

MIDLANDS STATE UNIVERSITY

FACULTY OF COMMERCE



OUR HANDS, OUR MINDS, OUR DESTINY

DEPARTMENT OF RETAIL MANAGEMENT

AN EVALUATION OF THE EFFECTIVENESS OF CUSTOMER RETENTION
STRATEGIES IN ENHANCING BRAND LOYALTY. A CASE OF FAVCO

HARARE

Dissertation By

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SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS OF THE
BACHELOR OF COMMERCE (HONOURS) DEGREE IN RETAIL
MANAGEMENT

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SEPTEMBER 2013



RELEASE FORM

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DISSERTATION TITLE

Effectiveness of customer retention strategies
in enhancing brand loyalty: A case of
FAVCO.

DEGREE TITLE:

Bachelor of Commerce Honours Degree in
Retail Management.

YEAR THIS DEGREE GRANTED

2013

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ACKNOWLEDGEMENT

The completion of this research would not go without the support, encouragement and guidance from others. It is in this regard that I express my sincere gratitude in general to all those who had their input in this research. My first appreciation goes to my supervisor, Mr S. Mlambo whose intellect and wisdom was pivotal to this dissertation.

I would also want to appreciate the support and encouragement that I got from Retail Management students throughout my studies, my friends from whom I got better advice and encouragement up to the completion of this dissertation. My sincere gratitude also extends to my family, for their support deserve special appreciation as without their sacrifice I would not have reached this level.

Lastly, my appreciation goes to the works of the lover of my soul, God the almighty for his guidance, enduring love and his refuge during the course of my education. Had it not been him, I would not have management to finish this dissertation.

ABSTRACT

The research sought to assess the effectiveness of customer retention strategies in enhancing brand loyalty at FAVCO. The first objective of this research study was to evaluate the effectiveness of customer retention strategies in enhancing brand loyalty at FAVCO. Secondly, it was to determine factors contributing to customer dissatisfaction at FAVCO and lastly to establish benefits contributed by customer retention at FAVCO. The research made an assumption that major factors contributing to brand loyalty were customer retention strategies.

For the past 2 years, FAVCO has been facing the problem of corporate customers switching some of their brand choices to competitors like Selby, Valley Fresh and Interfresh. This forced the company to engage into expensive strategies which included price markdown and new customer acquisition. The company in early 2012 invested in customer retention strategies which included customer service, communication, total quality management and complaint management to fight the challenge but the company failed to make corporate customers loyal to the FAVCO brand. The researcher used case study research design and the case studies used were both exploratory and descriptive case studies. Probability sampling method (cluster sampling) and non-probability methods (convenient and judgemental) were used.

The researcher used a sample of 28 respondents from corporate customers, management and employees. Data collection was done through interviews with the Sales, FMCG and the Quality control manager as well as questionnaires which were distributed to employees and corporate customers. The research found out that customer retention strategies had strong impact on brand loyalty but more attention was needed in improving them to effectively retain customers and making them loyal to the FAVCO brand.

The major recommendations were that FAVCO should not only acquire new customers but rather retain its existing key customers. Further to this, FAVCO should consider also internal marketing, key account management and service recovery as other customer retention strategies that enhance brand loyalty. Finally, FAVCO management was recommended to practice cross departmental participation in planning and improving the retention process to make sure that everyone in the organisation is involved in the customer retention process.

DEDICATION

This research is dedicated to my parents, Mr and Mrs Ruwende, my sisters Molisa and Agnes as well as my young brothers Darlington, Elton and Milton. Without their support, I would not have reached this level. May the love of God be upon them all.

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CHAPTER ONE

GENERAL INTRODUCTION

1.0 Introduction

This section outlines the preliminary aspects of the research study comprising the background to the study, statement of the problem, objectives of the study, research questions, significance of the study, assumptions, delimitations and limitations.

1.1 Background to the study

FAVCO is one of four strategic business units of Ariston Holdings Limited, an agro-based business company in Zimbabwe. The four strategic business units are Kent Estate, Claremont Estate, Southdown Estate and FAVCO, a distribution company currently sited at 306 Hillside Road, Woodlands Msasa, Harare.

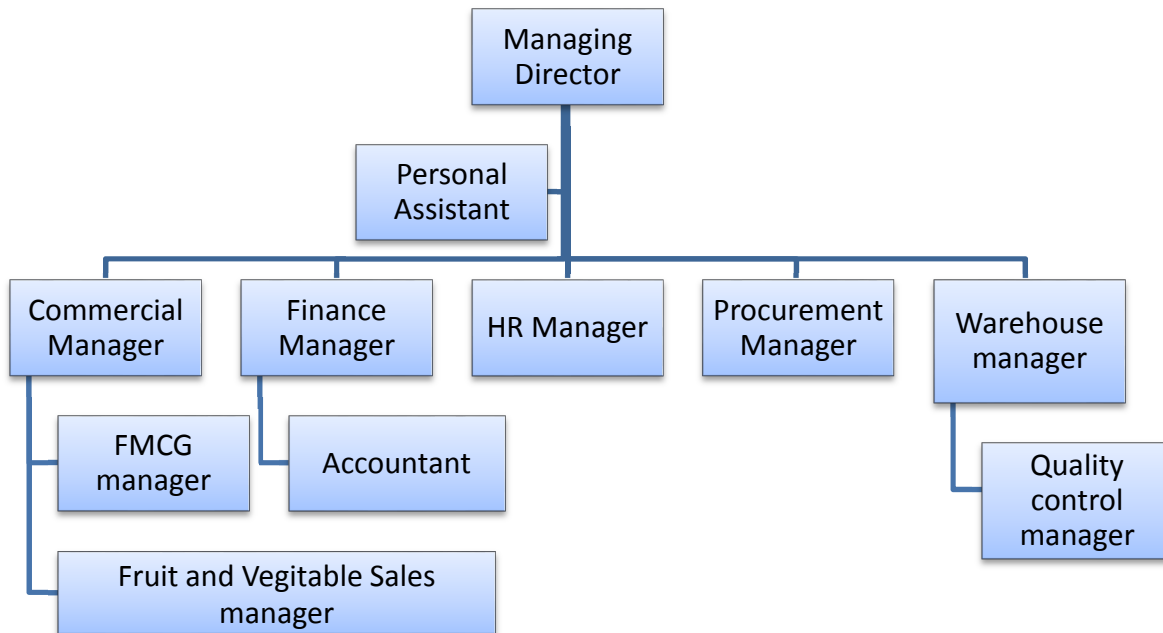
FAVCO was formed in 1968 after Ariston Holdings Limited acquired a fruit and vegetable co-operative in 2004, which was a marketing body of deciduous fruit growers. Upon acquisition, the co-operative had a contract of supplying all OK retail shops in Zimbabwe, which FAVCO took over. With one of the largest cold chain facilities in Zimbabwe, FAVCO is one of the leading fruit and vegetable company in Zimbabwe supplying OK as one of corporate customers as well as other retail shops including Spar, TM and Food World.

Besides supplying fruits and vegetables, FAVCO is also into supplying fast moving consumer goods (FMCG) including various tea brands, FAVCO 100% juices and dried fruits to retail outlets including OK and Food World. Teas, 100% juices and dried fruits are managed under the FMCG department which is headed by the FMCG manager.

The company houses ten departments' which are headed by various managers. However, the researcher considered only the FMCG, the Sales and the Quality control manager from the management group because they were the only managers who could give appropriate information regarding the research study.

Below is the FAVCO organogram showing ten different departments which the company houses and the titles of the managers heading them:

Figure 1: FAVCO Organogram



Adapted from www.info@favco.co.zw

Besides dealing with corporate customers, FAVCO also serves walk in customers from a small kiosk situated on the same site where FAVCO distribution centre is located. However, the researcher did not focus on these walk in customers as they did not have relevant data to answer research questions and the researcher only focused on data from corporate customers to answer research questions.

Although many companies recognise the importance of customer retention, relatively few understand the economics of customer retention within their own businesses. Reichheld et al (1990) found out that a small increase in customer retention produces a dramatic and positive effect on profitability of the company. Since the period after dollarization, when FAVCO competitors (i.e. Valley fresh, Interfresh and Selby) fine-tuned their operations and emerged vigorously on the market, the company started experiencing problems with its corporate customers switching some of their brand choices to competitors' brands (www.info@favco.co.zw).

This switching behaviour by corporate customers raised questions in FAVCO's business which forced the managing director and the marketing board plan to try short term programs to revive the company from this unfavourable situation as an immediate response. Programs

included a price mark down program which was meant to boost sales by reducing the prices of all products sold under FAVCO as a brand www.info@favco.co.zw.

The situation changed slightly during the period this program was implemented and corporate customers responded positively but the programme took the company nowhere, www.info@favco.co.zw .

Managers thought markdown program was inadequate and immediately switched to new customer acquisition to widen the customer base and boost company performance. With all other corporate customers that FAVCO had acquired including Chinhoyi State University, Midlands State University and boarding schools around Harare province, the company failed to retain and make them loyal to FAVCO as a brand. Finally, the programme proved expensive to the company as it failed to establish brand loyalty, thus supported by Reichheld et al (1990) in the study by Hammond (1996) when they said, it cost five to ten times acquiring new customers than it is in retaining existing ones (www.info@favco.co.zw).

In order to fight this challenge of brand switching by corporate customers (OKs, and Food World retail shops) and to maintain competitive edge on the market, according to info@favco.co.zw , FAVCO management in the beginning of the year 2012 lastly invested in customer retention strategies (customer service, complaint management, communication and total quality management) since competitors have long been munching into the company's market share. Since the time the company invested in customer retention strategies, there was no satisfactory change on the behaviour by corporate customers in switching from FAVCO products to competitors' brands. Corporate customers continued sourcing some of their products from other suppliers, hence the need to assess the effectiveness of customer retention strategies employed by the company in enhancing brand loyalty, www.info@favco.co.zw .

1.2 Statement of the problem

Customer retention increases an organisation's ability to provide an excellent service for both attracting and retaining customers. However, despite this philosophy towards organisation's success, FAVCO has been losing its existing corporate customers to competitors such as Selby, Valley fresh and Interfresh. FAVCO has been failing to make its corporate customers loyal to its brands. There have been numerous complaints from customers about poor customer care and declining quality among others that has led corporate customers' switch

some of their brand choices to competitors causing decline in repeat purchases. To fight this challenge, in the beginning of 2012, FAVCO invested in customer retention strategies (customer service, complaint management, communication and total quality management). Despite this investment, corporate customers have continued buying some of their brand choices to competitor brands and this situation has affected the overall performance of the company hence the need to assess the effectiveness of customer retention strategies as employed by FAVCO to enhance brand loyalty.

The primary purpose of this study was to assess the effectiveness of customer retention strategies that have been employed by FAVCO to fight the challenge of brand switching by corporate customers. Secondly, the research tried to find ways of improving customer retention strategies which FAVCO could adopt to regain its corporate customers and achieve the goal of brand loyalty.

1.3 Research objectives

- To evaluate the effectiveness of customer retention strategies in enhancing brand loyalty at FAVCO.
- To determine factors contributing to customer dissatisfaction at FAVCO.
- To establish benefits contributed by customer retention to the company.

1.4 Research questions

- How has customer retention strategies contributed to enhancing brand loyalty?
- What factors have caused customer dissatisfaction at FAVCO?
- What are the benefits of customer retention to the company?

1.5 Significance of the study

To the organisation

Apart from shedding light on the importance of customer retention to the organisation, the research may help FAVCO to come up with more appropriate strategies and to improve the existing ones to enhance brand loyalty. The research may also help the organisation to exploit opportunities that arose from the information search which had not been realised before.

To the researcher

The research study was a requirement of the Bachelor of Commerce Degree in Retail Management and a partial fulfilment of Midlands State University requirements. The research

improved the researcher's analytical skills and knowledge on the concept of customer retention.

The research gave an in-depth knowledge on the subject which was under study and experience in dealing with retention issues at a broader level. The research also gave the researcher the opportunity to link theory and practical issue.

To the university

The institution may benefit from the research in that it can add the research study to its data base of research work. This may help to enhance the development and maintenance of relationship with its stakeholders.

1.6 Delimitations of the study

- The research was limited to Harare only
- Corporate customers were limited to OK and Food World retail shops in Harare
- FAVCO also dealt with walk in customers from a kiosk which is established at the company but the research focused on corporate customers only.

1.7 Summary

This chapter gives an orientation on the research topic, statement of the problem, research questions and objectives, significance of the study, assumptions to the study, delimitations and limitations faced during the research study.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter reviews historical and present research studies. The researcher discussed and analysed the various views from other authors concerning customer retention and brand loyalty, identifying the gaps left out by authors, and highlighted areas of great emphasis. The information was gathered from textbooks, company journals and the internet specifically from Emerald insight.

2.1 Customer retention defined

Customer retention has gripped the attention of many organisations in recent years. Many authors have tried to define the concept of customer retention and show how it contributes to profitability. Due to market dynamism, companies have realised the need to move away from the traditional marketing approach which is meant only to acquire new customers, to the marketing philosophies designed to retain existing customers. According to Coviello et al (2002), customer retention has been shown to be a primary goal for firms practicing relationship marketing. This idea is wholly supported by Jopper (2004) who states that relationship marketing in services has attracted much attention in recent years as organisations now focus their efforts on retaining existing customers rather than being solely centred on attracting new customers. More and more companies have adopted customer centred strategies and technology for efficient and effective relationship management. Buttle (2004), found out that companies can employ several types of customer retention metrics which are raw, sales adjusted, or profit adjusted customer retention metrics. Companies that adopt raw customer retention metrics focus on the retention of a given percentage or number of customers, regardless of value. Those that use sales adjusted retention metrics focus their efforts on customers who generate higher sales or profits. In agreement to the above idea, Colyes et al (2002) note the significance of focusing on the retention of profitable customers rather than all customers. In agreement to Colyes et al (2002), Knox (1998) postulate that companies are more successful if they apply customer retention than customer satisfaction.

Colyes et al (2002) went on to suggest that it may be more important for companies to focus on managing the overall downward migration of customer spending than customer retention

in its own right as they noted that many more customers change behaviour than defecting as the former typically counts for larger changes in value.

Kotelnikov (2006) regards customer retention as keeping customers active within the firm and also involves the optimal allocation of resources. Ramakrishnan (2006) view customer retention as the marketing goal of keeping customers from going to competitors. Ramakrishnan (2006) idea concurs with that of Kotelnikov (2006) that customer retention entails keeping customers from being taken away by competitors. Hooley et al (1995) defines customer retention as a measure of repeat purchase behaviour. They further contribute that there are many reasons why customers may keep coming back even if the company fail to provide them with high level of satisfaction. It could be that customers may not have any choice or they may not know any better. Stauss et al (2001) defines retention as the customers' liking, identification, commitment, trust, willingness to recommend and repurchase intentions, with the first four being emotional-cognitive retention constructs and the last being behavioural intentions. Stauss and Hooley agree on the fact that customer retention is a behavioural intention by customers to repeat purchases with a certain company, repeat purchasing being the behavioural intention in particular.

Fraser (2007) supported the above idea put forward by Simmons (2002) that businesses should be warned from "conflicted customers" who buy products and appear satisfied, but in fact are ready to defect as soon as a viable alternative appears. Furthermore, Fraser (2007) distinguishes customer retention from customer loyalty saying it is dangerous to confuse the two. Retention may be achieved by a "bribe"- discounts for repeat purchases and so on. Achieving high customer loyalty is likely to be far more difficulty and requires great long-term investment, Fraser (2007). Reichheld et al (1990) defined customer retention as a measure of the tendency of a customer to stick with the brand above and beyond his or her objective and subjective assessment of the brand. Gummesson (2002) highlights that customer retention is the ability to keep long term relationships with customers and this is especially important to service where relationships may be expensive to establish. Gummesson (2002) concurs with Kotler (2004) who regards customer retention as a focus on how to maintain and enhance existing long-term relationships rather than attracting new ones.

However, all above authors have agreed on the aspect that customer retention involves the maintaining of long-term relationships with customers despite their failure to address driving

forces that result in the need for relationship management such as globalisation and technology.

2.1.1 Customer retention strategies

1) Customer service

Retailing gurus Levy and Weitz (2002) define customer service as set of programs and activities undertaken by retailers to make the shopping experience more rewarding to customers. These programs increase firms competitive advantage and value customers receive from merchandise they purchase. In agreement, Surridge et al (2008) regard customer service as the range of actions taken by business when interacting with its customers to meet or surpass the expectations that customers have on the business. Where customer service is seen as a key to competing effectively, the conventional wisdom is that there are three critical ingredients to successful service provision and there have been called “three Ss’ of service”: strategy, system and staff, (Simmons 2002).

Lancaster et al (2001) regard customer service as the ultimate marketing tool and a critical factor in the process of differentiating product or serves to develop a competitive edge. It is also by common assent, a policy and set of activities. Simmons (2002) concurs with Lancaster et al (2001) that customer service does not only lead to delivery of customer value, but also contribute to firms’ competitive edge over other competitors. From the above arguments it can be concluded that quality customer service is essential in building strong competitive advantage for an organisation and value to customers resulting in strong relationships hence customer retention.

2) Key account management

Key account management has become an integral part of firms and researches suggest that most business to business firms use the concept in some form, (Millman 1995). Key account management views the buyer to seller linkage in a long term relational context and stresses the creation, nature and maintenance of stronger ties with customers. While traditional marketing approaches did stress the importance of exchange and of the satisfaction of customer’s needs, key account management approach stresses the identification of “specific” customer needs first, followed by the satisfaction of those needs, (Sharma 2003).

According to Diller (1992), KAM is a management concept including both organizational and selling strategies to achieve long-lasting customer relationships. McDonald et al. (1997),

define KAM as an approach adopted by selling companies aimed at building a portfolio of loyal key accounts by offering them, on a continuing basis, a product or service package tailored to their individual needs.

Diller (1992) agrees with McDonald's view that KAM is a selling strategy that is meant to establish long term customer relationships resulting in customer retention. In full support to above definitions, Ojasalo (2001 p. 201), refers KAM to the selling company's activities including identifying and analysing their key accounts, selecting suitable strategies developing operational level capabilities to build, grow and maintain profitable and long lasting relationships with them.

The concept of key account management is based on the Pareto principle of 80/20 or the ABC rule. According to the rule, 20% of company's customers who contribute 80% of the company's revenue should be identified and therefore retained, (Bligh 2004). The idea of Pareto rule is fully supported by Mittal (2000) who asserts that companies should focus on their most profitable customers and keep relationship marketing a relatively discriminating practice.

From above contributions, authors have agreed that key account management is a selling strategy in a business to business situation that is aimed at creating, nurturing and maintenance of strong relationship with customers resulting in high rate of retention.

3) Internal marketing

The internal marketing concept is based on the belief that a firm's internal market or employees can be motivated to strive for customer-consciousness, market orientation and sales-mindedness through the application of accepted external marketing approaches and principles, Berry and Parasuraman (1991). In agreement to the aspect of market orientation philosophy postulated by, (Berry and Parasuraman 1991), Gummesson (2002) contributes that every member in the organization should participate in marketing activities and for that reason, he states that every person in an organization is a marketer either as a part – time marketer (PTM) or full - time marketer (FTM). According to Gummesson, full time marketers and part-time marketers are found both in the internal and external environments. Below is a table showing FTMs and PTMs.

Table 1: internal marketing

Internal part-time marketers	External part time marketers	Internal full-time marketers	External full-time marketers
All non-marketing department employees and all sections	Business customers	Marketing directors	Distributers
	Individual customers	Sales managers	Advertising agencies
		Marketing managers	Marketing research firms
		Staff from the marketing and sales departments	

Adapted from Chokera and Duve (2011)

The most important contribution the marketing department can make is arguably to be “exceptionally clever in getting everyone else in the organisation to practice internal marketing.” Zeithmal et al (2006) regard internal marketing as all activities that management engages in, to aid companies in their ability to deliver on the service promise: recruiting, training, motivating, rewarding and providing equipment and technology. Internal marketing views employees as internal customers and jobs as internal products (Berry and Parasuraman 1991), and therefore a company needs to sell its jobs to employees before selling its services to external customers (Sasser et al 1990), that is satisfying the needs of internal customers and upgrade the capability to satisfy the needs of external customers. In support to Parasuraman (1991) idea, Armstrong (2000) states that internal marketing is an offspring of customer relationship management (CRM) which is an approach by manufacturing firms to effectively train and motivate employees and all the support service people to work as teams in providing customer satisfaction. Satisfied employees lead to more highly motivated and customer conscious employees, leading to improved service quality and organisational performance, (Gronroos 2007). Sasser et al (1990) idea concurs with Gronroos (2007) on the point that satisfied internal customers extend their capability to satisfy external customers enhancing business performance.

In disagreement with the above authors, Ahmed et al (2004) criticise the notion of treating a “customer as an employee” as he stressed the point that it raises the question of whether the needs of external customers have higher primacy over those of employees. However from the above arguments it can be concluded that the concept of internal marketing extends internal employees’ capability to satisfy external customers through quality and effective service delivery that finally result in strong relationship hence retention.

4) Complaint management

Complaint management is an important part of customer retention. In fact the customer is given a chance to co-create the value with the supplier. According to Stauss et al (2001), customers primarily evaluate complaint handling on four central quality dimensions: accessibility, quality of interaction, promptness of reaction and adequacy of fairness of the solution. Gummesson (2002) adds that, in their article “Zero Defects”, Stauss et al (2001) drew the conclusion that a supplier could double net profit if the defection rate is reduced by as little as 5%. A well-executed complaint handling process is of strategic relevance as it has a positive effect on customer retention, (Brown et al 1996). Indeed, customers who complain and are well treated can be more satisfied and less likely to switch than customers who had no cause for complaint at all, Nyer (2000). In agreement to Stauss et al (2001), Futrell (2000) adds that promptness to complaint handling provides an opportunity to prove to customers that they are important and that the organisation care for them. Yooncheong (2002) regards complaint management as strategies used to resolve disputes, to improve ineffective products or services in order to establish the firms’ reliability in the eyes of customers.

Customers are not always happy with the quality and value of products or service they receive. Customers complain about late deliveries, incompetent personnel, inconvenience service hours, needlessly complicated procedures, long queues, and a host of other problems (Christopher 2004). Erickson argues that the only way to make quality improvements effective in such areas as customer service, marketing and research and development is by having a clear articulated strategy that ties all these efforts together and focus on the corporation-including top level management on quality improvement. However, Schoeler (2004, p 47), states that despite the strategic relevancy of complaint handling, it is a process which has appeared to be accorded little importance in many companies.

From above arguments it can be concluded that complaint management is a strategic rather than functional aspect that senior management should be found leading the demonstration of its relevance and importance to ensure customer satisfaction.

5) Communication

Hatton and Warson (2000) define communication as sufficient interaction to ensure that customers feel properly informed and valued. Chris (2005) regards communication as the process by which individuals share meaning. In the broader sense, marketing communication include activities such as advertising, personal selling, sales promotions, and publicity. Other communication elements which must be co-ordinated with the overall marketing communication strategy are the product itself, the price, and all other company actions which customers may perceive as communication about the product or service, (Marx et al 1993). Christopher et al (2004) argue that some people still define communication narrowly as the use of paid media, advertising, public relations and professional sales people, failing to recognise many other ways that modern organisations can communicate with its customers. The location, atmosphere of service delivery facility, corporate design features such as the constant use of colours and graphic elements, appearance and behaviour of employees and design of a website all contribute to an impression in the customers' mind that reinforces or contradict the specific content of the formal communication messages.

Christopher (2004) and Marx (1993) agree on the aspect that marketing communication should not be narrowly defined in terms of advertising, personal selling, sales promotions, and publicity, but the definition should be extended to other factors such as the product itself, location, atmosphere of service delivery facility, corporate design features such as the constant use of colours and graphic elements, appearance and behaviour of employees and design of a website and all other actions which customers may perceive as communication about the product or service.

Communication efforts serve not only to attract new customers but also to maintain contacts with organisation existing customers and build relationships with them, Christopher (2004). In support to the above contribution by Christopher et al (2004), Hatton and Warson (2000) also contributes that communication is the cornerstone to building strong relationships. However, it can be concluded that marketing communication is not primarily used to fetch new customers but also used to establish or build relationships with existing customers in enhancing retention.

6) Total quality management

Hatton and Warson (2000) regard total quality management as a concept which has evolved from quality control activities of production line to encompass all activities of the organisation. It is based on the concept of ensuring that “quality” systems are developed for every aspect of the organisations’ activities. If systems are appropriate and well-designed, they will deliver good quality output. Zikmund (1996) defines total quality management as a management principle that seeks to install the idea of customer driven quality throughout the organisation and to manage all employees so that they continuously improve quality. In agreement to Zikmund (1996) on the aspect of involving employees in total quality management, Kotler (2003) argued that total quality management is an approach in which all the company’s people are constantly involved in improving the quality of products, services and business processes. Lancaster (2001) views total quality management as combining the satisfaction of customer needs with the achievement of company’s objectives.

Dean and Bowen (1994) view total quality management as a comprehensive management approach aiming at satisfying or delighting customers. Total quality management stresses the importance of culture of designing, producing, improving products and services that satisfy customers (Collins 1994). Dean and Collins agree on the point that total quality management is an approach that is aimed at satisfying customer needs.

Studies have shown that there is little agreement among various scholars on what constitutes total quality management. According to Anderson et al (1994), total quality management constitutes supplier relationships whereas according to Ahire (1996), it constitutes benchmarking. However, the most cited components of total quality management by Deming (1996) are continuous improvement, customer satisfaction, empowerment, and top management responsibility.

- **Continuous improvement:** Bessant et al (1994) defines continuous improvement as a company-wide process focused on continuous incremental innovation sustained over a long period of time being essential for meeting customers’ varying needs. Continuous improvement is essential in meeting varying needs of customers and therefore should be considered as an integral part of total quality management Deming (1986). Garvin (1987) postulates that the intensity of global competition as a driving force is the one that led to the greater interest for continuous improvements in products, services and processes.

There are many tools considered to achieve continuous improvement which includes statistical methods and benchmarking. However, Leede and Looise (1999), contribute what they call the main pre-requisites for continuous improvement as; a supporting culture, a condusive structure and a supportive leadership.

- **Customer satisfaction:** Juran (1989) considers customers as being internal and external to the organisation. External customers are those customers found outside the organisation and their satisfaction is achieved through meeting or exceeding their expectations which in turn require a supportive culture, Jabnoun (2001). Internal customers are employees of the organisation and their satisfaction is achieved through teamwork, satisfying employee's expectations and through empowering them, Parker (1994).

Customer satisfaction is largely inclined to continuous improvement and empowerment. Continuous improvement therefore is required to satisfy customer varying expectations whereas empowerment is required to bring decisions closer to the customers. Customers have also been regarded as indeed the origin and the purpose of product development and improvement hence Dean and Bowen (1994) regard customer satisfaction as integral and the main objective of total quality management.

- **Empowerment:** Bowen and Lawler (1994) describe empowerment as a means to enable employees to make decisions. Empowerment is one of the total quality management constructs that is essential for internal customer satisfaction. Parker (1994) in agreement, states that studies on empowerment have revealed that empowerment is positively associated with employees' satisfaction.

However, Sitkin et al (1994) argues that empowerment is also essential in pursuing external satisfaction, for external customers cannot be satisfied, if those serving them have no authority to respond to their needs and therefore empowerment should be rooted in both culture and structure of the organisation.

- **Top management responsibility:** Deming (1986) postulates that top management responsibility as critical for quality success. Lascelles and Dale (1990) also reports that chief executive officers are the internal primary change agents for quality improvement, as they are the very individuals who shape organisational values and establish managerial structure to bring about change.

It is therefore the commitment of top level management with full and credible support that lead employees at all levels to invest time and effort in the change programme. Deming (1986) also argues that top management is responsible for more than 90 per cent of quality problems. In order to be able to deliver desired quality, top management should provide the necessary input to those people directly involved in producing products and providing services. The inputs include necessary resources, fitting culture and structure, a fair reward system and necessary skills that can be acquired through training.

7) Service recovery

Gronroos (2007) defines service recovery as the action taken in response to an observed failure. The objective of recovery is to solve problems in two potential situations during the service encounter (i.e. before a customer complains) and shortly after the service encounter if the customer is dissatisfied. According to Sulk et al (2009), service recovery is the capability to react to faults as the basis for improving the service recovery process and to support actions that focus on managerial performance, reaction also establishes reliability in strategic business to business alliances.

Service recovery could be thought of as a triple system. One element of the system is customer recovery, and the main points to consider are as follows: how to satisfy the customer following a failure, the impact of recovery on loyalty, and the impact of recovery on profit. The second element is process recovery; in this element failure types and impact; profiling service failures; the links between operational factors and customer outcomes and financial outcomes; the impact of system reliability on service recovery; process improvement; and collecting, analysing and interpreting failure data should be considered Michel (2008).

The third element is employee recovery; employees often find themselves sandwiched between customer pressure and intransigent management or unchangeable organisational policies and procedures, and despite these issues, must be proactive in solving a problem. Immediate recovery after the failure ensures that the company have the good image or reputation (Wirtz and Mattila 2004).

Johnston and Clark (2008) considers service recovery as involving attempts to identify actual and potential failures in advance, correct them and make improvements to the process of service delivery.

Gronroos (2007) and Mattila (2004) agree on the aspect that service recovery entails solving actual and potential problems resulting from service failures during the service encounter between the provider and the customer. From the above argument, it can be concluded that successful service recovery plays a crucial role in returning customers from dissatisfaction to satisfaction. Lewis (2004) demonstrates that satisfaction levels can be higher after these encounters than if there had not been a problem in the first instance.

2.1.2 Benefits of customer retention

a) Customer satisfaction

Gerpott et al (2001) propose that satisfaction is based on a customer's estimated experience of the extent to which a provider's service fulfils his or her expectations. Satisfied customers are less price sensitive, buy additional products, are less influenced by competitors and stay loyal longer Zineldin (2000). Ovenden (1995) argues that organisations must be aware of how well or badly its customers are treated. Customers rarely complain, and when someone does, it might be too late to retain that customer. As customer tenure lengthens, the volumes of purchases grow and customer referral increase. Simultaneously, relationship maintenance cost fall as both customer and supplier learn more about each other because fewer customers churn and customer replacement cost fall. Finally, retained customers may pay higher prices than newly acquired customers, and are less likely to receive discounted offers that are often made to acquire new customers (Aspinall et al 2001 and Reichheld 1990).

Gerpott et al (2001) and Reichheld (1990) agree on the view that satisfied customers are willing to pay more than what new customers do and are less influenced by competitor's hence high retention rate. Although customer satisfaction is important, it is not equally important to the company.

There are many customers whose satisfaction is less important, such as those a company cannot serve or who are unprofitable and on the other hand, there are customers whose satisfaction is crucial to a company survival and the goal should always to satisfy those customers (Bhote 1996).

Athanassopoulus (2000) discusses satisfaction as an antecedent of customer retention. The results of his study indicate that product innovativeness, staff service, price, convenience and business profile are dimensions of customer satisfaction. Appiah-Adu (1991) finds that the most critical element in retaining customers is the company philosophy.

He also stresses that there is a difference between satisfaction and complete satisfaction and that the goal of an organisation should be to achieve the latter. In disagreement, Reichheld and Spinali (1993) argue that customer satisfaction does not necessarily lead to repurchase or retention as indicated by Gerpott et al (2001).

However, authors agree that customer satisfaction lead to customer retention since all of their views on company activities are directed towards customer satisfaction. Thus an organisation should strive to shun bad treatment of customers and uphold a culture of excellent treatment to allow for customer satisfaction hence long term relationships which result in high retention rates.

b) Cost reduction

Relationship costs fall as both customers and suppliers learn each other. As fewer customers churn, replacement costs fall, Aspinal et al (2001). Customers could defect at a rate of 10-30 per cent per year but however, a decrease of only 5 per cent in customer defection can increase profits up to 95 per cent depending with the industry Reichheld (1996). Kenny (1990) argues that this reduction is as a result of customer retention which results in longevity effects. Lindgreen et al 2000 .p 295 for example compute that “it can be up to ten times more expensive to win a customer than retaining a customer and the costs of bringing a new customer to the same level of profitability as the lost one is up to 16 times more.” The research by Reichheld and Sasser (1990) which found out that it costs 5 to 10 times to acquire a new customer than it is in retaining existing customers. Lindgreen et al (2000) and Holmund (1996) concur on the idea that customer retention lead to cost reduction as it cost much to acquire a new customer than to serve the existing one.

c) Customer value

Customer value is a strategic weapon in attracting and retaining customers and has become one of the most significant factors in the success of both manufacturing business and service providers (Zeithaml 1998).

Woodruff (1997) defines customer value as a customer perceived preference for, and evaluation of, product attributes, attribute performances, and consequences in terms of the customer’s goal and purposes. Butz and Goodstein (1996) view customer value as the emotional bond established between a customer and a product after the customer has used a

salient product or service produced by that supplier. Although these approaches differ, it is clear that there is a point of consensus.

Customer value linked to the use of certain products and services and customer value is perceived by customers rather than being objectively determined by the sellers and other stakeholders.

Flint et al (1997) define customer value as the customer's perception of what they want to be happened (i.e. consequences) in a specific kind of situation, by offering a product or service in order to accomplish a desired purpose or goal. In agreement to Flint et al (1997), Woodruff (1997) contributes that value is created by products and services when the benefits they deliver (i.e. positive consequences) help customers to achieve their goals in various situations.

Customer value can be better understood in terms of four key dimensions each of which may play a different role in the customer perception process and thus contribute directly to customer relationship management performance:

- “Emotional value” refers to the utility derived from the affective states that a product or service generates.
- “Social value” refers to the social utility derived from the product or service.
- “Functional value” refers to the utility derived from the perceived quality and expected performance of a product or service.
- “Perceived sacrifice” refers to the loss derived from the product or service due to the increment of its perceived short term and long-term costs. (Wang et al 2004 .p 172)

In contrast to those scholars who have argued that perceived value consist of only benefits (Hamel et al 1994), Woodruff (1997) posits that customer value is derived from the perception, preferences, and evaluation of customers and that any consideration of value should account on these factors. Wang et al (2004) concur with Woodruff (1997) that customer value entails getting benefits and giving sacrifice components.

d) Employee satisfaction

According to Reichheld (1990), customer retention brings benefits such as employee retention and satisfaction, better service, lower costs, lower price sensitivity, positive word of

mouth, high market share, higher efficiency and higher productivity habit. There is a strong link between employee satisfaction and customer retention.

Customer retention lead to higher employee satisfaction as employees will be delighted and therefore stay longer with the company (Reichheld 1990). Improved customer retention can lead to an increased level of employee satisfaction which leads to increased employee retention and which feeds back into even greater customer longevity Reichheld (1990).

However, Parker et al (1994) argue that empowerment is also essential for internal customers' satisfaction. Indeed, studies on empowerment reveal that it is positively associated with employees' satisfaction (Parker et al 1994). In agreement to Parker et al (1994), Hoffman (2002) states that empowerment can improve employee motivation and job satisfaction thereby leading to the provision of quality services and improved relationships with customers.

2.2 Causes of customer dissatisfaction

Defections and complaints do not just begin on their own; there is always an event beforehand. Dissatisfied customers do not only take their business away, but abandon the company and tell others how bad their experience with the company is. According to Kottler (2001), 95% of dissatisfied customers do not complain, they just stop buying.

a) Lack of customer focus

The most important and common reason for customer switching is indifference and inattention of the business and from the customer point of view, lack of reason to stay, Rockstrone (2002). Kelly (1994) argues that sometimes procedures may require customers to fill out long and complex applications forms and provide detailed personal information before a sale can be completed.

Above authors have agreed on the aspect that organisations sometimes set up their business processes in the way that make complications to customers, making service delivery complicated and therefore become poor to customers.

With this argument, Rockstrone (2002) and Kelly (1994) clearly show that the way an organisation deliver its service to customer has a strong impact on the retention rate of customers.

In full support to the above authors, Checkland (2000) postulates that organisations should consider customer focused approaches to the improvement of business processes by developing a construction which systematically utilise customer feedback in form of customer complaints to achieve process improvements both at strategic and operational level.

The basic idea is that it is not enough to make the complaining customer satisfied, but that the main complaint information should feedback to the actual processes where the fault causing arose and where it can be removed thus avoiding further similar errors Checkland (2000).

From above arguments, it can be noted that authors agree that organisations need to have their much focus on customers so as to reduce customer dissatisfaction and defection. It should also be noted that lack of customer focus may also include other variables such as failing to meet customer needs in terms of merchandise and variety which can also lead to customer defection.

b) Poor service recovery techniques

According to Keaveney (1995), service recovery has grown because bad service experience often leads to customer switching which in turn leads to lost customer life time value. Keaveney (1995) adds that service failure and poor service recovery are a major cause of customer defection. It has been found that it is typically unrealistic to have a perfect organisation with no complaints from customers, Glaser (2001). As a result it is prudent for organisations that hope to survive competition and grow to pay close attention to their customer complaints responses and delivery strategic measures to manage them. Keaveney (1995) suggests that neglecting customer complaints about product or service delivery could lead to customer switching to competitors, which in turn affect profitability and long term survival of the enterprise.

In agreement to Keaveney (1995), Moorman et al (1993) contributes that service failures negatively impacts customer's trust in an organisation since it reduces a service provider's perceived reliability and one's confidence in a firm. Ekman (1996) also argues that poor support in soliciting feedback especially complaints on service and product quality can turn away customers.

Defects or dissatisfaction in any encounter during service delivery may also cause negative responses from customers such as negative word of mouth, hatred of sellers or reluctance to repeat purchases, all of which may potentially harm business profitability or reputation, Davis

(1994). Thus when service failure occurs, service providers must take immediate recoveries to retain their customers.

According to Keaveney (1995) and Moorman et al (1993), customer dissatisfaction is as a result of service failures and poor service recovery techniques while Glaser (2001) takes dissatisfaction as a result of poor complaint handling process. However, they agree on the fact that complaint handling may lead to dissatisfaction if not managed properly.

d) Poor product and service quality

According to Borg (1996), poor product or service quality is the major cause for customer dissatisfaction. When expectations are not met, service quality is deemed unacceptable and dissatisfaction occurs, Fitzsimons (2006). Shahin (2006) also argues that service quality is defined as the difference between customer expectations of service and perceived service. If expectations are greater than performance, then perceived quality is less than satisfactory and hence dissatisfaction may occur.

Olsen (1992) disagrees with Borg (1996) and asserts that technological change may also result in poor products and purchase of a single shoddy product or a suffered service failure brought by change in technology can also cause customers to defect. According to Granbois (1992), the consumption evaluation process can be described as confirmation or disconfirmation paradigm. Where customers compare their initial expectations for product performance with perceived product performance and notice whether a difference exists. Confirmation occurs when a product performs as expected, contributing to satisfaction and disconfirmation between prior expectations and performance, respectively leading to dissatisfaction, Leavitt (1992).

Borg (1996) supports the view that poor product quality leads to customer dissatisfaction. Olsen (1992) is more on technological change that may lead to products or services being out-dated as the main causes of customer dissatisfaction. However, authors have agreed that any source of poor product or service quality lead to customer dissatisfaction which can then finally lead to defection.

e) Failure to fulfil promises

Throughout the extended consumption process, promises are made, enabled and kept. According to Gronroos (2007), promises are made through external marketing, enabled through internal marketing and kept through interactive marketing.

Customers always decide not to come back to a business when they have expectations that the business' service or product is not fulfilling Lindh (1988). Customer satisfaction depends on the product's perceived performance relative to the buyer's expectations Armstrong (2004). If the product performance falls short of expectations, the customer is dissatisfied. From the definition by Lindh (1988) customer defection is as a result of failure to meet satisfaction while Koekomoer (1998) postulates that it is as a result of poor product and service marketing.

Lindh (1988) and Koekomoer (1998) agree that failure to meet customer expectations will lead to an increase in defection rate. When expectations are not met on product or service quality, customers get dissatisfied Fitzsimons (2006). Sasser (1990) disagrees with Fitzsimons (2006) that customers do not always get dissatisfied as a result of poor products but also with their link with employees. If employees are dissatisfied, automatically customers will get dissatisfied.

However, from above arguments authors agree that failure to fulfil customer expectation will lead to high customer defection rate.

2.3 Brand loyalty

Assael (1992) defines brand loyalty as a favourable attitude towards a brand, thus resulting in consistent purchases of the brand over time. Aaker (1991) identifies brand loyalty as a key determinant of brand choice and brand equity. Brand loyalty refers not only to one's tendency to repurchase the same brand time after time, but also to have a psychological commitment or attitudinal bias towards the brand (Wells et al 2003). Thus the brand loyal customer not only buys the brand, but refuses to switch even when better offer comes along.

According to Jacoby (1971) brand loyalty is a repeat purchase which is a function of psychological processes. The definition of Jacoby (1971) concurs with that of Wells et al (2003) on the view that brand loyalty entails repeat purchases, but this repeat purchase behaviour is not just an arbitrary response, but the result of some preceding factors such as psychological factors.

Building brand loyalty has been seen by various authors as taking numerous forms overtime. Initially, mass awareness advertising campaigns were used almost exclusively to build a brand image, with hopes that a strong brand image would be enough to establish brand loyal customers (Wells et al 2003).

The long held belief that customer's loyalty to a specific brand represent not only a source of on-going sales, but more profitable sales as well, has prompted firms to invest significant resources in the development of brands. In agreement to this statement, Baldinger (1996) argues that for a firm to be a dominator in the market place it only needs product volumes but to be a profitable market dominator, a firm needs brand loyalty. Webel (1973) contributes that while many definitions tend to focus on the behavioural aspects (i.e. if a customer purchases brand A three times out of four times, he or she may be considered brand loyal), these types of operationalization tend to confuse brand loyalty with repeat buying behaviour- yet a distinct construct.

Repeat purchase however, is not sufficient evidence of brand loyalty. Brand loyalty also reflects attitudinal aspects. In support to the view of Webel (1973) that repeat purchase should not be totally qualified as brand loyalty, Keyner (1973) define brand loyalty as having six conditions which are:

- the biased (i.e. non-random)
- behavioural response (i.e. purchase)
- expressed overtime
- by some decision-making unit
- with respect to one or more alternate brands out of such brands; and
- Is a function of psychological processes

Keyner (1973) therefore differentiates between the repeat buying behaviour and brand loyalty with the sixth requirement-psychological processes. Light (1997) repeats the earlier warning not to confuse behaviour with brand loyal behaviour. He notes that repeat behaviour can be bought through bribes such as price discounts and coupons. Bloemer et al (1994) similarly differentiates between true brand loyalty and spurious brand loyalty.

Although the behavioural aspects of the two constructs are the same, true brand loyalty requires psychological commitment while spurious loyalty is a function of inertia.

In contrast to the above views, Dick et al (1994) agree that even a relatively important purchase may not reflect true loyalty to a product, but merely results from situational conditions such as brands stocked by the retailer. However, Light (1997) and Bloemer et al (1994) agree that repeat purchase is not sufficient enough to conclude brand loyalty but true brand loyalty requires psychological commitment.

2.4 Customer satisfaction and customer retention

Athanassopoulus (2000) regards customer satisfaction as an antecedent of customer retention. In agreement to Athanassopoulus' argument, Hudson (2006) views customer satisfaction as an antecedent in fostering customer retention as it can affect the buyer's decision to continue a relationship with the organisation. Hallowell (1996) argues that customer satisfaction on its own cannot produce life time customers even though satisfaction can result in retention. Spreng et al (1995) disagree with the above authors with their view that a company is more likely to retain customers by encouraging complaints and then address them than by assuming that the customer is satisfied.

Spreng et al (1995) is more on addressing customer complaints to retain customers while Hudson (2006) and Athanassopoulus (2000) are more on ensuring satisfaction before a customer is retained. From these arguments it can be noted that all the authors are coming to the same point that customers are retained if they are taken care of hence an agreement on customer retention.

Zineldin (2000) also states that customer satisfaction has a direct link with retention in that a satisfied customer is less price sensitive, buy additional products, are less influenced by competitors and stay longer with the business. Erickson (2000) argues that satisfaction increase customer retention, and customer retention depends on the substance of the relationship between partners. Zineldin (2000) and Erickson (2000) agree on the view that customers are satisfied first before retained by organisations hence satisfaction an antecedent to retention.

Gerpott et al (2001) suggests that customer retention and customer satisfaction should be treated as distinct, but causally interlinked constructs. According to them, customer satisfaction is a direct determining factor in customer loyalty, which in turn, is a central determinant of customer retention.

In agreement to Gerpott et al (2001), Stauss et al (2001) adds that satisfaction is merely a step towards the goal of retention, and that retention effects increase with the degree of satisfaction. From arguments suggested above it can be concluded that customer satisfaction and retention should be viewed separately, as satisfaction is a step towards achieving retention.

It has been noted from the discussion that a customer is first satisfied to become loyal and then finally retained by an organisation.

2.5 Brand loyalty and customer retention

Relationship marketing has shown much concern for loyalty because of benefits associated with retaining customers and activities involved in it which are aimed at developing long-term, costs effective links between organisations and its customers. Before a relationship with a customer can develop, loyalty must be present. Loyal customers are reported to have higher customer retention rates, commit a higher share of their category spending to the firm, and are more likely to recommend others to become customers of the firm, Zeithmal (2000).

Brand loyalty has direct impact on retention as many researchers have claimed that loyalty occurs when the customer feels so strongly that an organisation can best meet his or her relevant needs, that a company's competition is virtually excluded from the consideration set and the customer buys almost exclusively from an organisation, referring to the organisation as "their company", Shoemaker (1999). Oliver (1997) recommends that loyalty is a deeply held commitment to rebuy or re-patronise a preferred product or service consistently in future, thereby causing repetitive same brand or same brand set purchasing despite situational influences and marketing efforts having the potential to cause switching behaviour. Dawling (1997) suggests that loyalty programmes are often set up to encourage customers to enter lasting relationships with an organisation by rewarding them for patronage.

From arguments suggested by Dawling (1997) and Oliver (1997), loyal customers usually show deep commitments for certain brands calling for long standing relationships between customers and brands, and this result in high customer retention rates. In full support to Oliver (1997), Orr (1995) cites that there is a link between customer retention and satisfaction, loyalty and profitability when Orr (1995) states that the best way to get repeat business for a company is by loyalty programmes, frequent-buyer clubs, good service and fair price.

Webster (1991) also cites in Ayala et al (1996) that researches have indicated that assessments of quality and satisfaction are critical in the process by which a customer develops a positive attitude towards a particular experience, makes repeat purchase and develops brand loyalty.

Webster (1991) agrees with Oliver (1997) that when customers develop deep commitments to brands they make repeat purchases with organisation they become loyal to those brands and finally establish long relationships which result in high retention rates.

However, it should be noted that there is a strong relationship amongst customer retention, customer satisfaction and brand loyalty, and these variables cannot be separated. These variables interlink each other to the same goal of retention. In support to this view, Lewis (1999) postulates that we can have satisfaction without loyalty, but it is hard to have loyalty without satisfaction. While there is no guarantee that a satisfied customer will return or repeat purchase, it is most certain that a dissatisfied customer will not return, Dube et al (1994).

Hallowell (1996) also adds that the major importance of satisfying customers is to make them loyal to their products and services and retain them for their life time. In every industry or market there are numerous competitors or business organizations producing goods and services to succeed. Therefore, business organizations have to ensure that they put their strategy in the right order to satisfy their customers in order to differentiate their products and services. As a result of this, customers will become repetitive to the business organization that satisfies them and prefer staying as long as they are always satisfied.

2.6 Summary

The key components highlighted by this chapter include; the concept of customer retention, the views by different authors on the subject of customer retention strategies which are: customer service, key account management, internal marketing, complaint management, communication, total quality management and service recovery. Literature was also reviewed on the relationship among customer satisfaction, brand loyalty and customer retention as well as benefits associated with investing in customer retention and those factors which contribute to customer dissatisfaction. Success of the concept calls for the co-operation of employees and managers as their attitude goes a long way in determining satisfaction and retention of customers. The next chapter is to look on how the research is to be carried out.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

The major part of the information gathered for this proposed study constituted primary, published market analysis reports and secondary research specifically from FAVCO. Information regarding customer retention was obtained from extensive research into secondary sources that served to illustrate processes that FAVCO may use in establishing a forward mind of doing business.

3.1 Research design

Bryman et al (2003) define research design as relating to a method employed when evaluating business research. It is therefore a framework for the generation of evidence that is suited both to certain set of criterion and to the research questions in which the investigator is interested. Peterson (1982) defines research design as a formal written set of specifications and procedures for conducting and controlling a research project. A research design as noted by Bryman et al (2003) and Peterson (1982) therefore be defined as a plan and structure of investigation conceived to achieve the set of objectives. It constitutes methods of data collection, data sources and ways of analysing data collected.

In this research, case study research design allowed the researcher to collect data qualitatively using in-depth interviews and questionnaires. After collecting data, case study research design also enabled the researcher to present and analyse data quantitatively through the use of tables, graphs and charts.

3.1.1 Case study

Robson (2002) defines case study as a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence. It is feasible to carry out case study research because it generates answers to the questions why, what and how of the research. Lewis et al, (2007) contributed that case study allows data collection techniques to be used in combination resulting in triangulation.

The researcher in this case used both descriptive and exploratory case studies.

Descriptive case study was used to describe in detail the current practices of customer retention as used by FAVCO to enhance brand loyalty. Exploratory case study was used to explore areas which had inadequate information, that was to see how customer retention strategies were implemented at FAVCO and how effective were they in enhancing brand loyalty. After exploring these areas which had information deficiency, the researcher provided more literature as solution to the problem.

3.2 Targeted population

Bryman et al, (2007) define population as the universe of units from which a sample is to be selected. According to Saunders et al (2007), population refers to the complete set of cases or group members from which a sample is to be selected. A target population is the actual population from which the research will be generalized. According to Schoel et al (1995), 'Population is the frame from which sample items are selected.' It is upon the population that results of the study are generalized.

In this research, the target population was represented by 77 respondents. The target population constituted 34 corporate customers (all OKs and Food world outlets in Harare), 40 employees and 3 managers from FAVCO. The three managers were heads of Sales, Operations and FMCG departments at FAVCO. These departments were the only ones considered relevant to the research study by the researcher, out of the ten departments that FAVCO had. Heads from these departments were chosen for the research study because they had relevant data which the researcher used to answer research objectives.

Buyers were specifically targeted by the researcher from the corporate customer group. They were selected to be respondents to this study because of their role in buying and their interaction which they had with FAVCO as a supplier. However, branch managers from retail outlets were not considered relevant to this study as they had no direct interaction with suppliers but simply were overseers of all retail activities.

3.3 Sampling methods and sampling techniques

3.3.1 Sampling procedure

Sampling procedures are also referred to as sampling approaches, sampling methods or sampling plans. The researcher used both probability and non-probability sampling methods. Probability sampling has been defined by Cooper et al (2004) as a controlled procedure which assumes that each element has a known non-zero chance of being selected.

Non probability sampling provides a range of alternative techniques based on researcher's subjective judgment, Saunders et al (1997).

In this research study, the researcher used judgemental sampling method to select departments which were important for the research study out of ten departments that FAVCO had. Departments selected were the Sales, FMCG and Operations and these were the departments that could give the researcher appropriate data to answer research objectives. Convenience sampling method was used again as a non-probability sampling method to select employees who were on duty during the time the research was conducted. Employees were specifically selected from the Sales, FMCG and Operations departments. This was done to save time and to ensure high reliability of results.

Cluster sampling method as a probability sampling method was used to select buyers from the corporate customer group. Cluster sampling method was adopted because corporate customers had two discrete groups which could be called clusters. Corporate customers were categorised in two clusters, the OK cluster and the Food World cluster. OK cluster had 27 retail shops and the Food World cluster had 7 retail shops, all operating in Harare, to make a total of 34 retail shops. Since a total of 12 retail shops from both clusters were required to make part of the sample, 25% of total Food World retail shops was chosen using simple random sampling method from the Food World cluster. From OKs, 75% was also chosen using simple random sampling method to come up with a total of 12 retail shops in Harare town which formed part of the sample.

Sample size

Lancaster (2005) defines a sample size as implying a subset of the entire population targeted. The use of a sample size saved time than if the researcher had used a census. Apart from time saving, the sample enabled more important information to be sourced and chance of non-responses were less than if census method was used. The target population, from which the sample size was derived, covered the following categories:

- Managers
- Employees
- Corporate customers (Buyers from OK and Food World retail shops in Harare)

Managers who formed part of the sample were those managers from 3 departments out of 10 departments that FAVCO had, which were selected as relevant to the research study by the researcher. The departments included the Sales, Operations and FMCG.

These managers were considered relevant to the research study by the researcher as they were the only ones who could provide important data to answer research questions.

Table 3.3.2 Sample size

Respondents	Total	Sample size
Managers	3	3
Employees	40	13
Corporate customers	34	12
	77	28

However, the sample size proposed constituted of 28 respondents and this was a true representation of the total targeted population as the researcher had to meet deadlines as per the requirement of Midlands State University.

3.4 Data sources

The researcher relied on two sources of data which are primary and secondary sources.

a) Primary data

Primary data was collected through questionnaires and in-depth interviews. Cooper et al, (2004) define primary data as original works of research or raw data without interpretation or pronouncements that represents an official opinion or position. These include memos, letters, complete interviews or speeches. Data was collected through questionnaires designed for employees and corporate buyers.

The researcher distributed all questionnaires to employees and corporate buyers physically and then collected them after two days. In order for the researcher to complement data from questionnaires, interviews were considered by the researcher. A total of three interviews were conducted with Quality control manager from Operations department, Sales manager and the FMCG manager at FAVCO.

b) Secondary data

Cooper and Schindler, (2004) referred secondary data as interpretations of primary data. Newspaper articles and journals and most newscasts are considered secondary information sources. Internally, sales analysis, summaries and investor annual reports and company previous researches will form part of secondary sources as they are compiled from a variety of primary sources.

In this proposed research, company records, management reports, journals and other previous researches of the company were used to gather secondary data. Collecting secondary data was economical as it saved time, money and effort of the researcher. This enabled the researcher to do a rapid and quick collection of data, saving time as well as complying with deadlines. However, some of the secondary data available at FAVCO did not suit the requirements of the study.

3.5 Research instruments

In-depth interviews

Cooper et al (2004) defines in-depth interviews as a two way conversation initiated by the interviewer to obtain information from a respondent. In-depth interviews were suitable for this survey particularly to managers as the interviewer probed for more relevant information. The researcher used predetermined list of structured questions for the interview sessions to save time. According to Jankowicz (1997), respondents in an in-depth interview should be chosen on the basis of their specialised knowledge rather than on random basis. In-depth interviews were conducted at FAVCO starting with the FMCG manager, followed by the Sales manager and finally the Quality control manager. These interviews were done to complement data from questionnaires. In-depth interviews allowed the researcher to solicit information on what the company did to retain its employees and corporate customers in enhancing brand loyalty.

In-depth interviews gave the researcher current and detailed information as the researcher had personal conversations with respondents

Questionnaires

Cole (1996) defines a questionnaire as a document designed to solicit information appropriate for analysis. The written documents were given to respondents to make completion. Questionnaires were self-administered and were completed by respondents.

These questionnaires were delivered in person to each and every respondent and also collected in person by the researcher.

The format of the questionnaire was structured in form of a pre-determined set of questions with answers listed, where respondents would be required to indicate by ticking on their choices and also open ended questions where respondents would express their views using their own words in writing. All questionnaires which amounted to 25 were delivered in person to each and every respondent giving them enough time to complete questionnaires conveniently. The researcher collected questionnaires after three days of the distribution process. Questionnaires enabled the researcher to explain and examine relationships between variables like the cause and effect relationships.

3.6 Ethical considerations

The researcher sought approval letter from both from the institution and the company to conduct a proposed research study. The need for confidentiality to participants was respected as well as practising caution in safe guarding customer and company information. The researcher acknowledged work done by others that was refraining from the act of plagiarism. Finally, the researcher maintained objectivity during data collection, analysis and reporting stages.

3.7 Data collection procedure

In-depth interviews and questionnaires were used and procedures followed in each and every data collection process were highlighted. Questionnaires targeted employees and corporate buyers. Questionnaires were distributed in person by the researcher and were collected after two days of the distribution process. The second instrument which was also used in this research was in-depth interview, which was conducted using a predetermined list of structured questions. These in-depth interviews were conducted with managers at FAVCO specifically from Sales, FMCG and Operations departments.

3.8 Validity and reliability

3.8.1 Reliability

Joppe (2000) defines reliability as the extent to which results are consistent over time and an accurate representation of the total population under study. If the results of a study can be reproduced under a similar methodology, then the research instrument is considered to be reliable. To ensure reliability, the researcher used triangulation method to take into consideration objective and subjective methods into account.

3.8.2 Validity

Joppe (2000) provides the following explanation of what validity is in quantitative research: Validity determines whether the research truly measures that which it was intended to measure or how truthful the research results are. In guaranteeing validity throughout the research, care was taken by the researcher in the manner in which questions during the interview were asked. Long technical and ambiguous questions were avoided as they would confuse respondents in questionnaires.

A self-administered questionnaire was designed, which was directly aligned with the research objectives. Necessary adjustments were made to the questionnaire, basing on feedback obtained from the pilot study.

3.9 Data presentation and analysis

Cooper et al (2004) define data analysis as involving reducing accumulated data to manageable sizes, developing summaries, looking for patterns and applying statistical techniques and tools to derive meaning out of it. According to Cochran (1994), tabulation is a job of summarising raw data into understandable form. Information obtained through in-depth interviews and questionnaires was presented in the following formats:

- Tables
- Charts
- Graphs

The researcher also used a qualitative method of analysing data which is called thematic analysis. Meaningful patterns and themes were derived after data has been grouped into themes that helped to answer research questions, Renner (2003).

Themes may be directly evolved from the research questions predetermined before data collection or naturally emerge from data as the study is conducted. Under this research study the researcher derived themes after the study had been conducted to derive meaning out of data collected.

4.0 Summary

The chapter identified the research methodology, research design, research instruments and sampling methods used by the researcher in doing the research study. This chapter also revealed how data validity and reliability was achieved.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS

4.0 Introduction

This chapter gives a summary of findings to the research study and includes the results of questionnaires and interviews conducted by the researcher. The researcher used both qualitative and quantitative data, collected to support the qualitative data that was useful to understand the concept of customer retention and brand loyalty. Data was analysed using tables, pie charts and graphs as well as presented and analysed according to the research questions and objectives. Data from interviews was also analysed thematically using a thematic method of analysing qualitative data.

4.1 Response rate

A sample which was made up of three groups of people was chosen to provide information regarding the concept of customer retention strategies that could be implemented to ensure brand loyalty. These groups were namely; management, employees and corporate customers. From questionnaire results, the following is the information from the responses obtained from the selected sample.

Table 4.1.1 Response rate of questionnaires

Respondents	Number of questionnaires distributed	Number of returned questionnaires	Number of not returned questionnaires	Response rate	Non-response rate
Employees	13	11	2	85%	15%
Corporate customers	12	11	1	92%	8%
Total	25	22	3	88%	12%

Source: research respondents

From the fig above, 13 employees were chosen to respond to questionnaires and 11 employees out of 13 employees responded. From 12 questionnaires distributed to corporate customers, 11 corporate customers responded. The response rate was good with 88% of corporate customers and employees responding to the questionnaires and 12% represented non-response rate during the data collection period. From such a response, findings were relied upon and also research finding became more accurate.

Robertson (2002) contributes that the response rate which is above 83% is good enough for the researcher to continue with the research study as it produces valid results.

4.2. ANALYSIS OF FINDINGS FROM CORPORATE CUSTOMERS AND EMPLOYEES

4.2.1 Customer retention strategies used by FAVCO.

The table below shows major customer retention strategies that were visible to both corporate customers and employees which FAVCO used to retain its corporate customers.

Table 4.2.1: Customer retention strategies used by FAVCO

Retention strategy	Respondents		Response rate	
	Corporate Customers	Employees	Corporate customers	Employees
Customer service	5	5	45%	45%
Total quality management	10	5	91%	45%
Complaint handling management	6	3	55%	27%
Communication	6	1	55%	9%

Source: research respondents

From the results above, 45% of corporate customers and 45% of employees believed that customer service was one of the retention strategies that FAVCO used, 91% of corporate customers and 45% of employees indicated total quality management as another strategy which FAVCO used. From the customer complaint management side, 55% of corporate customers and 27% of employees viewed complaint handling as part of customer retention strategies used by FAVCO to retain its customers. Finally, 55% of corporate customers and 9% of employees acknowledged that communication was also part of customer retention strategies used by FAVCO in retaining corporate customers and influence their commitments towards FAVCO brands.

From the above results it may be concluded that most of corporate customers and employees were aware of these customer retention strategies that FAVCO used to retain its corporate customers. However, it is noted that more corporate customers than employees on each and every strategy knew these customer retention strategies better.

4.2.2 Evaluation of Customer service

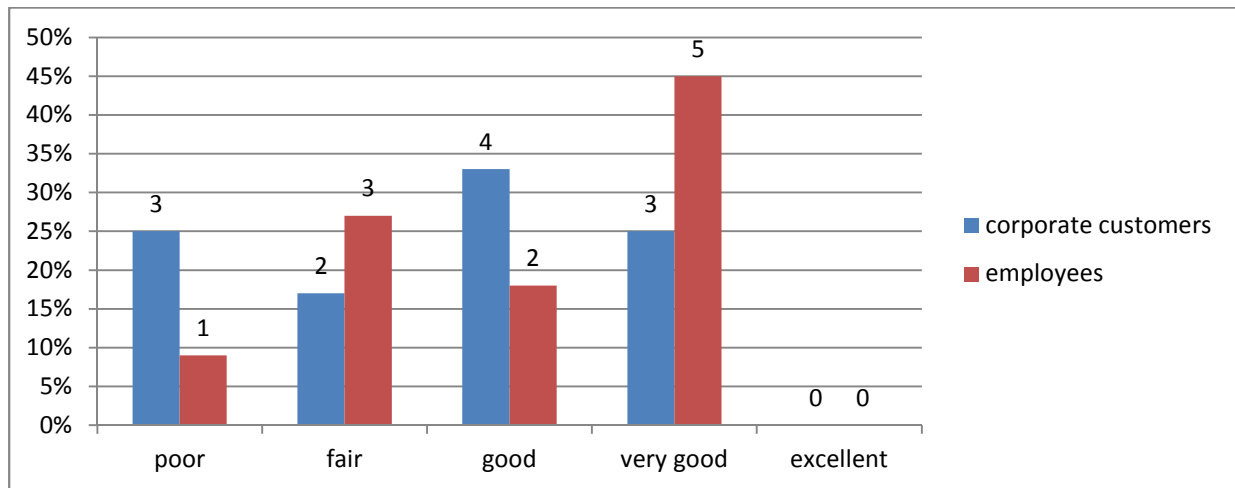
The table below shows both customer and employee ratings on the customer service which FAVCO used as a customer retention strategy.

Table 4.2.2: Evaluation of Customer service

Rating	Respondents		Response rate on customer service	
	Corporate customers	Employees	Corporate customers	Employees
Poor	3	1	27%	9%
Fair	2	3	18%	27%
Good	4	2	36%	18%
Very good	3	5	27%	45%
Excellent	-	-	-	-

Source: research respondents

Figure 4.2.2: Evaluation of Customer service



Source: research respondents

Figure 4.2.2 above illustrates results of both corporate customers and employee ratings on customer service used by FAVCO to retain its customers. The results were centred on the question that asked both employees and corporate customers to rate customer service as offered by FAVCO. According to results from employees, 45% rated customer service as very good, 18% rated theirs as good, 27% as fair and 9% as poor.

In respect to customers, 25% of corporate customers have rated customer service provided by FAVCO as very good, 33% rated as good, 17% as fair and only few represented by 25% rated the technique as poor. Although employees have shown high response rates in commenting customer service strategy as effective, it was however, the response rates of corporate customers that could pass a conclusion on this matter. From the corporate customer response rates it may be concluded that FAVCO was not effectively using the strategy to retain customers and that there are some improvements that need to be done.

4.2.3 Evaluation of Communication

Table 4.2.3 below shows results of both corporate customer and employees' ratings on communication as a customer retention strategy used by FAVCO.

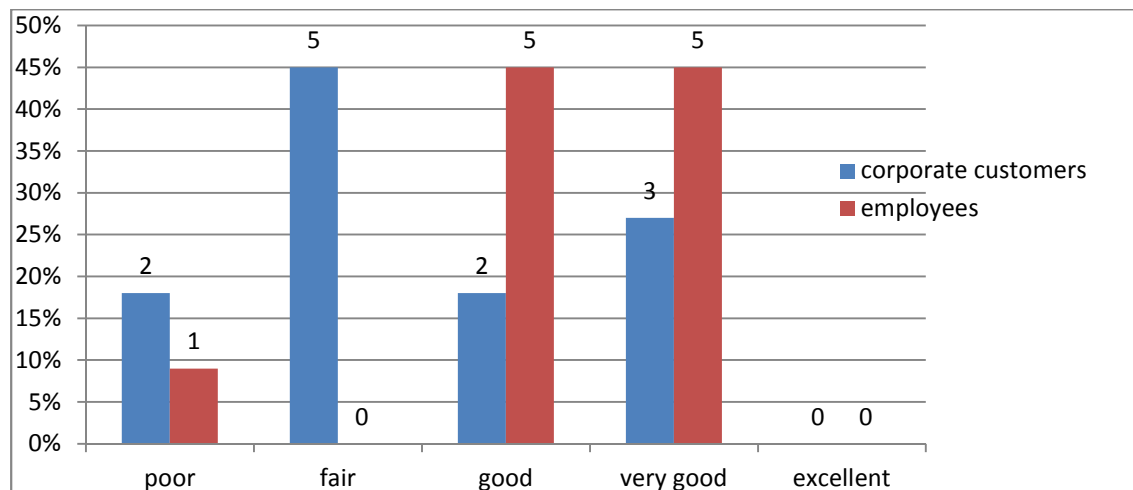
According to Reynolds (1998), customers must be able to contact the organisation to return products, to contact technical support and to communicate with customer service representatives and so corporate customers and employees were asked to rate the way FAVCO communicated with corporate customers and responses were as shown in **table 4.2.3** and **figure 4.2.3**:

Table 4.2.3: Evaluation of communication

Ratings	Respondents		Response rate on communication	
	Corporate customers	Employees	Corporate customers	Employees
Poor	2	1	18%	9%
Fair	5	-	45%	-
Good	2	5	18%	45%
Very good	3	5	27%	45%
Excellent	-	-	-	-

Source: research respondents

Figure 4.2.3: evaluation of communication



Source: research respondents

Figure 4.2.3 above illustrates results of both customers and employees ratings on the effectiveness of the way FAVCO communicated with its customers.

Results revealed that both corporate customers and employees had different ratings on the way FAVCO communicated with its corporate customers. The results were centred on the question that asked both employees and corporate customers to rate the way FAVCO communicated with customers. According to results from employees, 45% of employees rated FAVCO communication as very good, 45% again rated theirs as good and 9% as poor.

According to corporate customer results, it had been noted that 27% of corporate customers' rated FAVCO communication strategy as very good, 18% rated the communication as good, 45% rated it as fair and few respondents acknowledged that the communication was poor which were represented by 18%. Though high employee response rates on communication as an effective strategy, the company could have been inadequately using this strategy to retain corporate customers.

From these results it may be concluded that there are some improvements that need to be done in terms of communication as a strategy used by FAVCO. Hollesen (2003) postulates that communication is central to relationship marketing and any buyer to seller relationship should be evaluated and reconstructed based on mutual communication.

4.2.4 Evaluation of product quality

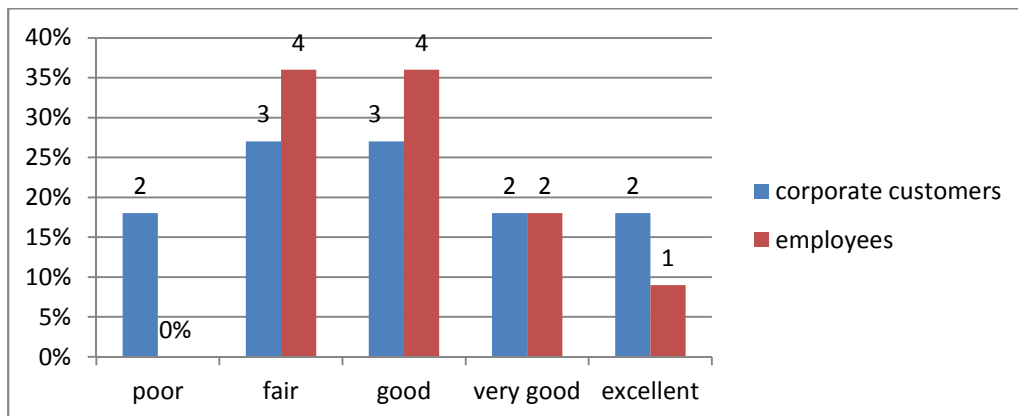
Table 4.2.4 below shows ratings from both customers and employees on the quality of products which FAVCO provided to customers.

Table 4.2.4: Evaluation of product quality

Ratings	Respondances		Response rate on product quality	
	Corporate Customers	Employees	Corporate customers	Employees
Poor	2	-	18%	-
Fair	3	4	27%	36%
Good	3	4	27%	36%
Very good	2	2	18%	18%
Excellent	2	1	18%	9%

Source: research respondents

Figure 4.2.4: Evaluation of product quality



Source: research respondents

Figure 4.2.4 above illustrates results of both employees and corporate customer ratings on the quality of products and services offered by FAVCO to its corporate customers. These results were centred on the question that asked both employees and corporate customers to rate the quality of products and services offered by FAVCO.

According to results from corporate customers, 18% rated their quality experience as excellent, 17% rated theirs as very good, 27% rated theirs as good, 27% rated theirs as fair and 18% rated theirs as poor. However, from the results by employees, 9% rated their quality offer to corporate customers as excellent, 18% rated theirs as very good, 36% rated theirs as good, 36% again rated theirs as fair and no one of them rated their quality offer to corporate customers as poor. From above results, it was viewed that though employees had indicated their quality offer as good to their corporate customers, there were some improvements that needed to be done in order for the company to offer excellent quality to its corporate customers.

Above results are evidenced by some of the corporate customers who indicated the quality offered by FAVCO as poor though the majority indicated fair to excellent. In addition to this, it may be viewed that excellent experience was only on those products which corporate customers selected to buying from FAVCO. From the results it may be concluded that FAVCO was not providing good quality products equally to all its corporate customers in terms of quality offer hence the need for improvements to make sure that the company provides quality offers equally to all its corporate customers.

4.2.5 Evaluation of Complaint management

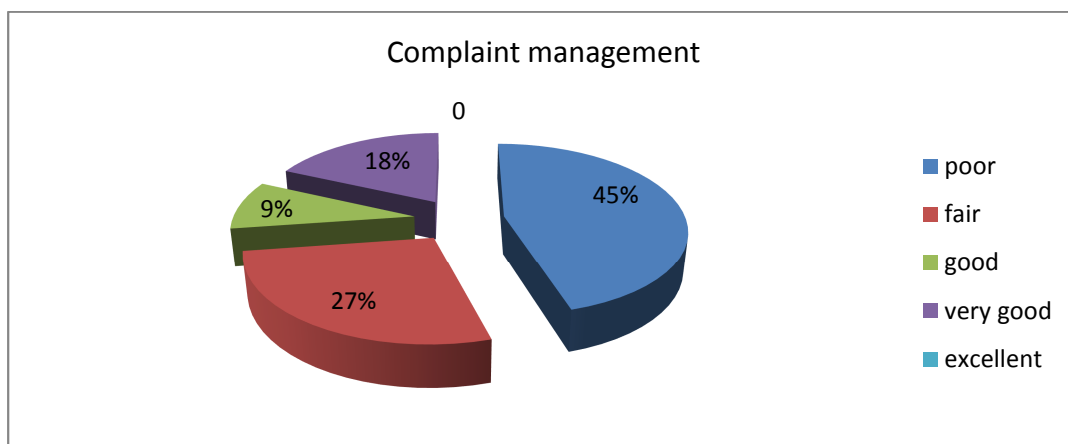
Table 4.2.5 below shows ratings of views from respondents on the way FAVCO handled its customer complaints. According to Futrell (2000), besides ensuring that complaints are processed, it must also be ensured that customers are satisfied with the way in which their complaints are handled and so customers were asked to rate the way FAVCO handled customer complaints. Responses were as shown in **table 4.2.5** and **figure 4.2.5**:

Table 4.2.5: evaluation of complaint management

Ratings	Respondents	Response rate on complaint management
Poor	5	45%
Fair	3	27%
Good	1	9%
Very good	2	18%
Excellent	-	-

Source: research respondents

Figure 4.2.5: evaluation of complaint management



Source: research respondents

The **figure 4.2.5** above illustrates results of corporate customer ratings on the way FAVCO handled customer complaints. These results were centred on the question that asked corporate customers, how they could rate complaint management procedure at FAVCO.

According to results from corporate customers, 45% rated complaint management at FAVCO as poor, 27% rated theirs as fair, 9% rated theirs as good, 18% rated theirs as very good and no one of them rated complaint management at FAVCO as excellent.

Therefore it may be concluded that complaint management was not effective at FAVCO and they are some improvements that needed to be done to ensure effectiveness.

4.2.5 Improvements on customer retention strategies

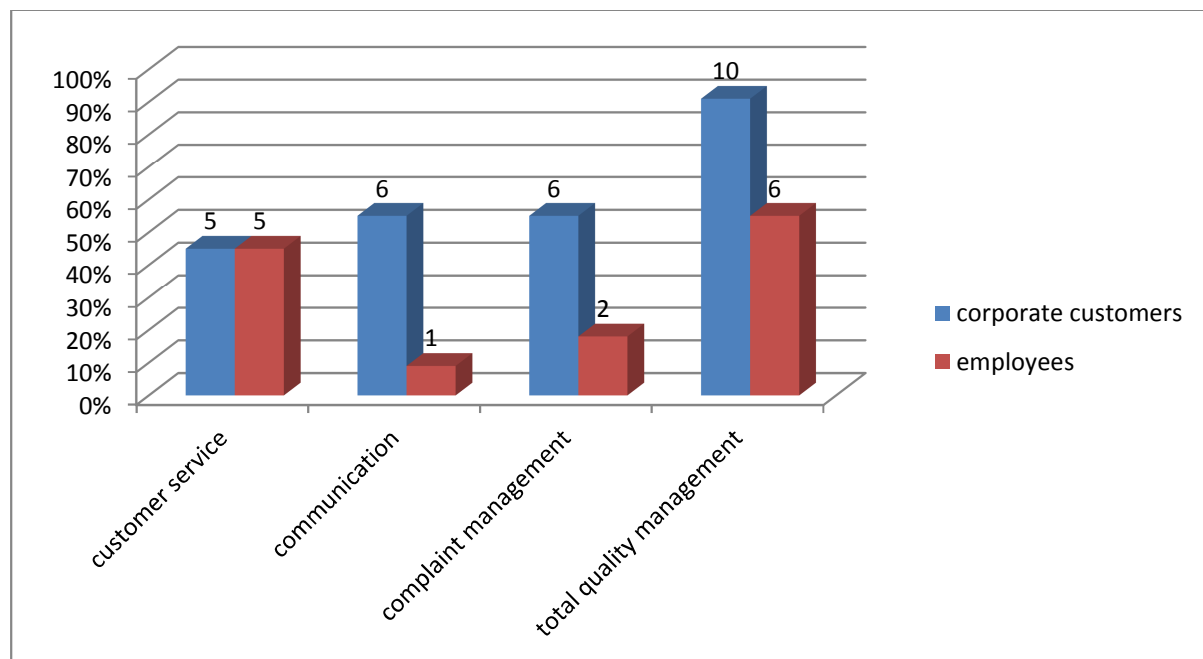
Table 4.2.6 below shows results on customer retention strategies indicated by both corporate customers and employees to be improved at FAVCO.

Table 4.2.6

	Respondents		Response rate on improvements needed	
	Corporate customers	Employees	Corporate customers	Employees
Customer service	5	5	45%	45%
Communication	6	1	55%	9%
Complaint management	6	2	55%	18%
Total quality management	10	6	91%	55%

Source: research respondents

Figure 4.2.6: Showing improvements to be done on customer retention strategies



Source: research respondents

Figure 4.2.6 above illustrates results of both corporate customers and employees on possible customer retention strategies that needed improvements at FAVCO. Above results are centred on the question that asked both employees and corporate customers, customer retention strategies that needed improvements.

According to results from corporate customers, 91% of respondents indicated that total quality management needed improvement, 55% indicated on complaint management procedure, 55% again indicated on communication and 45% indicated on customer service. However, results from employees revealed that 55% of respondents indicated that total quality management must be improved at FAVCO.

Furthermore, 18% indicated on complaint management procedure, 9% indicated on communication and 45% indicated on customer service. From the above results, it was viewed that though corporate customers and employees indicated that all strategies should be improved. Results showed much concern on the aspect of total quality management and customer service.

Therefore it may be concluded that there are some improvements that need to be done on all customer retention strategies used by FAVCO but much concern should be given to quality management and service provision as indicated by results.

4.2.7 Experience of corporate customers with FAVCO

Table 4.2.7 below shows the results on the value that corporate customers could get when buying from FAVCO. Flint et al (1997) refers customer value as the customer perception of what they want to be happened (i.e. consequences) in a specific kind of situation, by offering a product or service in order to accomplish a desired purpose or goal.

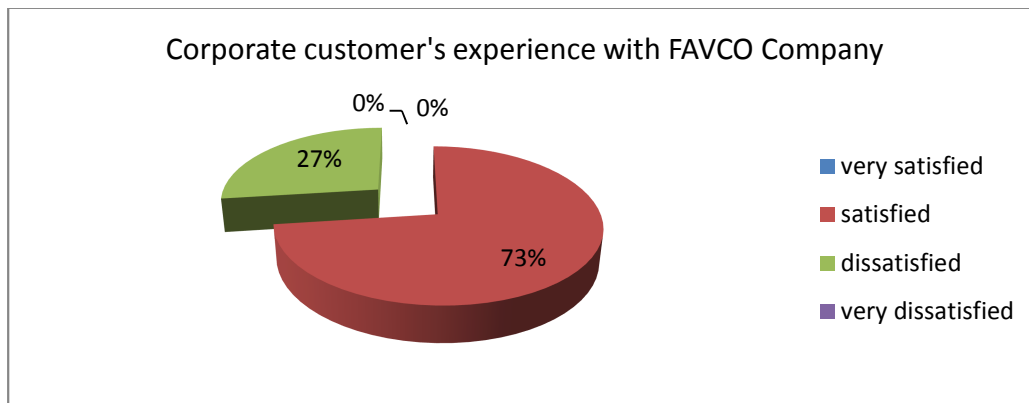
So customers were asked to rate the value that the got from buying products from FAVCO and the responses were as shown in **table 4.2.7** and **figure 4.2.7**:

Table 4.2.7: Experience of corporate customers with FAVCO

	Respondents	Response rate on value
Very satisfied	-	-
Satisfied	8	73%
Dissatisfied	3	27%
Very dissatisfied	-	-

Source: research respondents

Fig 4.2.7: Experience of corporate customers with FAVCO



Source: research respondents

Figure 4.2.7 above illustrates results from corporate customers on the value they were getting when buying from FAVCO. These results were centred on the question that asked corporate customers to indicate the value they enjoyed at FAVCO. According to respondents, no one from the corporate customer group was very satisfied by the business experience they had at FAVCO. Rather, 73% indicated that they were satisfied, 27% showed that they were dissatisfied and no one also indicated that they were very dissatisfied. From the results above, it may be concluded that corporate customers were satisfied with their business experience at FAVCO. However, from deep analysis, it may be concluded that though corporate customers indicated to be satisfied, FAVCO should make some improvements to make sure that corporate customers acknowledge the business experience to a 100% response rate, with the company. This was because some corporate customers indicated to be dissatisfied, meaning that there was still a gap which FAVCO needed to fill, in terms of satisfying its corporate customers.

4.2.8 Do corporate customers buy from other suppliers besides FAVCO?

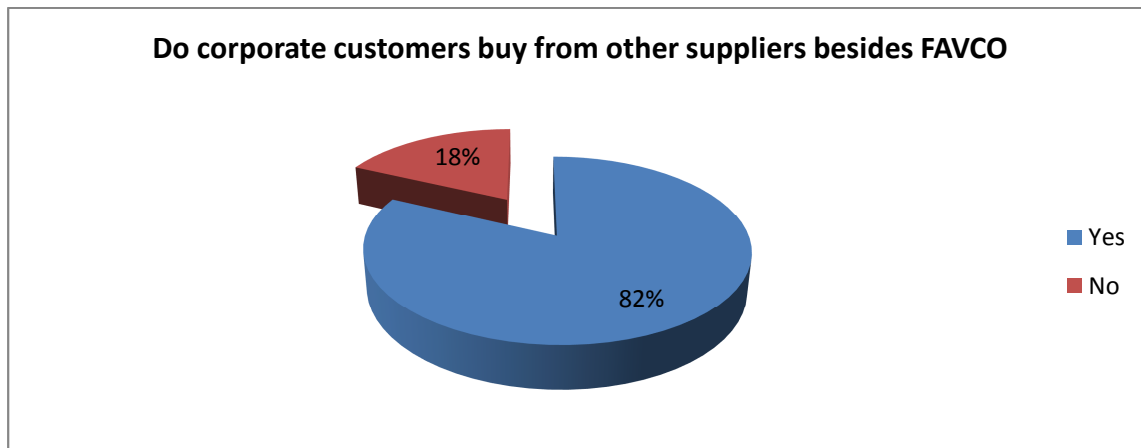
Table 4.2.8 below shows results on whether corporate customers would buy some of their products from other suppliers besides FAVCO.

Table 4.2.8: Do corporate customers buy from other suppliers besides FAVCO?

	Respondents	Response rate
Yes	9	82%
No	2	18%

Source: Research respondents

Figure 4.2.8: Do corporate customers buy from other suppliers besides FAVCO?



Source: Research respondents

Figure 4.2.8 above illustrates results from corporate customers on whether they bought some of their products from other suppliers besides FAVCO. The results were centred on the question that asked corporate customers on whether they relied on FAVCO products or they were also buying from other suppliers besides FAVCO. According to corporate customers, 82% were buying some of their products from other suppliers like Selby, Interfresh and Valley Fresh. The other 18% of customers indicated that they were not sourcing from other suppliers; they were just buying from FAVCO. From the results above, it may be concluded that most of corporate customers were not only relying on FAVCO products but were also sourcing some of their products from FAVCO competitors. This showed that FAVCO retention strategies were not effective and there is need of improvements in as far as quality of products is concerned.

4.2.9 Benefits of customer retention to FAVCO

Table 4.2.9 below shows results on advantages that FAVCO Company got through retaining customers. According to Christopher (2001), retained customers generate considerable more profit than newly acquired.

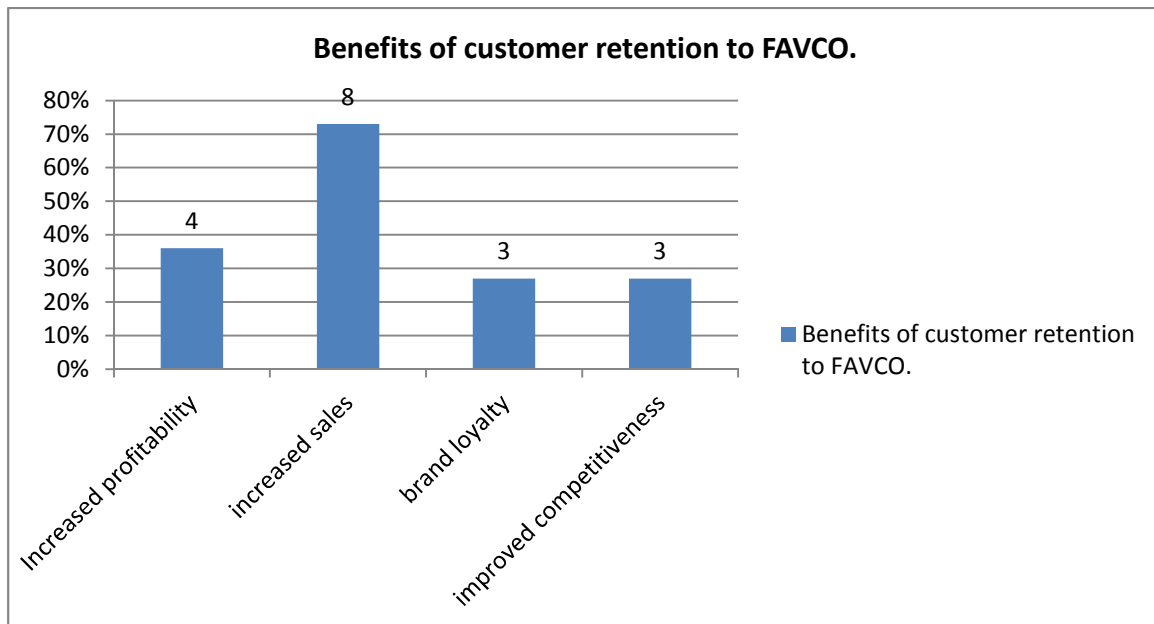
Christopher (2001) further argues that customer retention leads to high sales growth through referrals. Employees were asked to indicate benefits that FAVCO got through retaining customers and results were as shown in **table 4.2.9** and **figure 4.2.9** as follows:

Table 4.2.9: Benefits of customer retention to FAVCO

	Respondents	Response rate
Increased profitability	4	36%
Increased sales	8	73%
Brand loyalty	3	27%
Improved competitiveness	3	27%

Source: research respondents

Figure 4.2.9: Benefits of customer retention to FAVCO



Source: Research respondents

Figure 4.2.9 above illustrates results from employees on the benefits FAVCO was getting from retaining corporate customers. These results were centred on the question that asked employees to indicate benefits that FAVCO could get from retaining corporate customers.

According to respondents, 73% of employees indicated increase in sales as the major benefit, 36% indicated increased profitability to the company, 27% was indicated on both brand loyalty and improved competitiveness.

From the look of the things, it may be concluded that employees were very aware of the benefits gained through retaining customers at FAVCO.

However, results have shown that though all benefits were enjoyed at FAVCO, majority of employees indicated on increased sales as a major benefit realised by FAVCO through retaining customers.

4.3 Referral customers by existing corporate customers

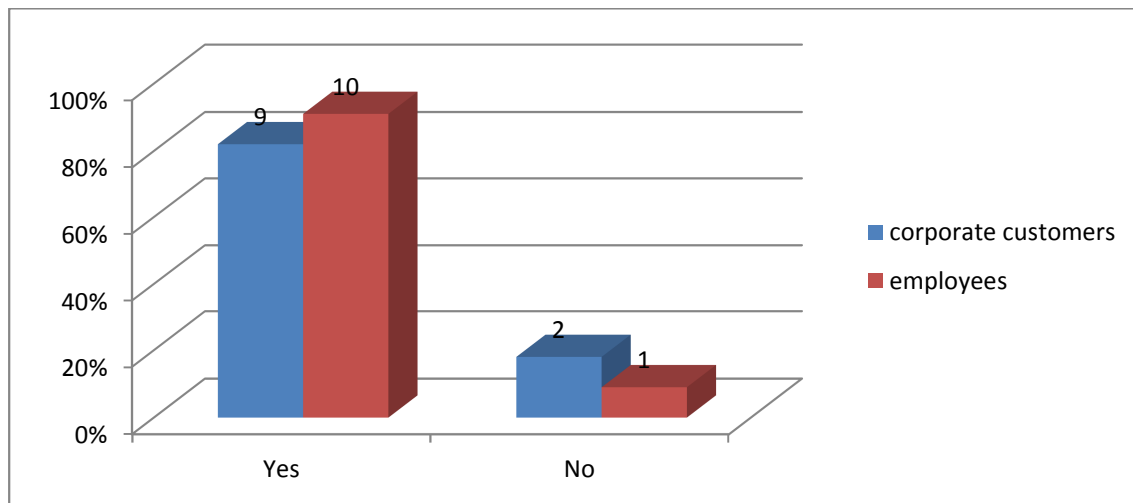
Table 4.3 below shows results on the question that asked corporate customers whether they have recommended FAVCO to other clients. The question also asked employees whether their existing corporate customers referred any new customers to the company. According to Kottler (2002), the key aspect in attaining customer loyalty is through customer satisfaction. The customer then tells an average of three customers when satisfied with a company's product or service. Corporate customers and employees were asked whether existing corporate customers referred new customers to FAVCO and responses were as shown in **table 4.3** and **figure 4.3** as follows:

Table 4.3: Referral customers by existing corporate customers

	Respondents		Response rate	
	Corporate customers	Employees	Corporate customers	Employees
Yes	9	10	82%	91%
No	2	1	18%	9%

Source: research respondents

Figure 4.3: Referral customers by existing corporate customers



Source: research respondents

Figure 4.3 above illustrates results from both corporate customers and employees on whether corporate customers recommended FAVCO to other customers. Results have also been collected from employees on whether their existing corporate customers referred new customers to the company.

According to corporate customers, 82% indicated that they recommended FAVCO to other customers and 18% did not recommend the company to any other customers. From the employees' side, 91% of employees agreed that their corporate customer referred new customers to the company and 9% indicated that existing customers did not refer any new customers to FAVCO. From the results above, it may be concluded that FAVCO benefited from referral customers by their existing customers though not 100%. Results from corporate customers have also coincided with employee results as 91% of them agreed that the company has benefited from new customers referred by their corporate customers though also not 100%. From the look of things, it may be concluded that most of FAVCO customers referred new customers to the company.

4.4 Benefits enjoyed by corporate customers

From question eleven on customer questionnaire which asked benefits that corporate customers would get when buying products from FAVCO. The respondents had a chance to make their suggestions. Although not all respondents make comments on this question, the few that commented really made their mind known without bias. Among twelve respondents,

nine only commented on benefits that they got through buying their products from FAVCO. Their comments were as follows:

- ❖ Six respondents said that through buying from FAVCO, they benefited from good prices and wide range of products. They added that this offered them one stop shopping at one time enabling them to catch up with their monthly sales targets.
- ❖ Another two respondents also stated that through buying from FAVCO, they benefited from early deliveries that made them to sell fresh produce every day. They also added that this situation reduced stock shrinkages which always resulted from products going bad faster due to high temperatures.
- ❖ The remaining respondent pointed out that through buying from FAVCO, their branch benefited from fresh products. The respondent added that this helped to meet their monthly sales budgets.

4.5 Duration of stay for corporate customers and employees

Table 4.5 below shows results from both employees and corporate customers on the duration corporate customers took, buying at FAVCO since the period they started dealing together. These results were centred on the question that asked corporate customers on their purchase duration with FAVCO. To employees, the question also asked on how long they have been working for FAVCO.

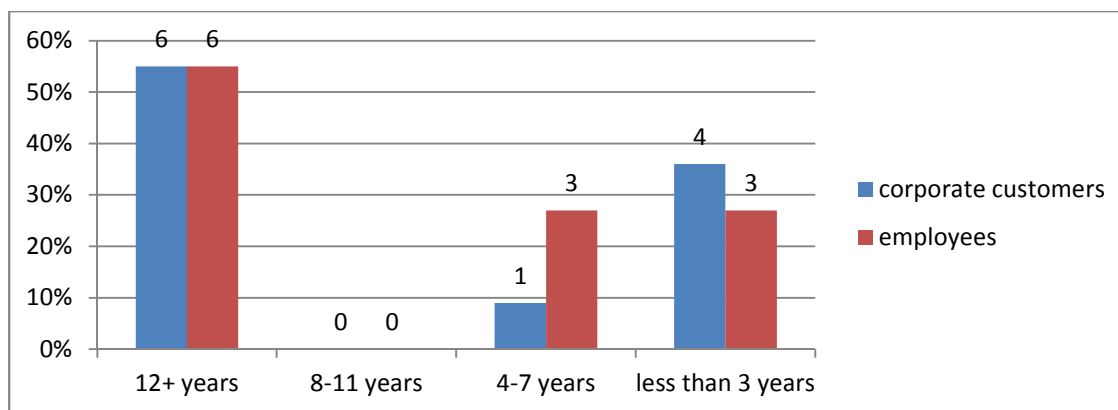
According to Reichheld (1990), customer retention can lead to an increased level of employee satisfaction which ensures employee retention and which also feeds back into even greater customer longevity. Corporate customers and employees were asked to indicate the duration of their stay with FAVCO and responses are shown in **table 4.5** and **figure 4.5** as follows:

Table 4.5: Duration of stay for corporate customers and employees

	Respondents		Response rate	
	Corporate customers	Employees	Corporate customers	Employees
12+years	6	6	55%	55%
8-11 years	-	-	-	-
4-7 years	1	3	9%	27%
Less than 3 years	4	3	36%	27%

Source: research respondents

Figure 4.5: Duration of stay for corporate customers and employees



Source: research respondents

Figure 4.5 above shows results from both employees and corporate customers on the duration of their stay with FAVCO. These results were centred on the question that asked corporate customers on the length of their purchase duration at FAVCO.

To employees, the question asked on how long they have been working for FAVCO. Results revealed that majority of corporate customers had been doing business with FAVCO for a very long time, as 55% of the respondents had been buying products since 12 years and more, 9% had been buying FAVCO products since the period between 4 to 7 years, 36% had been buying products at FAVCO for the period less than 3 years and no-one of the respondents indicated that they were doing business with FAVCO for the period between 8 to 11 years. Results from employees also revealed that majority of employees also had been working for FAVCO for a very long time, as 55% of the respondents had been working for FAVCO since 12 years and more, 27% had been working for FAVCO between the period of 4 to 7 years, another 27% had been working for FAVCO for the period less than 3 years and no-one of the respondents had been working for FAVCO between the period of 8-11 years.

Therefore it may be concluded that FAVCO was able to retain most of its employees and corporate customers. From the side of corporate customers, it is viewed that FAVCO has been doing business with them for a long period of time while from the side of employees' shows that workers have been working at FAVCO for a long time, resulting in such high rate of retention.

4.6 Improvements on customer satisfaction

From question thirteen in employee questionnaire which was a subjective question on the improvements that were supposed to be done on customer satisfaction by FAVCO. The

respondents had chance to make their suggestions. Although most respondents did not make comments on this question, the few that commented really made their mind known without bias. Out of thirteen respondents, eleven only commented on the improvements that were supposed to be done on customer satisfaction at FAVCO. Their comments were as follows:

- ❖ Six respondents said FAVCO should continue to improve quality of products and services it offers to its corporate customers. They also added that range of products also should be improved in order for customers to have one stop shopping.
- ❖ Another three respondents stated that delivery times to customers should be improved. They added that deliveries should be made very early in the morning as FAVCO products are perishables and therefore need early deliveries to retail shops.
- ❖ The remaining two respondents stated that FAVCO should revise its prices so that it charges affordable prices to customers.

They also added that they should promptly attend to customer queries to make sure that customers are satisfied hence high business opportunity for FAVCO.

4.7 An analysis of interviews with management

The researcher also had the opportunity to interview the sales manager, quality control manager and the FMCG manager from FAVCO who had detailed information for this study and all these managers were very supportive in giving detailed information to this study.

Structured interviews were conducted by the researcher using interview guides which had predetermined standard questions structured in the same fashion. The interview guides had a structure which allowed the researcher to ask questions, listen to responses and jot down main themes which were only important for the study. After interviews had been completed, the researcher grouped the data according to themes and then used thematic analysis to analyse the data. Out of the results obtained from interviews, the researcher found out that FAVCO used communication, complaint management, total quality management and customer service as customer retention strategies. All of the three managers commented on the aspect of customer retention, that it has brought many benefits to the company. Some of the benefits indicated in interviews were, increased sales, improved profitability, as well as improved competitiveness of the organisation over Selby, Interfresh and Valley Fresh as competitors. The interviewees also commented on the aspect of customers switching to other brands. They indicated that customers were switching due to poor attention to their complaints, very long and ambiguous procedures they encountered during the execution of their orders as well as matters concerning their complaint management. To mitigate this,

interviewed managers pointed out that they tried to improve communication so that customers could email FAVCO management whenever they encountered problems.

Corporate customers have been provided with cell phone numbers of managers, telephones have also been put in place, and sales representatives have been assigned to visit corporate customers in Harare city twice a week to counter solve customer problems. To fight the challenge of customer dissatisfaction which they commented as being caused by poor quality of some products and poor service to customers, all interviewed managers namely the sales, quality control and the FMCG manager cited that they have put measures of visiting farmers to ensure quality supplies. Warehouses have also been well regulated and monitored using thermometer probes to make sure products are stored under required temperatures and to reduce problems of quality compromise caused by very low temperatures in cold rooms.

Interviewed managers also acknowledged that at FAVCO there was no specific customer complaint department or even specific training given to employees but rather employees were just taught general concepts on how to handle customers during orientation.

Employee's information gathered from questionnaires revealed that there was no general training given to them on concepts of handling customer complaints during their orientation, rather managers would visit frontline departments to brief employees on how they could deal with customer matters.

Employees appreciated efforts made by managers to brief them in their offices on how they could handle customer complaints if any are raised.

In addition, information received from corporate customers' portrayed a sharp contrast to what the sales manager said in terms of undertaking general training with employees during orientation. This is because corporate customers indicated that they were not pleased with procedures and time taken to attend to their complaints. According to corporate customers, employees did not exercise restraint in dealing with their request and complaints. Despite these contributions, corporate customers expressed gratitude for FAVCO management concerning the little effort they undertook to address this problem and hoped with time will be resolved.

However, management cited the need for more resources to be channelled to all customer retention strategies in order to improve the situation that the company was going through. Specifically they mentioned that customer complaint side and quality management should be

given much attention and resources to make sure that the company out competes its competitors and be able to make its corporate customers loyal to brands hence customer retention.

4.8 Summary of findings

The chapter has presented and analysed the data gathered from the research through interviews and questionnaires. It entailed a detailed analysis of findings on the current customer retention strategies used by FAVCO Company to build and maintain brand loyalty and the degree of their effectiveness in enhancing brand loyalty. Data was presented using graphs, tables and pie-charts. The next chapter will be up for conclusions and recommendations for the data collected in this chapter.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter gives major conclusions deduced from the previous chapter. It then gives recommendations that may be of great importance to FAVCO, which may also help the company to improve its customer retention process to revive its competitive edge on the market through long established relationships with customers and loyalty to company brands.

5.1 Summary

The study was aimed at evaluating the effectiveness of customer retention strategies in enhancing brand loyalty at FAVCO. The main objectives of the study were; to evaluate the effectiveness of customer retention strategies in enhancing brand loyalty, to determine factors contributing to customer dissatisfaction at FAVCO, and to establish benefits contributed by customer retention to the company. A sample of 28 respondents was used which was made up of respondents from management, employees and corporate customers. The research was largely prompted by the problem of corporate customers switching some of their brand choices from FAVCO to other suppliers like Selby, Valley Fresh and Inter-fresh, which led the company to acquire new customers to fight the challenge.

Besides acquiring new customers, the company also tried the mark down program which was targeted on reducing prices of all FAVCO products to lure back its corporate customers, but all these activities appeared very expensive to the company. In agreement to this, Reichheld (1990) states that it costs 5 to 10 times acquiring new customers than it is in retaining new ones. During the early period of 2012, the company invested in customer retention strategies namely communication, total quality management, complaint management and customer service to fight the challenge of switching by corporate customers and make them loyal to the brand. After FAVCO had invested in these customer retention strategies, there was no satisfactory change as corporate customers continued fetching some of their products from other suppliers hence the proposal of the study by the researcher to evaluate the effectiveness of customer retention strategies which FAVCO was using.

The major findings of the study:

- The researcher found out that 82% of corporate customers were switching some of their brand choices to other suppliers and only 12% were not switching.

This showed that customer retention strategies invested by FAVCO were not supported and used effectively to retain customers as clearly shown by above results in the previous chapter.

- Respondents also strongly agreed that there was need for improvements in customer retention strategies used by FAVCO in order for the company to enhance customer satisfaction. This was clearly evidenced by six respondents from question thirteen in an employee questionnaire, who cited that quality of products and complaints handling should be improved. Furthermore, management and employees agreed that at FAVCO there was no specific training department to train employees on customer service and complaint handling but rather employees were just taken through general orientation training during their induction.
- The researcher also found out that FAVCO's customer retention strategies had a strong positive influence on sales turnover than other cited benefits as depicted by 73% of respondents who indicated that keeping customers for a long-time increased sales. Management and employees also agreed on this aspect from the analysis.

5.2 Conclusions

The conclusions are drawn from the major findings from the research and results from the questionnaires in line with research objectives.

5.2.1 Evaluation of customer service

The research findings revealed that only 33% from corporate customer group of respondents, rated customer service as very good and no one from this group rated excellent. Therefore it may be concluded that FAVCO customer service, though rated by employees with a 45% very good, was not very effective enough in retaining corporate customers at the company hence the need for improvements. In agreement to these results, Levy and Wirtz (2002) states that customer service is a set of activities that make shop experience more rewarding to customers and these activities increase the value customers receive from merchandise and service they purchase, hence suggestions for improvements in order to retain corporate customers.

5.2.2 Evaluation of communication

Research findings revealed that only 25% from corporate customers and 45% from employees' rated FAVCO communication as very good in retaining customers. No one from these two groups of respondents indicated that FAVCO communication was excellent. However, Hollesen (2003) contributes that communication is central to relationship

marketing and therefore buyer-seller relationship should be evaluated and reconstructed on the basis of mutual communication.

Therefore from these results it may be concluded that though FAVCO communication was there, it was not very effective enough in retaining customers to the company hence the need for improvements.

5.2.3 Evaluation of product quality

The research findings also revealed that only 17% of corporate customers and 9% from employees rated quality of products at FAVCO as excellent. Furthermore, 17% of corporate customers and 18% from employees also rated quality of products at FAVCO as very good. From these results, it may be concluded that the quality of products at FAVCO was not good enough in retaining customers at FAVCO hence the need of improvements as indicated by results in the previous chapter.

5.2.4 Improvements on customer retention strategies

The research findings revealed that 91% of corporate customers and 55% of employees indicated that total quality management must be improved at FAVCO. Customer service ratings showed also that 45% of corporate customers and 45% of employees suggested improvements. In respect to communication, 55% of corporate customers and 9% of employees also suggested that FAVCO communication must be improved. Finally, 55% of corporate customers and 18% of employees indicated that FAVCO complaint management must be improved as depicted in results from the previous chapter. In agreement to the aspect of improvements, Desai and Mahajan (1998) states that in order to retain customers, companies must continually develop their products and services to meet the evolving needs of customers.

Therefore it may be concluded that all customer retention strategies invested by FAVCO had to be improved though respondents from corporate customers were much concerned with total quality management. A 91% response rate from corporate customers indicated for total quality management improvement at FAVCO. This showed that customer retention strategies used by FAVCO were not effective enough in retaining customers hence the need for improvements.

5.2.5 Do corporate customers buy from other suppliers besides FAVCO?

The research revealed that 82% of corporate customers were switching some of their brand choices to other suppliers and 18% were not. Ekman (1986) states that defections and complaints do not just begin on their own, there are always events beforehand. Further to this,

Kotler (2001) adds that 95% of dissatisfied customers do not complain but they just walk away and find other alternatives.

Therefore it may be concluded that though majority of customers were still doing business with FAVCO, but were buying some of their products from FAVCO competitors. This showed that customer retention strategies used at FAVCO were not effective enough to retain customers and making them loyal to FAVCO brands, hence the need for improvements.

5.3 Recommendations

- Though the organisation was using customer retention strategies which are; communication, customer service, complaint management and total quality management, cross departmental participation in planning and improving the retention process at FAVCO may be done to make sure employees are involved in the customer retention process. According to Shigero (1960), organisations should practice cross departmental participation in planning and managing customer satisfaction and retention process thus embracing the concept of quality function deployment (QFD) that integrates the voice of the customer to capture their stated and unstated needs in all business decisions. Total quality management should be of much concern at the company to make sure that everyone at the company is involved in customer retention planning and implementation. The organisation may adopt interactive marketing which describes the employee skills in serving clients. According to Kotler (2004), interactive marketing is essential for the success of relationship marketing hence high retention rate.
- The organisation may invest more in customer retention rather than customer acquisition. The company should channel more resources on customer retention strategies which the company invested in, to ensure continuous improvements that can revive the company performance. Besides improving existing customer retention strategies invested by FAVCO, the company may also adopt other retention strategies like internal marketing, key account management and service recovery which may also be very powerful in retaining customers.

Internal marketing

Internal marketing is based on the belief that a firm's internal market or employees should be motivated to strive for customer consciousness, market orientation and sales mindness through the application of accepted external marketing approaches and

principles. The company need to ensure employee job satisfaction before selling its services to external customers as cited by Sasser et al (1990), meaning satisfying the needs of employees and upgrade their capability to satisfy the needs of external customers. Internal marketing also enhances more improved service quality that can boost organisation performance as cited by Gronroos (2007).

Key account management

Key account management stresses the creation, nurturing and maintenance of strong relationships or ties with customers. It entails identifying needs of specific customers and therefore tailor make their products and services to meet their needs. Key account management is based on the principle that 20% of customers that contribute 80% of the company revenue should be identified and therefore retained. This means that FAVCO should not concentrate on acquiring new customers, but rather identify and retain those customers who spent more of their income with the company to enjoy benefits of low cost and increased revenue.

Service recovery

Service recovery entails actions taken in response to an observed failure, Gronroos (2007). This should be one of the major objectives of FAVCO to make sure that failures are identified before a customer complaint and also shortly after the service encounter, if a customer is dissatisfied. FAVCO should make sure that the recovery procedure to observed faults is very active to ensure customer satisfaction. Immediate recovery after an identified failure usually ensures good image and reputation to the company as cited by Wirtz (2004) and therefore FAVCO should make sure that the company promptly attends to service failures to ensure good image and reputation. In addition to this, Lewis (2004) also demonstrates that the levels of satisfaction can be higher after an encounter of a failure than if there had not been any in the first instance and this therefore calls for FAVCO to have a strong service recovery system to enjoy all these benefits as cited by Lewis (2004) and Wirtz (2004).

5.4 Limitations and conclusions

Before making conclusions to this research study, there are limitations to this research study which have been noted. Firstly, the main objective of the research was to assess the effectiveness of FAVCO customer retention strategies to OK and Food World retail shops in enhancing brand loyalty as its corporate customers. Since some of these retail shops were beyond the reach of the researcher because of geographical limitation, specifically distance. The study only included OK and Food world retail shops sited in Harare city and from these

retail shops that is where the sample was drawn in order to make generalisations upon the study.

However, results obtained should not be generalised to all OK and Food World retail shops in Zimbabwe as the sample was not big enough and did not cover for those retail outlets beyond Harare city. A bigger sample was required, which could have included OK and Food World retail shops outside Harare city in order to make overall generalisations.

Secondly, the study only focused on OK and Food World retail shops as corporate customers yet FAVCO also dealt with other corporate customers like Spar, TM, Savemore, universities and boarding schools, just to mention but a few. Though the research study assessed the effectiveness of FAVCO customer retention strategies in detail using these retail outlets as corporate customers, these results should not be applied to retail outlets other than OK and Food World.

Areas of further research

Further research from this study is recommended to the aspect of assessing the impact of customer retention strategies on retail relationship management.

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APPENDICES

Appendix 1: Customer Questionnaire

I am Tatenda Ruwende, a Midlands State University student carrying out a research in your organisation on the topic, “**effectiveness of customer retention strategies in enhancing brand loyalty at FAVCO Company**”. Information obtained from this research will only be used for academic purposes and will strictly remain confidential. Below are set of questions, may you please kindly complete them as fully as possible. The researcher will collect completed from you after two days and discuss some further issues with you as may be necessary.

(Please use a tick to answer questions with boxes and fill in empty spaces in writing.)

1] How long have you been buying products from FAVCO Company?

Less than 2 years	4- 5 years	5-7 years	More than 7years
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2] What can you say about the service you are getting from FAVCO Company?

Poor	Fair	Good	Very good	Excellent
------	------	------	-----------	-----------

3] What is your view on the way FAVCO communicates with customers?

Poor	Fair	Good	Very Good	Excellent
------	------	------	-----------	-----------

4] Would you buy your products from other suppliers besides FAVCO?

Yes	No
-----	----

5] What would you say about the quality of products offered by FAVCO?

Poor	Fair	Good	Very good	Excellent
------	------	------	-----------	-----------

6] Would you indicate your experience with FAVCO Company?

Very satisfied	Satisfied	Dissatisfied	Very dissatisfied
----------------	-----------	--------------	-------------------

7] Which ones of the following would need improvement at FAVCO?

Customer service	Communication	Complaint handling	Quality management
------------------	---------------	--------------------	--------------------

8] Have you ever raised a complaint to FAVCO?

Yes	No
-----	----

9] What can you say about customer complaint handling procedure at FAVCO?

Poor	Fair	Good	Very good	Excellent
------	------	------	-----------	-----------

10] Are you a key customer at FAVCO Company?

Yes	No
-----	----

If yes, what can you say about the way FAVCO Company handles its key customer?

Poor	Fair	Good	Very good	Excellent
------	------	------	-----------	-----------

11] What benefits do you get when buying your products from FAVCO Company?

.....

.....

12] Would you refer other customers to buy their products from FAVCO Company?

Yes	No
-----	----

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University



Appendix 2: Employee Questionnaire

I am Tatenda Ruwende, a Midlands State University student carrying out a research in your organisation on the topic, “**effectiveness of customer retention strategies in enhancing brand loyalty at FAVCO Company**”. Information obtained from this research will only be used for academic purposes and will strictly remain confidential. Below are set of questions, may you please kindly complete them as fully as possible. The researcher will collect completed from you after two days and discuss some further issues with you as may be necessary.

(Please use a tick where applicable and fill in empty spaces in writing.)

1] Would you please indicate your department?

Sales	Operations	Accounts	Marketing	Distribution
-------	------------	----------	-----------	--------------

2] How long have you been working for FAVCO Company?

Less than 3 years	4-7 years	8-11 years	12+ years
-------------------	-----------	------------	-----------

3] Which method of communication do you use to communicate with your customers?

Telephone	Post	Internet
-----------	------	----------

Other

4] How effective is this type of communication?

Poor	Fair	Good	Very good	Excellent
------	------	------	-----------	-----------

5] Which benefits are you getting through retaining customers at FAVCO?

Increased profitability	Increased sales	Brand loyalty	Improved competitiveness
-------------------------	-----------------	---------------	--------------------------

6] What is your view on the service given to customers by FAVCO?

Tick on the scale (1-Poor, 2-Fair, 3-Good, 4-Very good, 5-excellent)

1	2	3	4	5
---	---	---	---	---

7] Do your clients refer new customers to buy their products at FAVCO?

Yes	No
-----	----

8] How would you rate the quality of products at FAVCO, on this scale?

Indicate on the scale (1-poor, 2-average, 3-good, 4-very good, 5-extremely good)

1	2	3	4	5
---	---	---	---	---

9] Which ones of the following would need improvement at FAVCO?

Communication	Complaint management	Customer service	Quality management
---------------	----------------------	------------------	--------------------

10] Does FAVCO have a complaint handling procedure?

Yes	No
-----	----

11] Have you, as an individual received a customer complaint?

Yes	No
-----	----

If yes, how did you solve the complaint?

.....
.....

12] What do you think should be done to improve customer satisfaction?

.....
.....
.....
.....

Thank you for your time and consideration

Appendix 3: Interview guide for managers

- 1] **Customer retention** -definition
- benefits
- best ways to retain customers

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.....

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.....

- 2] **Reasons for customers switching to other suppliers**

.....
.....
.....

3] **Communication** -which methods do FAVCO use

-how often do you communicate with customers

.....
.....
.....
.....
.....
.....

4] **Customer complaint procedure** -does FAVCO have this procedure

-how good is it in solving customer complaints

.....
.....
.....
.....
.....
.....

5] **Customer satisfaction** - what cause customer dissatisfaction

-what measures are there to ensure customer satisfaction

.....
.....
.....

6] **Key account management** - what are some of your key customers

-how important are they to organisational performance

.....
.....

.....
.....
.....

7] Do your clients connect you to new customers?

.....
.....
.....

8] Total quality management- how good is your quality of product compared to competitors

-what measures do you take to ensure good quality of products

.....
.....
.....

Thank you for your time and consideration

Appendix 4: Request for permission to carry out the research

Midlands State University

P. Bag 9055

Gweru

14 August 2013

The Managing Director

Ariston Management Services T/A FAVCO

306 Hillside Road, Woodlands Msasa,

Harare

Dear Sir/Madam

FEF: Application for Permission to Conduct Research at FAVCO Company

I am a fourth year student at Midlands State University studying a Bachelor of Commerce Honors Degree in Retail Management. I am seeking your approval to carry out a research at your organisation based on the following topic, “effectiveness of customer retention strategies in enhancing brand loyalty at FAVCO Company”. Information collected shall remain private and confidential at all times and will only be used for academic purposes only.

I would be grateful to be permitted to conduct this research basing on your organisation.

Yours Faithfully

Tatenda Ruwende

R101540B