

SERVICE QUALITY AND CUSTOMER RETENTION AT SAVVY RIDERS KENYA


MICHELLE NKATHA

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DECLARATION

I hereby declare that this research project is my original work and has not been presented in any other institution.

Signature:  _____

Date: ----17th Nov 2021-

Michelle Nkatha

D61/77361/2015

This research project has been submitted for examination with my approval as the University supervisor.

Signature:  Date: -29th Nov 2021

Dr. Joseph Owino

Senior Lecturer

Department of Business Administration,

University of Nairobi

DEDICATION

This research project is dedicated to everyone who supported in the various stages of the research work.

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ABBREVIATIONS AND ACRONYMS

DSO	Days Sales Outstanding
KNBS	Kenya National Bureau of Statistics
KRB	Kenya Roads Board
SERVQUAL	Service Quality

ABSTRACT

The retention of customers has been under discussion for many years and is still one of the most important unresolved marketing problems. Customer service is considered as the provision of services to meet the needs of consumers prior to, during, and after the purchase of a product. Savvy Rider riders remain an effective case study in the market given that the organization faces a series of competitors in the market, establishing the need to differentiate its services from those of its competitors to remain competitive. The general objective of the study was to establish the effect of service quality dimensions on customer retention at Savvy Riders Kenya. This study was based on three theories, relationship and commitment theory, holistic approach to satisfaction and commitment trust theory. The research adopted a case study approach and an interview guide was used for collection of data. Content analysis was used to analyze data which was qualitative in nature. The study established that service quality influences the customer retention and experience scores, determining how employees are recruited, trained and promoted. Service quality contributes positively to the profitability of Savvy riders as well as to the reputation of the firm as a responsible organization that is run ethically. The study established Savvy rider faces the challenge of maintaining consistent service quality where managers apply the standards inconsistently and reward sales effort more lucratively as compared to service. The study concludes that service quality has a significant influence and plays an important role in customer retention of Savvy riders in Kenya. Savvy riders in Kenya customers consider reliability and responsiveness as the two most important service quality dimensions and tangibles as the least important of the five dimensions. The Savvy riders should embrace the various aspects of service quality in all its departments since they are mostly positive and beneficial to the company. Moreover, the firm should review its mission every year so as the refine all the area which it has not achieved as this would increase the customers' satisfaction through the increased efficiency and the effectiveness of its operations.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Customer service is considered as the provision of services to meet the needs of consumers prior to, during, and after the purchase of a product (Scott, 2015). Kumar, Kee and Manshor (2014) alleges that organizations that are successful in offering quality product and service and rank their customers as their top priority are in a position to retain their clients. Kumar et al. (2014) is of the view that the offering quality service is a measure that determines how services and services are supplied so as to meet the need and surpass expectations of clients resulting in the retention of the customers. In this current competitive marketplace where several businesses are competing for customers, the offering of quality product and service remains an ingredient used in satisfying customers and as bait to retain customers, a key differentiator and business strategy that separates successful organizations from others. Customer satisfaction and retention is therefore determined by the quality of services and goods given to them.

This study was guided by relationship and commitment theory, holistic approach to satisfaction and commitment trust theory. The study was anchored on the relationship and commitment theory developed by Sharma and Patterson's in 1999. The main argument of this theory mainly comprises of three factors that harness the influence of an organization in retaining its customers that include technical quality, communication effectiveness, and functional quality, all of which are affected by the trust that is nurtured in the relationship between customers and an organization. It has been established that

development of quality products and marketing has a relationship on client retention. The second theory underpinning this study was the a comprehensive strategy to satisfaction that was developed by Ranaweera and Prabhu (2003) in an effort to examine client satisfaction and trust have an impact on customer retention. The proponents of this model are evident in its approach to aid organizations to identify the commitment of their clients of different brands of product and service and using this leverage in meeting and satisfying the needs of the customers-resulting in their retention. Finally, Morgan and Hunt (1994) propose that for a healthy partnership, the commitment trust hypothesis is necessary.

The collapse of scheduled bus services that were offered by the Nyayo and Kenya Bus Services around the mid-1990s opened doors for the introduction of other means of transportation that include the privately-owned matatu and taxis, an aspect that marked the beginning of competition in the sector. With the rapid increase in the population in the city, a number of transport systems found strategies to fill this gap. The Kenyan market saw a revamp in the matatu industry and later the hailing cub industry that came with innovation. More recently, several innovations have been noted in the transport industry especially the introduction of two-wheel taxis. Motorcycle dealer's unit sales have grown from 21% to 35% over the past few months, underscoring the significant demand of the two-wheel taxis in Kenya's economy (KNBS, 2020).

The transport industry in Kenya continues to be competitive hence establishing the need for firms in such an environment to establish approaches of gaining their competitive

advantages over their competitors. Recent studies have revealed that quality services it is possible that it will play an essential part in the retention of customers, an approach that may aid organizations in achieving their competitive advantage in the market. In as much as a series of studies mainly focus on building customer relationships; very few studies have directed their attention on quality service delivery in building and retaining a customer base. This study will seek to contribute in this study area.

1.1.1 Service Quality

Service as adduced in the views of Fornell and Wernerfelt (2017) entails the delivery of value to clients, an approach that is achieved through the facilitation of outcomes the clients want to achieve. Service in this case facilitates different outcomes, an approach that is achieved through the enhancement of the performance of the associated tasks and processes and the reduction of constraints. Service quality as established in the views of Eshghi, Roy and Ganguli (2014) is the degree to which an organization's provided activity or product enhances customer satisfaction. For instance, the quality of service technologies may be utilized in a telephone and electronic networking business to assist in the optimization of networked traffic with the intent of improving customer experiences. Besides this, Fen and Meillian (2015) alleges that quality service details how well an organization may deliver its products to meet its clients expectations and beyond. According to Folkes (2014) service business operators are in this case in a position to provide quality solutions designed to suit the requirements of its clients, efforts that play a significant role in improving their services.

In this regard, it is essential to note that the indicators of quality service offered to customers by an organization include an overall satisfaction level, the numbers of retained customers, the growth in an organizations net profits, and the improvements in satisfaction among others. In measuring quality, organizations may incorporate the use of a total quality management score (TQM) in competitively determining the long-term success a firm accrues from its commitment to dedicate to offering products that satisfy customers (Fornell & Wernerfelt, 2017). This system therefore enables organizations to improve product and service quality in an effort to ensure that their processes are streamlined to deliver an improved level of customer experience.

There are several measures of service quality. SERVQUAL is possibly the most extensively used measure of service quality. It is based on five dimensions which customers constantly rate as the most essential for service quality, regardless of service industry. Customer expectations for excellence are measured using the five SERVQUAL dimensions, which are used to determine the gaps between what consumers anticipate and what they perceive as real service delivered. Included in the SERVQUAL measurement's specified dimensions are: empathy, assurance, responsiveness, reliability and tangibility (Kouthouris & Alexandris, 2005). Bowen and Chen (2001) used a follow-up survey where an organization asks its customers to give their service quality rating by way of an email survey for instance through Google Forms. According to Fensel et al. (2012), monitoring of social media is another metric that has gained popularity in evaluating service quality due to the increased adoption of social media.

1.1.2 Customer Retention

Customer retention is defined as the activities the firm takes in decreasing number of customer defections (Khan, 2012). A company's capacity to establish and maintain consecutive relationships with its customers through offering services. Through this approach all newly recruited customers are fully met and both new and old are loyal to corporate goods and services (Khan & Fasih, 2014). Dannesh (2012) from his research work found out that the main step towards customer retention starts with first contact of the customer within the company and goes on throughout the whole lifetime of the firm.

Although there are some methods, retention begins on the first day that a client engages with the supplier. Profits in service businesses rise in directly proportional to the length of time a client has been served. Because loyal consumers spend more as the relationship develops, it is less expensive to service them. They are also more ready to pay full rates as trust is built, and they refer new customers to the business (Saravanakumar & Jayakrishnan, 2014). The significance of satisfying and retaining consumers has been recognized by many businesses in recent years, as per Ford (2012), since customers are what generate the firms' wealth.

Existing customer revenue growth rate is a very essential for a business to monitor (Alexander, 2017). The repeat purchase rate is another good indicator of loyalty usually used by sales and marketing teams to measure performance as well as the influence of customer retention strategy in entirety. Even though this particular indicator usually applies to products, this same formula can be applied to do again subscription or contract renewals (Mceachern, 2017). Product return rate is a measure that particularly applies to businesses that sell tangible products rather than services or subscriptions, product return

rate of the company or the quantity of the total units sold that have been returned to the company is worth consideration with regards to keeping a customer retention strategy (Winkler, 2017). Days sales outstanding is another frequently used measure of customer retention. The mean length of time that receivables are outstanding prior to being collected is referred to as the day's sales outstanding (DSO). It solely indicates how well an organization's accounts receivables are being managed then again how payments a customer is to retaining a strong working relationship with the organization (Salek, 2005).

1.1.3 Transport Industry in Kenya

The Kenyan transport industry is making a considerable headway in its development agenda to broaden and strengthen the regions position as one of the leading transport hubs in East Africa. Besides the heavy infrastructural deficits, the investments made in the transport industry are vital to the expansion of transport systems in the region. The transport industry in Kenya mainly contributes close to 20% of the GDP in Kenya majority of which comes from the road transport sector. The road transport sector further accounts for close to 80% of the nation's total passage traffic, thus leaving a smaller proportion to rail, water, and air transport. The sector is huge and provides a denser network of different roads in most of the populated regions of the nation.

In recent years, Kenyan transportation companies have faced intense rivalry from one another. Service quality has become a significant issue in a broad range of service industries, from banking to transportation (Munusamy et al., 2010). Customers have lodged many complaints about the quality of service provided by certain local

transportation providers (Ngila, 2019). Customers' primary complaints include inexplicable delays that result in significant costs in the form of demurrage charges, inappropriate employee handling, and transportation firms' sluggish reaction to their concerns. Some transportation companies, on the other hand, have not received similar complaints. According to Abishua (2017), several transportation companies have attempted to control service quality and meet the service standards expected by their customers. These businesses have performed better than their rivals.

1.1.4 Savvy Riders Kenya

Savvy riders Kenya are a provider of motorcycle taxi rides in Kenya. The company in 2018 ventured in the market, working with trained professionals who are allowed to provide transport services to clients in Nairobi on reliable motorcycles. At Savvy, the clients are considered as the kings, efforts that have seen the organization make it easy to order rides and get a satisfying safe and reliable service. Savvy Riders supervises all its rides to enhance customer service and in essence improve their service quality.

The organization in its value addition initiative traces all the kilometers made by their riders through a GPS installed system. This is driven towards valuing the trustworthiness with the clients who chose to ride with the company. To enhance service quality that will lead to customer retention, Savvy riders are carefully selected from a growing population of motorcycle taxi riders in Nairobi through its referral system that enables the organization to receive different suggestions from some of the trusted Bodaboda riders in the city. In addition, the organization through its Field Officers take the initiative to scout, select and recruit skilled motorcycle taxi to guarantee that customers' requirements

are fulfilled. Further, Savvy Riders Kenya increases safety on the roads by training riders and equipping them with certified safety gear. These efforts are expected to enhance their quality of service and essentially improve retention of customer.

1.2 Research Problem

The retention of customers has been under discussion for many years and is still one of the most important unresolved marketing problems. The issue confronting companies is to improve service quality as an outlet for client retention. Ennew and Binks (2016) claims that quality of service delivery is extremely competitive, with many companies vying to acquire and keep consumers by developing goods that fit the requirements of the customers. Most clients are educated and aware of changing times and have their own requirements, tastes and preferences. In this context, client retention is seen as a possible strategy businesses may employ to achieve their strategic market advantage and survive in the present competitive environment. Customers therefore need to be satisfied by the level of services offered by an organization in order to maintain their loyalty to an organization's products.

The two-wheeler motorbike taxi service providers are slowly evolving from the traditional model into a new model with the intent of meeting the needs of customers in the Kenyan market. The quality of services and products provided to customers determines the level of how satisfied customers are. The link between customer retention and service delivery is vital (Ennew & Binks, 2016). Organizations in the taxi industry therefore need to focus on strategies aimed at offering quality services that attract more customers, satisfies their needs, retains them, and ensures that the customer refer others to

an entity. Uber remains an effective case study in the market given that the organization faces a series of competitors in the market, establishing the need to differentiate its services from those of its competitors to remain competitive. In meeting its organizational objectives, the company ensures that its services are tailored to meet its consumers' requirements, establishing the rationale behind the successes of the organization.

Studies have been carried out by several scholars demonstrating quality of service influences retention of customer. Majority of the studies have however focused on customer satisfaction. Bharwana (2013) carried out a survey in Faisalabad, Punjab and Pakistan Universities on the effects of quality of service on satisfaction of customer via hypothesis testing. The study concluded that tangible and assurance have greater scores than other perspectives of SERVQUAL while empathy scored the lowest. Agbor (2011) focused on finding the connection that customer satisfaction has with service quality in Umea. The research focused on Umea University hence case study methodology was applied and convenience sampling employed for data collection. The study concluded that responsiveness, reliability, and assurance, are remarkably related with both variables, while empathy was notably found to be linked to service quality. Customer satisfaction showed no noteworthy connection with quality of service. This could possibly imply that service quality dimensions are independent factors to the relations between satisfaction of customers and quality of services. Reza and Barua (2016) investigated service quality for customer satisfaction retail outlets in Bangladesh utilizing Service Quality model and

concluded that the most important element in dependability is customer happiness with policy, social connection and the resolution of problems.

Local studies have mostly focused the connection between quality of service and satisfaction of customer. A study by Odhiambo (2015) which employed descriptive research design to explore how satisfaction of customer is linked to quality of services in Kenya's banking subsector concluded that determinants of service quality to a large extent affect satisfaction of customer. A study by Watiki (2014) on customer satisfaction and service quality in hotels in Nairobi, Kenya applying descriptive method of research concluded that service quality dimensions have varying impact on satisfaction of customer. Notably, reliability proved to be eliciting the highest influence followed by tangible and empathy. Assurance and responsiveness had the least influence to customer satisfaction.

Studies by Odhiambo (2015), Bharwana (2013), Watiki (2014) and Nimako (2012) were carried out across various industries and culture, applying different methodologies. Though the four of them agreed on the presence of connection between service quality and satisfaction of purchasers, Agbor (2011) argues that there is no remarkable relationship, while Mbungwana (2009) did not state quality of service as an element of satisfaction hence no significant relationship. Further, customer satisfaction does not always translate to retention. There are also other factors that the studies stated as elements that influence customer satisfaction. Studies have also shown contradictory findings at levels at which aspects of service quality influence customer satisfaction.

Therefore, this study seeks to answer the question what is the influence of service quality dimension on customer retention at Savvy Riders?

1.3 Research Objective

The objective of this study was to establish the effect of service quality dimensions on customer retention at Savvy Riders Kenya

1.4 Value of the Study

Relationship and commitment theory, holistic approach to satisfaction and commitment trust theory was enhanced by the research. The study added on to the on empirical evidence on service quality dimensions, customer retention and presents an avenue for additional studies on the concept of service quality dimensions. As a result of this research, scholars in the service industry have gained new insights into their field. It will inform the readers how to overcome service quality challenges.

The research was very useful to Savvy Riders Kenya's different management and investors. It abled to offer data on how service quality may help the company achieve higher client retention. This allowed them to broaden their understanding of how the firm's service quality may be improved, as well as help in increasing customer retention, which equates to increased shareholder value.

The findings of this research was also be useful to policymakers, such as regulatory authorities and the government, as they create laws and regulatory frameworks governing businesses' service quality. Regulators took this research into account as they develop regulations to promote a beneficial climate for investors, consumers, and practitioners.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter provides a survey of the literature and different ideas in this topic. It allowed the researcher to learn from past research and provide more valuable information to strengthen the study.

2.2 Theoretical Review

This section discussed the theories that the study is anchored on. They include, the relationship and commitment theory developed by Sharma and Patterson's in 1999; the holistic approach to satisfaction that was developed by Ranaweera and Prabhu (2003); and the commitment trust theory by Morgan and Hunt (1994).

2.2.1 The Relationship and Commitment Theory

The relationship and commitment theory developed by Sharma and Patterson's in 1999 as the main proponent. This model mainly comprises of three factors that harness the influence of an organization in retaining its customers that include technical quality, communication effectiveness, and functional quality, all of which are affected by the trust that is nurtured in the relationship between customers and an organization (Sharma & Patterson, 1999). It has been established that relationship that the development of quality products and marketing has a relationship on client retention. However, the understanding of the rationale why customers choose to be loyal to an organization still remains crucial. The relationship and commitment theory mentions relationship quality dimensions as triggers of customer retention. The relationship and commitment theory

remains fundamental in establishing and building commitment and trust with the external stakeholders of an organization by the creation of loyal and trusted customer relationships.

Sharma and Patterson's (1999) therefore, allege that the relationship and commitment theory may be used in attracting, maintaining, and retaining clients through an art that focuses on the enhancement of customer relationships. The theory asserts that while take cognizance of the need to acquire customers remains part of an organizations marketing responsibility, the relational aspect of marketing may need to primarily concentrate on quality goods development so as to retain customers, a goal that remains of greater significance to an organization. Morgan and Hunt (1994) provide a comprehensive explanation to the relationship and commitment theory by pointing out that its proponents are mainly directed towards developing, establishing, and maintaining a successful and effective relational exchange. It is therefore evident that the relationship and commitment theory is mainly concerned with effective methods of attracting, maintaining and retaining customer relationships, denoting the need to incorporate procedures driven towards achieving this goal.

To this extent that the theory is applicable to this research in the sense that it establishes processes that companies may use in managing their customer relationships through the consideration of the elements that hamper these relationships in order to establish and develop strategies aimed at meeting achieving this goal. This theory was then modified to the commitment-trust theory that was developed by Morgan and Hunt (1994) that tests the characteristics of relationships between an organization and its customer

2.2.2 The Holistic Approach to Satisfaction

The holistic approach to satisfaction was developed by Ranaweera and Prabhu (2003) in an effort to examine the effects of customer satisfaction, the switching of barriers, and trust on customer retention. The proponents of this model are evident in its approach to aid organizations to identify the commitment of their clients of different brands of product and service and using this leverage in meeting and satisfying the needs of the customers-resulting in their retention. The theorist, Ranaweera and Prabhu (2003) therefore argues that there are variances between uncommitted and committed customers, an aspect that is not primarily related to service quality, thus making it difficult to establish proper measures of predicting customer retention based on these grounds.

Richards (1996) criticizes this idea by argue that measuring of customer satisfaction is not by nature an accurate science, especially since it addresses human people and their behavior which is not only hard to quantify but also difficult to understand. This issue is a host of definitions, precedents and implications of customer satisfaction, causing to reticence to officially use customer satisfaction on such a serious subject as marketing assessment and control performance. The theory remains relevant to this study given that it helps service providers to underpin some of the elements that need to be taken note of to satisfy consumers, efforts aimed at driving their commitment and purchasing decisions.

2.2.3 Commitment Trust Theory

The commitment-trust theory was advanced by Morgan and Hunt (1994). Commitment-trust theory was identified as part of marketing functionality that can be viewed from consumer-centered angle or inter-organizational aspect (Aino, 2000). Authors (Christy, 2010) argued that consumer market relationships depended on market segment and product offered; increased relationship potentiality included suppliers giving out incentives. Inter-organization was described as the governance of interdependencies between supplier and client (Aino, 2000). Building and investing in long-lasting relationships has been described as the effective relationship management strategy than transactional relationships and suggested that organizations should work towards potential mutual beneficial partnerships which included concepts such as leadership, customer relationship management and strategy (Zinkhan, 2002). Variables trust, commitment, relationship dependence, communication, cooperation and equity were associated relationship marketing which were introduced, used as a guideline differentiator of successful partnerships (Johnston, 1997).

George, (2002) argued that relationship marketing is not easy to implement as there are many stakeholders to be considered and potential partnership value certainty should be from it. Clients may be unwilling to take up long-term relationship due to cost implication and limitation to particular suppliers (Pandey, 2002). The theory of commitment trust theory cannot be summed up and must be divided into market-based relationship marketing and network-based relationship marketing, with the former dealing with low relational complexity and the latter with high relational complexity. The

authors moreover, noted that business relationships do not exist pure forms and are better analyzed in relational complexity degrees (Aino, 2000).

Conclusion was derived from observing past, present and future and stated that relationship marketing is here to stay whether it embraced or not as the marketing paradigm (Egan, 2010). Relationship marketing experienced early criticism and (Veloutsou, 2002) noted that relationship marketing overcame the challenges and brought about marketing paradigm shift. The future of relationship marketing is still bright and research was noted to deal with understanding satisfaction levels, communication efficiency and consumers attributes (Țichindelean, 2012).

2.3 Empirical Review

Venetis and Ghauri (2004) conducted an investigation of how retention of customers is affected by the quality of services. The outcome of the study indicated that service quality certainly results in the long-lasting relationships as well as retention of customer. Nevertheless, the customer's only goal to stay or to leave does not predict well if the connection is maintained on a long-term basis. The findings of this study concur with Blery et al. (2009) who sought to examine the retention of customers is linked to quality of services in mobile telephony. The outcome of the study showed that a connection exists between service quality and repurchase intention of customers in mobile telephony. Although these studies focused on both retention of customers and quality of services, they were conducted in different contexts whose operations are different from the transport industry and therefore the findings cannot be generalized.

Nsiah and Mensah (2014) performed a research aimed at assessing the impact of quality of service on retention of customers in the financial sector in Ghana. The survey found

that empathy and reactivity are the next biggest in customer retention, tangibility, assurance and ultimately bank dependability. The results correspond with Daniel (2016), who performed a research to assess the impact of the quality of service on retention of customers among business banks in Kenya. A strong relationship exists between customer retention indicators and ServQual characteristics (responsiveness, tangibility, dependability, empathy and assurance) (price, switching barriers, communication effectiveness, involvement level, and customer trust and customer satisfaction). These studies have been carried out in the banking business and cannot thus be used to illustrate the transportation sector. The investigations have also been quantitative, whereas the present research is qualitative in character.

Namukali (2010) carried out a research whose objective sought to examine the influence of non-financial factors on customer retention in the banking industry. The findings of the study indicated that bank location, hall space, security and interior bank design significantly affected retention; however, color scheme did not affect retention. In another study, Ngelese (2016) carried out a study whose objective was to ascertain the effect of operation strategies on customer retention in the context of Kenyan insurance firms. The findings of the study established that the holistic approach of both management and staff involvement in strategies formula lead to customer retention. The operation strategies changes ought to entail the input of employees as well as their contribution in new strategies formulation. Although these studies focused on customer retention, the independent variables were different from service quality that the current study intends to focus on. The studies were also carried out in the financial sector whose operations are different from the transport sector that the current study focuses on.

Mwangi (2014) aimed to connect the dimensions of service quality and client loyalty, as well as the significance of every aspect in the calculation of consumer loyalty between Nairobi County supermarkets. The results of the research demonstrated that empathy, tangibility, dependability, responsiveness and reliability were positively related to consumer loyalty. The results of the research are consistent with Wang, Shieh and Hsiao (2005), who tried to link quality of service, customer satisfaction and customer loyalty throughout their studies. The findings showed that the service quality views had a significant beneficial effect on customer satisfaction. Similarly, a significant beneficial impact on consumer loyalty was confirmed. Although these studies indicate that the quality of service has a beneficial influence on customer loyalty, they have not determined if the quality of the service also impacts on customer retention.

Bharwana (2013) undertook a descriptive research study to establish how quality of service impacted on students' satisfaction in private colleges in Faisalabad, Punjab and Pakistan. The study established quality of service to a larger extent leads to students' satisfaction. Assurance and tangible had greater scores than other dimensions of SERVQUAL while empathy scored dismally. Harr (2008) also conducted a research through exploratory study in Singapore to evaluate determinants of quality of service and their impact on customer satisfaction. The study resolved that empathy, assurance and tangibles are key to customers when assessing service quality and therefore, may positively impact their satisfaction.

A study by Nimako (2012), on dimensions of service quality in Ghana's mobile industry whereby information was being collected through a general survey in four companies, concluded that technical quality is a key dimension to subscribers, followed by reliability,

economy, assurance, responsiveness, image, and empathy. Odhiambo (2015) conducted a study which applied descriptive research method to establish the influence that service quality has on customer satisfaction in Kenya's banking sector. The study concluded that dimensions of quality of service affect customer satisfaction with reliability, responsiveness and empathy being the key dimensions to this effect. These studies have not shown the effect of quality of service on customer retention that the present research focuses on.

2.4 Summary of Literature Review and Knowledge Gaps

This chapter covered the literature review of the study that comprises of the theoretical foundation, and empirical studies on service quality and customer retention. The study highlights three key theories which are the relationship and commitment theory; the holistic approach to satisfaction and the commitment trust theory. Most empirical studies from the literature examined appear to corroborate that fact overall, service quality influence customer retention positively.

Having critically looked at how retention of customer is influenced by quality of service, the critical literature reviews cover impact of quality service on retention of customer at Savvy Riders Ltd and helps to fill the literature gaps in the study. It similarly helps to bring out the key variables and demonstrate how they directly influence the key factor of the study. It is clear that empathy, tangibility, reliability, responsiveness and assurance are key variables of customer retention, and these variables directly affect each other. All these main variables are significant and if well understood they will positively influence customer retention at Savvy Riders Ltd. However, limited researches have been focused

on the development of customer retention plans and a number of companies spend a lot of time going for new business which is budgeted for. Organizations spend little on customer retention in their budget. Hence, due to the significance of customer retention, organizations ought to apportion adequate funds to implement customer retention plans.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

A research technique was required to meet the research goal of the study. This chapter comprised of the study design, the instruments for collecting data, and how it was analyzed. The philosophy displayed the depiction of how the study lead, the arrangement of research, how information was gathered and from whom lastly the information received so as to analyze the information keeping in mind the end goal is to create discoveries of the study.

3.2 Research Design

Cooper and Schindler (2014) defined research design as the technique learned procedurally by the researcher, which allows the researcher to respond to questions in a precise, legitimate, objective, and economic way. The aim of a research design was to enhance the capacity of research to conceptualize an operational strategy in order to undertake the various available techniques and tasks required to complete the study, while simultaneously ensuring that the methodologies used are essential to enhance valid, objective and accurate answers to the research issues. The research project Khan (2008) states With Savvy Riders Kenya as the research unit, a case study approach was utilized.

A case study is a thorough investigation of a person, organization or event (Cooper & Schindler, 2014). This research is suited because it included a detailed evaluation of one institute, which focuses mostly on a thorough investigation rather than a broad analysis. It was best done if a comprehensive and thorough examination of a particular research unit is needed. Yin (1998) observed that a study of cases requires thorough and comprehensive examination of social systems. A case study offers a firsthand examination of a topic whose properties were not widely recognized or understood. In a case study, virtually all aspects of the research unit are examined for disarth behavioural patterns.

3.3 Data Collection

Primary data was used in this investigation. An interview guide was used for the main data collection provided in Appendix I. For this case study, the interview schedule was preferable since it was able to collect information from interviewees as well as provide the researchers a greater insight and comprehension of the study findings. The interview guided the researcher with more recent information and information that could not be obtained by other methods of data collecting.

The targeted respondents for this research was three senior managers at the Savvy Riders Kenya namely; the marketing manager, the finance manager and the country manager. The interview guide will be structured into various sections. The first part focused on the demographic information of the respondents while the remaining areas concentrate on the research goals of the study. To make possible for the researcher tool collects information from the respondent as desired, the researchers was open questions that allowed additional probing if any answers are unclear. The researcher conducted the interviews

individually. Care and control was accomplished by maintaining a record of all inquiries and answers.

3.4 Data Analysis

The data collected from the interview schedule are qualitatively examined, because we may draw broad inferences about the relationship between categories. The study is qualitative because the researcher may explain, analyze and critique the topic of inquiry at the same time, because numerical analysis is impossible to do. Qualitative analyzes are performed via content analysis.

In order to assess the answer, to draw conclusions and to provide suggestions, content analysis will be utilized. The content analysis process included knowledge of the data, preliminary codes are assigned to data in order to characterize the contents, search patterns or subjects of the codes in various interviews, examine topics, define the topics and then draw conclusions from the results.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND DISCUSSION

4.1 Introduction

The purpose of this chapter was to present the analysis of the data obtained and the findings of the study. Data analysis was the process of reducing bulky data to information that address the preliminary intention of the study (Cooper & Schindler, 2003). The data analysis has been done in line with the objectives of the study, which was to determine the effect of service quality dimensions on customer retention at Savvy Riders Kenya. This study targeted three senior managers at the Savvy Riders Kenya namely; the marketing manager, the finance manager and the country manager.

4.2 Description of Analysis

To achieve the objectives of the study, the study targeted three members of the senior manager for Savvy riders. The study established that one of the leadership team was male and two were female. The respondents indicated the positions they held in the organization. The study found out that each of the respondents had worked for the savvy riders for more than more than seven years in different roles and function including marketing roles. This indicated low turnover and meant that they understood the service quality dimensions on customer retention at Savvy Riders Kenya. The study established that each interview had held their current position leadership role for duration of four year. This meant they had the experience and knowledgeable on the research subject matter and would help in the realization of the research objective.

4.3 Role of Service Quality to the Firm

Service quality plays an important role in the decision impacting employees. As part of the hiring decisions, prospective employees are assessed on the basis of their attitude which indicates how well they will handle customers. This considered is given equal consideration to their skills they possess. Prospective employees showing potential in customer service are positively considered. The respondents said that “*promotion, coaching, disciplinary decisions, reward and recognition, considered employee productivity, accuracy levels, internal service quality result from the services offered by the firm to riders*”. High quality service were considered and recommended for promotions if clients met other internal criteria and those who delivered consistent low quality of service got poor appraisals which negatively impacted their career development and put their continued employment at risk.

Employees are assessed against the service delivery standards published by the firm. The customer service manager lamented “*Customer facing employees are expected to acknowledge customers and attend to customers within 3 minutes of their arrival or pick the call within 3 rings. Our firm has standards that outline how the employees should address the customers, how quickly they should serve them, how they should interact with them, handle their queries and complaints and even how they should close their interaction and the notes to retain from the interaction*”. These standards are designed to ensure employees know what is expected of them to be considered to deliver a high quality of service. Breaching the service standards has consequences. There is a zero-tolerance on avoidable breaches and depending on the severity some breaches of

standards such as rudeness and unwilling to assist a customer, can lead to summary dismissal, if proven. Minor breaches are corrected through coaching and training. In view of the high standards the firm has set, staff receives extensive and frequent training to enable them deliver as expected. The country manager pointed out “*The firm carries out an annual Employee Opinion Survey which collates employee view on how the firm as their employer of choice*”. Respondents indicated that there is a consistency between an employee who gave good service and the customer feedback and compliments they received. They found service quality to be an effective measure to differentiate performance. The respondents who criticized the measures held that the measures are subjectively applied because of the human factors involved. They gave examples of employees who were great with customers but had very low accuracy levels and vice-versa. The respondents highlighted also that some employees have learnt their way around to beat the system. Service quality has an influence on the employee dimension of the performance. However for firm a lot needs to be done to ensure that decisions are consistently and objectively applied to get the desired effect of service quality on employee-related decisions.

The respondents were asked if they considered service quality to have a contribution to the profitability of Savvy Riders performance. They all concurred that service quality made a positive contribution to the performance. The respondents attributed the significant service contribution to ease of selling to satisfied customers who are confident with the firm services which are considered of high quality, the level of automation and technology enhancements that improves performance of systems, service guarantees

offered with some service offerings. All respondents concurred that service quality has potential to contribute higher to the profitability of Savvy Riders.

The respondents explained that inability to delivery service right the first time leading to repeat jobs, human factors in service delivery, internal lack of alignment, suboptimal operations of IT systems, inadequate attention paid to after sales service and service quality in some departments were some of the reasons that erode customer confidence and therefore impacting the optimal contribution of service quality to profitability. Finance manager noted that “*there is an increasing dependence on technology as a key service enabler which is used by It officers to allocate location of the riders*”. Ineffective processes that are not lean, insufficient training and not effectively addressing complaint and query root causes, imbalance between attention to sale and service, unclear cascade of service expectations were also explained as factors that hinder service quality from making optimal contribution profits.

4.4 Service Quality Adopted By Savvy Riders Kenya

The respondents stated that the firm has adopted service quality dimensions to remain significant in the market. These service quality dimensions are its core competences in having an edge over other players in the market, because they produce almost similar services. The service quality dimensions adopted are reliability, assurance, tangible, empathy and responsiveness.

4.4.1 Responsiveness

Most respondents noted that service quality has become very critical for survival providing a company with an important competitive edge as it differentiates itself through service delivery. One of interviewees said that “*service quality is considered by the*

respondents as a key factor influencing customer choice when selecting online riders and it influences the choice of customers”. Service quality will therefore be an enabler and a differentiator if Savvy Riders is to achieve its goal particularly in the face of the changes in the environment such as the regulatory changes such as tax policies.

The marketing manager pointed out *“The focus of Savvy Riders is to ensure that the firm provide reliable, on-time, and safe motorcycle taxi rides for the customers within the segments of Nairobi county. The goal for Savvy Riders is to be the ‘beyond just a quick ride for their customers within the segments it services”*. Savvy Riders focuses on delivering an excellent service to customers, ensuring relevant of the products and services and providing customers with convenience.

4.4.2 Reliability

The director noted that *“Savvy Riders has been able to get repeat business and customers due to its reliability of its services making clients purchase additional products and services”*. When the products and services purchased meet or exceed the customers’ expectations the respondents notes a corresponding improvement in the loyalty index by customers. This means that service quality has a positive impact on customer loyalty. This differentiation is seen as providing excellent solutions that meet the customers’ needs.

Providing a high quality service positively impact customers satisfaction and enables the firm to achieve its sales initiatives. When customers are loyal then the firm is able to retain and cross-sell and upsell additional product thereby increasing the customer product holding with the firm. When the service quality is high then the customers are

more loyal and the when the service quality does not meet their expectations then the customer loyalty is negative impacted, particularly if the service recovery does not assure the customers. The manager reported that they have also been able to secure referrals for additional business from customer advocates satisfied with Savvy Riders services.

4.4.3 Assurance

From the findings it was clear that Savvy Riders services are able to attract customers from the competition when there is positive word of mouth about the quality of services enhance assurance among clients. Service quality is crucial for the business to retain the customers that they have gained. According to the analysis, when service quality does not meet customer expectations, the customer feedback through complaints and queries, the customers are able to provide useful information that enables the business to correct what has gone wrong, and for staff to identify training needs. It was pointed out that *“customers are happy with the service; they are not very price sensitive as they felt they got value for the money they paid for the service”*.

From the analysis, Savvy Riders was able to create vocational training opportunities, easy access to finance, success of micro-entrepreneurship and asset ownership. It was able to increase safety on the roads by training riders, equipping them with certified safety gear, giving them financial support as they can own their own motorcycles. Marketing manager pointed out that *“savvy riders business investments in technology innovation and systems, process improvement, employee learning and development and specialised skills training were aimed at improving the overall service quality targeting improved customer satisfaction and driving value for shareholders”*.

4.4.4 Empathy

It was observed that customers interest are ranked first, convenience of the working hours attribute is ranked second and personalization of services last. Savvy Riders is committed to offering quality service to its customers in order to have an edge over its competitors. The managing director noted that *“the management has placed efforts in ensuring empathy commitment is realized. There is a constant communication to staff via email, journals and magazines”*. This commitment is clearly demonstrated in its vision and mission. The management realized that by offering quality service to its customers, it could stand out from its competitors because the products and services offered are more or else similar in the market.

From the analysis Savvy Riders has continuously offered customer service training to its staff to ensure that they are well versed in service they offer and product knowledge. Offering quality customer service is important because today's customers are knowledgeable, they know what they want, services offered to customer are mostly perishable as it cannot be repeated, one has to get it right at first time and the competition is stiff in the market. From the marketing manager *“staff handle approximately 200 enquiries per day, which has resulted to faster turnaround time in solving problems”*.

4.4.5 Tangibles

Some of the initiatives in place to drive customer experience and improve on customer interaction are what the firm team referred to as care calls. These are calls initiated by firm teams to their customers to assess how happy they are with the services being offered. The analysis showed the customer care can collate customer feedback and

proactively address any issues before they become complaints, they are able to address customer queries and even get additional business and referrals from satisfied customers.

The firm aim to develop and maintain long term profitable customer relationship.

Savvy Riders are keen to ensure that colleagues fully engaged and that productivity remains high. Savvy Riders creates a diverse and inclusive environment where employees can fulfil their potential and ensures that the firm is viewed by the employees as the employer of choice. The managing director elaborated

“The top management are keen to employee-centric and to develop and sustain a strong employee value proposition that ensure it retains employees particularly the one it considers its top talent. Some of the measures include employee opinion survey which assist to assess how well the employees find firm to be the employer of choice. Other measures include diversity and inclusion measures such as percentage of women in top management, recruited of qualified employees with disabilities, initiatives that enhance employee welfare”.

4.5 Changes in the Macro-Economic Environment

The respondents were asked to highlight and discuss any changes they are witnessing in the macro-economic environment that has an impact on service quality and which may also impact customer retention, and how Savvy Riders is responding to these changes.

The findings show that macro-economic environment has been volatile both in the local and global environment arising. It was noted that changes in macro environment include, compliance and regulatory, economic, social, technological, political and environmental in nature. From a technological perspective, rapid growth has been experience in embracing technology-fuelled growth as the lowest cost mechanism for service delivery.

Improvements have been seen data connectivity as well as digital communication. From the marketing manager *“Customers are now able to use their smart phones to access a variety services for instance settling utility bills through digital platforms that linked mobile networks there is growing entertainment industry and youth increasing going into entrepreneurship”*.

The analysis indicated that the firm has made notable progress in embracing service quality. However the firm faces shrinking profits management that affect the driving sales in the short term having just emerged from an aggressive sales-driven culture. Quality improvements introduce efficiency in the way they run their departments. It was highlighted that customers communicate the expectation that firm being an international reputable firm should provide services of high quality, they expect to be served by knowledgeable and courteous staff. Service quality by individual staff enables firm take reward and promotion decisions as well as performance management decisions which impacts the career development for staff

4.6 Service Delivery and Customer Retention

The results revealed that service quality and retention was high but there was room for improvement. The marketing manager pointed out that *“Savvy Riders should look to draw in and hold clients with a convincing multi-channel insight across all touch directs as innovation proceeds toward quickly change the manner in which customers act and communicate”*. Virtual channels are turning out to be more important, with the expanding infiltration of fast Web network and Web-empowered cell phones permitting purchasers to invest more energy on the web.

The study showed that the use of service quality contributed to improved customer retention in the organization. The human resource manager lamented that “*reliability of employees and assurance contributed to customer retention hence increased sales*”. Savvy Riders had the option to cooperate with a more extensive crowd and accordingly it prompted expanded client dependability and maintenance. The interviewees clarified that the association had the option to contact more individuals through consequently association built up in various administrations bringing about further developed client maintenance .

4.7 Discussion of Findings

The results obtained from the research study do agree with empirical knowledge. It is clear from the data analyzed in the study that Savvy Riders considered employee productivity, accuracy levels, internal service quality, compliments and complaints from customers and outstanding customer service skills where those who delivered high quality service were considered and recommended for promotions if they met other internal criteria. Finding agree with Fornell and Wernerfelt (2017) entails the delivery of value to clients, an approach that is achieved through the facilitation of outcomes the clients want to achieve. Service in this case facilitates different outcomes, an approach that is achieved through the enhancement of the performance of the associated tasks and processes and the reduction of constraints.

Savvy Riders focuses on delivering an excellent service to customers, ensuring relevant of the products and services, and providing customers with convenience. Most respondents noted that service quality has become very critical for survival providing a company with an important competitive edge as it differentiates itself through service

delivery. The finding agrees with Eshghi, Roy and Ganguli (2014) is the quality-of-service technologies may be utilized in a telephone and electronic networking business to assist in the optimization of networked traffic with the intent of improving customer experiences.

It was indicated that there been able to secure referrals for additional business from customer advocates satisfied with Savvy Riders services. When the service quality is high then the customers are more loyal and the when the service quality does not meet their expectations then the customer loyalty is negative impacted, particularly if the service recovery does not assure the customers. The respondents explained that a Contact Centre is a central place within an organization where employees handle incoming and/or outgoing customer calls, email, SMS, web chat, voice mail and scanned. documents in a structured and programmed and monitored way. The findings disagree with Folkes (2014) service business operators are in this case in a position to provide quality solutions designed to suit the requirements of its clients, efforts that play a significant role in improving their services.

The findings revealed that the use of service quality contributed to improved customer retention in the organization. Savvy Riders was able to interact with a wider audience and as a result it led to increased customer loyalty and retention. The findings agree with Odhiambo (2015) dimensions of quality-of-service affect customer satisfaction with reliability, responsiveness and empathy being the key dimensions to this effect. Nimako (2012), technical quality is a key dimension to subscribers, followed by reliability, economy, assurance, responsiveness, image, and empathy.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of findings regarding the objective of the research. It covers the conclusion and recommendations of the study.

5.2 Summary of the Findings

The study objectives were to determine effect of service quality dimensions on customer retention at Savvy Riders Kenya. The study established that each of the respondents had worked for the firm for more than more than seven years in different roles and function and also the established that each interview had held their current position leadership role for duration of four year. This meant they had the experience and knowledgeable on the research subject matter and would help in the realization of the research objective.

The respondents revealed that the service quality is an important contributor to the customer retention for Savvy riders. The service quality influences the customer retention and experience scores, determining how employees are recruited, trained, and promoted. Service quality contributes positively to the profitability of Savvy riders as well as to the reputation of the firm as a responsible organization that is run ethically. The respondents' feedback revealed that across Savvy riders' service quality has an impact on customer retention and each department has a unique way of measuring service quality. Further the study revealed that the most important service quality dimensions for Savvy riders customers are Reliability and Responsiveness whereas Tangibles was considered to be

the least important dimension. On service gaps the study determined that the five service gaps of knowledge, policy, service delivery, communication and service quality are present in Savvy riders.

There are measures in place to bridge the gaps with varying degrees of success. There however was no consensus amongst the respondents of which gap was the smallest or the largest. Finally, the study revealed that there are macro-economic factors that have made service quality an important differentiator for Savvy riders and that Savvy riders has position itself to address the challenges presented by these factors in order to remain profitable. The study established from the respondents that challenges of maintaining consistent service quality where managers apply the standards inconsistently and reward sales effort more lucratively as compared to service quality.

5.3 Conclusion

From the findings, the study concludes that service quality has a significant influence and plays an important role in customer retention of Savvy riders in Kenya. Savvy riders in Kenya customers consider reliability and responsiveness as the two most important service quality dimensions and tangibles as the least important of the five dimensions. Savvy riders in Kenya will need to pay special attention to ensure that it provides a reliable service to customers ensuring delivers on its promises to customers and is responsive – attends to the customers with speed.

The study also concludes that there is a consistency between employees who give good service and the customer feedback and compliments received. Savvy Riders goal to the ‘beyond just a quick ride’ for their customers implies that service quality will be a key

factor influencing this choice. Service quality is considered by the respondents as a key factor influencing customer choice when selecting online riders.

Lastly, the study concludes that service quality contributed to improved customer retention in the organization. Savvy Riders was able to interact with a wider audience and as a result it led to increased customer loyalty and retention. Service quality by individual staff enables firm take reward and promotion decisions as well as performance management decisions which impacts the career development for staff.

5.4 Recommendations

The summary of findings and conclusions in this chapter, the researcher has made some recommendations. The Savvy riders should embrace the various aspects of service quality in all its departments since they are mostly positive and beneficial to the company. Moreover, the firm should review its mission every year so as to refine all the areas which it has not achieved as this would increase the customers' satisfaction through the increased efficiency and the effectiveness of its operations.

The study recommends that Savvy Riders becomes more diligent in environment scanning and continue with proactive as opposed to reactive strategies in dealing with challenges of service quality dimensions. This can be achieved by formulating and implementing strategic initiatives that would prevent any anticipated adverse changes for its operating environment. The study recommends that other riders or any other organization should have specific service quality dimensions to remain significant in the market.

Finally it is recommended that Savvy Riders should start reporting and measuring the impact of service quality to customer retention and sensitising employees on the importance and contribution of service quality which is increasingly becoming a critical differentiator in the taxi industry in Kenya.

5.5 Implications of the study

In this study, sought to determine effect of service quality dimensions on customer retention at Savvy Riders Kenya. The findings of study are of importance to the online taxi riders as it can be using the conclusions and recommendations to enhance service quality dimensions and customer retention.

This information will allow policy-makers, trainers, consultants and institutions to design strategic initiatives, tools and actions which will encourage service quality dimensions by online taxi riders in Kenya. The findings of this study point out the strategies used by market leader thus other online taxi riders can adopt these or develop service quality dimensions which is in line with the findings.

Finally, the findings of the study further add on the empirical evidence on service quality dimensions, customer retention and online taxi sector and presents an avenue for additional studies on the concept of Marketing management.

5.6 Limitations of the Study

The researcher encountered a number of difficulties when performing the study, including the fact that the company generally does not want to provide information because of the confidentiality of clients. Others would be reluctant to provide the

information because of its value to them. This resulted in a longer time frame for collecting data.

The researcher took more time than expected to conduct the study as she interviewed the top management of the firm. The sample included a small number of the firm's management. The study limitations was that the research was based on a case study of Savvy taxi rider. Some of the respondents were hesitant, to ensure the disclosure is not detrimental to the company. Mainly, the respondents gave general information to avoid exposing the company to competitors.

The onset of covid 19 necessitating people working from home and maintaining social distance limited the interactions the researcher could have with the respondents. Follow up questions had to be done remotely via a phone call or zoom meetings. These limitations further made it harder to adequately validate some of the responses as would have been the case in face-to-face meetings.

5.7 Suggestions for Further Studies

The context of this study was the online taxi rider in Kenya and the study focused only on a single firm and did not incorporate other firms within the industry in which Savvy taxi riders belongs to. The study therefore recommends a similar study, which will incorporate other online taxi firms to establish the service quality dimensions that they have adapted and how they affect the organizations' service delivery.

In summary, combining the study suggests that a mixture of approaches used to undertake this research as a case study method may not have exhausted the problem or produced robust findings hence the need to use in-depth interviews together with surveys might assist solve the issues.

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APPENDICES

Appendix I: Interview Guide

This interview guide collects information to assist understand the quality of service and retention of customers in Savvy Riders Kenya. The information gathered in this interview guide is kept in absolute confidence.

The purpose of this interview is to:

- i) Determine the service quality adopted by Savvy Riders Kenya.
- ii) Establish the effect of service quality on customer retention at Savvy Riders Kenya.

PART A: RESPONDENT PROFILE

- 1) What is your current position in the firm?
- 2) For how long have you been with the firm overseeing this function?
- 3) Are you involved in marketing of the firm?

PART B: SERVICE QUALITY ADOPTED BY SAVVY RIDERS KENYA

- 4) What is the role of service quality in your firm?
- 5) How is service quality measured in your firm?
- 6) Consider the following 5 service quality dimensions. Rank them from 1 to 5 based on what you consider to be the most important dimension to Savvy Riders Kenya customers,

where a ranking of 1 represents the most important dimension and 5 represents the least important dimension of the 5 listed. The 5 service quality dimensions are:

- a. Reliability
- b. Assurance
- c. Tangibles
- d. Empathy
- e. Responsiveness

7) Refer to the information slip I have handed to you explaining 5 gaps that affect service quality in organizations. Do these gaps exist in Savvy Riders Kenya? In reference to these gaps, which one in your view represents the smallest gap and the largest gap in Savvy Riders Kenya? Please share some interventions if any, that Savvy Riders Kenya has in place that can address the gaps that exist.

- a) Knowledge gap – difference between what management believes customers expect and customers’ actual needs and expectations
- b) Policy gap – difference between management policy and understanding around customer expectation and quality of service delivery.
- c) Delivery gap – difference between specified delivery standards and the delivery’s team actual delivery on these standards
- d) Communication gap – has two elements. A) Difference between what is promised through sales and advertising and what is actually delivered. B) Difference between what is delivered to the customer and what the customer perceives that they have received.

e) Service quality gap – difference between what the customers expects to receive and their perception of what is received.

8) What is the year-on-year trend of investment in service quality in Savvy Riders Kenya – is it increasing, decreasing, fluctuating or flat? What is driving the investment trend and which areas does it most impact?

9) What do you foresee as the trend going forward with regards to the level of financial investment in service quality initiatives?

10) What changes are you witnessing currently in the macro-economic environment that may impact service quality and therefore impact Savvy Riders Kenya's performance? How is Savvy Riders Kenya responding to the identified changes?

PART C: SERVICE QUALITY AND CUSTOMER RETENTION

11) In your view, how has the customer retention at Savvy Riders Kenya been as a result of its service quality?

12) Can you conclude that the adoption of service quality has improved existing customer revenue growth rate in your firm?

13) Has Savvy Riders Kenya achieved increased repeat purchase rate as a result of the application of appropriate service quality?

14) In your view, has customer retention at Savvy Riders Kenya improved as a result of service quality?

Thank you for your co-operation