CUSTOMERS' RETENTION AND BUSINESS PERFORMANCE (A STUDY OF SELECTED MTN BRANCHES ABEOKUTA)

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Abstract

This study aimed to examine the impact of customer retention on business performance. The population size is 500 and the sample size is 148 using Taro Yamane formula. The research data was collected using primary data collection. 113 questionnaires were duly returned out of 148 distributed. Statistically, analysis was carried out using regression analysis with the aid of SPSS to analyze data collection and testing of research hypothesis. In other to test the set hypothesis, Pearson's correlation formula and multiple regression analysis was used with ordinary least square method. Hence the major findings are Customer retention practice is very vital for firms to move beyond satisfying both existing and new customers where the practice is proved to be an important tool to improve firm's performance particularly from their non-financial aspects. The management of mtn should also put in place mechanism that will deal effectively with the challenges confronting their day to day operation; which can be tackle with high expectation from their customers, developing good feedback mechanism; making services available to reach out customers within the stipulated time.

Keywords: ***Business performance, Customer relationship management, Customer retention, Customer satisfaction, Customer***

Introduction

Client retention has emerged as the top priority for businesses that place a strong emphasis on keeping up positive customer relations in addition to using them as a vital tool to produce profits. Literature from the past suggests that the main driver of firm customer satisfaction is price insensitivity by customers (Ang & Buttle, 2016). When opposed to new consumers, the loyal client would prefer discounts and would not mind paying slightly higher pricing (Ahmad & Buttle, 2012). This is due to the fact that loyal clients believe that somewhat higher costs signify higher quality in addition to a company's superior customer service (Honts & Hanson, 2011). Due to the value for money aspect, these customers typically continue to purchase at their favored stores throughout the year, even beyond sale seasons (Ang & Buttle, 2016).Therefore, consumers that do business with a company over an extended period of time are referred to as retained customers (Larivie're & Poel, 2015). In order to measure their client retention rate, they found three separate methods: behavioral, attitudinal, and composite.

Customer retention is defined by Ramakrishnan (2006) as the marketing objective of keeping consumers from switching to the competition. Customer retention is the process by which businesses concentrate their efforts on current clients in an effort to keep doing business with them (Mostert et al., 2009). Customer retention can also refer to the amount of consumers who stick with a supplier during a predetermined time period, such a year (Dawes, 2009). Today's businesses must consider several factors to be successful, including customer retention..

The actual weight of an organization in relation to its goals and objectives is referred to as its performance. Organizational performance is a broad concept that encompasses everything an organization does, produces, and achieves in the numerous contexts in which they operate.

The opposite of a client defecting is a customer being retained. Low defection rates are similar to high retention rates. In addition to keeping the customer, a successful customer retention strategy encourages the sales of new products as the latter's demands change

.Statement of the Problem

Most businesses, particularly those in the telecommunications sector, do not give customer retention the attention it deserves. Customer retention has been proven to have a greater impact on profitability than market share, economies of scale, and other factors that are thought to provide a firm a competitive advantage. In fact, it has been discovered that businesses might increase revenues from 25% to 85% by cutting customer churn by just 5%.

To attain market dominance through increased market share through gaining new customers, marketing management has traditionally depended on permutations and combinations of the marketing mix factors (product, price, place, and promotion). This strategy takes into account the creation of homogeneous segments of somewhat diverse clients. It does not consider the customer's history of working with the vendor, and as a result, it cannot reveal the customer's actual purchasing habits. Sellers who use the traditional marketing strategy also employ aggressive branding and promotions. However, the most successful brands are not typically those with the largest market shares. They might even be unprofitable in some situations.

On the other hand, the relationship marketing strategy places more of an emphasis on fostering long-term relationships with clients, encouraging increasing spending, and customer retention. 'Marketing is to build, maintain and enhance relationships with customers and other parties at a profit so that the objectives of the parties involved are satisfied,' according to Gronroos, a research scholar. This is accomplished through reciprocal transaction and promise fulfillment. Thus, any company's strategic marketing planning approach should include customer retention. In light of this, the researcher looks into how client retention affects company performance.The overall objective of the research study is to examine the impact of customer retention, business performance. Other specific objectives are to:

i. Determine the influence of brand image on business performance.
ii. Examine the influence of product involvement on business performance.
iii. Examine the influence of perceived value on business performance

2. Literature Review

Conceptual Review

Customer Relationship Management, Customer Loyalty and Customer Retention

Customer Relationship Management (CRM) is viewed as a superior marketing discipline in modern marketing practice with the goal of developing a long-term relationship between the business and customers through which both parties gain more value (Pepi & Duman, 2015).

Within the context of relationship marketing, the relationship between client retention, profitability, and loyalty is discussed (McIlroy & Barnett, 2014). Kotler et al. (2013) make it abundantly evident that successful businesses are more effective at attracting, retaining, and expanding their consumer base.Wayland and Cole (2017) refer to customer knowledge management as the function of CRM, which helps businesses leverage "the information and experience in acquisition, development and retention of a lucrative client portfolio.

According to McIlroy and Barnett (2017), "a consumer's commitment to conduct business with a particular organization, purchasing their goods and services on a regular basis, and referring the services and products to friends and acquaintances" constitutes customer loyalty.An information sharing platform for members or customers is a virtual community. According to Nikhashemi (2013), an online community is an e-group where members receive emails or messages submitted by other members and their responses. Customers who have utilized the product or service can post helpful information on blogs, business websites, or other online platforms. These platforms also serve as a means for businesses to gather client feedback and market their brands, products, and services. "Profits increase as a customer's relationship with the business deepens. Not just a bit either.

Price Fairness

Value in business markets "is the monetary value of the technological, economic, service, and social benefits a customer organization obtains in exchange for the price it pays for a market product," according to the Harvard Business Review (Anderson & Narus, 2018). The more transparent the pricing policy, the more price-sensitive consumers are; this is a challenging issue for manufacturers given how sensitive consumers are and how fiercely competitive the market is right now. According to Ranaweere and Neely (2013), the level of repurchase intentions increases with better perceived pricing.

Customer Satisfaction

Customer satisfaction is described by Gustafsson, Johnson, and Roos (2015) as a customer's overall assessment of an offering's success thus far. According to a group of studies, client satisfaction is an unquestionable factor in deciding how much current customers of professional services will stick around (Fukuyama, 2015). The importance of customer pleasure in retaining customers is reaffirmed by Fukuyama (2015).

Corporate Image

The corporate image, according to Boons and Ludeke (2013), represents how the general public perceives the company's benevolence toward society, its employees, clients, and other stakeholders. Their comprehensive image framework consists of product, sales force, communications, distribution channels, service, support, and price in addition to corporate social responsibility, corporate donations, corporate employees, and company brand behavior. As a result, a range of criteria, including high-quality goods and services and affordable costs, are thought to affect value judgment..

According to Kotler (2013), "The consumer creates a set of perceptions about where each brand sits on each attribute." The set of assumptions people have about a brand constitute its image. As a result of selective perception, selective distortion, and selective retention, the consumer's perception of a brand will change over time. The way a person perceives a certain brand affects how that brand is perceived by others.

Customer Retention and Firm Performance

Customers are businesses' strength, hence creating customers is their top priority (Gupta & Zeithaml, 2006). (Ang & Buttle, 2006). Without consumers, businesses would not be able to maintain and improve their performance (Gupta & Zeithaml, 2006; Buttle, 2004), as they are thought to have no revenues, no profits, and consequently no market value (Ang & Buttle, 2006). In addition, a global poll by The Economist found that roughly 65% of respondents (senior executives of multinational corporations) confessed that their main objective is to satisfy customers in order to meet their projected business performance in the following three years (Gupta & Zeithaml, 2006).Similar to this, a number of earlier studies asserted that a company exists primarily to establish and maintain a beneficial relationship with its target market (Ang & Buttle, 2006; Ryals & Knox, 2005).

Theoretical Review

Product Life Cycle theory

The Product Life cycle is a tactic used by commercial banks to keep customers. According to the thesis, businesses need to learn about the cycle that products go through. Prior to product creation and sales, it is essential to understand the product cycle, according to a study by Vernon (200). His research eliminated criteria like as the location of manufacture, technology, and percentage considerations, focusing only on the products themselves. According to the idea, key issues include product launch, growth, maturity, saturation, and decline.The introduction examines the popularity of the show and the timing of high investment, while focusing on growth where cost decline is a component for maturity and growth, as opposed to product success where there is an increase in production leading to competition, which lowers revenue generation because there are no new customers. As the market gets more crowded and saturated, less people are interested in the product. Banks must be aware of the procedure, compare options, consult experts, and determine how different items can be used. As a result, it will always be aware of the stage at which its products are (Kinnear, 2000). A excellent way to guarantee that various client wants are satisfied is to have dynamic products.This can be accomplished by being aware of consumer behavior and purchasing decisions (Byrne, 2003). When it comes to financial matters, consumer behavior when interacting with financial services is common in that it constantly focuses on enhancing the client's experience at every level. This is something a business can guarantee by focusing on clients whose propositional value is on point, starting strong connections through client acquisition, and include the clients in day-to-day advocacy. The idea underpins the study and serves as a push for commercial banks to improve their performance. It is crucial to ensure the development of newly formed relationships to raise the likelihood that they will stick (Forrester, 2009).

Empirical Review

Numerous studies have been conducted on the cellphone market globally, particularly in nations like Austria, the United Kingdom, Spain, Italy, Greece, and Pakistan. But the majority of this research has tended to concentrate on customer happiness and service excellence. For instance, studies carried out in Greece, where the mobile phone market has reached a mature stage, indicated that customer perceptions of service quality had a favorable influence on their behavioral intentions and willingness to suggest cellular networks to other customers.. These studies also showed that service quality is a crucial element that influences an organization's capacity to win back repeat business, thereby enhancing organizational performance. The research also revealed that costs were inversely correlated with intentions to make another purchase. These research sought to determine whether customer repurchasing intentions were impacted by perceived service quality and pricing.

Numerous accounts of the difficult problems with quality implementation and how quality impacts results like productivity and business performance have been reported in the literature (Alsughayir, 2013; Belay et al., 2011; Crouzet et al., 2014). According to numerous researchers (Harris, 2004; Kumar et al., 2009), higher quality decreases waste and boosts productivity, which enhances corporate success.According to theory, quality should boost productivity to improve corporate performance (Lee et al., 2001; Montgomery, 2007). By using structural equation modeling (SEM) and two-stage least squares (2SLS) or three-stage least squares (SLS) regression analysis, these relationships between productivity, quality, and company performance can be empirically investigated (Hair et al., 2006).

3. Methodology

Research Design

In this work, a descriptive research design was used. The descriptive research design is used when the researcher believes they have a certain group of people who can define the key issues regarding the study's primary determinant.

Population of the study

The senior and intermediate level managers of the case study are among the 234 employees of MTN's Abeokuta branch who make up the study's population.

Sample and sampling techniques

The sample size was determined using Taro Yamane formula with 95% confidence level, the formula is presented blow:

$$n = \frac{N}{1+N(e^2)}$$

Where:

n = corrected sample size

N = population size

e = the acceptable sampling error (0.05 based on the research condition)

Hence, to determine sample size for this research work it is calculated as:

$$n = \frac{234}{1 + 234(0.05^2)}$$

$$n = \frac{234}{1.585}$$

$$n = 147.63$$

$$n = 148$$

Method of Data Collection

For the purpose of this study, primary data was obtained by the use of a structured questionnaire to gather information on subject matter from respondents.

Questionnaire Design

The questionnaire was divided into two sections, A and B, with section A containing information about the respondent's gender, marital status, age, job history, educational background, and position within the company.

About a 5-point Likert scale, the items in Section B's closed-ended questions on the subject fall into the following categories: SA (Strongly Agree), A (Agree), N (Neutral), D (Disagree), and SD (Strongly Disagree).

Reliability and Validity Test

Utilizing content validity, the study instrument's reliability was assessed. The split-half method was employed because it assesses how equally each component of the test contributes to the outcome being measured.

Method of Data Analysis

The mean and standard deviations for scaled statements, along with frequency tables and percentages, were used to examine the data. The statistical program for social sciences (SPSS) version 20 was used for all data processing.

The model specification is formulated below;

$$Business\ Performance = f(Customer\ Retention) \quad (1)$$

Writing equation (3.1) in linear form, we have

$$BP = \beta_0 + \beta_1 BI + \beta_2 PI + \beta_3 PV + u \quad (2)$$

Where;

BP = Business Performance

BI = Brand Image

PI = Product Involvement

PV = Perceived Value

β_0 = constant term

β_1- β_3 = Coefficient of Independent Variables

μ = error term.

4. Results and Discussion

Table 1: Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
.778[a]	.605	.594	.30389

a. Predictors: (Constant), PV, BI, PI

Source: extracted from SPSS Output, Version 20

Taking the significant relationship existing between Business Performance and Customer Retention into consideration, the R square value of 0.605 in the model summary of table 4.9indicated that Business Performance explains60.5% of the total variations in globacom business performancewhile the remaining 39.5% is explained by other variables that are not part of the model. The R value of 0.778 indicated a joint and strong relationship between the customer retention indicators and Business Performance.

Table 2: ANOVA[a]

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	15.403	3	5.134	55.595	.000[b]
Residual	10.066	109	.092		
Total	25.469	112			

a. Dependent Variable: BP

b. Predictors: (Constant), PV, BI, PI

F-test is done to test the joint effect of Business Performance variables on the dependent variable simultaneously (Customers' Retention). The F-statistic test basically shows whether all the independent variables included in the model jointly influence on the dependent variable. Based on the study results of the ANOVA test of table 2, the obtained F-statistic of 55.595 with corresponding p-value 0.000<0.05 level of significance implies that the set of Business Performance indicators rendered jointly and significantly influence the Customers' Retention. Hence, the overall model is statistically significant and has provided the goodness of fit.

Table 3: Regression Coefficients[a]

	B	Std. Error	t-statistics	Sig.
(Constant)	-.255	.314	-.813	.418
BI	.173	.062	2.774	.007
PI	.490	.088	5.542	.000
PV	.438	.105	4.166	.000

a. Dependent Variable: BP

b. Independent Variable: B.I, P.I, P.V

Regression coefficients results in table 3 indicated that Brand Image and Business Performanceare positively and significantly related (β=0.173, p=0.007< 0.05 level of significance). The table further indicates that Product Involvement (PI) as one of the indicator of Business Performance are positively and significantly related (β=0.490, p=0.000<0.05 level of significance). More so, there exist significant relationship between Perceived Value (PV)as an indicator of Business Performance in the company(β=0.438, p=0.000<0.05 level of significance). The results imply that, holding all the aforementioned measure of Customers, Retention (independent variables) constant, Business Performance of MTN has far been in existenceab-initio and is positively inclined (β=3.313, p=0.000 < 0.05 level of significance).

Also, a unit increase in Brand Image, Product Involvement and Perceived Value ofwould lead to 0.173, 0.490 and 0.493 increases in Business Performance ceteris paribus.

Test of Hypotheses

Hypothesis One

H_{01}: Brand image has no significant influence on business performance

H_{11}: Brand image has a significant influence on business performance.

Parameter estimate of the mean response scores of Brand Image as an indicator to Customers' Retention and Business Performance in table 3 with t-statistic of 2.774 and associated p-value of 0.007<α = 0.05 shows that we reject $H_{01}$and thereby conclude there is significant relationship between Brand Image and Business Performance.

Hypothesis Two

H_{10}: Product involvement has no significant impact on business performance

H_{12}: Product involvement has a significant impact on business performance.

Parameter estimate of the mean response scores of Product Involvement as an indicator to Customers' Retention and Business Performance of MTN in table 3 with t-statistic of 5.542 and associated p-value of 0.000< α = 0.05 indicated that we reject $H_{02}$and thereby conclude there is significant relationship between Product Involvement and Business Performance..

Hypothesis Three

H_{03}: Perceived value has no a significant effect on business performance.

H_{13}: Perceived value has a significant effect on business performance.

Parameter estimate of the mean response scores of responsiveness of Perceived Value as an indicator to Customers' Retention and Business Performance of MTN in table 3 with t-statistic of 4.166 and associated p-value of $0.000 < \alpha = 0.05$ shows that we reject $H_{03}$and thereby conclude there is significant relationship between Perceived Value and Business Performance.

5. Conclusion and Recommendations

In order for businesses to go beyond simply delighting both current and potential consumers, customer retention practices are crucial. These practices have been shown to be effective in enhancing a company's performance, particularly in non-financial areas. Therefore, the practice should be made a required management tool for shops in order to survive in the cutthroat retail industry. The results of this study and the recommendations made are anticipated to shed light on customer retention strategies used in the Abeokuta retail industry.

Based on the findings of this study, the following recommendations are put forward:

1. The management of MTN Abeokuta must uphold the numerous values attached to customer retention since happy customers will promote the business and its goods to the broader public.
2. The management of MTN should also be aware of efficient procedures for ensuring ongoing quality control that will result in the highest level of customer satisfaction; they should also develop a marketing perspective that understands the nature of customers' needs through efficient networking positioning to serve their customers promptly.
3. The management of MTN should also put in place mechanisms to cope with the difficulties they face on a daily basis, such as addressing high consumer expectations, creating efficient feedback mechanisms, and making services accessible to clients in a timely manner.

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