simple regression analysis was utilized to illustrate the significance of correlations between the research variables.

CHAPTER ONE

1.0 INTRODUCTION

An overview of the study's context, statement of the problem, research aims and questions, justification, significance, and scope are all provided in this chapter.

1.1 BACKGROUND OF THE STUDY

According to Gupta and Zeithaml (2006), clients constitute the backbone of businesses, making customer acquisition top priority. Without clients, businesses cannot maintain or improve their performance (Buttle, 2004) since they would generate no income, make a loss, and have no value in the market (Buttle, 2006). In addition, The Economist found that over 65% of respondents (high-level executives at multinational corporations) acknowledged that satisfying their customers is their top priority for achieving their firm's performance goals over the next three years (Gupta and Zeithaml, 2006). Similarly, a number of earlier studies asserted that a company's primary goal should be to develop and maintain mutually beneficial connections with its most valuable clients (Ryals and Knox, 2005)

For this reason, customer retention has been a hot topic and top priority for businesses over the past decade (Terblanche and Hofmeyr, 2005). (Gupta and Zeithaml, 2005). Markets have become oversaturated, and competition within industries has increased to the point where businesses must employ customer retention methods to survive (Singh, 2006). Furthermore, it has been found that acquiring new clients is generally more expensive than keeping the ones you already have (Treasures et al., 2009).

Accordingly, the approach is thought to allow the businesses to survive in the aforementioned cutthroat competition, in addition to reaping substantial savings from keeping their current clientele. This is consistent with the findings of prior research that found a correlation between client retention strategies and enhanced business performance (Trasorras et al., 2009). Example: a rise of just 5% in client retention can raise a company's earnings by 25% to 95%. Since this is the case, it's safe to assume that a rise in the percentage of returning customers would have a significant impact on the company's bottom line (Ryals and Knox, 2005).

Accounting and financial expressions are typically employed to associate and calculate firm performance (Gupta and Zeithaml), with profit, operational costs, and market share being among the most popular indicators used to assess a company's financial performance (Larivie're et.al, 2005). Despite this, both professionals and researchers argue that financial metrics alone are not sufficient for evaluating a company's effectiveness (Reichel and Haber, 2005). Therefore, the importance of non-financial performance (NFP) measurements in evaluating business success, especially in the service industry, cannot be overstated (Avci et al., 2010). With this in mind, the purpose of this research is to empirically investigate the effect of customer retention practice on firm performance within the Malaysian retailing industry generally and AEON (major retailer) specifically, by focusing on the business's non-financial characteristics. Thus, implications were provided for the sake of both academics and practitioners.

Maintaining a positive relationship with consumers has become a top priority for businesses because of the significant financial benefits that can be gained from doing so (Kumar et al., 2007). According to previous literatures (Trasorras et al., 2009), the fundamental stimulant for firm's customers is customers' price insensitivity. When compared to new consumers,

existing ones are willing to spend a little more and are hoping to save money thanks to promotions (Ang et.al, 2006). This is because loyal clients attribute the firm's above-average customer service and the firm's marginally higher prices to the fact that they are getting better quality (Honts et.al, 2011) Due to the value they receive, these clients continue shopping at their favorite stores long after sale seasons have ended (Woo et.al, 2004).

Therefore, clients that remain loyal to a business over the long term are known as retained customers (Terblanche et.al, 2005). As a result, they identified three separate approaches, including behavioral, attitude, and composite, that they used to gauge client retention. Repetitive and reliable purchasing patterns are used to quantify behavior (Bowen et.al, 2001). In addition, previous studies have found a linear relationship between consumer happiness and the frequency with which they make repeat purchases (Gomez *et al.*, 2004). In addition, customers are more likely to recommend businesses and make additional purchases when the quality of service they receive exceeds their expectations (Lopez *et al.*, 2007). Customers that buy from a company repeatedly are loyal to that business, enjoy their purchases, and rarely make purchases from competitors. As a result of their familiarity with a given business, these buyers tend to increase their volume of business with that company over time (Bowen and Chen, 2001).

Attitude data reflecting the customer's emotional and psychological attachment (i.e. loyalty, engagement, and adherence), as suggested by (Trasorras et al., 2009), can be used to calculate customer retention rates. Subsequently, composite measurement (Larivie're et al., 2005) is a method that combines behavioral and attitude measurements to better understand and predict client retention. This KPI encourages customers to rave about a company and its products or services to their friends and family. Customers that spread favorable word of mouth about a company typically do the following: recommend the company in question when others are

looking for recommendations, offer their services as a company spokesman or "street ambassador," and provide relevant information about the company (Reichel et.al, 2005).

Further, the absence of customer complaints is a major factor in keeping existing customers happy (Kumar et al., 2007). A company's complaint rate goes down when customers are satisfied with the items and services they've received (Avci et al., 2010). Customers who are kept on the books are less likely to complain, even if they have to wait in line, and to spread unfavorable word-of-mouth about businesses (Laitini, 2002). It is common practice for these clients to express gratitude for the excellent service and support they have gotten from businesses (Coviello et al., 2002 ;). In addition, organizations must effectively handle customer complaints because doing so improves client retention, which in turn affects customer satisfaction (Kumar et al., 2007).

Customers are the lifeblood of any company, and without them, it would be impossible to maintain success. This is due to the widespread misconception that such businesses generate no money and are thus worthless on the open market. With the shift in emphasis from acquiring new to retaining existing customers, customer management has emerged as a top priority for any successful firm. It has been found by experts in the field as well as academics that keeping current consumers is more simpler and less expensive than acquiring new ones. It is widely held that a company's success as a whole benefits greatly from maintaining a high rate of satisfied customers. An overview of the existing literature on client retention reveals that the topic has been studied extensively in the financial sector, leaving the fast food industry open to further analysis. Keeping customers means that they have a duty to continue doing business with a company on a regular basis (Hansemark&Albinsson, 2004).

Moreover, Molapo and Mukwada(2011) have determined that businesses are actively working to thwart customers' efforts to switch to competing merchants in order to indirectly retain these customers. According to Erdis (2009), companies focus their marketing

initiatives on satisfying their current clientele with the aim of retaining them and developing lasting relationships with them. In general, customers are loyal to businesses that care about them and their requirements (Fill, 2005). Due to the high expense of recruiting new clients, Farquhar (2004) argued that keeping existing ones is more beneficial to a company's bottom line. In line with this, Reichheld and Schefter (2000) found that an increase of just 5% in customer retention can increase a company's earnings by 25% to 95%. In addition, a company will spend five times as much money to win over a new consumer as it would to keep an old one (Tu, Lin, & Chang, 2011). Consequently, increasing client retention rates has a multiplicative effect on a company's bottom line and performance (Sim, Mak & Jones, 2008).

1.1.2 The Nafuu Classics Company, Ltd.

Nafuu Classic General Hardware Ltd., located in Nairobi, Kenya's bustling Gikomba market, is a retail construction company that sells hardware products like boards, sanitary ware, kitchen ware, doors and locks, paint, tiles, and much more. Over 200 people are part of its robust workforce. Nafuu Classic Hardware is committed to supplying our customers with high-quality building products. The company attempts to establish a professional relationship with its clients based on genuine, efficient, high-quality, timely service and an awareness of their needs. The customer retention strategy is founded on the most effective customer retention tactics used by the most successful companies to engender brand loyalty.

When Nafuu Classics Hardware initially entered the market, it was up against some of the most well-known names in the hardware world. When compared to the other competitors, they were minnows. At the very least in the retail building sector, they are now a household name. Over the past few years, this business has expanded its client base and improved its retention rate by responding to consumer feedback and implementing new services that are both widely applicable and specifically tailored to each user. Maintaining a system for gathering consumer feedback and sharing it with the organization will go a long way toward

establishing trust with the brand's target audience. An additional tool is a communication calendar, which is a sort of chart for keeping track of interactions with customers.

Nafuu Classics Hardware has a comprehensive client retention policy, yet it nonetheless faces the same difficulties retaining customers that other businesses do. Customers will typically take advantage of the offer, use the goods or service, and then look for future deals like it online. They may like your brand, but they won't pay full price for it if they've seen similar products elsewhere for far less. Even when a corporation has successfully divided its clientele into distinct demographic groups, it may still miss the mark when it comes to catering to each client's unique requirements. Current industry competition is cutthroat, yet client retention is still important.

Based on this context, the study set out to investigate the effect of customer retention on service-sector firm performance via a case study of Nafuu Classics Hardware ltd.

1.2 Statement of the Research Problem

Most businesses, especially those in the fast food industry, do not place the importance on customer retention that it deserves. Retaining current customers is more important to a company's bottom line than expanding into new markets or taking advantage of economies of scale. In fact, studies show that a company's bottom line can grow by 25% to 85% if it can cut customer defections by 5%.

Increasing market share and dominating a niche market has historically been accomplished through marketing management's experimentation with various permutations and combinations of the marketing mix ingredients (product, price, place, and promotion). This strategy takes into account the possibility that customers will divide into several groups. It does not factor in the customer's prior interactions with the merchant, so it does not reflect the customer's true purchasing tendencies. Those that use the conventional marketing strategy

also employ the usage of aggressive branding and promotions. However, the most widely distributed brands aren't necessarily the most lucrative ones. It is possible that they will be loss-making in some circumstances.

Conversely, the relationship marketing strategy prioritizes maintaining current consumers, boosting their spending, and building lasting bonds with them. Research researcher Gronroos has said, "Marketing is the process of establishing, maintaining, and enhancing profitable connections with customers and other parties in order to achieve the goals of all parties involved." This is achieved through honest communication and the keeping of commitments. As a result, businesses should incorporate customer retention into their long-term marketing strategies. On this note, the researcher explores the effect of client retention on business performance in the service industry, using Nafuu Classics Ltd. as a case study.

1.3 Objectives of the study

The overall objective of the research study is to examine the impact of customer retention on business performance in the service industry, Case of Nafuu Classics Hardware Ltd. Other specific objectives include:

1. To determine the factors that influences customers retention in business performance
2. To examine strategies used to retain customers in business performance
3. To examine the relationship between customer retention and business profitability in business performance

1.4 Research question

The following research questions formed the basis for the study:

1. What are the factors influencing customer retention in business performance?
2. What effect does customer retention has on business growth in business performance?

3. What is the relationship between customer retention and business profitability in business performance?

1.5 Significance of the study

The results of this research should shed light on how client retention affects a company's bottom line. Both businesses and consumers will profit from the research. This research will be useful as a point of reference for future studies.

1.6 Scope of the study

This study examined the effect employee retention has on business performance in the service sector. The research was centered on Nafuu Classics Hardware Ltd. The survey collected information from 165 of the total 235 Nafuu Classics Hardware Ltd employees. This represented 70% of the overall employee population, ensuring the validity of the study's sample. The research was conducted between January and April of 2022.

1.7 Significance of the Study

Future researchers will be able to use this study as a stepping stone to further develop the theory of customer experience management and customer retention. The study's findings and conclusions may be helpful to policymakers, particularly those who make decisions for financial institutions. They can use the information in this study to better understand the role that Customer experience management plays in retaining customers, and they can use the suggestions for improving Customer experience management that have been provided to establish more rigorous standards at their own institutions. Financial institutions, in particular, may benefit from this research into the effect of customer experience management on client retention.

1.8 Limitation of the Study

Throughout the research, the following difficulties were encountered: Given that the researcher has a full-time job, the available time for study is fairly restricted. As a result, she had to manage her time effectively in order to keep up. Appointments with management were tough to obtain. The researcher had to be patient and convey the significance of the study to management.

1.9 Chapter Summary

The chapter provided a brief overview of the study's background, stated the reasons why the researcher felt compelled to conduct the research, outlined the study's specific objectives and research questions, defended the study's significance, outlined its scope, and explained the limitations encountered during the study.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

In the service sector, intangibility, inseparability, heterogeneity, and perishability are the defining characteristics. Service by its very nature is intangible. Zeithaml, Parasuraman, and Berry (1990) notes that intangibility is the primary distinction between services and products. Customers can use their senses of sight, touch, sound, and taste to evaluate the quality of the items and services they receive, as well as their overall level of satisfaction with the service they have received. However, a consumer can't use their outward appearance to evaluate the service's quality or their level of happiness with the experience. (Berry, 1995)

In this sense, the intangible quality of service hinges on the employee's capacity to engage with the client and provide a level of customization and emotional resonance that leaves the consumer feeling satisfied. In most service encounters, the provider is present during both the delivery and receipt of the service (thus the inseparability characteristic). For this reason, clients are frequently required to take an active role in the provision of the service by physically participating in it. As a result, both the provider's and the customer's efforts contribute to the final product (Kelly, Donnelly, & Skinner, 1990), and the service itself is transformed into a human performance in which the customer plays an integral role (Zeithaml, Parasuraman, & Berry, 1990).

In the service sector, a customer's outlook and goals during the lead-up to an appointment are heavily influenced by the customer's assessment of previous service interactions.

Zeithaml, Parasuraman, and Berry (1995) avers that heterogeneity is a noteworthy phenomena. The sum of a customer's thoughts and feelings about a service encounter is more

than just the sum of the customer's processing of the service provider's tangible and intangible features and aspects (Kardes, 1999). Many service providers face difficulties with heterogeneity because they focus on building loyalty among their current clientele. As a result, service businesses frequently conflate customer happiness and customer loyalty. Customers are more likely to stick with a company through good and bad times if they feel valued.

2.1 Theoretical Literature Review

Theoretical Foundation of Customer Retention

The study was grounded on three theoretical frameworks including The Social Exchange Product Life Cycle Theory, and Customer Satisfaction Theory.

2.1.1 Social Exchange Theory

Thibaut (2015) indicates that there are four stages that all healthy long-term relationships must go through: sampling, in which costs and benefits are tested, bargaining, in which compromises are reached on both sides, commitment, in which both parties stabilize their reward and cost expectations, and acceptance, in which the relationship becomes the primary focus. Every participant in a social trade seeks to maximize the benefits they derive from the interaction while minimizing the negative aspects. In a healthy relationship, both partners put in and get out roughly the same amount of effort (Kelley, 2012). Businesses rely heavily on social exchange theory to keep their customers satisfied, as doing so results in financial gains for the company.

This research focused on the social exchange theory since it is relevant to the topic at hand (customer retention), namely how firms may keep their customers by focusing on maintaining a steady flow of transactions (via the exchange of incentives and the acceptance

of expenses) and by putting special effort into cultivating strong relationships with those consumers.

2.1.2 Product Life Cycle Theory

Product The manufacturing business relies heavily on client retention, and the life cycle is a key factor in this.

Vernon (2013)notes that it is the product itself, and not the country or technology utilized in its production, that is the most important consideration. It is important, he said, while developing and releasing a new product, to have a firm grasp of the product's expected lifespan. High levels of investment and participation in exhibitions are called for at the present moment. If it becomes successful, rising volumes will drive down prices, fostering even greater expansion. When a product reaches maturity, the sales curve flattens once more and the majority of revenue comes from repeat purchases rather than acquisition of new customers. Oversaturation: When there are too many participants, space becomes limited. The interest of the product's suppliers dwindles, and eventually the product fades. Commercial banks can make better use of the aforementioned cycle through comparative use, advisory use, and dynamic use thanks to what they have learned. Therefore, knowing the product's current state of development requires an understanding of its primary stages (Kinnear, 2015).

Thus, over the customer experience life cycle, it is recommended to target the right customers with the proper value proposition, start off on the right foot with acquisition, incorporate customer advocacy into day-to-day support, and build connections to encourage stickiness. The theory will guide the research by providing an examination of the function that innovation in new goods will play in contributing to enhanced business performance.

2.1.3 Customer Satisfaction Theory

High customer satisfaction survey scores are no guarantee of continued loyalty. Customers' loyalty is shown through their actions, therefore they can be completely satisfied and still not be loyal. Peter (2013) believes that monopoly does not result in customer loyalty since most customers will abandon ship once the novelty of a new competition wears off. Discounting is not the cause either. True loyalty is a byproduct of the relationship between suppliers and customers, and the brand is a crucial tool in establishing and maintaining that relationship. The expectation disconfirmation model is the most widely accepted theory of consumer satisfaction.

This hypothesis states that the relationship between performance and disconfirmation is a function of satisfaction outcomes. How disconfirmative anything seems relies on how well it was executed and what was used as a reference point. Expectations, ideals, rivals, additional service categories, marketer claims, and industry norms are all possible benchmarks to evaluate a service against. A consumer will feel negative disconfirmation if their perception of performance is far below the benchmark against which it is being measured (service did not meet the comparison standard). The manner in which the service provider believes they completed the service is irrelevant. Managers of business services must be alert to the dangers of negative disconfirmation since it poses the greatest risk to client loyalty, positive word-of-mouth, repeat purchases, and other positive responses.

2.2 Empirical Literature Review

An empirical literature review is defined here as an examination of numerous facets of an empirical study that are of relevance to the current investigation. Evaluating the results of prior empirical studies is a key part of the literature review process when attempting to resolve a pressing research problem.

2.1.1 Factors Affecting Customer Retention

Customer retention is affected by a number of factors, including the company's complaints-handling process, customer service, service recovery, service quality, the quality of the relationship with the customer, the customer's level of satisfaction, the product mix, and the customer's perception of the fairness of the prices. In what follows, we'll examine each of these aspects in more depth. A well-executed complaints-handling process may have a beneficial influence on client retention, suggesting its strategic importance (Stauss& Seidel, 2004). Customers who have had complaints resolved to their satisfaction may end up being more loyal than those who never had any problems to begin with (Nyer, 2000). However, these service quality traits are rarely on display when services are supplied or products perform correctly for the first time, but they are substantially connected with customer satisfaction with complaints management (Buttle, 2004). Despite the process' strategic importance, many businesses give little weight to how they deal with customer complaints (Stauss&Schoeler, 2004).

Providing excellent customer service is a crucial part of any successful business, as it helps bring in new customers, build relationships with existing ones, and expand into new markets. In the words of Gummesson (2002), customer service matters since it leads to better products, a competitive edge, more money made, and more possibilities to do business. The scope of what constitutes "customer service" is enormous.

Providing consumers with informational services is similar to notifying them about new items and service center information. In order to keep customers happy, it's important to provide them with effective communication services. When clients have second thoughts after making a purchase, the best way to calm their nerves is to build trusting relationships with them over time (Hollensen, 2003). Improving the quality of service provided to consumers is facilitated in part by investing in training programs for both employees and clients. By

providing appropriate training services, businesses may raise the bar on customer service and, by extension, boost customer satisfaction. Having properly educated workers also makes the business more answerable to its customers. Client retention is also aided by discovery services. Discovery services are those provided by a business to customers in order to help them find and fix product flaws without incurring any financial loss (Kruse et al, 2010).

In order to guarantee that clients are happy with the services they receive, it is important to identify any problems that may arise and fix them. The utilization of electronic banking methods like Visa cards, mobile banking, and ATMs can be made more efficient with the use of banking industry discovery services (ATMs). Similarly, new requirements and business prospects have been uncovered with the help of discovery services. Before rolling out these kinds of offerings, the corporation conducts product tests in certain markets and evaluates customer satisfaction through benchmarking systems (Kruse et al, 2010).

The term "service recovery" refers to the service provider's ability to rectify issues like customer dissatisfaction and service failure (Gronoss, 1988). For the sake of this study, we will use the previously defined definition of service recovery. Customer trust in the service provider is boosted by the company's proactive efforts to resolve the issue. Customers can be prevented from leaving a service provider with the right amount of effort put into service recovery (Colgate & Lang, 2001). Service recovery throughout the service encounter lays the groundwork for a lasting friendship with the customer. As a result, the service recovery might function as a part of the barrier to switching.

One of the most important goals of any successful marketing strategy should be to provide complete customer happiness. Drucker (1954) argues that a company's ultimate goal should be to make its consumers happy. An increase in customer satisfaction has been linked to increased future profits (Anderson, Fornell& Lehmann, 1994), reduced costs associated with defective products and services (Anderson, Fornell&Rust, 1997), an increase in buyers'

propensity to pay a premium price, make recommendations, and consume more of the product (Anderson & Mittal, 2000), and a rise in customer retention and loyalty (Fornell 1992) It has been observed that boosting customer loyalty can enhance future revenue (Fornell 1992) and decrease future transaction costs (Reichheld 1996; Srivastava, Shervani & Fahey 1998). There is a wealth of data to support the claim that satisfied customers are beneficial to businesses financially and in terms of public perception.

Customers are the source of a company's future profits, therefore keeping them happy is just as important as acquiring new ones (Anderson and Sullivan 1993). Evidence from empirical studies suggests that focusing on boosting customer satisfaction can actually result in cost savings by reducing the number of returns, reworks, etc (Fornell, 1992). Focusing on developing high-quality products and services, however, is the key to achieving long-term customer happiness and retention and realizing the benefits that these efforts may give. Profitability is more likely to benefit from customer satisfaction and retention that is earned through excellent products and services than from those that are purchased using price discounts, rebates, switching obstacles, and other such tactics (Anderson and Mittal 2000). In light of this, improving the quality and satisfaction of a product or service by making it more reliable may not be as effective as making it more responsive to the needs of the target audience (Fornell et. al., 1996)

2.1.2 Strategies used to retain customers

Pearce and Robinson (1991) avers that strategy entails "high-level, forward-looking plans for dealing with the competitive environment in order to maximize attainment of organizational objectives." As defined by the authors, "strategy is the direction and scope of an organization over the long term that produces advantage for the company through its configuration of resources within a changing environment to satisfy the needs of markets and fulfill stakeholder expectations" (Johnson & Scholes, 2003).

Reichheld claims that the key to client retention is a multi-pronged approach that includes the following steps: defining and measuring retention; Trying to build steadfastness where it counts by concentrating on attracting the "correct" clients rather than simply a large number of them; Modifying the current distribution channels; Using innovative screening methods to reduce the likelihood of unfavorable client selection Incentivizing the sales team to focus on customer retention as well as acquisition;

Investing in long-term relationships with customers rather than short-term gains by offering discounts to those who continue to shop with you, such as through coupon codes or gift cards; Creating specialized programs to attract and retain your most valuable clients. Concentrating on each individual's unique needs. Kotler (1999) explains why businesses should monitor their customer attrition rate and work to lower it. He lays out the following steps a business can take to improve its customer retention: -rate of retention, and how it is calculated; identifying the root reasons of consumer churn; figuring out which ones can be handled more efficiently; estimating the amount of profit lost due to customer turnover; and calculating the cost of reducing the defection rate.

Firms are cautioned to keep in mind the varying "loyalty coefficients" - the corresponding amounts of economic forces required to sway various types of customers - when trying to draw in and keep different types of clients. The most vulnerable candidate has the highest probability of being the first to defect.

Reichheld (1996) claims that clients who are easily wooed by even a small price cut are just as likely to skip away to a competitor at the first sign of a better offer.

Payne and Frow (1997) investigated client retention in relation to a large UK electrical provider. They utilized a model with four inputs—customer count, customer retention rate, profit per customer, and the cost to acquire a new client—to predict the likely impact of

retention- and acquisition-focused marketing programs. Based on their simulation, they draw the following conclusions: mass marketing techniques should be substituted by those based on easily recognizable value propositions; retention management programmes should be focused on specific categories that are already or potentially profitable; and strategies should be founded on an awareness of the relative profitability of various sections (the economics of retention). Both Page et al., (1996) and Payne and Frow (1997) noted that retaining customers resulted in quantifiable financial gains for businesses, and that these gains differed for returning customers vs new ones. Even Reichheld acknowledges that not all customers are looking for a committed relationship. There are, however, customers who not only spend more, pay on time, and require fewer services in the long run, but who also enjoy continuous long-term collaborations.

According to Zeithaml and Bitner (1996), service quality is the overall performance of the service encounter. According to their model of customer satisfaction and quality beliefs, consumers' contentment is more of a mindset that impacts their perceptions of the service's quality, which in turn affects their likelihood to purchase a product.

They argue that if consistent service isn't offered, customers will get dissatisfied and potentially defect, spreading negative word of mouth about the company.

Payne et al., (1997) observes that the quality as seen by customers is a key factor in a company's bottom line. Zeithaml and Bitner (1996) stressed the importance of service quality in achieving and maintaining a competitive edge. Gronroos (1990) recognizes two levels of service excellence. Quality in terms of what is delivered (technical quality) and quality in terms of how it is delivered (functional quality). The technical or outcome quality of a process is how the client sees the end result after the resources have been applied.

The customer's perceptions of the process's functionality, known as the functional or process quality dimension, are typically just as essential. Perceived quality, which may be thought of as a customer's overall assessment of an organization's quality, is the foundation of the service quality construct as it is conceived of in the service marketing literature (Zeithaml, 1996).

Kotler (1999) identifies five factors—reliability, responsiveness, certainty, empathy, and tangibles—that determine service quality. Bond et al., (2002) define reliability as "the capacity to reliably and accurately provide the promised services." Kang et al., (2004) identify the following reliability metric: Maintaining error-free records and consistently delivering high-quality service to consumers are just as important as meeting or exceeding those promises.

Zeithaml (2002) describes responsiveness as a company's capacity to deliver pertinent information to a customer when an issue arises, as well as having a system in place to manage returns and offer essential guarantees. According to Kotler (1999), a business that is responsive is one that is eager to assist its clients and provides them with services quickly. Kang et al., (2004) include the following responsiveness measures: informing consumers when services will be performed, delivering prompt service, eagerly assisting clients, and being prepared to answer to their demands.

Bond et al., (2002) avers that assurance is "the expertise and civility of personnel and their capacity to express trust and confidence." Kang et al., (2004) propose the following assurance metric: Having personnel that are trustworthy and make clients feel at ease throughout business transactions, as well as those who are always pleasant to work with and capable of delivering on their service commitments. Kotler (1999) observes that empathy is demonstrated when service providers treat their clients with warmth and individuality. Kang et al., (2004) indicates that a company's level of empathy can be gauged by its willingness to:

provide personalized service; have staff who treat customers with compassion; put the needs of consumers before their own; keep flexible business hours; and offer a wide range of payment options. As Kurtz et al., (2002) explain, many businesses use complaints as a quality indicator in their service. Kotler (1999) explains that service providers understand who they're trying to serve and what those people require from them.

Zeithaml et al., (1996), the largest study of its kind, finds that customers' propensity to suggest a firm, increase their business with that company, and even pay more all depend on the quality of the service they receive. Kotler (1999) further indicates that customer satisfaction is the degree to which a consumer is happy or unhappy with a product based on how well it meets their needs. He also recommended the following methods for keeping tabs on and gauging customer satisfaction: -complaint and suggestion systems—a customer-centric business will make it simple for clients to voice their opinions and concerns; Questions aimed towards gauging client happiness By polling customers on a regular basis, responsive businesses may gauge how they're doing in terms of consumer happiness. Shop around with the dead Businesses might benefit from having "trolls," or people pretending to buy their goods, report on their positive and negative experiences. Those clients who have ceased purchasing from you or have transferred to a different provider should be the focus of a lost customer investigation. Reichheld (1996) argued that customer satisfaction programs are useful because they reduce customer turnover, hence increasing revenues. The risk for unfavorable customer word of mouth can be reduced by emphasizing customer happiness. More than 90% of unhappy consumers, according to studies, won't take the initiative to complain to the company directly; instead, they'll switch to a competitor and spread the word about their negative experience. An unsatisfied customer may spread their unhappiness to as many as eight additional potential buyers (Terry et al, 1998).

Gavin et al (1998), indicates that one in four customers has an issue with things purchased.

One-fifth as many people will file a complaint if the item cost less than \$20.

Most customers believe that bringing problems to the attention of the company's employees as soon as they arise is a waste of time and will only make things worse. Customers are already less likely to complain when they have issues with the product itself; if those issues are related to the service, they will be even less likely to do so. Instead of complaining directly to the manufacturer, dissatisfied customers will go to their support networks. According to research, unhappy consumers typically tell between eight and ten others about their negative experience. The significance of discovering and responding to customer complaints cannot be overstated, since firms can influence post-purchase consumer behavior for the better by analyzing the causes of the complaint and displeasure (Blodgett et al., 1997).

Boshoff (1997) emphasized the necessity of the following components for an effective complaint system: concerns being treated seriously; employees being enabled to deal with the matter and having follow-up; convenience of accessing the complaints procedure; availability of clear processes; promptness of response; reliability (consistency) of response; single point of contact; simplicity; continuous communication with the complainant; staff understanding of the complaint processes; and complaints being taken seriously. Having well-defined processes, being responsive in a timely fashion, and being trustworthy.

There is a clear positive correlation between customer happiness and profitability, as shown by several empirical studies. According to Coldwell (2001), a company can increase its profits by prioritizing retention of happy customers above those of unhappy ones. According to Ibojo et al., (2013), there is a strong link between happy customers and financial success. H3: client satisfaction has a substantial impact on customer profitability. Lenskold Group (2003) defines customer retention as a steady stream of customer profitability in their report on the profitability of marketing. Organizations need to improve client retention techniques to

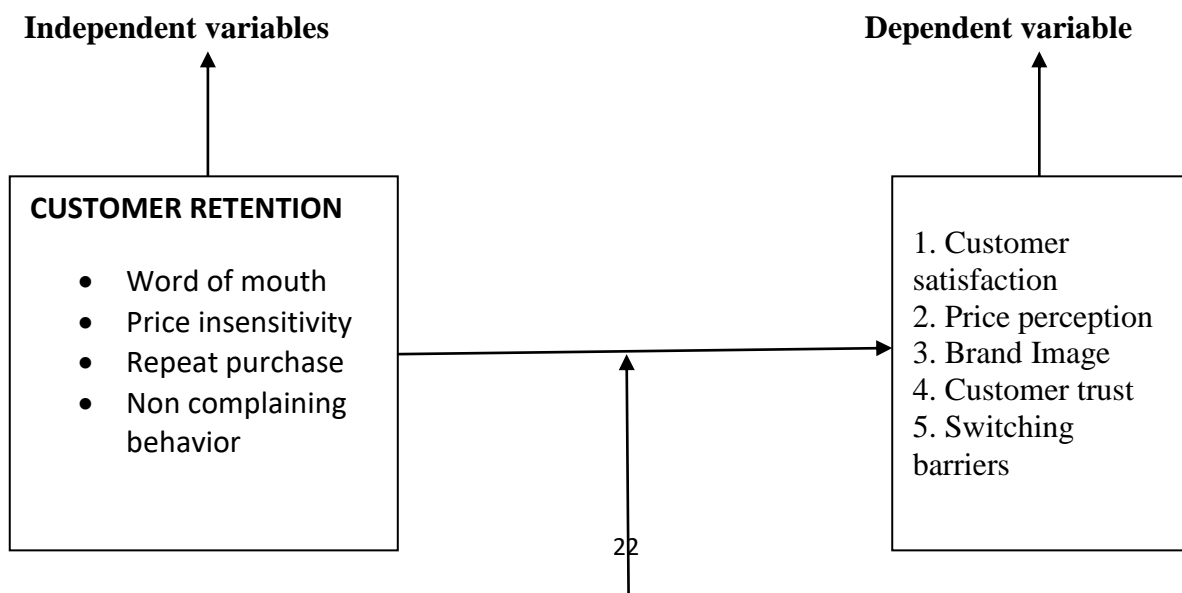
keep their profit margins stable. Dubihlela and Molise-Khosa (2014) conduct an experiment with hotel management to determine if e-CRM increases customer loyalty, retention, and profitability. Their findings confirm the idea that a strong correlation exists between customer profitability and loyalty.

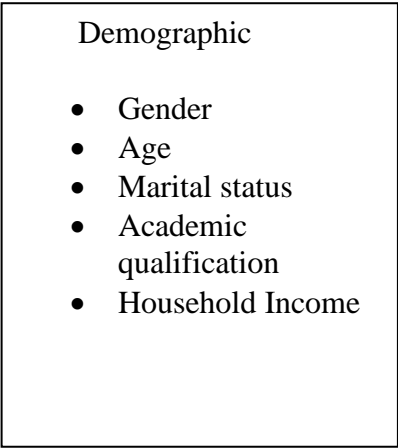
Conclusions and Knowledge Gaps

In order to effectively manage the client base a company has and the value it holds, it is necessary to focus on customer retention, which is the second stage in the customer lifecycle (Buttle, 2009). The key to success is having operational processes to address the churning propensity throughout the customer lifecycle of retention, including proactively managing the churn by boosting happiness and loyalty, converting at-risk consumers back to retained customers, and regaining the lost, high-profitable customers. (Griffin & Lowenstein, 2001.)

2.4 Conceptual Framework

The anticipated link between variables is depicted in a conceptual framework, which can be written or illustrated. This diagram illustrates the link between the independent variable (Business Performance) and the dependent variables (Impacts of customer retention). Variables are only the qualities or properties to be studied. In general, the conceptual framework is derived from a survey of previous studies and theories on the topic.

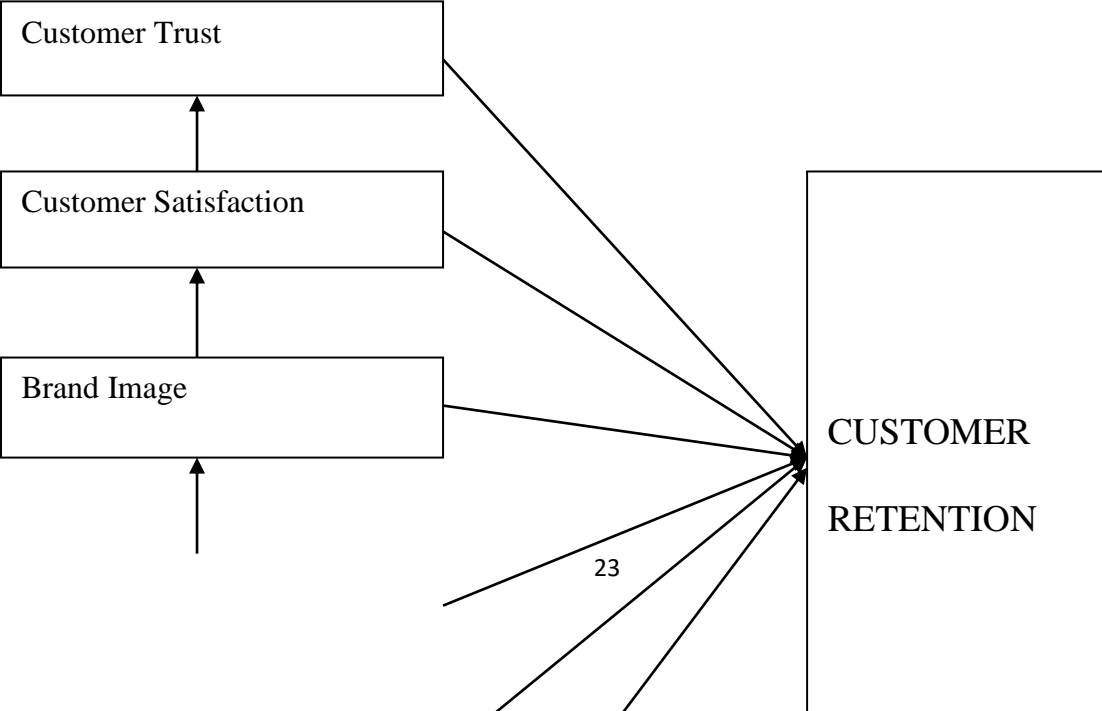




(Source; Researcher 2022)

2.5 Operationalization of Variables

This study employs customer retention strategies as a measure of customer satisfaction, which is viewed as a crucial element of a company's nonfinancial performance. The major indicators of successful customer retention strategy are considered to be the study's repeat purchases, price insensitivity, word-of-mouth communications, and lack of complaint behavior. In addition, we evaluate how consumer demographic profiles affect retention strategies and, ultimately, the bottom line.



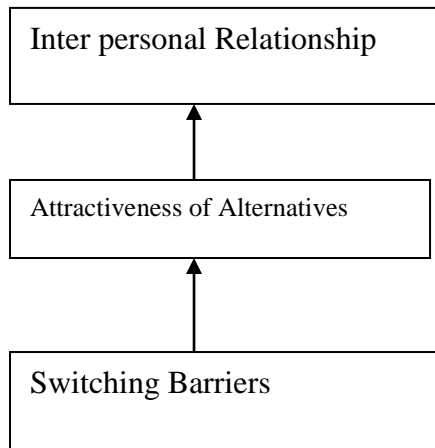


Fig 1.Operationalization of Variables

The above model illustrates that client retention is the primary focus, with happiness with the service provided, pricing, promotion, and loyalty all serving as potential independent factors in an attempt to explain the variation in the dependent variable.

2. Price perception
3. Brand image
4. Client Confidence
5. Switching obstacles

Customer retention in the service sector can be affected by a number of factors, as we have shown. Anderson & Sullivan (1993) discovered that the more the customer satisfaction, the greater the likelihood of client retention. In the service sector, customer satisfaction was found to be a direct influential element in customer retention (Gerpott et al., 2001). Christopher (1996) discovered that Brand image has a substantial positive effect on customer retention. According to their findings, a company's ability to retain customers is directly correlated with the quality of its brand image. According to Abrat and Russell (1999), price is the most important element in keeping existing clients. Mcknight et al., (1998) found that consumer trust is a significant element in maintaining existing customers. Jones et al., (2000)

emphasized that switching barriers are the variables that prevent clients from leaving their current service providers. The research showed that customers' reluctance to switch was due to factors like the high price of switching, the difficulty of forming new interpersonal bonds, and the lack of an appealing alternative.

2.6 Chapter Summary

The theoretical underpinnings of customer retention in the service business were discussed in this chapter, along with the empirical literature that was immensely helpful in providing a firm grasp on the topic for the researcher. The expected relationship between variables was also modeled in this chapter's conceptual framework. The chapter concluded with a discussion on how to make variables operational.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter describes the study's research methodology. This chapter contains information on the demographic and sample of research participants, as well as the research strategy and data sources. In addition, the instrument, procedure, and method for data analysis were given.

3.1 Research Design

Igwenagu (2016) the purpose of a research design is to provide a road map for carrying out an investigation while keeping confounding variables to a minimum. Bryman, Becker, and Sempik (2015) define a research design as the researcher's blueprint for addressing the research question or validating the study hypothesis. The descriptive method was employed for this analysis. Research in which no experimental manipulations of the research's natural conditions are performed is called a descriptive study (nothing is manipulated).

The purpose of descriptive research is to demonstrate connections or relationships between various variables (Wodak & Meyer, 2014). In order to determine whether or not the hypotheses about the respondents' current circumstances are correct, data must be collected for a descriptive research. According to Bryman, Becker & Sempik (2015), descriptive research design is used to systematically summarize the facts and features of a certain population or area of interest, in a way that is factually and accurately accurate. For the purpose of this study, a descriptive study was used to investigate the impact of customer retention on business performance in the service industry, with a particular focus on Nafuu Classic Ltd. Its goal is to characterize the population's potential actions, qualities, and values.

3.2 Target Population

A researcher's target population refers to the subset of the total population that they are interested in studying (Igwenagu, 2016). Babie and Halley (2015) define a study's target population as the whole collection of respondents who fulfill the specified set of criteria. Population elements, which might be individuals, businesses, or even just collections of information like customer databases, are the focus of quantitative studies (O nwuegbuzie and Leech (2016). There were 235 people that made up the population of this study among the employees of Nafuu Classic Hardware. Given that the sample size was calculated as 70% of the entire population, 165 participants were drawn from across all departments.

3.3 Sample and sampling procedure

Stratified sampling was used for this research. The researchers use a probability selection method called a stratified sample in which they divide the overall population of interest into smaller subgroups (called "Strata") and then pick their final participants proportionally from each of the strata (Igwenagu, 2016). According to Steven, Dong, & Dresner (2014), stratified sampling is a variation of random sampling in which the population is divided into two or

more groups depending on one or more attributes. When a study aims to shed light on specific segments of the population, stratified sampling is employed (Onwuegbuzie & Leech, 2016).

Respondents were selected using a stratified sample method to ensure that representatives from all managerial and administrative levels were included in the study. Senior managers, line managers, operational managers, and normal employees made up the four tiers. Stratified sampling was the most practical method for this study since it allowed researchers to easily collect data from all of the different divisions at Nafuu Classic Hardware. Furthermore, this strategy was straightforward and convenient for widespread implementation. The design was chosen because it would include everyone working in the company, regardless of their position.

A sample may be defined as "a subset or selection of a broader population" (Igwenagu, 2016). The process of deciding how many individual samples to take from a larger population is known as sample size determination (Singh, 2008). The size of the sample is significant for generalizing from a small number of people to the entire population (Igwenagu, 2016). The larger the sample size, the more confidently a researcher can draw conclusions about the whole population. Onwuegbuzie & Leech (2016) suggest that when conducting a study, a sample size of fifty percent of the population is sufficient. The study's sample size of 165 people was calculated by randomly selecting 70% of the population and then allocating them among the various categories in Table 1. This proportional representation of the population was chosen to ensure that the study's findings are accurate and relevant to the general population.

Table 1: Sample Size Distribution

Position in organization	25	70	17
--------------------------	----	----	----

Senior Managers	9	70	6
Line Manages	10	70	7
Regular staff	216	70	152
Total	235	70	165

3.4 Pilot Study

Based on the findings from the literature analysis and the results of the pre-tests and the pilot study, a research instrument was created and then refined. Tests were conducted on a draft of the questionnaire to guarantee its quality in all areas. The pilot study relied on the previously field-tested questionnaire. The finalized survey consisted of two parts, Section A and Section B. Section A of the survey asks participants about their personal information such age, gender, income, education level, and marital status. In this section, we used a five-point likert scale (1 = strongly disagree, and 5 = strongly agree) to assess the range of comments we received.

The next step was to conduct a mall-intercept survey to collect information from potential participants. Judgmental sampling was used to pick the respondents. In addition, the responders were accosted while they were leaving the store. The reason for this was to keep them from being disturbed as they shopped. This strategy was effective in increasing their interest in taking part in the survey. The reliability of the 200 returned surveys was evaluated. The measures' trustworthiness was calculated using Cronbach's alpha. Since all of the measures have alphas more than 0.8 and the aggregate alpha is 0.9496, they are all considered to be very dependable. Measures' validity was also examined by examining their face and their (factorial) construct validity. The questionnaire's content was evaluated to make sure it was sufficient to address the study topics at hand, and its external validity was determined

through the execution of preliminary works, where the feedbacks made were used to further develop the questionnaire.

3.5 Data collection procedure

Information pertinent to a study's goals and questions is gathered through a systematic process called "data collecting." According to research (Onwuegbuzie, Leech, 2016), A self-administered questionnaire was used to gather primary data for the study. Any method of collecting information in which respondents are asked the same set of questions in the same order is included under the umbrella term "questionnaire" (Igwenagu, 2016). According to Halley (2015), a structured questionnaire is an organized set of questions with the intent of eliciting certain information. Information for this study was gathered through the use of predetermined, closed-ended questions. A five-point likert scale was also used in the questionnaire. Part A of the survey inquired about basic demographic information, Part B about CEM Orgware and customer retention, Part C about CEM Customer ware and customer retention, Part D about CEM Stageware and customer retention, and Part E about customer retention.

3.6 Data Analysis and Presentation

The quantitative data were evaluated by coding and entering them into the Statistical Package for the Social Sciences (SPSS). Descriptive statistics were calculated by SPSS, including frequency distributions, percentages, means, and standard deviations. Content analysis was used to decipher the qualitative data. For researchers in the social sciences, content analysis is a method for examining messages. According to Holsti (1969), content analysis can be used to draw conclusions about a communication's context, identify its features and characteristics, and extrapolate its impact. Analyzing the degree of agreement or correspondence among the key informants guaranteed the reliability of the content analysis.

3.7 Ethical Consideration

This study was approved by Management University of Africa.

3.7.1 Informed consent

Before beginning the study, the investigator made sure to get approval from the appropriate bodies, provide adequate background information to the participants, and answer any questions they might have.

3.7.2 Voluntary Participation

All respondents were assured of their anonymity and offered the option to engage in the study at their own discretion.

3.7.3 Confidentiality

While conducting study, the researcher respected participants' right to privacy, which included those participants' understanding of the bounds of confidentiality.

3.7.4 Privacy

The researcher conducted their research in accordance with the laws of the Republic of Kenya and with a commitment to protecting the privacy of their subjects.

3.7.5 Anonymity

Potential hazards, discomfort, or unpleasant consequences were a few of the reasonably foreseen variables that may have influenced the participants' willingness to engage.

3.8 Chapter Summary

The chapter provided a comprehensive overview of research methods and outlined strategies for approaching research topics. The research methods were separated into qualitative and quantitative approaches and included the unique study activities of data collection and analysis in order to answer the specific research questions.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

4.0 Introduction

This research was driven by the need to identify the elements influencing customer retention in commercial banks, using Barclays bank of Kenya as a case study. By performing a case study on Barclays bank of Kenya, the purpose of the study was accomplished. The information was gathered via a semi-structured questionnaire. The surveys were distributed utilizing the drop and choose approach. As demonstrated in Table 2, the responses to the questionnaires were as shown.

Table 2: Response Rate

Number of questionnaires	Frequencies	Percentages
Filled questionnaires	76	84%
Unfilled questionnaires	14	16%
Total	90	100

Source: (Research data, 2012)

In total, 90 surveys were sent out. A total of 76 (84%) surveys were completed by respondents, with 14 (16%) going unattended. A response rate of 50% is adequate for analysis, 60% is good, and 70% is exceptional, according to Mugenda&Mugenda (2003). This percentage of respondents was therefore regarded satisfactory for the study's purposes.

4.1 Demographic Information

Customers of Barclays Bank participated in this survey. Details on their gender, age range, and professional backgrounds were provided.

4.1.1 Gender

Participants were asked to self-identify as male or female as part of the study. Table 4.2 displays the results of the analysis based on gender.

Table 3: Genders

Gender	Frequency	Percentage
Male	4	25.0
Female	10	62.5
Total	14	87.5
Unfilled	2	12.5
Total	16	100.0

The gender distribution of this study's participants is displayed in Table 4.2. Ten females (71% of total) filled out the surveys, compared to four males. There were more women than men consumers that participated in the survey, since there were less men (4 total, 29% of participants).

4.1.2 Age Bracket

Individuals were asked to identify their age range. Table 4 displays the findings.

Table 4. 3	Age	Frequency	Percentage
Bracket	Age		
Bracket			
18-30 yrs		6	37.5
31-40 yrs		7	43.8
41-50 yrs		3	18.8
Total		16	100.0

Source: (Research data, 2012)

According to the data in the table, nearly half of the respondents (43.8%) fell among the ages of 31 and 40. A sizable 37.5% (6) were in the 18-30 year old range, while 18.8% (3) were in the 41-50 year old range. Findings suggest that the bulk of Barclay's clientele are young, successful people between the ages of 31 and 40.

4.1.3 Work Experience

The responders supplied details regarding their experience in the industry. There is a summary of the results in table 4.4.

Table 5	Work	Frequency	Percentage
Experience	Years of		
Experience			
1-5 yrs		1	6.3
5-10 yrs		12	75.0
Above 10 yrs		2	12.5

Total	15	93.8
Unfilled	1	6.3
Total	16	100.0

Based on the data, it appears that the majority of respondents (12) had been using banks for their financial needs for between five and ten years. Three of them, or 13.3 percent, admitted that they had been employed by banks for more than 10 years. These results suggest that respondents have a good grasp of banking concepts.

4.2 Factors Affecting Customer Retention

The study gathered information on the elements that influence client retention. The following sections categorize the factors discussed.

4.2.1 Customer Satisfaction and Retention

The study collected data on the impact of customer satisfaction on customer retention. The findings are provided in table 4.5.

Table 6: Customer Satisfaction Indicators of Satisfaction	Mean	Std. Dev
Accuracy of firms records	3.3125	1.44770
Accuracy of transactions	3.8750	.88506
Access to electronic transactions	3.3750	1.08781
The staff who deliver the service	3.8750	1.20416

Efficiency of customer service	3.5625	1.15289
The physical appearance of the branch	4.0000	1.15470
Convenience of branch location	4.1875	1.16726
The banks effort to inform customers about new products and services	3.3750	1.14746
Charges for services offered by the firm	2.6875	1.01448

The data regarding the effect of customer satisfaction on customer retention are presented in Table 4.5. The responses were taken using a 5-point Likert scale. According to the scale, 1 represents "Strongly Disagree," 2 represents "Disagree," 3 represents "Neither Agree nor Disagree," 4 represents "Agree," and 5 represents "Strongly Agree." The responses were examined using descriptive statistics, such as the mean and standard deviation.

If a variable's mean score is around 4.0, then respondents strongly agree with that statement; if the mean score is near 3.0, then respondents are neutral. Respondents generally gave those criteria a negative rating (mean close to 2.0) The degree of dispersion among the responses was measured by calculating the mean and standard deviation. Based on the data, clients have a high opinion of Nafuu Classics Hardware Ltd's transaction correctness (M=3.87), service quality (M=3.87), and efficiency (M=3.56). Customers are also pleased with the branches'

aesthetics and the accessibility of the branches (M=4.187). In spite of this, the study found that customers were unhappy with the bank's service fees (M=2.6875).

4.2.2 Customer Perception on Value

Research participants were asked to rate the perceived worth of various products or services. table 4.6 displays the results.

	Customer Mean	Std. Dev
Perception on Value		
Measures of Value		
Efficient service	3.6250	.88506
Offers latest electronic products	2.8750	1.31022
Listens and is sensitive to customers' needs	3.2500	1.00000
Convenient branch location	3.8750	1.02470
Flexible banking policy	2.9375	1.48183
Many branch locations	4.1875	.91059
Fair method of setting fees	3.0625	.99791
Extended banking hours	4.4375	.51235

The results of our study on how customers evaluate price are summarized in Table 4.6. A 5-point likert scale was used to tally the replies. On this scale, a 1 indicates a strong

disapproval, a 2 a moderate disapproval, a 3 a neutral disapproval, a 4 an agreement, and a 5 a strong agreement. Descriptive statistics, including mean and standard deviation, were applied to the replies. If a variable's mean score is around 4.0, then respondents strongly agree with that statement; if the mean score is near 3.0, then respondents are neutral. Respondents generally gave those criteria a negative rating (mean close to 2.0) The degree of dispersion among the responses was measured by calculating the mean and standard deviation. Table shows that customers are grateful to their banks for a variety of reasons, including fast and friendly service (M=3.63), a wide variety of branch locations (M=3.875), a large number of branch locations (4.18), and long banking hours (M=4.44). Customers did not place a high importance on their bank's ability to adapt its policies and procedures to their needs (M=2.93) or provide them with access to the most cutting-edge technology items (2.87).

Table 8: Perceived Mean		Std. Dev
Corporate Image		
Measures of Image		
Widely known	4.8125	.40311
Stable	4.6250	.61914
Reliable	4.3750	.61914
Trustworthy	4.4375	.72744
Involved in the community	4.0625	.92871
Well-liked	3.1875	1.37689
Distinctive/Unique compared to others	3.4375	1.26326

Table 4.7 displays the data on the customers' perceptions of their bank's image. The responses were taken using a 5-point Likert scale. According to the scale, 1 represents "Strongly Disagree," 2 represents "Disagree," 3 represents "Neither Agree nor Disagree," 4 represents "Agree," and 5 represents "Strongly Agree." The responses were examined by means of descriptive statistics, such as the mean and standard deviation. According to the scale, those factors with a mean near to 4.0 were accepted by respondents, while those variables with a mean close to 3.0 were viewed as neutral. Respondents disapproved of these characteristics by a mean of nearly 2.0. While standard deviation was used to represent the extent of response dispersion, the mean was utilized to indicate the central tendency of the responses.

Customers evaluated their banks to be well-known (M=4.81), steady (M=4.6) and dependable (M=4.81) (4.37). In addition, the study revealed that customers viewed their company as trustworthy (M=4.43) and as able to participate in community issues (M=4.06). However, the study revealed that respondents were indifferent as to whether their bank was liked (M = 3.18), and distinctive (M = 3.43).

4.2.4 Perceived Competitive Advantage

The clients' views on the organization's competitive edge were shared by the survey takers. Data is tabulated and presented in table 4.8.

Table 9 Perceived Mean Std. Dev

Competitive

Advantage Indicators

of Competitive

Advantage

Has excellent service quality	3.4375	.96393
Uses latest technology	3.0625	1.34009
Has memorable advertisements	3.7500	1.18322
Offers unique and distinctive products	3.5625	1.15289
Has competitive pricing compared to others	3.6250	1.20416

Table 4.8 displays the findings about how customers perceive the competitive advantage. The responses were taken using a 5-point Likert scale. According to the scale, 1 represents "Strongly Disagree," 2 represents "Disagree," 3 represents "Neither Agree nor Disagree," 4 represents "Agree," and 5 represents "Strongly Agree." The responses were examined by means of descriptive statistics, such as the mean and standard deviation. According to the scale, those factors with a mean near to 4.0 were accepted by respondents, while those variables with a mean close to 3.0 were viewed as neutral. Respondents disapproved of these characteristics by a mean of nearly 2.0. While standard deviation was used to represent the extent of response dispersion, the mean was utilized to indicate the central tendency of the responses.

According to the data presented in table 4.8, consumers remain with their banks due to competitive advantages. Respondents felt their banks were more competitive because they ran catchy commercials (M=3.75), had novel and distinctive goods (M=3.56), and had low prices (M=3.56) (3.62).

4.3 Discussions of the Findings

The business environment has become extremely competitive due to increased competition among firms, globalization, the adoption of mobile technologies in corporate operations, and other developments in the industry, and banks' capacity to retain clients calls for some well prepared tactics. Customers' loyalty in the service sector can be affected by a number of different variables. The parts that follow go into greater depth on some of the criteria that were considered for this study.

According to the study's findings on customer satisfaction and loyalty, most customers appreciate their companies for the efficient services and convenient locations. The survey found that despite their company's offerings of cutting-edge electronic products and policy flexibility, clients did not view them as particularly valuable. This is in line with the findings of (Anderson, 2000), which say that customers are less likely to conduct business with a company that shows little regard for their needs. If a business owner or manager wants to succeed, he or she must devote a lot of time and energy to satisfying customers' demands and needs.

Clients have varying reactions to the bank's public persona. Customers have a positive impression of their bank since it was seen as well-established and trustworthy. The research also found that clients viewed their bank as trustworthy and open to becoming involved in the local community. The study found, however, that respondents' opinions on the bank's

uniqueness and popularity were evenly split. The results corroborate the claims of (Turnbull and Wilson, 1989), who argue that successful businesses safeguard their long-term client connections by establishing both social and structural ties between them. Turnbull & Wilson (1989) state that "social bonds" are the friendly interactions between personnel of the buyer and seller companies.

Clients shared the many ways their company stands out from the competition. Consumers claimed that the company had an edge in the market because to its unusual ads, original products, and reasonable prices. These results are consistent with those of Gummesson (2002), who argues that the confidence a service provider exudes, the degree to which it engages its clients, and the quality of its output are all key retention techniques.

The survey uncovered the barriers that kept customers with their existing bank rather than trying out a new one. The next sections detail how these were determined. In the words of Gummesson (2002), customer service matters since it leads to better products, a competitive edge, more money made, and more possibilities to do business. The study's findings drew attention to some of the characteristics of the company that discourage clients from leaving. Customers stay with their companies because they continue to receive value from those companies, as seen by the results. Customers are loyal to their current companies for a number of reasons, including the quality of their existing relationships with their bank and the breadth of services provided.

The research identified a number of barriers that kept clients from seeking services elsewhere. According to the findings, customer loyalty lies in a company's ability to adapt to the needs of its clientele, as well as in the reasonableness of its prices, the accessibility of its locations, and the breadth of its product and service offerings. The company also relied on its

good name and reputation for service quality to keep its clientele. Stauss and Seidel (2004) agreed, arguing that an effective complaints-handling process is strategically relevant because of the favorable influence it has on customer retention.

The decision to shop at a certain establishment is said to foster customer loyalty by Bloemer and Ruyter (1998). Similarly, the research uncovered a few factors of customer loyalty that kept clients coming back to the same companies over and over again. The research concluded that the firm was successful in keeping its clients due of the quality of its relationships with its employees. According to the findings, customers remain loyal to their companies because they feel at ease communicating with and are heard by the company's staff. Furthermore, the personnel was impartial in their processing of their complaints. According to Berry (1995), a client's loyalty to a business increases when the two parties develop a close personal connection, which in turn creates a relationship-specific asset that induces the consumer to incur a cost in order to break it.

Research was also conducted to determine the impact service quality has on customer retention rates. Several of these factors were the bank's track record for providing excellent service, the breadth of its selection of high-quality products, and the satisfaction rates of its customers. Quality Coner and Gungor (2002) state that a company's ability to retain customers is directly proportional to the degree to which its products and services are valued by those customers. According to the results, the study found that personal connections played little role in keeping customers coming back. In addition, the results show that the respondents' attitudes of the importance of personal recognition of their firms and time mindfulness when attending to clients in keeping them employed are largely neutral. This runs counter to Berry's (1995) claim that a positive company-customer connection can operate as a switching barrier. Customer loyalty was also bolstered by the company's long

history, its innovative loan policies, its use of cutting-edge technology, its competitive interest rates, and its low base rate.

The study found that a variety of variables, including the economy's volatility over the past 18 months, Businesses' rigid credit policies compared to other local businesses, System issues affecting service delivery, ineffective communication with consumers on pricing / strategic adjustments, and the competition's more active and costly promotions on liabilities / asset campaigns, all contributed to the high attrition rates. These results lend credence to a prior hypothesis by Anderson and Mittal (2000), which held that a rise in customers' propensity to pay a premium price, make recommendations, and consume more of a product would cause its user base to dwindle.

Based on the results of the research, it was determined that certain of the company's activities were more successful than others. Anderson and Mittal (2000) claim that a business's future profits are tied to the level of pleasure its current and returning customers have with the service they receive. According to the results of the research, some effective ways to keep customers around include forming a Consumer Retention Team to deal with specific Customer Retention problems and cut down on customer churn, using management information to prevent customer defections, reviewing attrition rates and unfunded accounts, optimizing key processes and procedures, and offering loyalty and reward programs to current clients. According to Anderson and Mittal (2000), discounts, coupons, and other incentives to keep customers from leaving might be considered "purchased" customer happiness and retention.

4.4 Limitations of the study

The following problems arose during the course of the research study: The time for doing research was quite constrained. Due to the complex nature of the research, it was difficult to secure funding. Stationary, photocopying, and typing services all cost money. Therefore, there may be issues that were not investigated due to the study's inability to generalize beyond the specific circumstances of the companies included.

One of the highlights of this study was that the collected data provided insights into the features of buyer-supplier transactions over time and their impact on customer retention, a topic that is difficult to investigate across hardware manufacturers due to a lack of data. Knowledge and learning are not exclusive to the hardware industry, and the results of this study may be applicable to other sectors as well.

4.5 Chapter Summary

This chapter described the study's numerical findings using descriptive statistics. The statistics have been summarized using percentages, means, and standard deviations.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

An overview of the work, including its findings and proposed direction, are presented here. First, a brief overview of the study's rationale, objectives, methodology, and a review of key findings are presented, followed by a presentation of the section's conclusion and set of recommendations.

5.1 Summary of the findings

The purpose of this research was to analyze how commercial banks in Kenya fared in terms of customer retention, taking into account the quality of service they provided. The study's goals were to (1) identify the characteristics that affect customer retention in business performance, (2) analyze the tactics that have proven effective in this area, and (3) investigate the connection between customer retention and business profitability.

5.2 Recommendations

The research suggests that management implement tactics to ensure customer satisfaction, retain customers, and discourage them from leaving for competitors. It also suggests that businesses have a customer retention team in place to track and deal with the factors that cause customers to leave and return. According to the findings, increasing customer satisfaction—and hence retaining those customers—requires a thorough reevaluation of the company's operational methods and policies. According to the findings, businesses can increase customer retention by instituting loyalty and reward programs for their current clientele. Companies can improve their public profiles by emphasizing certain values among

their customers: speed, innovation, competitive pricing, and the provision of high-quality services.

5.3 Conclusions

The study's overarching goal was to shed light on the issue, "What factors influence customer retention in business performance?" How does client retention affect the success of a company? What role does client retention have in a company's capacity to turn a profit?

Conclusions regarding the study can be drawn from the research results and the responses to the research questions. We draw the following conclusions about the factors that contribute to client retention: tangibility, dependability, responsiveness, assurance, and empathy. The study found that a company's ability to provide accurate transactions and timely service, as well as friendly and helpful customer service, a professional appearance, and convenient branch locations, all contributed to a higher rate of customer retention. The value customers attribute to a company's goods and services is found to have an effect on the firm's retention of those customers. According to the findings, a company's corporate image based on stability, familiarity, and reliability can have a significant impact on customer retention. Advertising, distinctive products, and low prices all contribute to the firm's competitive edge, which in turn affects customer retention.

According to the results, a company's ability to satisfy its clients through its products and services is a major factor in keeping those customers as long as possible. Companies keep their customers thanks to their market strategy, marketing tactics, customer service policies, and product or service quality.

REFERENCES

- Berry, L.L. & Parasuraman, A. (2019). Determinants of customer satisfaction in retail banking, *International journal of bank marketing*, 14(7):12-20
- Blackwell, R. D., Miniard, P. W. & Engel, J. F. (2001). *Consumer Behavior*. (9th Ed.). Washington, D.C: Harcourt College Publishers.
- Boulding, W., Kalra, A., Staelin, R. & Zeithaml, V.A. (2016). A Dynamic Process Model of Service Quality: From Expectations to Behavioral Intentions. *Journal of Marketing Research*. 3(1): 7-27.
- Brady, M. K. & Cronin J. J. (2001). Some New Thoughts on Conceptualizing Perceived Service Quality: A Hierarchical Approach. *Journal of Marketing*. 65(3): 34-49.
- Calhoun, J. (2001). Driving Loyalty: by Managing the Total Customer Experience. *Ivey Business Journal*, 65(6): 69-79.
- Carl, M. & Laura, K. (2015). The Drivers of Customer Satisfaction and Loyalty: Cross-industry Findings from Denmark. *Total Quality Management*. 11(4): 44-53.
- Chinelo, I. (2016). Fundamentals of research methodology and data collection, Lambert Academic publishing, Valuing Customers. *Journal of Marketing Research*. 41(1): 7-18.
- Colarelli, S. M. (1984). Methods of communication and mediating processes in realistic job previews. *Journal of Applied Psychology*. 69(1): 33-42.
- Chen, S. C. (2015). Customer value and customer loyalty: is competition a missing link? *Journal of Retail Consumption of Service*. 22(1): 107-116.
- Cheng, R. (2016). *The era of Japanese consumer electronics giants is dead*. <http://www.cnet.com/> Retrieved March 2019.
- Chinelo, I. (2016). Fundamentals of research methodology and data collection, Lambert Academic publishing, Valuing Customers. *Journal of Marketing Research*. 41(1): 7-18.
- De Chernatony, L. (1999). Brand Management through Narrowing the Gap between Brand Identity and Brand Reputation. *Journal of Marketing Management*. 15(2): 57-179.
- De Chernatony, L., Cottam, S. & Segal-Horn, S. (2016). Communicating Services Brands' Values Internally and Externally. *The Service Industries Journal*. 26(8): 81-96.
- Ding, D. X., Hu, P. J., Verma, R. & Wardell, D. G. (2010). The Impact of Service System Design and Flow Experience on Customer Satisfaction in Online Financial Services. *Journal of Service Research*. 13(1): 96-110.
- Fisher, A. (2014), Winning the Battle for Customers. *Journal of Financial Services Marketing*. 6(1):77-84.
- Fluss, D. (2016). Customer Retention is a priority for Mobile Phone Providers. *The International Journal of Marketing*. 21 (1): 26.
- Flyvbjerg, B. (2006). Five Misunderstandings about Case-Study Research. *Qualitative Inquiry*. 12(2): 21-45.
- Frank, F.D., Finnegan, R.P. & Taylor, C.R. (2004). The race for talent: retaining and engaging workers in the 21st century. *Journal of Human Resource Planning*. 27(3): 12-25.

- Gee, R., Coates, G. & Nicholson, and M. (2018). Understanding and profitably managing customer loyalty. *Journal of Marketing Intelligence and Planning*. 26 (4):35-37.
- Gentile, C., Spiller, N. &Noci, G. (2017). How to Sustain the Customer Experience: An Overview of Experience Components that Co-create Value with the Customer. *European Management Journal*. 25(5): 39-41.
- Ganzach, Y., Pazy, A., Ohayun, Y. &Brainin, E. (2014). Social exchange and organizational commitment: decision-making training for job choice as an alternative to the realistic job preview. *Journal of Personnel Psychology*. 55(1): 13-37.
- Gee, R., Coates, G. & Nicholson, and M. (2018). Understanding and profitably managingcustomer loyalty. *Journal of Marketing Intelligence and Planning*. 26 (4):35-
- Gentile, C., Spiller, N. &Noci, G. (2017). How to Sustain the Customer Experience: An Overview of Experience Components that Co-create Value with the Customer. *European Management Journal*. 25(5): 39-41.
- Hackman, J. R. & Oldham, G.R. (2014). *Work Redesign*, Addison-Wesley, Reading, MA.Haeckel, S. H., Carbone, L. P. & Berry, L. L. (2015). How to Lead the Customer Experience. *Marketing Management*. 14(1):18-23.
- Harter, J. K., Schmidt, F.L. & Hayes, T.L. (2002). Business-unit level relationship between employee satisfaction, employee engagement, and business outcomes: a meta-analysis. *Journal of Applied Psychology*. 87(1): 26-79.
- Hatch, M. J. & Schultz, M. (2001). Are the Strategic Stars Aligned for your Corporate Brand? *Harvard Business Review*: 128-134.
- Kotler, M. V., Philip, H. H., & Armstrong, A. (2014). Principles of Marketing. *Marketing Journal*. 15(1): 43-78.
- Kotler, P., & Keller, K. L. (2012). Marketing Management. *Marketing Management Journal*. 14(2): 21-54.
- Kress, N. (2015). Engaging your employees through the power of communication. *Workspan Journal*. 48(58): 26-36.
- Lee, K. & Allen, N. J. (2014). Organizational citizenship behavior and workplace deviance: the role of affect and cognitions. *Journal of Applied Psychology*. 87(5): 13-42.
- Lim, T. A. (2012). *Priceless: Turning Ordinary Products into Extraordinary Experiences*. Boston, MA: Harvard Business School Press. Mugenda O. M. &
- Lusch, R. F., Vargo, S. L., & O'Brien, M. (2017). Competing through service: Insights from service dominant logic. *Journal of Retailing*. 83(1): 2-18.
- Mecha, E. K., Ogutu, M, &Ondieki, S.M. (2015) Effectiveness of customer retention strategies: a case of commercial banks in Kenya. *International Journal of Business and Management*. 10(10): 27-29.
- Mugenda, G. A (2003). *Research methods-Quantitative and Qualitative Approaches*. Kenya, Nairobi: Acts Press.
- Ngechu, M. (2004). Understanding the research process and methods: *An introduction of research methods*. Kenya, Nairobi: Acts Press.
- Njuguna, N. (2013). *The importance of the banking sector in the Kenyan economy*. Speech at the Bank of India, Kenya Branch, Diamond Jubilee Celebrations. Kenya, Nairobi: Acts Press.

- Oliver, O. A. & Richard L. (2016). "Customer Satisfaction Research". In Grover, Rajiv and Vriens, Marco, (eds.), *Handbook of Marketing Research*, Thousand Oaks, California, CA: Sage Publications. 1(3): 56–87.
- Richman, A. (2016). Everyone wants an engaged workforce how can you create it. *Workspan Journal*. 49(2): 36-9.
- Robinson, D., Perryman, S. & Hayday, S. (2014), *the Drivers of Employee Engagement*, Institute for Employment Studies. Washington, WA: Krogler Press.
- Roth, A. V. & Menor, L. J. (2015). Insights into Service Operations Management: A Research Agenda. *Production and Operations Management Journal*. 12(2):14–16.
- Rothbard, N. P. (2014). Enriching or depleting? The dynamics of engagement in work and family roles. *Administrative Science Quarterly Journal*. 46(1): 65-84.
- Schaufeli, W. B., Salanova, M., Gonzalez-Roma, V. & Bakker, A.B. (2015). The measurement of engagement and burnout: a two - sample confirmatory factor analytic approach. *Journal of Happiness Studies*. 3(2): 71-92.
- Schmitt, B. H. (2014). *Customer Experience Management: A Revolutionary Approach to Connecting with Your Customers*. New York, NY: John Wiley & Sons.
- Senge, B. H. (2016). *Customer Experience Management: Staying Connected with Customers*. New York, NY: John Wiley & Sons.
- Solomon, M. (2016). *Consumer Behavior: Buying, Having, and Being*. (9th Ed.). New York, NY: Schmitt Hall Press.
- Solomon, M., Bamossy, G., Askegaard, S. & Hoog, M. K. (2016). *Consumer Behaviour. A European Perspective*. (3rd Ed.). Washington, DC: Pearson Education Limited.
- Sonnentag, S. (2014). Recovery, work engagement, and proactive behavior: a new look at the interface between nonwork and work. *Journal of Applied Psychology*. 88(4): 18-28.
- Steven, A. B., Dong, Y. & Dresner, M. (2014) Linkages between customer service, customer satisfaction and performance in the airline industry: Investigation of non-linearities and modeling effects. *Logistics and Transportation Review Journal*. 48(4): 74-75.
- Tracy, B. (2016). *Advanced Selling Strategies: The Proven System of Sales Ideas, Methods, and Techniques Used by Top Salespeople Everywhere*. New York, NY: Simon & Schuster.

APPENDIX: INTERVIEW GUIDE

An Investigation of the Impact of customer retention on business performance in the service industry: case study of NafuuClassics Hardware Ltd.

Section A: Background Information of your Organization

1. Please indicate your position in the organization
2. For how long have you been working in this position?
3. What is your highest level of education?

Section B: Adoption of Customer Retention Strategies

4. Please describe the client retention techniques employed by Nafuu Classics Ltd.

Please list the variables that influence the selection of Customer Retention Strategies by your firm.

5. Please evaluate the effectiveness of the organization's current client retention efforts.

Section C: Relationship between customer retention strategies and Nafuu Classics Ltd performance

This inquiry is meant to assess how well your business is doing in terms of market share, gross profit, and sales turnover (volumes), as well as the correlation between these metrics and client retention methods. What advantages does the company have over its competitors as a result of the client retention tactics it has implemented?

6. How much do increased sales and market share result from efforts to keep existing customers happy?
7. What is the relationship between the success of customer retention initiatives and increased profits?
8. How has Nafuu Classics Ltd. fared as a result of its efforts to retain customers?
9. Please provide an estimate of Nafuu Classics Ltd's annual gross profit during the past two years:

